COMMENT ON 2014/2015 MUNICIPAL PLAN.

Flawed Financial Strategy.

The aim of Council's financial strategy is to allow for an equitable distribution of the costs of establishing and maintaining council assets and services between current and future ratepayers…. And… *Deliver significant infrastructure in the city with $3M allocated to commence implementation of the Darwin City Centre Master Plan.*

The City Centre development may or may not be justified, it will certainly not improve services and facilities in the suburbs, BUT ALL RATEPAYERS are expected to pay for this Master Plan out of current revenue. This is neither an equitable distribution between businesses and householders nor, unless it is funded by long term loans, between current and future ratepayers.

Similarly the Shoal Bay Waste Management Facility has a life in excess of twenty years however current ratepayers are expected to fund the carbon price, upgrades and future processing out of current revenue. Much is made of continuing to replenish reserves each year as a responsible and balanced approach to planning for Darwin's future, and to minimise any burden on ratepayers now or in the future but, in fact, what we have is a situation where today's ratepayers are paying for capital works from which tomorrows ratepayers will reap the benefits: where is the intergenerational equity in that policy?

Level of Reserves.

Restricted reserves are currently far in excess of what is mandated and unrestricted reserves [read; *slush funds for concealing surplus revenue*] are far in excess of budget leading to an unprecedented current account surplus in excess of $85 million. Were council to review ownership of assets (as recommended by accounting experts) it would divest itself of those assets that are at risk from catastrophe such as cyclone and insure the remainder thereby managing the risk: instead the policy is to create and maintain reserves from rate income. This means that current ratepayers continue to subsidise ratepayers of the future.

Capex Funding.

Best practice demands that capital expenditure is debt-funded over the life of the asset, not by revenue from rates. The level of debt and the ability to service the debt should be set by the relevant ratios. The KPI far exceeds the requirement. Few if any of the anticipated capital expenditure programs have been planned with the use of debt funding, leading the inevitable increase in rates.

Prudent Management.

The Lord Mayor continues to justify rate increases on the grounds that, by accumulating surpluses now, future ratepayers will be protected from “rate shock”. Many of the experts that have rigorously reviewed Council financial management all over Australia would disagree with your statement about ‘prudent and sustainable financial management.’ Where is the evidence for ‘the potential for rate shocks’? Management should be able to devise and implement a risk management plan using insurance to cover any contingency that would necessitate a severe increase in rates.

Key Performance Indicators.

The Council’s financial statements demonstrate:

- Insufficient borrowings, the debt servicing ratio is much less than the benchmark average of 2.3%.
- An unjustifiable cash surplus, the liquidity ratio is far greater than required.
- Rates are far too high: assets should be debt funded rather than from cash; continual surpluses recorded every year lead to intergenerational inequity.
- Depreciation is too high: some assets should be leased rather than purchased leading to undue levels of depreciation.

Comparison to Previous Year Budget

Operating Revenue	2013/14 Original Budget $’000	2014/15 Budget $’000	Variance $’000	% Variance
Rates, Levies & Charges	58,884	62,243	3,360	5.7%
Fees & Charges	20,054	23,186	3,132	15.6%
Interest & Investment Revenue	2,364	2,636	272	11.5%
Other Income	1,584	1,746	162	10.2%
Grants & Contributions	6,135	5,880	-255	-4.2%
Total Operating Revenues	89,021	95,690	6,669	7.4%

Table 5: Annual comparison of operating revenue

A review of the 2014/2015 budget indicates that revenue will increase by 7.4% [$6.7 million] over the previous period. According to the April financials Council now has current assets in excess of $85 million, approximately double the amount of reserves required [see P 49 - $37.8 million] and sufficient to pay all the operating costs [~ $70 million] for the year without collecting $1 in new rates. Therefore there is absolutely no financial justification for raising rates for the 2014/15 year.

Comparison to Previous Year Budget

Operating Expenditure	2013/14 Original Budget $'000	2014/15 Budget $'000	Variance $'000	% Variance
Employee Costs	26,965	28,336	1,370	5.1%
Materials & Services	46,434	50,511	4,077	8.8%
Finance Costs	268	256	-12	-4.4%
Depreciation & Amortisation	15,258	16,812	1,554	10.2%
Total Operating Expenses	**88,926**	**95,915**	**6,989**	**7.9%**

Table 6: Annual comparison of operating expenditure

[N.B. Operating costs are $95.9 m less $16.8m depreciation = $70 million].

Waste Management Strategy.
The plan does not include a comprehensive Waste Management Plan that details:

1 FINANCIAL MANAGEMENT
- 1.1 Ongoing capital cost of upgrading the Shoal Bay site,
- 1.2 Carbon Price liability,
- 1.3 Refund of Waste management fees if the CPM is repealed,

2 GHG POLLUTION MANAGEMENT
- 2.1 Integration into the Direct Action Plan
- 2.2 Opportunities within the Carbon Farming Initiative.

3 CONSULTATION AND ENGAGEMENT
- 3.1 Stakeholder identification and engagement
- 3.2 Stakeholder consultation feedback

4 CURRENT WASTE MANAGEMENT
- 4.1 Introduction to waste management operations
- 4.2 Waste Composition and Quantities
- 4.3 Waste Disposal and Resource Recovery Facilities
- 4.4 Education strategy
- 4.5 Litter management
- 4.6 Council Internal Waste Management

5 PROGRESS TO DATE AND ACHIEVEMENTS
- 5.1 Prior Action Plan Review

6 FUTURE DIRECTIONS
- 6.1 Objectives and Priorities
- 6.2 Key Performance Indicators
- 6.3 Action Plan

The council may in breach of S 127 of the Local Government Act in that it failed to include a [current] assessment of the social and economic effects of its rating policies. The information contained on P22 of the 2014/2015 Municipal Plan is largely a copy of the previous information [see P18/19 of the 2013/2014 plan] and the year before that [see P21 2012/2013 Municipal plan] based upon the same graph produced in 2011 by DAE with the dates changed to artificially justify the increase in rates.

LOCAL GOVERNMENT ACT - SECT 127

Annual budgets.

(1) A council must prepare a budget for each financial year.
(2) The budget for a particular financial year must:

(e) contain an assessment of the social and economic effects of its rating policies;

Some of the items that impact on the social and economic status of ratepayers, that should have been assessed, include:

Cost of Housing.

In the past year alone, the Consumer Price Index (CPI) for rental housing in Darwin has risen by 7.9%, compared with the national rise of 3.2%. In the last 15 years, rent prices in the NT have risen by 87%, while the general CPI has risen by 53%.

Source: NTCOSS MEDIA RELEASE 17 December 2013

The report shows that the Northern Territory is the only place where renters pay a significantly greater proportion of their income on housing costs than do home owners. *"Given the reliance on rental housing for many low income households this is an alarming finding"* stated Ms Wendy Morton, Executive Director, NTCOSS.

The increase in the size of the economy and employment has resulted in significant further increases in Darwin's rent and house prices ……. **and there are some signs that the current demand and costs of occupancy for housing may be restricting discretionary spending .**

The population over 65 in Darwin is low; 7.2% compared with 14% nationally in 2011: takes absolutely no cognisance of the ratepayers that are on other forms of social security or have below average incomes. The unusually high proportion of renters is largely due to the inability of average income earners to purchase their own home. Public servant ratepayers receive regular increases in salary to offset an annual increase in rates; the landlords of the 41.2% of households in Darwin that rent dwellings simply raise rents to cover the increase.

Businesses have the flexibility to raise prices, but those on fixed income [self funded retirees and social security recipients] are restricted in their ability to absorb rate increases to the point where it becomes a choice between rates and food. This situation is exacerbated by the decrease in interest rates [term deposits being a major income source of retirees] causing significant hardship.

None of these factors have been assessed and the proposed rise in rates will have serious social effects on the most vulnerable section of the population affected by the rating policy. Consequently it is shown that council is oblivious to the economic effects of its policy and has not included an assessment in the 2014/2015 Municipal plan as is required by the Local Government Act.

LOCAL GOVERNMENT ACT - SECT 138

Power of Minister to make rectification order

(1) If the Minister is of the opinion that an irregularity has occurred, or is occurring, in the administration of a council's financial affairs, the Minister may, by order (a rectification order) given in writing to the council, require the council to take specified action to correct the irregularity or to guard against the recurrence of irregularities (or both).