



AEC Group

Financial Sustainability Review – City of Wodonga

AEC was engaged by City of Wodonga to undertake a review of the Council's current financial sustainability, to provide an independent forecast of the financial position and to provide recommended strategies to improve the long-term financial sustainability. AEC applied our approach that has been developed from over 15 financial sustainability assessments, which is a two-factor assessment:

Test 1 - Ability to maintain fiscal capital – does the Council maintain adequate cash over the assessment period?

Test 2 – Ability to maintain infrastructure capital – does the Council maintain assets to meet service needs over the assessment period?

Using our own financial forecast tool, AEC analysed the historical and current budgeted operating position at a service level. For each service AEC applied a growth factor, and applied indexation to the cost elements. The net cost of services was analysed and opportunities highlighted to improve the net cost of services provided with a fee or charge. Plans and strategies were reviewed for any unfunded commitments or service enhancements adopted by Council.

AEC assessed the Council's approach to asset management, and in liaison with the asset custodians, provided advice on whether the current investment was sufficient to meet the funding requirements of asset management plans. In liaison with asset custodians, AEC identified the funding requirements for a sustainable capital works plan that included future asset renewals, upgrades and new assets – including commitments outlined in the Development Contributions Plan.

AEC analysed council's total cash and investments projected over the assessment period for two scenarios - the current planned capital investment and under the more sustainable capital works plan. AEC assessed that Council was not generating sufficient cash from operations to maintain cash balances, including reserves and an adequate unrestricted cash balance.

Advice was provided to Council on the quantum of the correction to the funding of a sustainable capital works plan and the necessary cash that needed to be generated from operations to be sustainable. Options were provided to improve cash generated from operations, including increased revenue and reduction in operating costs.

AEC Review of Redlands Investment Corporation

Redlands City Council developed Redlands Investment Corporation (RIC) as a subsidiary company of the Council to lead the delivery of major development projects in conjunction with the State Government. RIC was also purposed with developing Council land transferred (gifted) to RIC with intent to realise planning and place setting objectives within the LGA.

AEC was engaged by Council to review the operational and financial performance of the company, including whether the company was effective in delivering on the company objects established by the Council and to provide recommendations to Council for improvements.

AEC completed a review of the past performance of RIC, including reporting on the realisation of the benefits outlined in the original business case, profitability of the property development functions and the overall return on investment for Council. The review included assessing the capabilities developed within RIC compared to capabilities required to deliver upon the established company objects, as well as the value of the services provided back to the Council by RIC under an established service agreement.

AEC provided recommendations to address areas of concern raised by the review, including changes to the scope of the purposes of RIC, financial arrangements, performance reporting and the project governance arrangements between Council and RIC.