



Special Meeting of Council

Agenda

Wednesday 8 October 2025
Yea Council Chambers
15 The Semi Circle, Yea
5:30 PM

ORDER OF BUSINESS

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1 ACKNOWLEDGEMENT OF COUNTRY AND COUNCILLORS' PLEDGE

1.1 Acknowledgement of Country

The meeting will be opened with the Mayor reading the following on behalf of the Murrindindi Shire Council:

“Murrindindi Shire Council is proud to acknowledge the Taungurung and Wurundjeri people as the traditional custodians of the land we now call Murrindindi Shire, we are committed to working together in the best interests of the people who live in our municipality, who conduct business here and those who visit.

We pay our respects to their Elders past, present and emerging, who are the keepers of history, traditions, knowledge and culture of this land.”

1.2 Councillors' Pledge

“The Councillors, democratically elected to represent our community as the Murrindindi Shire Council, are committed to working together in the best interests of the people who live in our municipality, those who conduct business here and those who visit.”

2 PROCEDURAL MATTERS

2.1 Privacy Note

This public meeting is being streamed live via our Facebook page and made available for public access on its website along with the official Minutes of this meeting.

2.2 Apologies and Request for Leave of Absence

2.3 Disclosure of Interest or Conflict of Interest

In accordance with section 130 (1)(a) of the *Local Government Act 2020* Councillors are required to disclose any “conflict of interest” in respect of a matter to be considered at a Council Meeting.

Disclosure must occur immediately before the matter is considered or discussed.

3 REPORTS - PEOPLE & CORPORATE PERFORMANCE

3.1 Adoption of Financial and Performance Statements for 2024/25

Department	Business Services
Approved by	Michael Chesworth, Director People and Corporate Performance
Presenter	Cr Paul Hildebrand
Portfolio	Integrity, Finance and Resilience
Purpose	For Decision
Attachment(s)	<ol style="list-style-type: none"> Attachment 1 - Financial Statements 2024-25 (3-10-25) [3.1.1 - 53 pages] Attachment 2 - Performance Statement 2024-25 (3-10-25) [3.1.2 - 15 pages]

Executive Summary

This report outlines Council's draft Annual Financial and Performance Statement for 2024/25. These documents were reviewed by Council's Audit and Risk Committee on 25 September 2025, which recommended their approval in principle.

Council recorded an \$8 million operating surplus, exceeding the original adopted budget by \$5.7 million. This was largely due to unexpected revenue, most notably a \$3.3 million advance payment in June from the Federal Government for the 2025/26 Financial Assistance Grants; \$2.5 million in flood recovery funding, and a once-off accounting adjustment of \$1.9 million for reduced future (provision) landfill rehabilitation costs.

While these items boosted the reported surplus, they do not reflect ongoing operational income and may give the impression that Council is generating surplus funds through its core operations. The underlying result, which removes capital income, provides a clearer picture of Council's financial health. The underlying result showed a \$1.8 million improvement compared to budget, but still reflects a deficit of \$1.5 million. However, when the two one-off revenue items mentioned above are removed, the adjusted underlying result reveals a more realistic deficit of \$6.6 million.

Whilst Council's current working capital (its ability to meet its short-term liabilities) remains strong, continuing annual underlying deficits are reducing Council's financial position and sustainability over the medium term. This remains a major priority to address in Council's longer term financial, asset and rating plans and in the strategies adopted in the new Council Plan 2025-2029, focusing on asset rationalisation, organisational efficiencies and increasing revenues.

RECOMMENDATION

That Council:

- Approve, in principle, the following statements for the 2024/25 financial year:
 - The Financial Statements for the year ended 30 June 2025
 - The Performance Statement 2024/25.
- Authorise the Principal Accounting Officer to make minor amendments required to the Financial Statements and Performance Statement for the year ended 30 June 2025 to meet the requirements of the Victorian Auditor General's Office (VAGO).
- Authorise Councillor Gallagher, Councillor Hildebrand and Council's CEO to certify the final versions of the 2024/25 Financial and Performance Statements, following

any changes recommended or agreed to, by the Auditor General in accordance with the *Local Government Act 2020*.

Background

As required under Section 98 of the Local Government Act 2020 and Local Government (Finance and Reporting) Regulations 2020, Council must approve 'in principle' to the Annual Financial Statements, comprising the Financial Statements and Performance Statement, before submitting them to the Victorian Auditor General (VAGO).

Council's external auditors have completed their review, and Council officers have prepared the draft 2024/25 Financial Report and Performance Statement for submission. These draft statements, included in Attachments 3.1 and 3.2, form the basis of the 'in principle' approval.

To meet the statutory deadline of 31 October 2025, the following process is required:

- The Audit and Risk Committee reviews the draft statements and to recommends 'in principle' approval to the Council.
- Council formally reviews the draft and authorises two Councillors and the Chief Executive Officer to sign the final versions.
- The external auditor reviews the 'in principle' approved statements and forwards them, along with Council's resolution and the Audit Report, to the Auditor General.
- The Auditor General may request changes, which are incorporated by Council's Principal Accounting Officer (Manager Business Services).
- Once finalised and signed, the Auditor General issues the Audit Report, which is included in Council's Annual Report 2024/25.

Discussion

The draft financial statements detail Council's financial position as at 30 June 2025, and all financial activity during the 2024/25 year. These statements have been prepared in accordance with Australian Accounting Standards and the Model Accounts for Victorian Councils.

The Audit and Risk Committee endorsed the statements on 25 September 2025, for adoption by Council. A summary of the draft financial results for the year ending 30 June 2025 is provided in Table 1.

It is important to note that the annual financial statements compare the actual results against the original adopted budget, not the revised budget used in quarterly reporting. The original adopted budget does not include carry forward adjustments from the previous year.

Operating Result

Table 1: Operating performance – Income Statement results against original adopted budget

	Original Budget 2024/25	Actual Result 2024/25	Variance to Original Budget
	\$'000	\$'000	\$'000
Income	44,532	54,929	10,398
Expenditure	42,199	46,892	4,693
Surplus/(deficit)	2,333	8,037	5,705

The income statement accounts for all Council revenue, including grants and contributions associated with capital works and all operating expenditures (but not capital expenditure).

There is a \$5.7 million favourable variance to the operating result for the financial year compared to the original budget, resulting in an \$8.0 million surplus. This variance was largely the result of increased income, most notably an unbudgeted \$3.3 million advance payment of the 2025/26 Federal Financial Assistance Grants received in late June 2025. Other grant revenue increases included Flood recovery grants of \$2.5 million and funding associated with Alexandra East Development Plan Project (\$289,000).

In addition, income increased by \$1.9 million due to a one-off accounting adjustment to the provision (in the Balance Sheet) for the rehabilitation and aftercare of the Alexandra landfill site due to lower than anticipated future costs, which was recognised as 'other income' in the operating statement

Whilst there was an increase in expenditure of \$4.6 million compared to the original adopted budget, this was not sufficient to offset the increase in revenues, hence the increased operating surplus. The main influences on the expenditure increase were contractors and materials utilised for flood recovery works \$2 million, and an increase of \$1.1 million in depreciation costs following asset revaluation adjustments and indexation of asset values.

Other major contributing factors to the operating result are listed in Table 2.

Table 2: Major Variations to 2023/24 Original Budget

Item	Variance (\$'000)	Explanation
Income/revenue		
Statutory fees and fines	(267)	Unfavourable variance of \$267k is due to decreased economic activity resulting in lower than budgeted building and development fees.
User fees	596	Favourable variance due to increased activity at Resource Recovery Centres and Alexandra Landfill \$136k. Higher throughput at the Yea Saleyards \$445k.
Grants - operating	3,053	Favourable variance due to the 2025/26 Federal Assistance Grants (Victorian Grants Commission) paid in advance in June 2025 \$3.3m., and grant funding for Alexandra East Development Plan \$289k.
Contributions - non monetary	1,370	Council receives contributions in the form of infrastructure as a result of subdivisions and developments. The timing and amount of such contributions are largely outside the Council's control. Details of contributions are shown in Note 3.5.
Other income	2,787	Favourable variance due to a one-off adjustment to the provision for the rehabilitation and aftercare of the Alexandra landfill site due to the lower than anticipated future cost. \$1.9m. Also Interest on investments \$183k due to higher interest rates. Volunteer services higher than budgeted (offset by corresponding expenditure) \$148k. Furthermore, insurance reimbursements were \$177k higher than budget, and income received from the Yea Wetlands Community Asset Committee of \$167k as payment for works done by Council. Recycling

Item	Variance (\$'000)	Explanation
		income received from resource recovery was \$58k higher than budgeted.
Expenses		
Materials and services	(3,351)	Contractor and materials utilised to complete flood funded recovery works \$2m. Resource were engaged to complete other new and carried forward grant funded projects \$526k. Staff vacancies were difficulty to fill, and short-term contract and labour hire arrangements were used \$243k. Higher fuel and plant repair cost \$126k. Extra works at Marysville Caravan and Holiday Park including removal of dangerous trees, funded from reserve transfer \$73k. Extra throughput at the saleyards generated extra cost \$257k , more than offset by additional saleyards income.
Allowance for Impairment losses	(24)	Provision for doubtful debts and infringements write-offs were not budgeted.
Depreciation	(1,140)	Infrastructure deprecation increased due to the impact of the revaluation and indexation of asset values during 2024/25.
Finance Costs - Leases	74	Proposed borrowing did not proceed. Small finance cost is due to the take up of right of use leased assets.
Other expenses	(111)	Volunteers' services were above budget expectations \$148k, offset by corresponding income recognition. Councillor expenses \$20k lower than budgeted.

A detailed analysis of all variances greater than \$500,000 or 10% is outlined in note 2.1.1 of the Financial Statements in Attachment 3.1

Underlying Result

The Income (or Operating) Statement includes capital funding sources (grants and other capital contributions) but does not include capital expenditure, which is represented in the Capital Expenditure Statement. Hence the operating result is artificially inflated by these capital related revenues. The underlying result removes these contributions in order to provide a more realistic measure of the Council's ability to raise sufficient operating revenues to cover its operating expenses. This is called the Underlying Result and trends in this result overtime represent a more meaningful measure of a Council's overall financial sustainability.

Council has experienced a trend of increasing underlying deficits for several years and a \$3.6 million underlying deficit was budgeted for 2024/25. As shown in Table 3 the unbudgeted increases in operating revenue noted above resulted in a \$1.8 million improvement in the underlying result, to produce an underlying deficit of \$1.5 million. However, as previously noted the operating result includes the \$3.3 million advance payment of the financial assistance grants which relate to the 2025/26 year and a favourable once-off accounting adjustment of \$1.9 million to recognise a reduction in the provision for future costs at the landfill. Neither represent revenue (cash) generated from operations in the 2024/25 year.

Table 3: Underlying Result

	Original Budget 2024/25	Actual Result 2024/25	Variance to Original Budget
	\$'000	\$'000	\$'000
Underlying Result	(3,634)	(1,508)	1,829

Underlying result adjusted for the following:

Grant commission in advance	(3,228)
Landfill rehabilitation adjustment	(1,884)

Adjusted Underlying result (deficit) (6,619)

Table 3 shows that by removing these distorting influences, Council's true underlying result is an underlying deficit of \$6.6 million, which is \$2.99 million unfavourable to the original budget. Continuing and increasing underlying deficits are not sustainable and are weakening the Council's overall financial position. To counter this Council, through the adoption of its new Council Plan 2025-2029, has developed a range of strategies focused on sustainable population growth, asset reduction, organisational efficiencies and increasing revenues. Advocacy to other levels of government to increase funding assistance for small rural councils also remains a high priority.

Key Financial Ratios

An analysis of the key financial ratios reviewed by the Council's auditors is provided in Table 4 below. This is a subset of all the indicators which Council is required to report on as part of its obligations under the Local Government Performance Reporting Framework (LGPRF).

Table 4: Key Financial Ratios

Indicator	2021/22	2022/23	2023/24	2024/25	Comments
<u>Liquidity:</u>					
<i>Working capital</i>					
<i>Current assets compared to current liabilities</i>	331%	320%	301%	267%	Council's ability to meet current liabilities remains strong. Current Liabilities have increased due to the grant funding being received in advance
<i>Unrestricted cash</i>					
<i>Unrestricted cash compared to current liabilities</i>	33%	-44%	-41%	-0.3%	By year-end, cash and cash equivalents had increased compared with the 2024 year-end balance, due to a \$10M realisation of fixed term investments, resulting in a positive impact to unrestricted cash balance
<u>Operating position</u>					
<i>Adjusted underlying result</i>					
<i>Adjusted underlying surplus (or deficit)</i>	0%	-8%	-16%	-0.45%	Operating grants were higher than anticipated due to the need to recognise grants paid in advance associated with a prepayment by the

Indicator	2021/22	2022/23	2023/24	2024/25	Comments
					Victorian Grants Commission. Consequently, the operating result was a surplus, which improved the adjusted underlying result.
Stability					
Rates concentration					
<i>Rates compared to adjusted underlying revenue</i>	61%	60%	60%	53%	The increase in adjusted underlying revenue was driven by the recognition of grants received in advance as income.
Obligations					
Indebtedness					
<i>Non-current liabilities compared to own source revenue</i>	30%	28%	23%	9%	The decrease in non-current liabilities is primarily due to the proposed borrowings for the year not being undertaken
Asset renewal and upgrade					
<i>Asset renewal and upgrade compared to depreciation</i>	134%	125%	96%	90%	This deterioration reflects the upward movement in asset revaluations and indexation of asset values in 2024/25

The full draft Performance Statement is provided in attachment 3.2.

Council Plan/Strategies/Policies

This report supports the *Sustainable Infrastructure and Financial Management* Strategy to strengthen Council's approach to asset planning, risk management and long-term financial strategy.

This report also supports the *Transparent Governance and Authentic Engagement* Strategy to communicate clearly and openly about decisions, services and priorities.

Relevant Legislation

Section 99 of the Local Government Act 2020 requires Council to approve in principle the Financial Statements and Performance Statement and nominate two Councillors to certify them.

Financial and Risk Implications

The 2024/25 Financial Statements and Performance Statement report on Council's financial and non-financial performance for the financial year.

Although the reported underlying deficit of \$1.5 million was a \$1.8 million improvement on the original budget, this result was inflated by additional revenues that were not generated by, or applicable to, Council's operating performance in the 2024/25 year. These revenue sources distort the true underlying operating result, and when removed from the equation, reveal a more realistic underlying operating deficit of \$6.6 million.

Consecutive underlying deficits are eroding the Council's financial position and longer-term viability, and this remains a high priority to address in Council's financial planning and strategy moving forward.

Conflict of Interest

There were no conflicts of interest declared by Council officers in relation to the matters contained in this report.

Community, Stakeholder and Communication Consultation

No external community or stakeholder consultation was required for this matter.