



# CITY OF WODONGA

## FINANCIAL SUSTAINABILITY REVIEW SUMMARY REPORT

JANUARY 2024

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Client: City of Wodonga

Client Contact: Dena Vlekkert

Project Manager: Vanessa Phelan

Email: [reception@aecgrouppltd.com](mailto:reception@aecgrouppltd.com)

Telephone: 1300 799 343

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# 1. INTRODUCTION

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## 1.1 BACKGROUND

The City of Wodonga (Council) is the most significant economy in North East Victoria with a catchment area of more than 180,000 people. With a current population of more than 42,000, the local government area has experienced significant growth in recent years and is projected to continue to grow at a rate above the state average to an estimated population of 57,314 by 2036. The growth is anticipated to include an additional 3,500 children, an increase of close to 27%, and an increase of 3,500 retirees, or an increase of 41%.

With substantial growth in population, the Council is planning for growth in the demand for both services and infrastructure. The Wodonga Council Plan 2021-2025 – as the key strategic document that guides the decision-making and resource allocation – clearly outlines the challenges and the criticality that the Council plans, partners and seeks to meet the needs of the growing population and ensure the community has access to sufficient amenities and services.

The current and future financial sustainability of the Council is a fundamental basis to enable the Council to provide adequate amenities and services, both for the current and future generations that will consume and pay for amenities and services.

On 7<sup>th</sup> August 2023 Wodonga Council held a Finance and Budget Delegated Committee (FBDC) meeting where the Councillors recommended to Council that Council undertake a Financial Sustainability Review (FSR). The Council confirmed its support for the FSR at the meeting held 21<sup>st</sup> August 2023. The stated primary objective from the Councillors was to develop a comprehensive Financial Sustainability Plan that will enable the City of Wodonga to operate sustainably into the future.

Council engaged AEC Group Pty Ltd (AEC) late November 2023 to undertake a Financial Sustainability Review (FSR), including recommendations and an implementation plan to address the key findings of the review. The Council requested that the FSR be completed by the end of January 2024 to enable the Council to include the outcomes of the FSR in the preparations and considerations for the 2024/25 Budget. Therefore, the project was completed within a 10-week window, including a period of closure for both Council and AEC in December.

It is important to note that Council is completing a Service Planning project concurrently with the FSR. Therefore, while the FSR is informed by actions completed in the Service Planning, the FSR did not duplicate aspects of service planning – such as defining levels of service, quantifying future demand of services, reviewing service delivery approach, capacity constraints and detailed analysis of the service efficiency of each service. AEC understands Council will combine the findings of the FSR to inform the completion of the Service Planning project.

## 1.2 APPROACH

AEC's assessment of financial sustainability is an assessment of the Council's ability to maintain financial capital and infrastructure capital over the long term, while delivering on service and infrastructure growth commitments defined in the vision and community strategic plans:

- **Test 1 - Maintaining Financial Capital** - is concerned with the ability of the Council to sustain the availability of cash into the future to meet the service and infrastructure needs. We assess whether Council can produce sufficient cash from operations, investing and financing activities to fund services, maintain existing assets and provide for planned growth and development.
- **Test 2 - Maintaining Infrastructure Capital** – is concerned with the Council's ability to provide physical assets over the long term to meet the service requirements and demand. We assess Council's approach to asset management and infrastructure planning and whether the approach is affordable for current and future generation of ratepayers.

In delivering the current and planned growth in services and infrastructure, both tests need to be satisfied for the Council to be considered financially sustainable over the long term.

## 1.3 STRATEGIC ALIGNMENT

The *Local Government Act 2020* (the Act) introduced strategic planning principles for Victorian Councils, including an integrated approach to planning, monitoring and performance reporting. A key component of the Integrated Strategic Planning and Reporting Framework (ISPRF) is the Financial Plan. The Financial Plan is a rolling plan with a scope of at least ten financial years, with the purpose of outlining the resourcing plan for the delivery of the services and infrastructure outlined in other corporate plans and strategies.

In preparing the FSR, AEC has considered the suite of service and infrastructure plans that Council has adopted as enabling strategies in the delivery of the Council Plan 2021-2025. The adopted Council Plan seeks to prepare and deliver projects, programs

and services to meet constant population and urban growth and create a more livable and prosperous city. The Council Plan is developed with a projected increase in population from 44,000 in 2021 to 57,000 in 2036 (increase of 5,000 dwellings).

AEC has considered and assessed the alignment between the adopted Financial Plan and the suite of planning documents that Council has adopted, with particular emphasis upon whether the Financial Plan has adequately included the impact of adopted plans on future operating and capital works funding requirements.

## 1.4 LENEVA-BARANDUDA PRECINCT STRUCTURE PLAN AND DEVELOPMENT CONTRIBUTION PLAN

The Leneva-Baranduda is a major development that presents both benefits and risks to the financial sustainability for the Council.

The Leneva-Baranduda Precinct Structure Plan (PSP) describes how the land within the precinct is to be developed and whether services (including Council infrastructure) are planned to support the development. Included in the PSP are projects required to ensure residents, visitors and workers within the area can be provided with access to services and transport options. The Development Contributions Plan (DCP) developed in parallel with the PSP informs and directs the development of the Precinct and the monetary contributions development proponents are required to make toward funding the infrastructure.

The PSP is anticipated to yield 6,037 lots and an increase in population of 15,395 residents.

The DCP is incorporated into the Wodonga Planning Scheme and implemented through the Development Contributions Plan Overlay.

Importantly, for the consideration in the inclusion of the Financial Plan is the timing and cost for the construction of infrastructure outlined in the DCP (total cost in 2018 was estimated to be \$120M in Development Infrastructure and \$10M in Community Infrastructure), the timing and estimate of the revenue yield from monetary developer contributions and a funding plan to address any deficit in the availability of cash due to the misalignment between the revenue yield and the cost of development.

Furthermore, Council will need to include in the Financial Plan additional operational costs that will be incurred for the future operation and maintenance of new infrastructure and community facilities development in the Precinct.

As outlined above, the Council Plan includes a review of the PSP and DCP which is particularly important given the recent significant increases in construction costs. It should be noted that projects that are not sufficiently costed in the DCP, present a risk to the Council given that the developer contributions collected for the projects will not be sufficient to fully fund these projects, relying on Council to fund the shortfall through other means.

## 1.5 WODONGA INTEGRATED TRANSPORT STRATEGY

Developed in 2015 the Wodonga Integrated Transport Strategy (Transport Strategy) outlines the future investment in the transport network, in order to improve the city as a place to live, work and invest. The Transport Strategy response to the growth forecast for Wodonga and provides a choice for residents for walking, cycling and public transport options.

The Transport Strategy outlines a number of approaches that the Council should take toward future transport projects. Relevant to the consideration of financial sustainability are the following:

- All investment decisions should be informed by a road user hierarchy.
- Transport efficiency – increased use of sustainable transport delivering both environment and economic benefits.
- Planning for new development must consider sustainable and active transport modes in accordance with road user hierarchy.
- Planning should consider a number of Council policies and strategies to improve walking, cycling and public transport in order to create a healthy, liveable, vibrant and inclusive city.

Included in the Transport Strategy are projects addressing the development requirements to achieve the desired strategy outcomes (see Appendix A in the Transport Strategy for a list of the projects).

## 1.6 OVERVIEW OF SERVICES AND NET COST

Table 1.1 below provides an overview of the organisation of Council activities by service and by directorate, including the various income sources, employee costs and the operating result (excluding the capital grants).

It should be noted that due to the depreciation being consolidated within the Finance service, the total expenses and operating result by service does not include the full cost of the service.

**Table 1.1 - Income and Expenses by Service - 2023/24 Budget**

SERVICE	Rates and charges	Statutory fees and fines	User fees	Grants - Operating	Grants - Capital	Total income	Employee costs	Total expenses	Operating Result (Excl Capital)
<b>Chief Executive Officer</b>									
Executive and Governance	0	0	0	0	0	0	611,055	896,925	(896,925)
<b>Community Development</b>									
Arts Development	0	0	0	0	0	0	106,410	205,550	(205,550)
Arts Space Wodonga	0	0	77,000	0	0	77,000	626,806	919,567	(842,566)
Bonegilla Migrant Experience	0	0	134,850	0	0	134,850	319,164	579,746	(444,895)
Communications and Marketing	0	0	1,000	0	0	1,000	817,314	1,318,334	(1,317,334)
Community Centres	0	0	40,000	183,742	0	223,742	193,223	304,443	(80,701)
Community Planning and Inclusiveness	0	0	0	0	0	0	258,317	388,462	(388,462)
Customer Focus	0	16,000	0	0	0	16,000	827,630	963,180	(947,180)
Economic Development	0	0	0	0	0	0	217,377	329,852	(329,852)
Environmental Health	0	500	441,669	78,912	0	521,081	915,030	1,123,211	(602,130)
Event Attraction	0	0	14,000	0	0	14,000	104,983	214,393	(200,393)
Events	0	0	11,100	47,738	0	69,038	311,660	615,953	(546,915)
Executive and Governance	0	0	0	0	0	0	1,375,401	1,499,797	(1,499,797)
Library	0	0	19,000	333,002	0	353,202	673,505	1,054,909	(701,707)
Maternal and Child Health	0	0	0	1,252,075	0	1,252,075	1,453,933	1,644,828	(392,753)
Preschools	0	0	0	4,892,719	0	4,892,719	4,213,870	4,962,286	(69,567)
Sport and Recreation	0	0	111,120	33,620	0	144,740	373,528	1,879,271	(1,734,531)
The Cube Wodonga	0	0	365,103	80,000	0	445,103	679,670	1,020,732	(575,629)
Tourism	0	0	0	0	0	0	0	285,608	(285,608)
Volunteer Coordination	0	0	0	0	0	0	63,542	89,362	(89,362)
Youth Services	0	0	500	41,250	0	41,750	300,675	411,320	(369,570)
<b>Corporate Services</b>									
Business Improvement and Risk	0	0	0	0	0	0	582,342	997,672	(997,672)
Council Oncosts	0	0	350,000	0	0	350,000	349,973	349,973	27
Document and Information Management	0	0	0	0	0	0	297,942	383,742	(383,742)
Emergency Management	0	0	0	94,000	0	94,000	104,493	149,093	(55,093)
Executive and Governance	0	0	0	0	0	0	803,211	1,459,084	(1,459,084)
Finance	45,462,469	50,000	77,000	5,819,620	0	52,009,089	2,028,038	17,449,975	34,559,114
Human Resources	0	0	0	0	0	0	1,500,110	1,739,660	(1,739,660)
Information Technology	0	0	0	0	0	0	1,035,659	2,424,559	(2,424,559)
<b>Planning &amp; Infrastructure</b>									
Asset Management	0	0	0	0	0	0	249,494	393,914	(393,914)
Building	0	8,000	958,000	0	0	966,000	1,064,580	1,140,510	(174,510)
Building Maintenance	0	0	177,000	0	0	177,000	312,598	1,691,588	(1,514,588)
Built infrastructure	0	80,000	0	1,005,196	0	1,085,196	1,570,970	3,723,548	(2,638,352)
Compliance	0	108,100	443,776	175,000	0	726,876	1,173,673	1,610,283	(883,407)
Council Oncosts	0	0	0	0	0	0	(0)	(0)	0
Executive and Governance	0	0	0	0	0	0	1,786,994	2,113,911	(2,113,911)
Gateway Village	0	0	157,000	0	0	157,000	0	298,466	(141,466)
Infrastructure delivery	0	0	250,000	0	0	450,000	1,367,310	2,264,600	(1,814,600)
LOGIC	0	0	0	0	0	0	0	294,690	(294,690)
Natural Environments	0	0	26,500	10,500	0	47,000	556,497	1,233,127	(1,186,127)
Parks and Gardens	0	0	73,600	17,850	0	91,450	3,213,183	5,934,217	(5,842,767)
Plant and Fleet	0	0	0	0	0	0	144,032	(1,775,854)	1,775,854
Property Management	0	0	149,058	0	0	149,058	157,318	234,948	(85,890)
Statutory Planning	0	271,329	26,218	0	0	297,547	882,889	951,719	(654,172)
Strategic Planning	0	0	6,860	0	0	6,860	505,041	586,091	(579,231)
Street Garbage	0	0	5,000	0	0	5,000	199,695	467,670	(462,670)
Sustainability	0	0	0	0	0	0	229,821	283,181	(283,181)
Waste Management	6,839,064	0	0	0	0	6,839,064	117,195	5,398,784	1,440,280
Waste Transfer Station	0	0	789,000	0	0	789,000	821,941	1,443,033	(654,033)
<b>Operating Projects</b>									
Operating Projects	0	0	0	0	0	0	0	960,000	(960,000)
<b>Capital Projects</b>									
Capital Projects	0	0	0	0	6,048,671	6,048,671	0	0	0
<b>GRAND TOTAL</b>	<b>52,301,533</b>	<b>533,929</b>	<b>4,704,354</b>	<b>14,065,224</b>	<b>6,048,671</b>	<b>78,475,111</b>	<b>35,498,092</b>	<b>74,909,910</b>	<b>(2,483,469)</b>

Source: Primary source is Council Adopted Budget 2023/24, with adjustment made by AEC for depreciation expense

## 1.7 OVERVIEW OF PROPERTY, PLANT AND EQUIPMENT AND INFRASTRUCTURE

Table 1.2 below provides a financial overview of assets owned by Council, including the replacement cost, carrying amount, accumulated depreciation, consumption ratio and the annual depreciation.

The consumption ratio provides an indication of the useful life remaining expressed as a percentage of the replacement cost. A higher consumption ratio is generally considered desirable, and indicative of an asset category in better condition than an asset category with a lower consumption ratio. However, given an objective for financial sustainability is to optimise the value obtained from assets, each asset category needs to be considered independently as to whether Council is achieving maximum utilisation (or value) from the asset before renewing the asset. Therefore, a consumption ratio of 50-75% is typical for local government authorities.

It is worth noting that Council is currently consuming (or depreciating) \$2.6million in the value of buildings each year. The only asset category with a higher depreciation is roads with annual depreciation of \$4.7million.

Table 1.3 below outlines the condition of Council owned assets as recorded in the Council's asset register. The table reports the replacement value of assets within each condition rating, as well as the percentage of total assets that are in the respective condition score groups.

Of worth noting is that generally, the condition of Council's assets is reported as being in general good condition, with only 1.5% (or \$10.4million) of Council's assets in a poor or worse condition. Based on the asset register data, 41.6% of Council's asset are in an excellent or better condition. Buildings is the asset category with the highest total value of assets in a poor or worse condition – a total value of \$7.1M in buildings are in a poor or worse state, of which \$2.0million is within the mechanical components (assumably critical components to enable occupation of the building).

Based on the data from Council's asset register, it could be assumed that the key focus area for asset renewal investment should be in buildings in the short term, with less emphasis placed on the historical area of focus, being roads.

**Table 1.2 – Financial Overview of Council Assets by Asset Category**

Asset Category	Replacement Cost \$'000	Carrying Amount \$'000	Accumulated Depreciation \$'000	Consumption Ratio %	Annual Depreciation \$'000
<b>Property</b>					
Land	191,417	191,417		100%	
Buildings	157,995	108,108	49,887	68%	2,607
<b>Total Property</b>	<b>349,412</b>	<b>299,525</b>	<b>49,887</b>	<b>86%</b>	<b>2,607</b>
<b>Plant and Equipment</b>					
Plant machinery and equipment	6,738	3,561	3,177	53%	676
Fixtures fittings and furniture	1,011	445	566	44%	112
Computers and telecommunications	1,800	418	1,382	23%	201
Library Books	555	223	332	40%	74
<b>Total Plant and Equipment</b>	<b>10,104</b>	<b>4,647</b>	<b>5,457</b>	<b>46%</b>	<b>1,063</b>
<b>Infrastructure</b>					
Roads	300,821	229,447	71,374	76%	4,718
Bridges	24,652	15,876	8,776	64%	220
Footpaths and cycleways	63,592	39,668	23,924	62%	1,048
Drainage	147,232	107,549	39,683	73%	1,293
Parks open spaces and streetscape	29,744	17,966	11,778	60%	1,939
<b>Total Infrastructure</b>	<b>566,041</b>	<b>410,506</b>	<b>155,535</b>	<b>73%</b>	<b>9,218</b>
<b>Grand Total</b>	<b>925,557</b>	<b>714,678</b>	<b>210,879</b>	<b>77%</b>	<b>12,888</b>

Source: Annual Financial Statements 2022/23

Note: Above excludes Works In Progress

**Table 1.3 – Overview of Condition of Council Assets by Asset Category and Component**

Asset Category and Component		Condition Rating										
		0	1	2	3	4	5	6	7	8	9	10
		New	Near New	Excellent	Very Good	Good	Fair	Fair to Poor	Poor	Very Poor	Extremely Poor	Failed
<b>Buildings</b>												
	Replacement Cost (\$'000)	22,715	8,483	25,073	32,318	15,561	31,096	15,570	5,871	1,231	64	12
	Percentage	14.4%	5.4%	15.9%	20.5%	9.8%	19.7%	9.9%	3.7%	0.8%	0.0%	0.0%
<b>Roads</b>												
Sealed Road - Pavement	Replacement Cost (\$'000)	27,540	16,449	16,506	35,719	34,814	13,098	3,103	0	0	0	0
	Percentage	18.70%	11.20%	11.20%	24.30%	23.60%	8.90%	2.10%	0.00%	0.00%	0.00%	0.00%
Sealed Road - Seal	Replacement Cost (\$'000)	14,964	15,371	9,475	8,000	3,239	1,661	1,269	251	2	0	0
	Percentage	27.60%	28.30%	17.50%	14.80%	6.00%	3.10%	2.30%	0.50%	0.00%	0.00%	0.00%
Unsealed Road-pavement	Replacement Cost (\$'000)	1,550	512	885	523	480	120	55	25	43	21	0
	Percentage	36.80%	12.20%	21.00%	12.40%	11.40%	2.80%	1.30%	0.60%	1.00%	0.50%	0.00%
Kerb and Channel	Replacement Cost (\$'000)	9,461	7,550	7,971	13,791	10,523	2,184	449	163	57	0	0
	Percentage	18.10%	14.50%	15.30%	26.40%	20.20%	4.20%	0.90%	0.30%	0.10%	0.00%	0.00%
<b>Total Roads</b>		<b>53,515</b>	<b>39,882</b>	<b>34,837</b>	<b>58,033</b>	<b>49,056</b>	<b>17,063</b>	<b>4,876</b>	<b>439</b>	<b>102</b>	<b>21</b>	<b>0</b>
		<b>20.8%</b>	<b>15.5%</b>	<b>13.5%</b>	<b>22.5%</b>	<b>19.0%</b>	<b>6.6%</b>	<b>1.9%</b>	<b>0.2%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Bridges</b>	Replacement Cost (\$'000)	6,134	1,179	1,010	6,342	5,857	2,483	589	734	103	0	221
	Percentage	24.90%	4.80%	4.10%	25.70%	23.80%	10.10%	2.40%	3.00%	0.40%	0.00%	0.90%
<b>Footpaths and cycleways</b>	Replacement Cost (\$'000)	20,399	236	4,279	9,963	14,487	11,346	2,479	403	0	0	0
	Percentage	32.10%	0.40%	6.70%	15.70%	22.80%	17.80%	3.90%	0.60%	0.00%	0.00%	0.00%
<b>Drainage</b>	Replacement Cost (\$'000)	1,701	15,945	38,803	45,544	28,588	13,248	2,648	132	622	0	0
	Percentage	1.20%	10.80%	26.40%	30.90%	19.40%	9.00%	1.80%	0.10%	0.40%	0.00%	0.00%
<b>Parks open spaces and streetscapes</b>	Replacement Cost (\$'000)	1,364	2,854	5,025	9,987	6,127	3,402	275	679	16	12	2
	Percentage	4.60%	9.60%	16.90%	33.60%	20.60%	11.40%	0.90%	2.30%	0.10%	0.00%	0.00%
<b>GRAND TOTAL</b>		<b>105,828</b>	<b>68,579</b>	<b>109,027</b>	<b>162,187</b>	<b>119,676</b>	<b>78,638</b>	<b>26,437</b>	<b>8,258</b>	<b>2,074</b>	<b>97</b>	<b>235</b>
	Percentage	<b>15.5%</b>	<b>10.1%</b>	<b>16.0%</b>	<b>23.8%</b>	<b>17.6%</b>	<b>11.5%</b>	<b>3.9%</b>	<b>1.2%</b>	<b>0.3%</b>	<b>0.0%</b>	<b>0.0%</b>

Source: City of Wodonga Asset Register



## 2. HISTORICAL PERFORMANCE AND ADOPTED PROJECTIONS

AEC's analysis of the historical and projected financial performance of Council, and the underlying drivers of financial performance, is based on the review of evidence in the form of audited financial statements, the Annual Budget 2023-2024 and the Financial Plan 2023-2024 to 2032-2033.

The following sections will outline the analysis and key findings identified by AEC in the assessment of historical performance and the adopted forward projections in the Financial Plan.

### 2.1 OPERATING POSITION

Table 2.1 below outlines the reported comprehensive income statement for Council from 2017/18 to 2022/23 and the projections in the adopted Financial Plan from 2023/24 to 2032/33.

The council has produced a net surplus in the first five historic financial years. Of note in the 2022/23 year, the deficit position is due to a loss of \$107.7 million on the revaluation of land under roads.

The total comprehensive result includes capital grants, monetary and non-monetary contributions, impairment losses, recovered impairment losses and gains or losses on the disposal of property, infrastructure, plant and equipment. To determine the comprehensive result for council's *ongoing operations* (excluding all capital), when these items are removed, the historical results, until 2022/23 were in a surplus. However, the 2022/23 result and future budgets are projected to be in deficit.

The comprehensive result from ongoing operations (excluding capital grants) shows a historical deteriorating trend. The comprehensive result from ongoing operations in the financial plan also shows a declining trend with deficits projected for the next ten years. These deficits are a sign of the Council not being financially sustainable into the future and that Council is not able to fund recurrent operating expenses from the recurrent revenue base. Council's deteriorating operation position indicates a 'structural deficit' position, where recurrent expenditure exceeds recurrent revenue.

A significant contributing factor to the deteriorating position has been the difference between the increase in the general rate and the increase in costs due to inflation. The Essential Services Commission sets the upper limit by which councils in Victoria can increase the rate each year. This is highlighted in the 2021-22 and the 2022-23 financial years when the difference between the rate cap and the cost price index was 2.5% in 2021-22 and 5.25% in 2022-23. The accumulative impact of the difference between the rate cap and cost price index for City of Wodonga is approximately \$3.8 million. Furthermore, Council has decided in 2023/24 not to apply the full rate cap – Council adopted to increase the general rate by 2.0% while the rate cap allowed was 3.5% - the impact of which would be a reduction in revenue by an additional \$0.75 million.

AEC has found that the Financial Plan contains the following omissions and under statements, which if were corrected would result in a net further deterioration in the operating result:

- Projection for capital contributions (monetary) has not been included in the forward projection, although historically Council has received on average \$1.5million per year – this will understate the cash received through developer contributions and understate the respective reserve balance.
- Projection for capital contributions (non-monetary) has not been included in the forward projection, although historically Council receives \$10-15million in contributed assets each year – this will understate the annual depreciation calculated from the total replacement cost of assets.
- Depreciation decreases in 2023/24 from the 2022/23 actuals and is projected in the Financial Plan to further decrease – AEC is of the view this is understating the depreciation in 2023/24 by approximately \$2.0 million. The depreciation would be expected to increase each year in the Financial Plan due to new assets being constructed by Council and contributed assets from developers.
- Infrastructure construction costs for development infrastructure is not included in the Financial Plan forward projections - for example the Leneva Baranduda Precinct Structure Plan
- LOGIC industrial land development and sales are not included in the forward projections.
- Movements to and from restricted cash reserves have been incorrectly included in other income and other expenses in the Financial Plan.

**Table 2.1 – Comprehensive Income Statement**

COMPREHENSIVE INCOME STATEMENT	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000	2032/33 \$'000
	HISTORICAL ACTUALS						FINANCIAL PLAN PROJECTIONS									
<b>Income</b>																
Rates and charges	45,033	46,135	46,019	46,722	48,498	50,187	52,302	53,954	55,645	57,376	59,148	60,961	62,817	64,717	66,661	68,644
Statutory fees and fines	651	490	462	519	613	538	541	541	541	541	541	541	541	541	541	541
User fees	5,242	5,375	5,753	5,920	5,710	5,643	4,698	4,815	4,936	5,059	5,185	5,315	5,448	5,584	5,724	5,867
Grants - operating	10,181	10,719	10,528	14,458	15,091	16,701	14,071	14,352	14,639	14,932	15,231	15,535	15,846	16,163	16,486	16,816
Grants - capital	4,695	4,314	3,645	10,445	7,516	6,286	1,448	3,550	2,550	1,295	541	541	541	541	541	541
Contributions - monetary	1,259	1,492	1,483	920	1,471	2,251	-	123	-	-	-	-	-	-	-	-
Contributions - non monetary	-	11,979	10,918	7,814	10,066	16,839	-	-	-	-	-	-	-	-	-	-
Net gain on disposal of property, infrastructure, plant and equipment	-	-	-	251	-	-	-	-	-	-	-	-	-	-	-	-
Other Income	550	2,044	504	415	258	1,372	1,123	1,145	1,168	1,192	1,216	1,240	1,264	1,290	1,316	1,342
<b>Total Income</b>	<b>67,611</b>	<b>82,548</b>	<b>79,312</b>	<b>87,464</b>	<b>89,223</b>	<b>99,817</b>	<b>74,183</b>	<b>78,480</b>	<b>79,479</b>	<b>80,395</b>	<b>81,862</b>	<b>84,133</b>	<b>86,457</b>	<b>88,836</b>	<b>91,269</b>	<b>93,751</b>
<b>Expenses</b>																
Employee costs	23,612	24,207	24,647	25,961	28,767	29,442	35,224	36,172	37,402	38,674	39,899	41,348	42,754	44,207	45,711	47,265
Materials and services	21,589	19,535	19,100	20,630	23,345	29,609	23,113	25,072	26,383	28,002	29,459	31,044	32,045	33,406	34,822	36,300
Depreciation	9,721	10,366	10,776	10,716	12,903	12,888	11,370	10,270	10,365	10,460	10,555	10,650	10,745	10,840	10,935	10,800
Amortisation - intangible assets	-	-	-	-	-	9	-	-	-	-	-	-	-	-	-	-
Amortisation - right of use assets	-	-	1,153	1,371	1,319	1,050	1,041	1,072	1,104	1,138	1,172	1,207	1,243	1,280	1,319	1,358
Bad and doubtful debts	-	-	-	6	1	2	-	-	-	-	-	-	-	-	-	-
Impairment loss on land, buildings and land held for sale	-	890	4,346	15,996	1,996	-	-	-	-	-	-	-	-	-	-	-
Net loss on disposal of property, infrastructure, plant and equipment	8	2,276	1,214	-	1,922	5,029	-	-	-	-	-	-	-	-	-	-
Net loss on revaluation of land under roads	-	-	-	-	-	107,680	-	-	-	-	-	-	-	-	-	-
Borrowing costs	1,409	1,334	1,256	1,167	1,103	1,029	1,166	1,305	1,269	1,164	1,053	933	805	676	605	(127)
Finance costs - leases	-	-	216	229	218	92	95	115	100	100	100	100	100	100	100	100
Other Expenses	898	900	6,081	838	781	895	985	1,000	1,016	1,033	1,049	1,066	1,084	1,101	1,119	1,138
<b>Total Expenses</b>	<b>57,237</b>	<b>59,508</b>	<b>68,789</b>	<b>76,914</b>	<b>72,355</b>	<b>187,725</b>	<b>72,994</b>	<b>75,006</b>	<b>77,639</b>	<b>80,571</b>	<b>83,287</b>	<b>86,348</b>	<b>88,776</b>	<b>91,610</b>	<b>94,611</b>	<b>96,834</b>
<b>Surplus / (Deficit) for the year</b>	<b>10,374</b>	<b>23,040</b>	<b>10,523</b>	<b>10,550</b>	<b>16,868</b>	<b>(87,908)</b>	<b>1,189</b>	<b>3,474</b>	<b>1,840</b>	<b>(176)</b>	<b>(1,425)</b>	<b>(2,215)</b>	<b>(2,319)</b>	<b>(2,774)</b>	<b>(3,342)</b>	<b>(3,083)</b>
<b>Other comprehensive income</b>																
<b>Items that will not be reclassified to surplus or deficit in future periods</b>																
Net asset revaluation increment/(decrement)	6,376	14,874	1,697	69,669	30,109	59,525	-	-	-	-	-	-	-	-	-	-
<b>Total other comprehensive income</b>	<b>6,376</b>	<b>14,874</b>	<b>1,697</b>	<b>69,669</b>	<b>30,109</b>	<b>59,525</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Comprehensive Result</b>	<b>10,374</b>	<b>23,040</b>	<b>10,523</b>	<b>10,550</b>	<b>16,868</b>	<b>(87,908)</b>	<b>1,189</b>	<b>3,474</b>	<b>1,840</b>	<b>(176)</b>	<b>(1,425)</b>	<b>(2,215)</b>	<b>(2,319)</b>	<b>(2,774)</b>	<b>(3,342)</b>	<b>(3,083)</b>
<b>Comprehensive result excluding capital</b>	<b>4,428</b>	<b>8,421</b>	<b>37</b>	<b>7,116</b>	<b>1,733</b>	<b>(575)</b>	<b>(259)</b>	<b>(199)</b>	<b>(710)</b>	<b>(1,471)</b>	<b>(1,966)</b>	<b>(2,756)</b>	<b>(2,860)</b>	<b>(3,315)</b>	<b>(3,883)</b>	<b>(3,624)</b>

Source: Council's published financial statements, Wodonga City Council Financial Plan 2023-2024 to 2032-33

## 2.2 AVAILABILITY OF CASH

The following sections provide analysis of Council's historical and projected performance in generating and using cash for operating, investing and financing activities.

### 2.2.1 Cashflow

Table 2.2 below outlines the reported Statement of Cash Flows for the financial years 2017/18 to 2022/23 and the projected financial years in the adopted Financial Plan from 2023/24 to 2032/33.

The cash generated from operating activities has fluctuated over the historic period, most notably due to capital grants and contributions and expenses on materials and services in the latter two years. The cash used in investing activities has also fluctuated, mainly due to the investment in capital works – most notably the 2022/23 financial year during which \$38 million was spent on capital works compared to an average of \$17.8 million for the previous five years. The larger capital works in 2022/23 resulted in a decline in cash in 2022/23, whereas in the previous years the cash and other financial investments was increasing.

The adopted Financial Plan continues to see the decline in cash, deteriorating to a negative cash position by 2027/28.

In the Financial Plan the cash provided by operating activities is decreasing from \$14.7 million in 2023/24 to \$7.9 million in 2032/33 - due primarily to operating expenditure increasing at a higher indexation than the increase in revenue. Council is not projecting to generate sufficient cash from operations to fund the required asset investments or financing activities.

AEC has found that the statement of cash flows in the Financial Plan contains some omissions and under statements as outlined below:

- The projection for monetary developer contributions is substantially less than has historically been received – the anticipated yield from development has not been included.
- Infrastructure construction costs and contributions income for the Leneva Baranduda Precinct Structure Plan are not included.
- LOGIC industrial land development and sales are not included.
- Other asset sales are not included.
- Movements to and from restricted cash reserves have been incorrectly included in other income and other expenses.

### 2.2.2 Cash Reserves and Unrestricted Cash Available

Maintaining adequate availability to cash to fund operating activities, investing activities and financing activities is a fundamental requirement for Council to be financially sustainable in the short, medium and long term.

When considering the balance of cash and cash equivalents at the end of a reporting period, it is important to consider how much of the cash is restricted for committed purposes and what is the unrestricted cash available to Council to fund ongoing activities.

Council has reported on seven externally restricted reserves (see Table 2.3). The Financial Statements and the current Financial Plan does not report on the total of all restrictions and the remaining unrestricted cash and other financial assets. The calculation and forward projection of unrestricted cash is essential, as the Council needs to know and understand the risk it is exposed to due to insufficient access to cash – including “free cash” to invest in development and contingency planning for emerging priorities such as a response to disaster and unplanned asset failure. The unrestricted cash balance is the cash that the Council has available for future planning.

AEC has included all restrictions and the total cash plus other financial assets at the bottom of the table below to determine the unrestricted cash and other financial assets balance. This illustrates that the balance of the restricted reserves in the adopted Financial Plan is projected to increase, whilst the total cash and other financial assets is projected to deteriorate. The unrestricted cash and other financial assets is projected to be negative by 2025/26 with a continued downward trend through to 2032/33. This is not a sustainable projection in the short, medium, or long term and should be a significant concern to the Council.



**Table 2.2 – Statement of Cash Flows**

STATEMENT OF CASH FLOWS	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	<b>ACTUAL</b>						<b>FINANCIAL PLAN</b>									
<b>Cash flows from operating activities</b>																
Rates and charges	44,779	45,863	45,922	47,364	48,591	50,220	52,302	53,808	55,580	57,309	59,086	60,885	62,746	64,644	66,593	68,561
Statutory fees and fines	650	490	462	519	613	538	541	539	541	541	541	541	541	541	541	541
User fees	5,436	5,734	5,988	6,730	5,678	6,936	4,698	4,799	4,930	5,053	5,180	5,308	5,442	5,578	5,718	5,859
Grants - operating	10,521	10,781	10,575	14,470	15,091	16,582	14,071	14,297	14,624	14,916	15,217	15,516	15,829	16,146	16,471	16,795
Grants - capital	4,851	4,457	3,650	10,472	7,516	6,643	1,448	3,536	2,605	1,364	582	541	541	541	541	541
Contributions - monetary	1,322	1,567	1,557	920	1,544	2,325	-	-	-	-	-	-	-	-	-	-
Interest received	602	671	554	477	183	997	610	622	635	647	660	673	687	701	715	729
Other receipts	-	-	-	-	-	-	513	644	540	544	555	565	577	588	600	612
Trust funds and deposits taken	497	(154)	433	503	669	4,168	-	-	-	-	-	-	-	-	-	-
Net GST refund/payment	0	606	(395)	367	578	1,300	-	-	-	-	-	-	-	-	-	-
Employee costs	(23,606)	(23,900)	(24,739)	(26,050)	(28,535)	(29,376)	(35,224)	(36,106)	(37,361)	(38,632)	(39,949)	(41,526)	(42,715)	(44,168)	(45,673)	(47,219)
Materials and services	(22,765)	(19,998)	(19,087)	(19,913)	(23,955)	(25,941)	(23,307)	(23,154)	(24,217)	(25,300)	(26,437)	(27,607)	(28,848)	(30,138)	(31,494)	(32,887)
Trust funds repaid	(479)	(340)	(425)	(858)	(294)	(4,207)	-	-	-	-	-	-	-	-	-	-
Short-term, low value and variable lease payments	-	-	-	-	-	-	-	(1,072)	(1,104)	(1,138)	(1,172)	(1,207)	(1,243)	(1,280)	(1,319)	(1,358)
Other payments	(989)	(902)	(6,081)	(840)	(780)	(985)	(985)	(3,003)	(3,359)	(3,916)	(4,302)	(4,738)	(4,602)	(4,687)	(4,800)	(4,287)
<b>Net cash provided (or used in) operating activities</b>	<b>20,819</b>	<b>24,875</b>	<b>18,414</b>	<b>34,161</b>	<b>26,899</b>	<b>29,200</b>	<b>14,667</b>	<b>14,909</b>	<b>13,412</b>	<b>11,389</b>	<b>9,961</b>	<b>8,953</b>	<b>8,954</b>	<b>8,465</b>	<b>7,894</b>	<b>7,887</b>
<b>Cash flows from investing activities</b>																
Payments for property, infrastructure, plant	(16,352)	(16,964)	(14,965)	(24,110)	(16,751)	(38,106)	(15,988)	(23,124)	(17,716)	(12,846)	(12,471)	(13,807)	(11,069)	(11,933)	(12,637)	(13,145)
Proceeds from sale of property, infrastructure, plant	119	269	180	1,833	5,523	7,234	-	-	-	-	-	-	-	-	-	-
Payments for intangible assets	-	-	-	-	-	(142)	-	-	-	-	-	-	-	-	-	-
Payments for investments	(6,500)	(2,500)	-	(3,600)	(14,900)	-	-	-	-	-	-	-	-	-	-	-
Proceeds from investments	-	-	-	-	-	11,300	-	-	-	-	-	-	-	-	-	-
<b>Net cash provided (or used in) investing activities</b>	<b>(22,733)</b>	<b>(19,195)</b>	<b>(14,785)</b>	<b>(25,877)</b>	<b>(26,128)</b>	<b>(19,714)</b>	<b>(15,988)</b>	<b>(23,124)</b>	<b>(17,716)</b>	<b>(12,846)</b>	<b>(12,471)</b>	<b>(13,807)</b>	<b>(11,069)</b>	<b>(11,933)</b>	<b>(12,637)</b>	<b>(13,145)</b>
<b>Cash flows from financing activities</b>																
Finance costs	(1,409)	(1,337)	(1,256)	(1,167)	(1,103)	(1,043)	(1,166)	(1,093)	(969)	(837)	(698)	(549)	(392)	(234)	(133)	(54)
Proceeds from borrowings	-	-	-	-	-	-	5,000	-	-	-	-	-	-	-	-	-
Repayment of borrowings	(1,654)	(1,740)	(1,862)	(1,960)	(2,066)	(2,172)	(1,469)	(2,129)	(2,253)	(2,385)	(2,524)	(2,672)	(2,830)	(2,351)	(1,816)	(1,315)
Interest paid - lease liability	-	-	(216)	(229)	(218)	(92)	(115)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Repayment of lease liabilities	-	-	(1,271)	(1,549)	(1,499)	(1,184)	(1,041)	-	-	-	-	-	-	-	-	-
<b>Net cash provided (or used in) financing activities</b>	<b>(3,063)</b>	<b>(3,077)</b>	<b>(4,605)</b>	<b>(4,905)</b>	<b>(4,886)</b>	<b>(4,491)</b>	<b>1,209</b>	<b>(3,322)</b>	<b>(3,322)</b>	<b>(3,322)</b>	<b>(3,322)</b>	<b>(3,322)</b>	<b>(3,322)</b>	<b>(2,685)</b>	<b>(2,049)</b>	<b>(1,468)</b>
<b>Net increase/(decrease) in cash</b>	<b>(4,977)</b>	<b>2,603</b>	<b>(976)</b>	<b>3,379</b>	<b>(4,115)</b>	<b>4,995</b>	<b>(112)</b>	<b>(11,537)</b>	<b>(7,626)</b>	<b>(4,779)</b>	<b>(5,832)</b>	<b>(8,176)</b>	<b>(5,437)</b>	<b>(6,154)</b>	<b>(6,792)</b>	<b>(6,727)</b>
Cash and cash equivalents - beginning of year	23,601	18,624	21,227	6,588	9,967	5,852	25,825	25,713	14,176	6,550	1,771	(4,061)	(12,237)	(17,674)	(23,827)	(30,619)
<b>Cash and cash equivalents - end of the year</b>	<b>18,624</b>	<b>21,227</b>	<b>20,251</b>	<b>9,967</b>	<b>5,852</b>	<b>10,847</b>	<b>25,713</b>	<b>14,176</b>	<b>6,550</b>	<b>1,771</b>	<b>(4,061)</b>	<b>(12,237)</b>	<b>(17,674)</b>	<b>(23,827)</b>	<b>(30,619)</b>	<b>(37,346)</b>
Other Financial Assets	10,500	13,000	13,000	30,100	45,000	33,700	-	-	-	-	-	-	-	-	-	-
<b>Cash, cash equivalents - end of the year</b>	<b>29,124</b>	<b>34,227</b>	<b>33,251</b>	<b>40,067</b>	<b>50,852</b>	<b>44,547</b>	<b>25,713</b>	<b>14,176</b>	<b>6,550</b>	<b>1,771</b>	<b>(4,061)</b>	<b>(12,237)</b>	<b>(17,674)</b>	<b>(23,827)</b>	<b>(30,619)</b>	<b>(37,346)</b>

Source: Council's published financial statements, Wodonga City Council Financial Plan 2023-2024 to 2032-33

**Table 2.3 – Cash Restrictions – as at 30 June**

RESTRICTED CASH RESERVE BALANCES	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000	2032/33 \$'000
	<b>ACTUAL</b>						<b>FINANCIAL PLAN</b>									
<b>External restrictions</b>																
Wodonga Retained Environmental Network	2,068	1,733	1,415	333	51	36	-	-	-	-	-	-	-	-	-	-
Trust funds and deposits	1,113	1,387	1,393	1,039	1,414	1,375	-	-	-	-	-	-	-	-	-	-
Conditional grants unspent	-	-	-	-	-	803	-	-	-	-	-	-	-	-	-	-
Developer contribution reserves	-	-	-	-	-	5,411	2,500	2,700	2,900	3,100	3,300	3,500	3,700	3,900	4,100	4,300
<b>External restrictions</b>	<b>3,181</b>	<b>3,120</b>	<b>2,808</b>	<b>1,372</b>	<b>1,465</b>	<b>7,625</b>	<b>2,500</b>	<b>2,700</b>	<b>2,900</b>	<b>3,100</b>	<b>3,300</b>	<b>3,500</b>	<b>3,700</b>	<b>3,900</b>	<b>4,100</b>	<b>4,300</b>
Cash and cash equivalents	18,624	21,227	20,251	9,967	5,852	10,847										
<b>Reported unrestricted cash and cash equivalents</b>	<b>15,443</b>	<b>18,107</b>	<b>17,443</b>	<b>8,595</b>	<b>4,387</b>	<b>3,222</b>	Not Reported									
<b>Intended Allocations (internal restrictions)</b>																
Unexpended grant funds for specific future purposes	2,179	1,775	967	1,018	565	-										
Cash held to fund carried forward capital works	5,314	4,559	10,122	13,969	19,372	-										
Defined Benefits Superannuation Call Up	1,700	1,800	1,900	2,000	2,000	-	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
<b>Intended Allocations</b>	<b>9,193</b>	<b>8,134</b>	<b>12,989</b>	<b>16,987</b>	<b>21,937</b>	<b>-</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>
<b>Other Reserves (internal restrictions)</b>																
Waste management reserve	-	-	523	631	457	265	457	457	457	457	457	457	457	457	457	457
<b>Other Reserves</b>	<b>-</b>	<b>-</b>	<b>523</b>	<b>631</b>	<b>457</b>	<b>265</b>	<b>457</b>	<b>457</b>	<b>457</b>	<b>457</b>	<b>457</b>	<b>457</b>	<b>457</b>	<b>457</b>	<b>457</b>	<b>457</b>
<b>Total external restrictions, intended allocations, other reserves</b>	<b>12,374</b>	<b>11,254</b>	<b>16,320</b>	<b>18,990</b>	<b>23,859</b>	<b>7,890</b>	<b>4,957</b>	<b>5,157</b>	<b>5,357</b>	<b>5,557</b>	<b>5,757</b>	<b>5,957</b>	<b>6,157</b>	<b>6,357</b>	<b>6,557</b>	<b>6,757</b>
Total cash, cash equivalents and other financial assets	29,124	34,227	33,251	40,067	50,852	44,547	25,713	14,176	6,550	1,771	(4,061)	(12,237)	(17,674)	(23,827)	(30,619)	(37,346)
<b>Unrestricted cash, cash equivalents and other financial assets</b>	<b>16,750</b>	<b>22,973</b>	<b>16,931</b>	<b>21,077</b>	<b>26,993</b>	<b>36,657</b>	<b>20,756</b>	<b>9,019</b>	<b>1,193</b>	<b>(3,786)</b>	<b>(9,818)</b>	<b>(18,194)</b>	<b>(23,831)</b>	<b>(30,184)</b>	<b>(37,176)</b>	<b>(44,103)</b>

Source: Council's published financial statements, Wodonga City Council Financial Plan 2023-2024 to 2032-33

Note - The 2022/23 financial year excludes the internal restrictions as they were not available at the time AEC completed the analysis. Therefore the unrestricted cash position would be significantly less in 2022/23 if the internal restrictions were included.

## 2.3 INVESTMENT IN ASSETS

The following analysis outlines Council's performance of investing in assets by asset category, spend type and funding source.

### 2.3.1 Capital Works Expenditure

Table 2.4 below outlines the historical capital works expenditure and the projected investment included in the Financial Plan.

It is important to note that as it has been outlined above that Council is projected to deteriorate into a negative cash position, the capital works expenditure included in the Financial Plan cannot be funded. Therefore, without correction, the Council cannot generate sufficient cash from operations to fund sufficient investment in assets.

Wodonga has spent \$127 million over the past six years on capital works, with an average of \$21 million per year. The capital expenditure significantly increased in 2022/23, with expenditure of \$38 million (\$31.8 million from Council cash) – including the construction of the Baranduda sporting fields.

The Financial Plan has a total of \$144.7 million to be spent over the next ten years with \$127.5 million funded from Council cash.

Historically, the funding invested in asset renewals has averaged \$6.5 million per year, this is significantly below the average depreciation expenditure of \$11.2 million. The Financial Plan averages \$8.9 million per year on asset renewals.

Investment in asset renewals that is less than depreciation is typically considered an indication that insufficient cash is being invested on asset renewals to ensure the assets of the City remain in good working condition. However, this depends upon the composition of assets owned – in particular, the current condition and performance of assets. It may be that Council is experiencing a period in which the requirement to invest in asset renewals is less than the depreciation expense, and the opposite may also be the case that more cash than depreciation is required due to an overall poorer condition of assets. The maturity of Council's asset management approach is critical to determining the optimal approach to investing in asset renewals and enabling Council to confidently project forward the demand for asset renewals.



**Table 2.4 – Statement of Capital Works**

STATEMENT OF CAPITAL WORKS	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	<b>HISTORICAL ACTUAL</b>						<b>FINANCIAL PLAN PROJECTION</b>									
Land	-	-	-	-	-	3,573	-	-	-	-	-	-	-	-	-	-
Land improvements	-	-	-	-	-	-	500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
<b>Total land</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,573</b>	<b>500</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>
Buildings	3,198	1,591	4,849	12,760	4,029	7,354	3,446	3,574	4,886	2,078	1,520	2,470	1,151	1,484	1,837	1,929
Building improvements	-	405	-	-	-	1,500	-	120	-	500	-	-	-	-	-	-
<b>Total buildings</b>	<b>3,198</b>	<b>1,996</b>	<b>4,849</b>	<b>12,760</b>	<b>4,029</b>	<b>8,854</b>	<b>3,446</b>	<b>3,694</b>	<b>4,886</b>	<b>2,578</b>	<b>1,520</b>	<b>2,470</b>	<b>1,151</b>	<b>1,484</b>	<b>1,837</b>	<b>1,929</b>
<b>Total property</b>	<b>3,198</b>	<b>1,996</b>	<b>4,849</b>	<b>12,760</b>	<b>4,029</b>	<b>12,427</b>	<b>3,946</b>	<b>6,194</b>	<b>7,386</b>	<b>5,078</b>	<b>4,020</b>	<b>4,970</b>	<b>3,651</b>	<b>3,984</b>	<b>4,337</b>	<b>4,429</b>
<b>Plant and equipment</b>																
Plant, machinery and equipment	384	669	487	861	1,080	1,264	730	350	860	370	380	390	400	410	420	430
Fixtures, fittings and furniture	97	-	-	-	86	138	320	135	95	123	115	130	130	115	115	115
Computers and telecommunications	599	445	248	504	441	292	630	650	680	710	740	775	810	851	893	910
Library books	97	101	51	70	87	63	-	-	-	-	-	-	-	-	-	-
<b>Total plant and equipment</b>	<b>1,177</b>	<b>1,215</b>	<b>786</b>	<b>1,435</b>	<b>1,694</b>	<b>1,757</b>	<b>1,680</b>	<b>1,135</b>	<b>1,635</b>	<b>1,203</b>	<b>1,235</b>	<b>1,295</b>	<b>1,340</b>	<b>1,376</b>	<b>1,428</b>	<b>1,455</b>
Roads	6,037	8,072	3,287	3,337	3,598	6,134	4,124	5,917	4,782	3,974	3,625	4,236	3,779	3,992	4,324	4,605
Bridges	193	52	267	2,994	597	119	3,156	2,438	404	372	374	476	479	533	541	598
Footpaths and cycleways	1,646	1,618	619	128	1,116	743	322	714	672	839	773	731	750	802	848	880
Drainage	467	103	28	-	232	1,941	260	704	214	229	252	276	300	325	351	353
Recreational, leisure and community facilities	-	1,432	3,139	2,403	5,151	12,168	936	524	366	121	1,535	134	140	293	146	150
Waste management	-	-	-	-	-	-	-	110	-	-	-	-	-	-	-	-
Parks, open space and streetscapes	3,634	2,062	1,914	179	237	2,816	1,489	4,181	1,701	719	542	499	536	533	565	576
Off street car parks	-	265	76	546	97	1	74	407	557	311	115	1,189	94	96	98	100
Other infrastructure	-	149	-	328	-	-	-	800	-	-	-	-	-	-	-	-
<b>Total infrastructure</b>	<b>11,977</b>	<b>13,753</b>	<b>9,330</b>	<b>9,915</b>	<b>11,028</b>	<b>23,922</b>	<b>10,361</b>	<b>15,795</b>	<b>8,696</b>	<b>6,565</b>	<b>7,216</b>	<b>7,541</b>	<b>6,078</b>	<b>6,574</b>	<b>6,873</b>	<b>7,262</b>
<b>Total capital works expenditure</b>	<b>16,352</b>	<b>16,964</b>	<b>14,965</b>	<b>24,110</b>	<b>16,751</b>	<b>38,106</b>	<b>15,988</b>	<b>23,124</b>	<b>17,716</b>	<b>12,846</b>	<b>12,471</b>	<b>13,807</b>	<b>11,069</b>	<b>11,933</b>	<b>12,637</b>	<b>13,145</b>
<b>Represented by:</b>																
New asset expenditure	2,452	4,288	4,133	3,763	6,457	27,890	2,679	10,869	6,074	5,036	4,709	5,675	3,502	3,689	3,598	3,617
Asset renewal expenditure	3,459	4,673	6,498	9,570	7,297	7,784	11,764	10,935	8,592	7,810	7,642	8,132	7,567	8,244	9,039	9,528
Asset expansion expenditure	67	-	-	560	14	134	865	370	2,500	-	-	-	-	-	-	-
Asset upgrade expenditure	10,374	8,003	4,334	10,217	2,983	2,298	680	950	550	-	120	-	-	-	-	-
<b>Total capital work expenditure</b>	<b>16,352</b>	<b>16,964</b>	<b>14,965</b>	<b>24,110</b>	<b>16,751</b>	<b>38,106</b>	<b>15,988</b>	<b>23,124</b>	<b>17,716</b>	<b>12,846</b>	<b>12,471</b>	<b>13,807</b>	<b>11,069</b>	<b>11,933</b>	<b>12,637</b>	<b>13,145</b>
<b>Funding sources represented by:</b>																
Grants	4,695	4,314	3,645	10,445	7,516	6,286	1,448	3,550	2,550	1,295	541	541	541	541	541	541
Contributions	-	-	-	-	-	-	-	123	-	-	-	-	-	-	-	-
Council cash	11,657	12,650	11,320	13,665	9,235	31,820	9,540	19,451	15,166	11,551	11,930	13,266	10,528	11,392	12,096	12,604
Borrowings	-	-	-	-	-	-	5,000	-	-	-	-	-	-	-	-	-
<b>Total capital works expenditure</b>	<b>16,352</b>	<b>16,964</b>	<b>14,965</b>	<b>24,110</b>	<b>16,751</b>	<b>38,106</b>	<b>15,988</b>	<b>23,124</b>	<b>17,716</b>	<b>12,846</b>	<b>12,471</b>	<b>13,807</b>	<b>11,069</b>	<b>11,933</b>	<b>12,637</b>	<b>13,145</b>

Source: Council's published financial statements, Wodonga City Council Financial Plan 2023-2024 to 2032-33

### 3. SOCIO ECONOMIC PROFILE AND CAPACITY TO PAY

An understanding of the socio-economic profile of a Local Government Area (LGA) is an important consideration in the assessment of financial sustainability. The profile informs drivers of population and economic growth which, in turn, determines the growth in Council's revenue streams (particularly general rate revenue and waste services) and level of demand for infrastructure/ services.

The Comparison Regions include the following LGA's:

- Albury
- Horsham
- Mildura
- Wangaratta
- Greater Shepparton
- Latrobe (Vic.)
- Mitchell
- Warrnambool

#### 3.1 INDUSTRIAL BASE AND GROWTH

The economic base and growth trends provide an indication of the potential contribute towards rate revenue into the future.

**Robust local economy:** Wodonga has a robust economy with a Gross Regional Product (GRP) over \$3.4 billion, underpinned by public administration and safety (20.9% of IVA), construction (12.7% of IVA), and health care and social assistance (11.3% of IVA) which provides a strong and diversified economic base (AEC, unpublished a). Economic growth has been strong over the decade to 2021-22, with an average annual growth of 1.9% in Wodonga, compared to 1.4% in the Comparison Regions and 2.4% across Victoria. Growth in Wodonga has been supported by growth in service-related sectors in response to strong population growth over the decade to 2021-22 (ABS, 2023a).

**Key historical growth industries include information technology, education, and health related sectors:** Wodonga's fastest growing industries over the past five-years by industry value include information media and telecommunications, education and training, and health care and social assistance (AEC, unpublished a). An increase in business activity and investment can attract new businesses and continued industry growth, leading to additional business-related fees and charges that may contribute to Council revenue over time.

**Employment in professional services, health and education are anticipated to be the population and rate revenue drivers:** Well-rounded employment growth across construction, health care and social assistance, retail trade, and education and training signify business confidence to invest in the region and a resilient job market (AEC, unpublished b). A diversified labour market, as well as significant government sector employment provides stability against external macro-economic fluctuations. Employment across all industries in Wodonga are projected to increase into the future. High income industries of professional, scientific and technical services, health care and social assistance, and education and training are anticipated to experience the largest increases in employment.

#### 3.2 FUTURE TRENDS

Future socio-economic trends provide an indication of the economic and population growth potential of Wodonga into the future.

**Strong population growth:** Wodonga's population is projected to grow by 17,800 people to reach a population of 61,400 residents by 2041 (ABS, 2023a). This corresponds to an average annual growth rate of 1.8% between 2022 and 2041, which is stronger than that anticipated across the Comparison Regions (1.4% pa) and Victoria (1.5%), underscoring the increased demand for Council services and rate revenues into the future (Victorian Department of Transport and Planning, 2019; NSW Department of Planning and Environment, 2022). A result of this growing population may be an increase in the demand for dwellings, which is projected to increase by 7,000 dwellings between 2021 and 2041 (based on the current 2.6 persons per dwelling).

**Strong tourism growth:** Victoria is forecast to experience an annual visitation growth of 2.7% over the period 2023 to 2028, slightly below the National forecast growth of 3.0% per annum (TRA, 2023d). Victoria is expected to experience strongest growth in other (5.1% per annum) and business (3.8% per annum) related visitation.

**Future macroeconomic trends:** Macro-economic trends, such as growing demand for health services, growing in-migration patterns to regional areas (particularly Wodonga), strong population growth, and a carbon neutral future will deliver significant investment into the region supporting business and residential growth.

#### 3.3 RESIDENT'S CAPACITY TO PAY ASSESSMENT

The residential capacity to pay assessment considers levels of socio-economic disadvantage (household incomes, housing/ rental stress, and socio-economic indexes for areas (SEIFA)) and the presence of particularly vulnerable groups of individuals (those reliant

on social service payments, unemployed residents, and those with a core need for assistance). The relative wealth and financial capacity of the community, including consideration of the financial vulnerability and exposure of different groups, is an important consideration in the assessment of the financial sustainability of a Council.

**Overall Socio-Economic Disadvantage:** Wodonga show signs of a strong property market, with higher house sales prices and rents than Comparison Regions (Pricfinder, 2023; State Government of Victoria, 2023, Fairness and Housing, 2023). Despite this, residents experience a lower cost of living and higher household incomes, placing fewer households in rental and mortgage stress (ABS, 2022). This underscores Wodonga's relative socio-economic well-being compared to its peers and a greater capacity to pay.

- Higher household incomes than Comparison Regions: Wodonga's average weekly household income, equal to \$1,810, is higher than the Comparison Regions by \$60 (at \$1,750 per week on average) (ABS, 2022).
- More affordable house prices and rents than the State average, though higher and increasing at a faster rate than the Comparison Regions: The median house sale price in Wodonga is significantly more affordable than the State average, though has been above that of the Comparison Regions over the past decade, with a relatively faster growth rate in recent years compared to its peers (Pricfinder, 2023; State Government of Victoria, 2023, Fairness and Housing, 2023). In 2023 (year to September 2023), the median house sale price in Wodonga equated to \$553,000, whilst equating to approximately \$496,000 in the Comparison Regions. There is a similar trend in the rental market, with Wodonga recording a house rental price of \$450 per week while the Comparison Regions recorded a weekly price of \$428 in 2023 (year to November 2023), both lower than that recorded for Victoria.
- Fewer households in mortgage or rental stress than Comparison Regions and the State: Despite having higher house prices than the Comparison Regions, Wodonga has a lower mortgage and rental stress rate (6.3% and 23.4% respectively) than the Comparison Regions (6.9% and 28.4%) and Victoria (8.6% and 24.5%) (ABS, 2022).
- Higher levels of relative socio-economic disadvantage: Wodonga has a SEIFA score (a measure of relative socio-economic disadvantage, based on low-income households, qualification attainment, and occupational skill levels) of 938, which is similar to the Comparison Regions (which range from 907 to 968). This indicates that Wodonga, and the Comparison Regions, have a greater degree of relative socio-economic disadvantage than Australia (1,000) (ABS, 2023 c).

**Particularly Vulnerable Community Groups:** Vulnerable groups have been considered as those that may experience lower levels of capacity to pay when the cost-of-living increases. Wodonga records low unemployment rates, a lower (though growing) degree of reliance on social service payments, and a similar cohort of residents with a core need for assistance, indicating a smaller (though growing) cohort of particularly vulnerable cohorts compared to peer regions (DSS, 2023).

- Lower unemployment rate than Comparison Regions and Victoria with high level of resilience to COVID-19 pandemic: Wodonga has historically recorded unemployment rates lower than Victoria and the Comparison Regions, with a ten-year average of approximately 5.0% compared to 5.9% and 5.5% recorded for Comparison Regions and Victoria respectively (Jobs and Skills Australia, 2023; ABS, 2023d). Wodonga's unemployment rate was resilient during the peak of the pandemic where it ranged from 3.8% to 4.8% from June 2020 to September 2021, whilst the unemployment rate varied between 4.9% to 5.7% across the Comparison Regions and between 5.4% and 6.6% across Victoria.
- Comparable size of people with a need for assistance with core activities to peers: Wodonga has a comparable proportion of those with a core need for assistance as the Comparison Regions (7.6% as opposed to 7.7% respectively), which was approximately 1.4% higher than that recorded across Victoria at 6.2% in 2021 (ABS, 2022).
- Lower degree of reliance on social services than Comparison Regions: Wodonga has a lower estimated social payment to population ratio (0.72) than the Comparison Region (0.78), indicating residents in Wodonga are less likely to be negatively impacted by cost-of-living shocks, however, this may change with stronger growth in social payments in Wodonga than the Comparison Regions over the five years to June 2023 (DSS, 2023).
- Lower pension rate than Comparison Regions: The estimated age pension recipient to population ratio in Wodonga (11.0%) is lower than the Comparison Regions (12.2%), indicating a higher ability to bear cost of living shocks (DSS, 2023). The estimated aged pension ratio, however, has increased over the five years to June 2023, bucking the decreasing trend across the Comparison Region and Victoria, indicating a decreasing capacity for resident to deal with cost-of-living shocks.

When compared to similar local governments, there is higher residential capacity to pay across the Wodonga community, as measured by relative wealth and financial capacity, and a lower degree of reliance upon social service payments.

Based on this assessment, there is no requirement based on the capacity to pay assessment for Council to reduce the annual increase in rates below the general rate cap increase set by the Victorian Essential Services Commission.

Although there is evidence of groups with financial vulnerability and exposure to hardship, highlighting the importance of the Council to ensure there is a policy that considers assistance to members experiencing financial hardship.



## 4. INDEPENDENT PROJECTION OF FINANCIAL POSITION

A key component of the approach taken by AEC is to provide an independent projection of the Council's financial position and an assessment of the sustainability of that financial position. With a base case established for the Council's financial sustainability, AEC has provided alternative scenarios and assessed the financial sustainability of the alternatives.

### 4.1 ASSUMPTIONS AND QUALIFICATIONS

The following key assumptions have been made in the compilation of the independent projection of financial position, which represents the forecast position on the assumption that Council continues the implementation of current operations and practices throughout the forecast period:

- AEC has included Council's forecast capital works program as provided by Council. AEC has not revised the projection of asset renewals, although notes that planned renewals will only achieve an asset renewal ratio of approximately 80% over the assessment period.
- Our calculation of the forecast position of internal and external reserves includes escalation of operating revenues and costs, together with other cash flows based on continuation of existing practices and capital works funding advised in Council's 10-year capital works program (which was extended to include 2033/34).
- AEC has used escalation to forecast Council's recurrent income and expenditure over the assessment period. This is based on Council's report on the Budgeting Principles and Assumptions 2024-2025 and the continuation of trend increases thereafter.
- The scenario presented below applies a 2% increase to the general rate assessment as per Council decision in the 2023-24 Budget – note this is 0.75% below the projected 2.75% rate cap anticipated to be set in future years by Essential Services Commission.
- With the strong emphasis on growth throughout Council's strategies and plans growth has been included in rate revenue (1.2% growth per year), employee costs (1% growth per year) and external contract for services (1% growth per year). This is equivalent to approximately three new positions across Council per year.
- The projection does not include the infrastructure construction costs and contributions income for the Leneva Baranduda Precinct Structure Plan and the LOGIC industrial land development and sales. Council is working on this information, however this information was not able to be provided to inform the FSR. Additional work is required to forecast the income and capital expenditure required for both developments for the next revision of the Financial Plan.

### 4.2 FORECAST OPERATING POSITION

AEC's independent projection indicates that Council is forecast to deliver an aggregate operating deficit of approximately \$78 million over the projection period (excluding all capital), with individual annual results ranging from approximately a \$3.9 million operating deficit in 2024/25 deteriorating to a \$11.3 million operating deficit in 2033/34.

### 4.3 AVAILABILITY OF CASH

The AEC projection for the Statement of Cash Flows indicates a decline in total cash and other financial assets from \$44.5 million reported in 2022/23 to a negative balance of \$22 million by the end of 2033/34. Council is not generating sufficient cash from operations to fund required asset investments and to address financing activities (i.e. loan redemption liabilities).

The Council currently manages six separate externally restricted and internally restricted cash reserves (as at 30 June 2023). The balance of cash in the externally and internally restricted cash reserves is projected to increase, whilst the total cash and other financial assets are decreasing. The unrestricted cash is projected to be negative by 2028/29 with a continued downward trend through to 2033/24.

**Table 4.1 – Comprehensive Income Statement (2% rate increase)**

COMPREHENSIVE INCOME STATEMENT	2023/24 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000	2032/33 \$'000	2033/34 \$'000
	BUDGET	FORECAST	PROJECTIONS									
<b>Income</b>												
Rates and charges	52,300	52,302	53,975	55,702	57,485	59,324	61,223	63,182	65,204	67,290	69,444	71,666
Statutory fees and fines	541	534	549	564	579	595	611	628	646	663	682	700
User fees	4,698	4,704	4,834	4,967	5,103	5,244	5,388	5,536	5,688	5,845	6,005	6,170
Grants - Operating	14,071	14,065	14,427	14,824	15,232	15,651	16,081	16,523	16,978	17,444	17,924	18,417
Grants - Capital	1,448	6,049	4,214	3,279	3,755	1,218	1,254	1,292	1,331	1,371	1,412	1,454
Contributions - monetary	-	211	211	211	211	211	211	211	211	211	211	211
Contributions - non-monetary	-	-	-	-	-	-	-	-	-	-	-	-
Other income	1,123	610	1,311	879	677	572	444	261	75	(136)	(369)	(628)
<b>Total income</b>	<b>74,181</b>	<b>78,475</b>	<b>79,521</b>	<b>80,427</b>	<b>83,042</b>	<b>82,815</b>	<b>85,213</b>	<b>87,634</b>	<b>90,132</b>	<b>92,688</b>	<b>95,309</b>	<b>97,991</b>
<b>Expenses</b>												
Employee costs	35,224	35,498	37,076	38,724	40,440	42,233	44,106	46,063	48,106	50,241	52,472	54,801
Materials and services	23,113	23,393	24,146	24,966	25,776	26,548	27,298	28,083	28,869	29,679	30,511	31,368
Depreciation	11,370	13,136	14,624	15,344	15,848	16,291	16,720	17,153	17,583	18,036	18,491	18,959
Amortisation - intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Amortisation - right of use assets	1,041	1,041	1,070	1,099	1,129	1,160	1,192	1,225	1,259	1,293	1,329	1,365
Net gain/(loss) on revaluation of land under roads	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing costs	1,166	942	898	850	798	742	682	578	529	537	136	-
Finance costs - leases	115	115	118	121	125	128	132	135	139	143	147	151
Other expenses	985	785	1,131	828	851	875	1,261	923	949	975	1,406	1,029
<b>Total expenses</b>	<b>73,014</b>	<b>74,910</b>	<b>79,062</b>	<b>81,932</b>	<b>84,967</b>	<b>87,978</b>	<b>91,390</b>	<b>94,161</b>	<b>97,434</b>	<b>100,905</b>	<b>104,491</b>	<b>107,674</b>
<b>Surplus/(deficit) for the year</b>	<b>1,167</b>	<b>3,565</b>	<b>459</b>	<b>(1,505)</b>	<b>(1,925)</b>	<b>(5,163)</b>	<b>(6,178)</b>	<b>(6,527)</b>	<b>(7,302)</b>	<b>(8,216)</b>	<b>(9,183)</b>	<b>(9,683)</b>
<b>Other comprehensive income</b>												
Net asset revaluation increment/(decrement)	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive result</b>	<b>1,167</b>	<b>3,565</b>	<b>459</b>	<b>(1,505)</b>	<b>(1,925)</b>	<b>(5,163)</b>	<b>(6,178)</b>	<b>(6,527)</b>	<b>(7,302)</b>	<b>(8,216)</b>	<b>(9,183)</b>	<b>(9,683)</b>
<b>Comprehensive Result excluding capital</b>	<b>(281)</b>	<b>(2,695)</b>	<b>(3,966)</b>	<b>(4,996)</b>	<b>(5,891)</b>	<b>(6,592)</b>	<b>(7,644)</b>	<b>(8,030)</b>	<b>(8,844)</b>	<b>(9,798)</b>	<b>(10,806)</b>	<b>(11,348)</b>

Source: AEC (unpublished)

**Table 4.2 – Statement of Cash Flows (2% rate increase)**

STATEMENT OF CASH FLOWS	2023/24	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	BUDGET	FORECAST	PROJECTIONS									
<b>Cash flows from operating activities</b>												
Rates and charges	52,302	52,302	53,975	55,702	57,485	59,324	61,223	63,182	65,204	67,290	69,444	71,666
Statutory fees and fines	541	534	549	564	579	595	611	628	646	663	682	700
User fees	4,698	4,704	4,834	4,967	5,103	5,244	5,388	5,536	5,688	5,845	6,005	6,170
Grants - Operating	14,071	14,065	14,427	14,824	15,232	15,651	16,081	16,523	16,978	17,444	17,924	18,417
Grants - Capital	1,448	6,049	4,214	3,279	3,755	1,218	1,254	1,292	1,331	1,371	1,412	1,454
Contributions - monetary	-	211	211	211	211	211	211	211	211	211	211	211
Interest received	610	610	1,311	879	677	572	444	261	75	(136)	(369)	(628)
Employee costs	(35,224)	(35,225)	(36,790)	(38,425)	(40,128)	(41,907)	(43,765)	(45,706)	(47,734)	(49,852)	(52,065)	(54,377)
Materials and services	(23,307)	(23,542)	(24,292)	(25,109)	(25,916)	(26,685)	(27,431)	(28,213)	(28,996)	(29,803)	(30,632)	(31,486)
Other payments	(985)	(785)	(1,131)	(828)	(851)	(875)	(1,261)	(923)	(949)	(975)	(1,406)	(1,029)
<b>Net cash provided (or used in) operating activities</b>	<b>14,667</b>	<b>18,923</b>	<b>17,308</b>	<b>16,064</b>	<b>16,146</b>	<b>13,348</b>	<b>12,755</b>	<b>12,791</b>	<b>12,453</b>	<b>12,058</b>	<b>11,206</b>	<b>11,099</b>
<b>Cash flows from investing activities</b>												
Payments for property, infrastructure, plant	(15,988)	(29,297)	(24,441)	(17,531)	(15,185)	(12,881)	(13,560)	(13,652)	(14,484)	(15,157)	(15,754)	(16,398)
Proceeds from sale of property, infrastructure, plant	-	1,870	-	-	-	-	-	-	-	-	-	-
Payments for intangible assets	-	(616)	-	-	-	-	-	-	-	-	-	-
Proceeds from investments	-	10,000	15,000	8,700	-	-	-	-	-	-	-	-
<b>Net cash provided (or used in) investing activities</b>	<b>(15,988)</b>	<b>(18,043)</b>	<b>(9,441)</b>	<b>(8,831)</b>	<b>(15,185)</b>	<b>(12,881)</b>	<b>(13,560)</b>	<b>(13,652)</b>	<b>(14,484)</b>	<b>(15,157)</b>	<b>(15,754)</b>	<b>(16,398)</b>
<b>Cash flows from financing activities</b>												
Finance costs	(1,166)	(942)	(898)	(850)	(798)	(742)	(682)	(578)	(529)	(537)	(136)	-
Proceeds from borrowings	5,000	-	-	-	-	-	-	-	-	-	-	-
Repayment of borrowings	(1,469)	(1,344)	(1,322)	(1,396)	(1,474)	(1,557)	(1,645)	(1,739)	(1,199)	(603)	(154)	-
Interest paid - lease liability	(115)	(115)	(118)	(121)	(125)	(128)	(132)	(135)	(139)	(143)	(147)	(151)
Repayment of lease liabilities	(1,041)	(1,041)	(1,070)	(1,099)	(1,129)	(1,160)	(1,192)	(1,225)	(1,259)	(1,293)	(1,329)	(1,365)
<b>Net cash provided (or used in) financing activities</b>	<b>1,209</b>	<b>(3,442)</b>	<b>(3,407)</b>	<b>(3,466)</b>	<b>(3,526)</b>	<b>(3,588)</b>	<b>(3,652)</b>	<b>(3,678)</b>	<b>(3,126)</b>	<b>(2,577)</b>	<b>(1,766)</b>	<b>(1,516)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(112)</b>	<b>(2,562)</b>	<b>4,460</b>	<b>3,767</b>	<b>(2,565)</b>	<b>(3,121)</b>	<b>(4,457)</b>	<b>(4,539)</b>	<b>(5,157)</b>	<b>(5,675)</b>	<b>(6,314)</b>	<b>(6,815)</b>
Cash and cash equivalents - beginning of year	25,825	10,847	8,285	12,745	16,512	13,947	10,826	6,369	1,830	(3,327)	(9,002)	(15,317)
<b>Cash and cash equivalents - end of the year</b>	<b>25,713</b>	<b>8,285</b>	<b>12,745</b>	<b>16,512</b>	<b>13,947</b>	<b>10,826</b>	<b>6,369</b>	<b>1,830</b>	<b>(3,327)</b>	<b>(9,002)</b>	<b>(15,317)</b>	<b>(22,131)</b>
Other Financial Assets	-	23,700	8,700	-	-	-	-	-	-	-	-	-
<b>Cash, cash equivalents and other financial assets - end of the year</b>	<b>25,713</b>	<b>31,985</b>	<b>21,445</b>	<b>16,512</b>	<b>13,947</b>	<b>10,826</b>	<b>6,369</b>	<b>1,830</b>	<b>(3,327)</b>	<b>(9,002)</b>	<b>(15,317)</b>	<b>(22,131)</b>

Source: AEC (unpublished)



Table 4.3 – Reserves Summary (2% rate increase)

RESERVES	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	ACTUAL	FORECAST	PROJECTIONS									
<b>Externally restricted</b>												
Wodonga Retained Environmental Network	736	450	142	0	0	0	0	0	0	0	0	0
Trust funds and deposits	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375
Conditional grants unspent	803	0	0	0	0	0	0	0	0	0	0	0
Developer contribution reserves	5,411	5,611	5,811	6,011	6,211	6,411	6,611	6,811	7,011	7,211	7,411	7,611
<b>External restrictions</b>	<b>8,325</b>	<b>7,436</b>	<b>7,328</b>	<b>7,386</b>	<b>7,586</b>	<b>7,786</b>	<b>7,986</b>	<b>8,186</b>	<b>8,386</b>	<b>8,586</b>	<b>8,786</b>	<b>8,986</b>
<b>Internally Restricted</b>												
Waste management reserve	265	373	492	623	765	920	1,088	1,268	1,461	1,668	1,887	2,121
Defined Benefits Superannuation Call Up	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
<b>Internal Restrictions</b>	<b>2,265</b>	<b>2,373</b>	<b>2,492</b>	<b>2,623</b>	<b>2,765</b>	<b>2,920</b>	<b>3,088</b>	<b>3,268</b>	<b>3,461</b>	<b>3,668</b>	<b>3,887</b>	<b>4,121</b>
<b>Total internal and external restrictions</b>	<b>10,590</b>	<b>9,809</b>	<b>9,820</b>	<b>10,009</b>	<b>10,351</b>	<b>10,706</b>	<b>11,074</b>	<b>11,454</b>	<b>11,847</b>	<b>12,254</b>	<b>12,673</b>	<b>13,107</b>
<b>Total cash, cash equivalents and other financial assets</b>	<b>44,547</b>	<b>31,985</b>	<b>21,445</b>	<b>16,512</b>	<b>13,947</b>	<b>10,826</b>	<b>6,369</b>	<b>1,830</b>	<b>(3,327)</b>	<b>(9,002)</b>	<b>(15,317)</b>	<b>(22,131)</b>
External restrictions	8,325	7,436	7,328	7,386	7,586	7,786	7,986	8,186	8,386	8,586	8,786	8,986
Internal restriction	2,265	2,373	2,492	2,623	2,765	2,920	3,088	3,268	3,461	3,668	3,887	4,121
<b>Unrestricted cash, cash equivalents and other financial assets</b>	<b>33,957</b>	<b>22,176</b>	<b>11,625</b>	<b>6,503</b>	<b>3,596</b>	<b>120</b>	<b>(4,704)</b>	<b>(9,624)</b>	<b>(15,174)</b>	<b>(21,256)</b>	<b>(27,990)</b>	<b>(35,239)</b>

Source: AEC (unpublished)

## 5. SUSTAINABLE VISION

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The vision for the City of Wodonga is for the Council to deliver on the Council Plan, including the enabling strategies and plans, while maintaining both access to cash and continuing to provide infrastructure and services that meets the service requirements of the growing population and regional economy.

To achieve this vision that council needs to establish and adhere to the following financial sustainability principles:

1. Effective governance and decision-making frameworks that ensure key decisions are made in align with the Council Plan and financial sustainability principles, decision-makers are adequately and timely informed, decisions are evidence-based applying decision criteria and timely performance reporting is provided to ensure corrective actions are taken where and when needed.
2. Modelling used for the Financial Plan is maintained and current, updated quarterly, and made available as required for Councillors to enable Council to include advice on the impact of decisions being considered on the future sustainability of the Council.
3. Integration of planning is essential, including the integration of service and infrastructure planning with the resourcing plans (Financial Plan, Asset Plan and Workforce Plan).
4. Achieve an operating surplus sufficient to produce cash to meet the investment requirements to maintain existing services and renewal of existing assets – this includes any planned enhancement to levels of service.
5. Fund development of new infrastructure in full through developer contributions and grants, with borrowings being a last resort (funded through the development yield of additional operating revenue)
6. Services will operate within the adopted service catalogue that includes affordable levels of services, projection of demand for the service, forward funding plan, demand management initiatives (if relevant), projected workforce, asset utilisation targets, performance indicators, service pricing path (if relevant) and forward plan for new or enhanced assets.
7. A 10-year Capital Works Plan will be adopted annually and include planned asset renewals, upgrades, enhancements and new assets – informed by service and asset planning, integrated into the Finance Plan, and the rationale for the proposed Capital Works Plan outlined in a State of Assets Report prepared and provided to Council prior to consideration and adoption of the Capital Works Plan.
8. The Capital Works Plan will prioritise the renewal of existing assets (based on set criteria for intervention) and the delivery of development infrastructure required to enable the growth strategy.
9. Maintain an unrestricted cash position of \$20 million to ensure sufficient financial contingency to address unplanned events and to leverage opportunities that may arise.

To correct the sustainability of Wodonga and to meet the performance indicators, there is a need to correct the operating statement to the equivalent of a 6% increase in the rating revenue above the rate cap in 2025/26 (rate cap expected to be 2.75%). That is, a recurrent rate increase of 8.75% in 2025/26 and would generate an additional \$2.8M in rating revenue followed by future rate increases of 2.75% (the anticipated rate cap for future years).

An alternative to increasing the rate revenue by 6% above the rate cap (8.75% total increase) in 2025/26, the Council could achieve the same outcome by other improvements in the cash generated from operations. The options may include:

- Improve the efficiency of current services – although noting the previous benchmarking that indicates Council may already be comparably efficient in cost of current services.
- Improve the economy of scale in the current service delivery approach to avoid increased cost for additional service outputs servicing growth – note the increase in labour and contract services included in the scenario modelling in total adds approximately \$0.5M in costs annually. If Council determines an alternative delivery approach to services to avoid the growth in service costs, this will significantly contribute to the required correction.
- Dispose of assets that contribute to the operating deficit (accepting the decrease in level of service).
- Rationalising assets to reduce the amount of assets required to provide the required services, such as the multi-use of facilities increasing utilisation, provision of regional facilities rather than local facilities, consolidation of Council operations and applying demand management (applying capacity constraints to avoid requirement to upgrade assets) – noting that rationalising assets will impact on availability and access to facilities for some members of the community.
- Increased fee for service and user charges – limited ability of this option to contribute to the improvement, particularly for services with statutory fees and charges, however where Council is able to, fees and charges should be set to achieve full cost recovery of services.

- Review the public benefit for subsidised services (services not operating at full cost recovery) to inform price setting for the services and to avoid subsidised provision of services where the public benefit test does not support subsidisation.
- Increase the grant revenue received – noting that this is an unpredictable option to rely upon for asset renewals but given that grants from State and Federal governments is likely to continue into the future the more successful Council is at applying for grants this will improve the overall financial sustainability.
- Pay down current borrowings through sale of assets – although this is limited by the amount of current borrowings.
- Increase the return from property development (e.g. LOGIC), unless there is sufficient public benefit to accept a lower return on property development.

## 5.1 FINANCIAL MODEL OF A SUSTAINABLE COUNCIL

The following tables show the result on the financial performance and indicators when the underlying structural deficit is addressed – noting that although for the purpose of modelling, AEC has increased the rate revenue, the same result could be achieved through a range of the above options.

The following outcomes are achieved through this scenario:

- Total comprehensive result is positive – noting a small deficit in financial years 2027/28 and 2028/29.
- Comprehensive result (excluding capital) is positive in the 2033/34 financial year.
- The capital works plan is fully funded without deteriorating the cash position – although it should be noted that minimal new assets have been included that are to be funded by general rate revenue.
- Asset renewal investment is significantly less than depreciation expense – approximately 80% across the assessment period – which would need to be reviewed as the asset management systems mature to ensure sufficient investment to maintain assets.
- Availability of cash will continue to be a concern in the first five years, requiring additional focus and tighter control of cash, with improvements enabling less tightly held controls in the later years of the scenario.
- Unrestricted cash improves throughout the ten year projection and achieves a balance of \$20 million in 2031/32.

## 5.2 INVESTMENT IN ASSETS

Council provided AEC with a ten year plan for the capital works program (new assets, upgrades, expansions and renewals).

The capital works program includes a total of \$188 million over the next eleven years on capital expenditure, comprising \$29 million of new, expansion and upgraded assets and \$159 million of asset renewals over the forecast and projection period.

Asset renewals average \$14 million over the ten year projection period, which is 86% of the depreciation.

If Council were to set the asset renewal investment to match the depreciation expense, Council would be required to invest an additional \$2.4 million per year on average to meet this target.

The major asset classes where the planned investment in asset renewals is significantly below the depreciation for those asset classes are drainage, parks, roads, pathways and plant and equipment. While the condition scores in the asset register for roads, pathways, parks and the critical drainage assets indicate an overall good condition (and therefore potentially the demand for asset renewals does not match the depreciation), additional work is required to review the planned intervention criteria for renewal of assets and increase the confidence as to whether the current investment in asset renewals is sustainable.

AEC also notes that the reconstruction or rehabilitation of roads is not included in the planned capital works – presumably the allocation for Roads to Recovery program (which is not allocated in the capital works program), or other grants not yet identified will be used to fund the rehabilitation and reconstruction of roads, however the sufficiency of this to fund the demand is unknown.

**Table 5.1 – Statement of Capital Works**

STATEMENT OF CAPITAL WORKS	2023/24 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000	2032/33 \$'000	2033/34 \$'000
	BUDGET	FORECAST	PROJECTIONS									
<b>Property</b>												
Land	-	-	-	-	-	-	-	-	-	-	-	-
Land improvements	500	-	-	-	-	-	-	-	-	-	-	-
<b>Total land</b>	<b>500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Buildings	3,446	6,484	4,432	5,662	3,757	3,783	4,063	4,136	4,287	4,480	4,592	4,718
Leasehold improvements	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total buildings</b>	<b>3,446</b>	<b>6,484</b>	<b>4,432</b>	<b>5,662</b>	<b>3,757</b>	<b>3,783</b>	<b>4,063</b>	<b>4,136</b>	<b>4,287</b>	<b>4,480</b>	<b>4,592</b>	<b>4,718</b>
<b>Total property</b>	<b>3,946</b>	<b>6,484</b>	<b>4,432</b>	<b>5,662</b>	<b>3,757</b>	<b>3,783</b>	<b>4,063</b>	<b>4,136</b>	<b>4,287</b>	<b>4,480</b>	<b>4,592</b>	<b>4,718</b>
<b>Plant and equipment</b>												
Plant, machinery and equipment	730	800	361	382	404	428	452	478	504	532	561	592
Fixtures, fittings and furniture	320	-	-	-	-	-	-	-	-	-	-	-
Computers and telecommunications	630	998	670	721	776	833	898	967	1,046	1,131	1,187	1,246
Library books	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total plant and equipment</b>	<b>1,680</b>	<b>1,799</b>	<b>1,030</b>	<b>1,103</b>	<b>1,180</b>	<b>1,261</b>	<b>1,351</b>	<b>1,445</b>	<b>1,550</b>	<b>1,663</b>	<b>1,748</b>	<b>1,838</b>
<b>Infrastructure</b>												
Roads	4,125	4,752	6,025	4,731	4,836	4,836	5,355	4,875	5,137	5,465	5,760	6,078
Bridges	3,156	3,282	4,065	2,189	3,173	537	610	596	619	634	653	672
Footpaths and cycleways	322	878	413	465	761	699	656	728	750	836	861	887
Drainage	260	1,118	829	212	220	251	285	320	358	400	412	424
Recreational, leisure and community facilities	936	9,018	2,502	530	131	-	-	-	-	-	-	-
Waste management	-	-	-	-	-	-	-	-	-	-	-	-
Parks, open space and streetscapes	1,489	1,966	5,145	2,639	1,126	1,514	1,240	1,552	1,783	1,678	1,729	1,781
Off street car parks	74	-	-	-	-	-	-	-	-	-	-	-
Other infrastructure	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total infrastructure</b>	<b>10,362</b>	<b>21,014</b>	<b>18,979</b>	<b>10,766</b>	<b>10,248</b>	<b>7,837</b>	<b>8,146</b>	<b>8,072</b>	<b>8,647</b>	<b>9,013</b>	<b>9,414</b>	<b>9,842</b>
<b>Total capital works expenditure</b>	<b>15,988</b>	<b>29,297</b>	<b>24,441</b>	<b>17,531</b>	<b>15,185</b>	<b>12,881</b>	<b>13,560</b>	<b>13,652</b>	<b>14,484</b>	<b>15,157</b>	<b>15,754</b>	<b>16,398</b>
<b>Represented by:</b>												



STATEMENT OF CAPITAL WORKS	2023/24 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000	2032/33 \$'000	2033/34 \$'000
	<b>BUDGET</b>	<b>FORECAST</b>	<b>PROJECTIONS</b>									
New asset expenditure	2,679	10,679	1,933	1,745	1,158	793	1,090	125	295	196	202	208
Asset renewal expenditure	11,764	16,305	16,589	14,025	13,382	12,087	12,470	13,527	14,189	14,960	15,552	16,190
Asset expansion expenditure	865	1,560	3,987	1,178	120	-	-	-	-	-	-	-
Asset upgrade expenditure	680	754	1,932	583	525	-	-	-	-	-	-	-
<b>Total capital work expenditure</b>	<b>15,988</b>	<b>29,297</b>	<b>24,441</b>	<b>17,531</b>	<b>15,185</b>	<b>12,881</b>	<b>13,560</b>	<b>13,652</b>	<b>14,484</b>	<b>15,157</b>	<b>15,754</b>	<b>16,398</b>
<b>Funding sources represented by:</b>												
Grants	1,448	5,731	4,214	3,279	3,755	1,218	1,254	1,292	1,331	1,371	1,412	1,454
Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Council cash	9,540	23,148	20,227	14,252	11,430	11,663	12,306	12,360	13,153	13,786	14,342	14,944
Borrowings	5,000	-	-	-	-	-	-	-	-	-	-	-
<b>Total capital works expenditure</b>	<b>15,988</b>	<b>28,879</b>	<b>24,441</b>	<b>17,531</b>	<b>15,185</b>	<b>12,881</b>	<b>13,560</b>	<b>13,652</b>	<b>14,484</b>	<b>15,157</b>	<b>15,754</b>	<b>16,398</b>

Source: AEC (unpublished)

**Table 5.2 – Asset renewal ratio per asset class**

Asset Class	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Buildings	241%	141%	136%	105%	126%	123%	131%	132%	134%	134%	134%
Plant, machinery and equipment	110%	50%	52%	53%	55%	56%	58%	60%	61%	63%	64%
Fixtures, fittings and furniture	-	-	-	-	-	-	-	-	-	-	-
Computers and telecommunications	-	240%	258%	278%	298%	322%	346%	374%	405%	425%	446%
Library Books	-	-	-	-	-	-	-	-	-	-	-
Roads	78%	86%	87%	84%	82%	83%	84%	86%	90%	92%	94%
Bridges	1465%	1766%	926%	1306%	215%	238%	226%	228%	228%	228%	229%
Footpaths and cycleways	40%	32%	36%	39%	44%	48%	52%	52%	52%	52%	52%
Drainage	14%	15%	15%	15%	16%	18%	20%	22%	24%	24%	24%
Recreational, leisure and community facilities	-	308%	93%	-	-	-	-	-	-	-	-
Parks, open space and streetscapes	71%	137%	78%	33%	48%	46%	55%	56%	57%	57%	58%

Source: AEC (unpublished)

**Table 5.3 – Comprehensive Income Statement**

COMPREHENSIVE INCOME STATEMENT	2023/24	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	BUDGET	FORECAST	PROJECTIONS									
<b>Income</b>												
Rates and charges	52,300	52,302	54,367	59,350	61,695	64,132	66,665	69,298	72,035	74,881	77,839	80,913
Statutory fees and fines	541	534	549	564	579	595	611	628	646	663	682	700
User fees	4,698	4,704	4,834	4,967	5,103	5,244	5,388	5,536	5,688	5,845	6,005	6,170
Grants - Operating	14,071	14,065	14,427	14,824	15,232	15,651	16,081	16,523	16,978	17,444	17,924	18,417
Grants - Capital	1,448	6,049	4,214	3,279	3,755	1,218	1,254	1,292	1,331	1,371	1,412	1,454
Contributions - monetary	-	211	211	211	211	211	211	211	211	211	211	211
Other income	1,123	610	1,311	895	843	918	1,001	1,064	1,162	1,275	1,411	1,570
<b>Total income</b>	<b>74,181</b>	<b>78,475</b>	<b>79,914</b>	<b>84,091</b>	<b>87,418</b>	<b>87,968</b>	<b>91,212</b>	<b>94,553</b>	<b>98,051</b>	<b>101,690</b>	<b>105,484</b>	<b>109,436</b>
<b>Expenses</b>												
Employee costs	35,224	35,498	37,076	38,724	40,440	42,233	44,106	46,063	48,106	50,241	52,472	54,801
Materials and services	23,113	23,393	24,146	24,966	25,776	26,548	27,298	28,083	28,869	29,679	30,511	31,368
Depreciation	11,370	13,136	14,624	15,344	15,848	16,291	16,720	17,153	17,583	18,036	18,491	18,959
Amortisation - intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Amortisation - right of use assets	1,041	1,041	1,070	1,099	1,129	1,160	1,192	1,225	1,259	1,293	1,329	1,365
Borrowing costs	1,166	942	898	850	798	742	682	578	529	537	136	-
Finance costs - leases	115	115	118	121	125	128	132	135	139	143	147	151
Other expenses	985	785	1,131	828	851	875	1,261	923	949	975	1,406	1,029
<b>Total expenses</b>	<b>73,014</b>	<b>74,910</b>	<b>79,062</b>	<b>81,932</b>	<b>84,967</b>	<b>87,978</b>	<b>91,390</b>	<b>94,161</b>	<b>97,434</b>	<b>100,905</b>	<b>104,491</b>	<b>107,674</b>
<b>Total comprehensive result</b>	<b>1,167</b>	<b>3,565</b>	<b>852</b>	<b>2,159</b>	<b>2,451</b>	<b>(10)</b>	<b>(179)</b>	<b>392</b>	<b>617</b>	<b>786</b>	<b>993</b>	<b>1,762</b>
<b>Comprehensive Result excluding capital</b>	<b>(281)</b>	<b>(2,695)</b>	<b>(3,574)</b>	<b>(1,332)</b>	<b>(1,515)</b>	<b>(1,439)</b>	<b>(1,644)</b>	<b>(1,111)</b>	<b>(925)</b>	<b>(796)</b>	<b>(630)</b>	<b>97</b>

Source: AEC (unpublished)

**Table 5.4 – Statement of Cash Flows**

STATEMENT OF CASH FLOWS	2023/24	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	BUDGET	FORECAST	PROJECTIONS									
<b>Cash flows from operating activities</b>												
Rates and charges	52,302	52,302	54,367	59,350	61,695	64,132	66,665	69,298	72,035	74,881	77,839	80,913
Statutory fees and fines	541	534	549	564	579	595	611	628	646	663	682	700
User fees	4,698	4,704	4,834	4,967	5,103	5,244	5,388	5,536	5,688	5,845	6,005	6,170
Grants - Operating	14,071	14,065	14,427	14,824	15,232	15,651	16,081	16,523	16,978	17,444	17,924	18,417
Grants - Capital	1,448	6,049	4,214	3,279	3,755	1,218	1,254	1,292	1,331	1,371	1,412	1,454
Contributions - monetary	-	211	211	211	211	211	211	211	211	211	211	211
Interest received	610	610	1,311	895	843	918	1,001	1,064	1,162	1,275	1,411	1,570
Employee costs	(35,224)	(35,225)	(36,790)	(38,425)	(40,128)	(41,907)	(43,765)	(45,706)	(47,734)	(49,852)	(52,065)	(54,377)
Materials and services	(23,307)	(23,542)	(24,292)	(25,109)	(25,916)	(26,685)	(27,431)	(28,213)	(28,996)	(29,803)	(30,632)	(31,486)
Other payments	(985)	(785)	(1,131)	(828)	(851)	(875)	(1,261)	(923)	(949)	(975)	(1,406)	(1,029)
<b>Net cash provided (or used in) operating activities</b>	<b>14,667</b>	<b>18,923</b>	<b>17,700</b>	<b>19,728</b>	<b>20,523</b>	<b>18,501</b>	<b>18,754</b>	<b>19,710</b>	<b>20,372</b>	<b>21,060</b>	<b>21,381</b>	<b>22,545</b>
<b>Cash flows from investing activities</b>												
Payments for property, infrastructure, plant and equipment	(15,988)	(29,297)	(24,441)	(17,531)	(15,185)	(12,881)	(13,560)	(13,652)	(14,484)	(15,157)	(15,754)	(16,398)
Proceeds from sale of property, infrastructure, plant and equipment	-	1,870	-	-	-	-	-	-	-	-	-	-
Payments for intangible assets	-	(616)	-	-	-	-	-	-	-	-	-	-
Proceeds from investments	-	10,000	15,000	8,700	-	-	-	-	-	-	-	-
<b>Net cash provided (or used in) investing activities</b>	<b>(15,988)</b>	<b>(18,043)</b>	<b>(9,441)</b>	<b>(8,831)</b>	<b>(15,185)</b>	<b>(12,881)</b>	<b>(13,560)</b>	<b>(13,652)</b>	<b>(14,484)</b>	<b>(15,157)</b>	<b>(15,754)</b>	<b>(16,398)</b>
<b>Cash flows from financing activities</b>												
Finance costs	(1,166)	(942)	(898)	(850)	(798)	(742)	(682)	(578)	(529)	(537)	(136)	-
Proceeds from borrowings	5,000	-	-	-	-	-	-	-	-	-	-	-
Repayment of borrowings	(1,469)	(1,344)	(1,322)	(1,396)	(1,474)	(1,557)	(1,645)	(1,739)	(1,199)	(603)	(154)	-
Interest paid - lease liability	(115)	(115)	(118)	(121)	(125)	(128)	(132)	(135)	(139)	(143)	(147)	(151)
Repayment of lease liabilities	(1,041)	(1,041)	(1,070)	(1,099)	(1,129)	(1,160)	(1,192)	(1,225)	(1,259)	(1,293)	(1,329)	(1,365)
<b>Net cash provided (or used in) financing activities</b>	<b>1,209</b>	<b>(3,442)</b>	<b>(3,407)</b>	<b>(3,466)</b>	<b>(3,526)</b>	<b>(3,588)</b>	<b>(3,652)</b>	<b>(3,678)</b>	<b>(3,126)</b>	<b>(2,577)</b>	<b>(1,766)</b>	<b>(1,516)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(112)</b>	<b>(2,562)</b>	<b>4,852</b>	<b>7,431</b>	<b>1,812</b>	<b>2,032</b>	<b>1,543</b>	<b>2,380</b>	<b>2,762</b>	<b>3,327</b>	<b>3,861</b>	<b>4,630</b>
Cash and cash equivalents - beginning of year	25,825	10,847	8,285	13,137	20,568	22,380	24,412	25,954	28,334	31,096	34,422	38,284
<b>Cash and cash equivalents - end of the year</b>	<b>25,713</b>	<b>8,285</b>	<b>13,137</b>	<b>20,568</b>	<b>22,380</b>	<b>24,412</b>	<b>25,954</b>	<b>28,334</b>	<b>31,096</b>	<b>34,422</b>	<b>38,284</b>	<b>42,914</b>
Other Financial Assets	-	23,700	8,700	-	-	-	-	-	-	-	-	-
<b>Cash, cash equivalents and other financial assets - end of the year</b>	<b>25,713</b>	<b>31,985</b>	<b>21,837</b>	<b>20,568</b>	<b>22,380</b>	<b>24,412</b>	<b>25,954</b>	<b>28,334</b>	<b>31,096</b>	<b>34,422</b>	<b>38,284</b>	<b>42,914</b>

Source: AEC (unpublished)

**Table 5.5 – Reserves Summary (8.75% rate increase in 2025/26)**

RESERVES	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	ACTUAL	FORECAST	PROJECTIONS									
<b>Externally restricted</b>												
Wodonga Retained Environmental Network	736	450	142	-	-	-	-	-	-	-	-	-
Trust funds and deposits	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375
Conditional grants unspent	803	-	-	-	-	-	-	-	-	-	-	-
Developer contribution reserves	5,411	5,611	5,811	6,011	6,211	6,411	6,611	6,811	7,011	7,211	7,411	7,611
<b>External restrictions</b>	<b>8,325</b>	<b>7,436</b>	<b>7,328</b>	<b>7,386</b>	<b>7,586</b>	<b>7,786</b>	<b>7,986</b>	<b>8,186</b>	<b>8,386</b>	<b>8,586</b>	<b>8,786</b>	<b>8,986</b>
<b>Internally Restricted</b>												
Waste management reserve	265	373	543	780	1,088	1,471	1,933	2,480	3,117	3,848	4,680	5,617
Defined Benefits Superannuation Call Up	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
<b>Internally Restricted</b>	<b>2,265</b>	<b>2,373</b>	<b>2,543</b>	<b>2,780</b>	<b>3,088</b>	<b>3,471</b>	<b>3,933</b>	<b>4,480</b>	<b>5,117</b>	<b>5,848</b>	<b>6,680</b>	<b>7,617</b>
<b>Total internal and external restrictions</b>	<b>10,590</b>	<b>9,809</b>	<b>9,872</b>	<b>10,166</b>	<b>10,674</b>	<b>11,257</b>	<b>11,919</b>	<b>12,666</b>	<b>13,503</b>	<b>14,434</b>	<b>15,466</b>	<b>16,603</b>
Total cash, cash equivalents and other financial assets	44,547	31,985	21,837	20,568	22,380	24,412	25,954	28,334	31,096	34,422	38,284	42,914
External restrictions	8,325	7,436	7,328	7,386	7,586	7,786	7,986	8,186	8,386	8,586	8,786	8,986
Internal restriction	2,265	2,373	2,543	2,780	3,088	3,471	3,933	4,480	5,117	5,848	6,680	7,617
<b>Unrestricted cash, cash equivalents and other financial assets</b>	<b>33,957</b>	<b>22,176</b>	<b>11,965</b>	<b>10,402</b>	<b>11,706</b>	<b>13,155</b>	<b>14,035</b>	<b>15,668</b>	<b>17,593</b>	<b>19,988</b>	<b>22,818</b>	<b>26,311</b>

Source: AEC (unpublished)



## 6. RECOMMENDATIONS

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The following recommendation are provided by AEC for Council to consider.

### 6.1 ENHANCED GOVERNANCE, PRIORITISATION AND DECISION-MAKING

- That Council considers the financial sustainability principles (outlined in Section 5 of this report) to guide enhancements to governance and management practices.
- That the financial sustainability principles be adopted within the next revision of the Council Plan and the Financial Plan.
- That Council enhances the Project Management Framework, including the requirement for business cases and appropriate gateways for project selection, planning, execution and closure, and enforce the project management governance for all potential projects (including approval to proceed with grant applications).
- That Council continues the completion of the Service Planning project, with emphasis on reviewing and documenting the current range and levels of services, the current and projected demand on services from growth in population and regional economy, the impact of growth of the services on current asset capacity, the impact of growth on workforce and projection of growth in the cost of the service.
- That Council receives a State of Assets Report annually, prior to consideration and revision of the Capital Works Plan each year, including an overview of the completion of prior year capital works program, the condition and performance of each asset category, consideration of the key risks/criticality for each asset class and the recommendation from Council's officers of the investment priorities (including asset renewals, upgrades, enhancements and new assets).
- That Council requires a business case to be developed for major projects (other than annual renewal programs), including the consideration of options and the impact the selected option will have upon the financial sustainability indicators.
- That Council requires the financial modelling used for the Financial Plan to be maintained and current, updated quarterly, and readily available for the Council to receive advice from the Chief Executive Officer on the likely impact to financial sustainability of any decision under consideration.

### 6.2 IMPROVE THE OPERATING POSITION COUNCIL

- That Council notes the estimated correction required of \$2.8 million in the operating position to achieve a sustainable operating position.
- That Council adopts a policy position to apply the full rate cap increase as set by the Essential Services Commission each year
- That Council considers the need for a Higher Rate Cap Application to the Essential Services Commission after considering other options to correct the \$2.8 million to the operating position.
- That Council reviews fees and charges and with full cost recovery as a minimum target where possible, unless a public benefit is proven to subsidise the service fees and charges.
- That Council continues to complete the Service Planning project, including identifying services for detailed service review with the aim of ensuring the service is provided efficiently and that the delivery approach will deliver economy of scale as service demand increases.
- That Council prioritises the following service for a detailed service review due to the potential for improvement in efficiency and/or productivity improvements – Parks and Gardens, Built Infrastructure, Information Technology, Sports and Recreation, Communications and Marketing,
- That Council includes a demand management approach to service planning, particularly for services with an anticipated increase in demand, including the rationalisation of assets used in service delivery, regional delivery rather than localised, opportunities to increase utilisation of existing assets (e.g. multi use of facilities), use of technology to achieve more efficient delivery of services.
- That Council continues to use current reporting and budget reviews to emphasise accountability for managers on budget controls.

### 6.3 IMPROVE THE AVAILABILITY OF CASH

- That Council adopts a target of unrestricted cash of at least \$20 million and prioritises the building of the unrestricted cash balance to \$20 million.
- That Council continue with the planned review of the Leneva-Baranduda PSP and DCP, including the estimation of other costs that will be incurred by Council that cannot be recovered through the developer contributions – e.g. design and assessment.
- That Council includes the outcomes of the review of the Leneva-Baranduda PSP and DCP in the next revision of the Financial Plan.
- That Council reviews the LOGIC development to ensure yield achieves full cost recovery as a minimum, and ideally would include a dividend or return on investment to the Council.
- That Council includes in the next revision of the Financial Plan the projected development costs and the revenue from the sale of assets.
- That Council reviews the utilisation of assets, in particular land and buildings, and consider the sale of underutilised or surplus assets that do not provide any future strategic use for the Council – sale proceeds from which should be used to build the unrestricted cash position.

### 6.4 IMPROVE INVESTMENT IN ASSETS

- That Council revises the Asset Plan and the Asset Management Strategy to improve integration with other corporate plans and to ensure that the corporate strategic priorities and directions are appropriately addressed in the asset management objectives.
- That Council completes the planned review of the asset management information systems to ensure that asset information is provide in a timely manner to inform the key investment decisions (e.g. asset renewal demand, asset utilisation and capacity, forward projections of criteria based interventions) and to support the technical requirements of the asset managers to undertake their duties (e.g. condition assessments, customer requests).
- That Council updates the Asset Management Plans, with a focus on the planned and costed lifecycle management approach to establish criteria based interventions (e.g. maintenance, renewal, upgrade) that will enable the Council to achieve lowest whole of life costs across each asset category.

### 6.5 DIVESTMENT OF ASSETS

- That Council includes the development costs and potential yield from the Logic development in the next revision of the Financial Plan.
- That Council considers achieving at least full cost recovery, including the holding operating costs and development costs, and ideally include a return on investment in the sales price for the land held for investment.
- That Council receives a business paper on a list of currently underutilised land and property and considers the sale of such assets, if in the consideration of the Council, the asset holds no future strategic use.

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**BRISBANE**

Level 5, 131 Leichhardt Street  
Spring Hill QLD 4000  
Australia  
T: +61 (0)7 3831 0577

**DARWIN**

Level 1, 48-50 Smith Street  
Darwin NT 0800  
Australia  
T: 1300 799 343

**TOWNSVILLE**

233 Flinders Street East  
Townsville QLD 4810  
Australia  
T: +61 (0)7 4771 5550

**MELBOURNE**

Level 13, 200 Queen Street  
Melbourne VIC 3000  
Australia  
T: +61 (0)3 8648 6586

**SYDNEY**

Level 14, 25 Bligh Street,  
Sydney NSW 2000  
Australia  
T: +61 (0) 2 9283 8400

**PERTH**

Level 2, 580 Hay Street  
Perth WA 6000  
Australia  
T: +61 (0) 8 6555 4940

**AFFILIATED OFFICES:****BANGKOK**

2024/129-130 Sukhumvit 50  
Prakanong Klongtoey,  
Bangkok, Thailand 10260  
T: +66 2 107 0189

**SHANGHAI**

Level 35, 1st Building,  
700 Lique Road, Putuo District,  
Shanghai, China 200333  
T: +8618 516293312

[aecgrouppltd.com](http://aecgrouppltd.com)

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