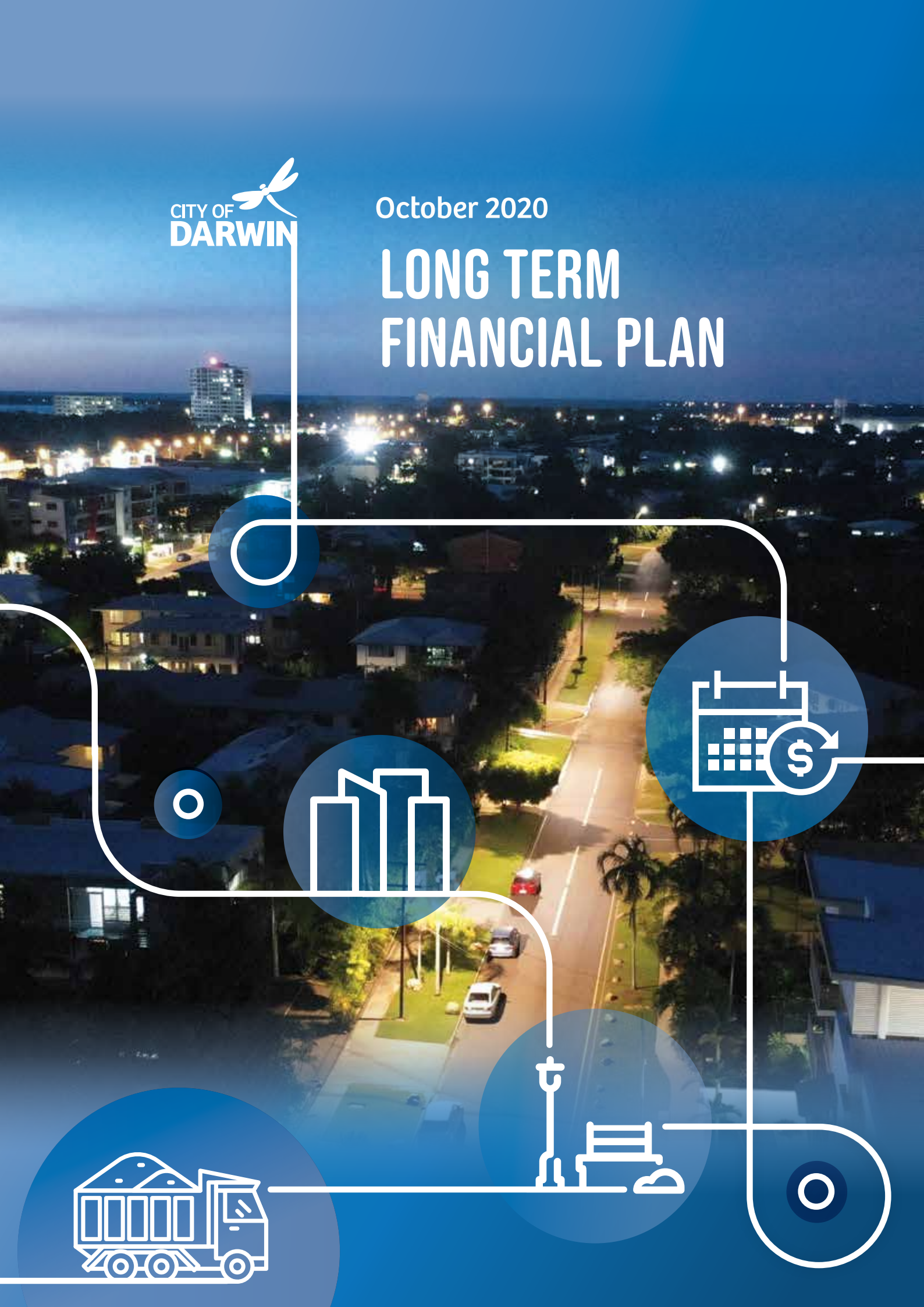




October 2020

LONG TERM FINANCIAL PLAN







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1.1 Executive Summary

The Long Term Financial Plan ("LTFP") is an important strategic document which forecasts and aligns long term financial viability against the targets and objectives set by City of Darwin ("Council"). This document informs the City of Darwin's Strategic Planning Framework and helps ensure Council responsibly fund day-to-day operations as well as strategic projects. In many instances this document can identify the strategic role (i.e. provider, funder, regulator, partner, facilitator or advocate) that Council should play to further its strategic objectives.

The LTFP provides a ten year overview of the City of Darwin's projected income, expenses and capital works programs. Only projects with reasonably assured funding or projects firmly committed to are included in the capital works programs. This prudent design approach ensures the Council only communicates to stakeholders' projects that can be delivered with reasonable certainty over the forecast period.

To develop this LTFP each City of Darwin department was analysed in detail and rolled up into a consolidated corporate operating model. This process enabled the identification of performance improvement opportunities and ensured that short term budgets did not become the foundation of this long term planning document. The consolidated position was then benchmarked against other comparable councils to ensure targets were challenging but reasonably achievable.

The LTFP illustrates that the Council are able to, on average, sustain \$25M+ of capital expenditure per annum over the ten (10) year model period, with a Rates increase subsequent to FY2022 of no more than 2.0% and dwellings growth of 1.5%. Strategically, and in line with the City of Darwin's Municipal Plan, several capital projects have been brought forward into FY21 to support the city through the pandemic recovery. Whilst this initially consumes a sizeable proportion of the historical cash reserves, a healthy \$70M - \$80M cash balance is preserved throughout the remainder of the model period.

In view of City of Darwin's \$1B (Billion) of infrastructure, property, plant and equipment, a prudent long term cash reserve is considered reasonable to ensure that Council to able to activate strategic projects or address unforeseen challenges.

The City of Darwin's FY21 Municipal Plan, includes \$71.77M of capital works programs, which includes highlighted community projects for the year being the redevelopment of the Casuarina Pool at \$25M and investment in the Shoal Bay Waste Management Facility of \$15.5M.



1.2 Background

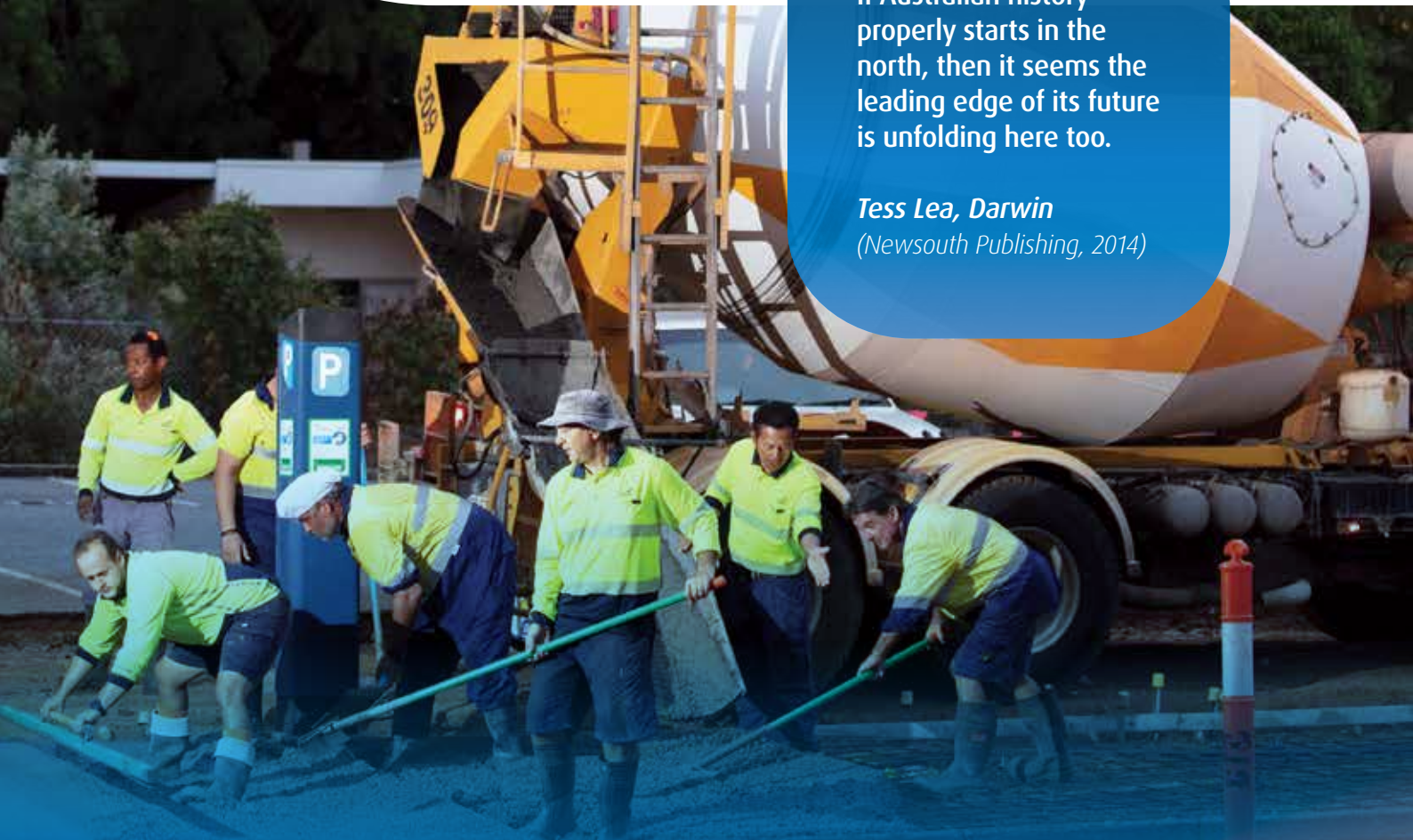
Darwin is a place of natural beauty and economic strength – the social, cultural and economic heart of the Northern Territory.

Darwin is the capital of Northern Australia. We are Australia's gateway to Asia, located in a growing region rich in cultural diversity and natural resources.

Darwin has a developed economy including extensive infrastructure and services, strong governance structures and a young and diverse population profile. Darwin has social infrastructure and a vibrant populace enabling continued growth and presenting unique opportunities to be leveraged in future development.

City of Darwin acknowledges the Larrakia people as the traditional owners of all the land and waters of the Greater Darwin region. The Larrakia culture and identity is rich and vibrant. In the footsteps of the Larrakia people, City of Darwin will continue to foster this culture and identity by creating a vibrant community together.

The City of Darwin knows that we will see transformation across our city and suburbs in the coming decades as rapid technological, cultural, social, economic, and climatic changes impact lifestyles and livelihoods. That's why the City of Darwin is leading the way with progressive, community-focused strategies and programs that will deliver sustainable growth and prosperity for Darwin city and suburbs.



If Australian history properly starts in the north, then it seems the leading edge of its future is unfolding here too.

Tess Lea, Darwin
(*Newsouth Publishing, 2014*)

City Profile and Demographics

Population

³82,886 Estimated residential population (2019)

0.8% Average growth per annum (over 10 years)

34 years Median age

Employment

⁴60,760 jobs located in the City of Darwin (2019) representing 44.83% of all employment in the NT

Businesses

⁵7,099 registered businesses (2019) representing 48.04% of all registered businesses in the NT

Gross Regional Product (GRP)

⁶\$9.06B (2019), representing 38.85% of all GRP in the NT

2.51% average growth per annum (over 10 years)

Municipal Area

112 km²

Council Staff

355 FTEs

Rateable Properties

35,737 as at 31 December 2019

Elected Members

One (1) Lord Mayor and 12 Elected Members represent the local government area.

464.7KM of roads

17 sporting grounds

3 swimming pool facilities

35 public amenity facilities

9,987 street and public lights

128 Playgrounds

579HA of greenspace

8 tennis courts

3 community centres

7 child care centres

591.93KM of paths⁷

4 libraries

448.6KM of stormwater



1.3 Introduction

Long Term Financial Plan

Pursuant to Part 10.4 of the Local Government Act 2019 Council are required to prepare and keep up-to-date a Long Term Financial Plan. The Long Term Financial Plan ("LTFP") must relate to at least a period of four years, and contain:

- a. a statement of the major initiatives the Council proposes to undertake during the period to which the plan relates; and
- b. projections of income and expenditure for each financial year of the period to which the plan relates;

This plan extends over a ten (10) year period to ensure that City of Darwin are positioned effectively to realise the objectives of their overarching Strategic Plan. The LTFP is a key strategic planning document used to support and guide internal decision-making and ensure that planned capital program is financially viable without risking the long term sustainability of the organisation.

Given the changing nature of many of the assumptions, the LTFP is reviewed on a periodic basis and updated as required, to ensure it remains fit for purpose. Unforeseen events, changes in strategic direction or additional grants need to be evaluated in relation to the currency of the LTFP as seemingly minor changes may have a compounding effect on City of Darwin's capital plans.

Long Term Financial Plan Objectives

The financial objectives of the LTFP are summarised below

- Develop an adaptable forward looking financial model to provide an indication of the sustainability of Council's proposed actions, enabling the business to respond to the ever-changing needs of the community
- Ensure that strategic decisions are made within the agreed Council parameters and benchmarks
- Enhance the transparency and accountability of the Council to the community
- Support continuous financial improvement aspirations, encouraging cost control to maximise available capital funding for the community and the early identification of financial challenges to encourage Council to consider alternative funding models.

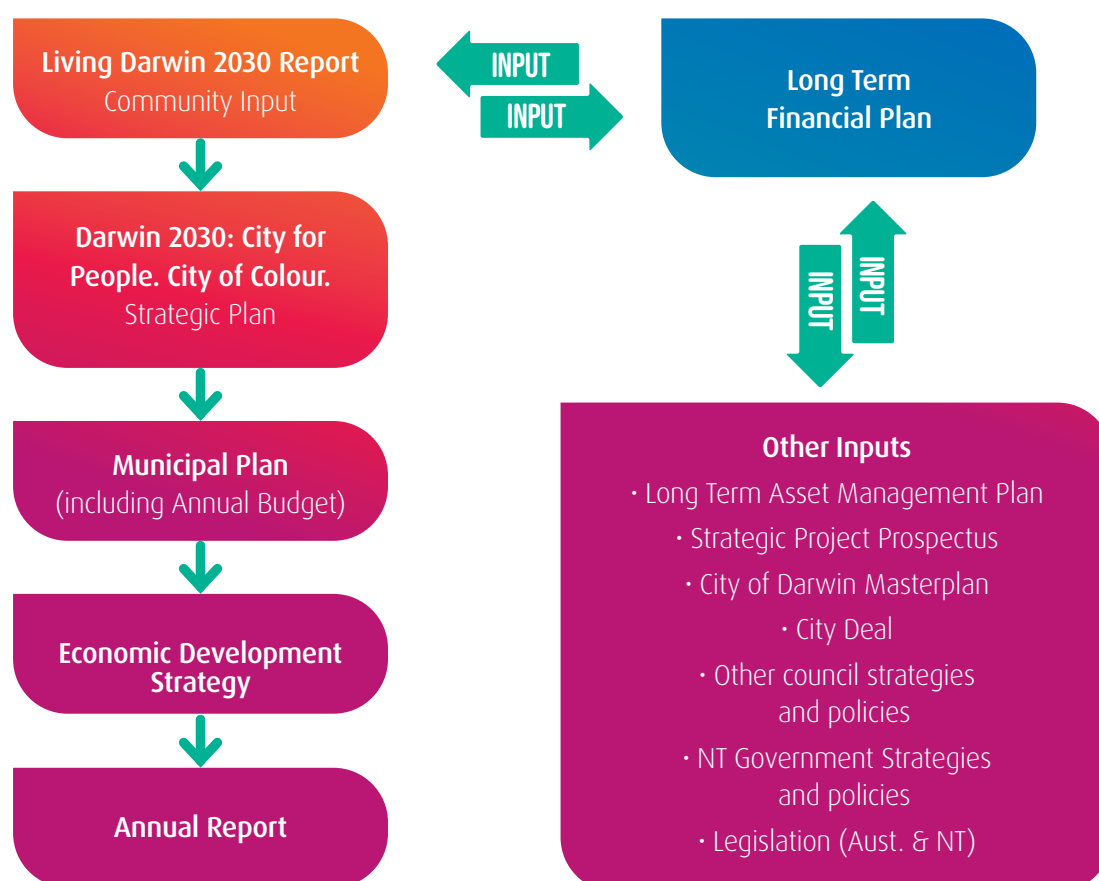
1.4 Corporate Direction

City of Darwin Future Direction

The City of Darwin has a strategic and facilitative role in delivering on the needs, interests and aspirations of its communities and is at the forefront of various major strategic, infrastructure and economic development and investment initiatives.

The purpose of the LTFP process is to identify if the strategic intent of the various documents prepared as part of the City's Strategic Planning Framework are affordable without risking the long term sustainability of its operations.

City of Darwin is guided by its well-developed strategic planning framework, which outlines the City's vision and how it will deliver on its priorities over the short, medium and long-term. The LTFP is influenced via various inputs and reports, and similarly the LTFP influences a number of these reports, shown below.



Some of the more pertinent inputs considered in this LTFP are:

1. Darwin 2030: Strategic Plan
2. Municipal Plan
3. Economic Development Strategy
4. City Deal

**DARWIN 2030: STRATEGIC PLAN**

Our Vision for Darwin

Our vision for Darwin is: Darwin 2030 -
City for People. City of Colour.

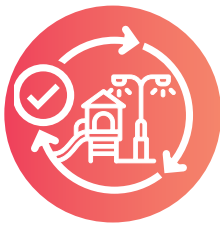
MISSION

We will work with the community and partners, provide leadership, and deliver services that create opportunities to enhance the economic, cultural and environmental sustainability of Darwin.

The City's future direction has been developed in consultation with the community and has been formally unveiled to the public as Darwin 2030: *City for People. City of Colour.* The City of Darwin is the Capital of Northern Australia and is the nation's gateway to the north, with more than 400 million people within four hours flying time. *City for People* recognises Darwin as the most culturally diverse and inclusive city in Australia. *City of Colour* recognises our vibrant event season and significant landscape across the municipality.



The LTFP is built upon five key strategic directions that will guide Council's investment decision making processes over the next ten years.



A capital city with best practice and sustainable infrastructure

TARGET: By 2030, a number of strategic infrastructure projects will be developed and delivered



A safe, liveable and healthy city

TARGET: By 2030, Darwin will be a safer place to live and visit

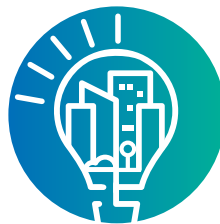
TARGET: By 2030, Darwin will be increasingly recognised as a liveable city

TARGET: By 2030, Darwin residents will be more active and healthy



A cool, clean and green city

TARGET: By 2030, Darwin will be recognised as a clean and environmentally responsible city



A smart and prosperous city

TARGET: By 2030, Darwin will be recognised globally as a Smart City

TARGET: By 2030, Darwin will have attracted and retained more residents and will offer sustainable investment opportunities



A vibrant and creative city

TARGET: By 2030, Darwin will be recognised as an iconic destination

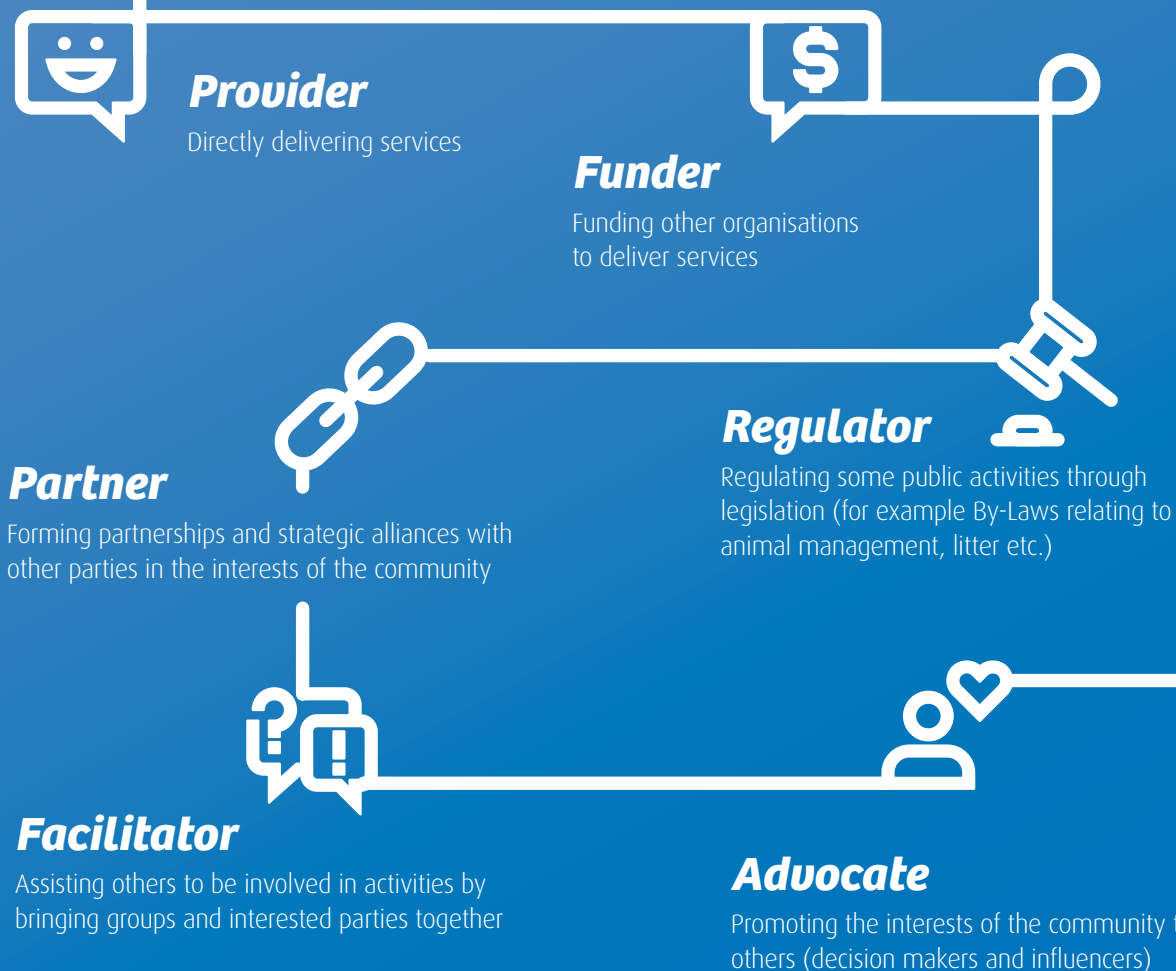
TARGET: By 2030, Darwin will be a more connected community and have pride in our cultural identity



City of Darwin Strategic Role

To achieve the vision, the LTFP acknowledges the broader role that Council must play to deliver meaningful change and progress toward the objectives of the Strategic Plan. Capital constraints restrict the ability to responsibly fund or provide several strategic initiatives or projects. By allocating strategic projects into more practical roles or subcategories, the Council can pursue additional and more impactful projects for the community. These roles make more efficient use of City of Darwin's available capital. The various roles that City of Darwin will play over the next ten years include:

WE HAVE DEFINED THESE ROLES AS:



Municipal Plan (Annual Plan)

Implementing the 10-year Strategic Plan means delivering year-on-year. The City of Darwin's Municipal Plan includes an Annual Budget and sets the strategic direction for each financial year. It is a one year plan that details the key actions and services that support the delivery of the Darwin 2030: *City for People. City of Colour* Strategic Plan, external funding requirements and other key priorities such as the Darwin City Deal.

The Municipal Plan also outlines the key actions and deliverables for City of Darwin and an overview of the services the business provides. The City of Darwin has engaged Place Score to develop a framework to measure Council's performance in achieving its strategic directions and service delivery.

The City of Darwin's FY21 Municipal Plan includes a coordinated response designed for short, medium and longer term stimulus and includes, tourism and events programs, infrastructure delivery, business development, minor works (streetscape beautification and tree planting), short term employment initiatives, recovery-specific grants, innovation and digital solutions to directly affect the success of economic recovery for Darwin from the COVID-19 Pandemic.

Some major projects for 2020/21 include:

1. Casuarina Pool Redevelopment (\$25.0M)
2. Shoal Bay Waste Management Facility – Cell 6 (\$15.5M)
3. COVID-19 Community Support and Municipal Wards (\$7.0M)
4. Stormwater Upgrades and Reconstruction (\$2.2M)
5. Streetscape Beautification (\$1.6M)

The original Velodrome Upgrade project was included in the Municipal Plan at \$10.5M, however, due to a subsequent adjustment and return request of grant funding, in the amount of \$8.0M, this project is now included within the LTFP FY21 at \$2.5M. At this time of adoption of the LTFP the final scope and inclusions for this project are still to be ratified and approved by Council.

All quantifiable projects identified to-date to realise the objectives of the Darwin 2030: *City for People. City of Colour*. Strategic Plan are incorporated into this LTFP.

Where the proposed capital programs are not considered to be affordable or require alternative resources or capability to proceed then Council re-evaluates the role that they play in this initiative. This alignment of how City of Darwin is best placed to support is further demonstrated in the Economic Development Strategy, Strategic Projects Prospectus and through the cooperation under the Darwin City Deal. The City Deal is an example of the City of Darwin taking a facilitative advocacy role towards its strategic objectives.

The **Economic Development Strategy ("EDS")** is a supplementary strategy document prepared by the City of Darwin. This document identifies the Council's unique role within the community and reflects on some recent economic initiatives deployed by the business in the community's time of need. This includes COVID-19 initiatives such as:

1. Encouraging tourism and events, even outside their municipalities
2. Expediting infrastructure delivery and minor works programs
3. Supporting business development and providing recovery-specific grants
4. Waiving or reduction of fees, levies, rents and charges



The core purpose of the EDS is to identify specific actions, City of Darwin's role in these actions and how progress will be measured. These actions are broken into the five strategic directions identified in the Darwin 2030: *City for People. City of Colour.* Plan (to develop a cool, green and clean city; create a smart and prosperous city; promote a vibrant creative city; support a safe, liveable and healthy city; and develop a capital city with best practice and sustainable infrastructure).

EXAMPLE:

Strategic Goal: A capital city with best practice and sustainable infrastructure					
Action	Council Role	Lead / Partners	Achieved Through	How progress will be measured	How this can drive growth
Review Council landholdings to ensure their commercial value and advantage are put to the best economic benefit for the city	Provider	CoD	Review and assessment of landholdings considering economic potential	Council land holding assessment report and action plan	A plan to capitalise on commercial assets in the city

Specifically, the LTFP considers EDS goals that the Council are likely to play a "Provider" or "Funder" role to ensure that adequate provisions are made within the Long Term Capital Plans that feed into the LTFP. Where specific projects or goals are hoped to be fully-funded by unconfirmed Capital Grants, no provision is made for the projects in the LTFP.

The Darwin **City Deal** is a 10 year plan that aims to increase inter-governmental co-operation and service delivery in Darwin. The City of Darwin has partnered with the Federal and Northern Territory governments, and Charles Darwin University to work together to grow Darwin's population, boost tourism, create a more vibrant city centre and support increased investment and business growth.

Key initiatives included in the City Deal include:

- A new education and civic precinct, with a new Charles Darwin University city campus that will attract more international students and bring vibrancy to the CBD
- Redeveloping State Square to create a cooler, greener precinct that will provide more space for outdoor events and festivals, replacing heat-generating car parks.
- An Urban Living Lab that will research and develop tropical heat mitigation measures and climate-appropriate design, in conjunction with the community
- Preserving and promoting Larrakia culture through a Larrakia Host program and facilitating a Larrakia Cultural Centre

The new education precinct development has resulted in City of Darwin recently transferring the land underpinning the proposed campus site and receiving \$14.6 million that will allow for reconstruction of City of Darwin Civic Centre and consider the relocation of some services to high traffic Darwin CBD locations.

1.5 Current Financial Position

The City of Darwin has continued to deliver high-quality essential services through some of the most challenging emergency conditions in recent memory.

The COVID-19 global pandemic and Cyclone Marcus in 2018, have left a legacy of challenges that must be managed, mitigated and overcome. City of Darwin has taken measures to mitigate the challenges that the community is currently experiencing by waiving or reducing a broad range of fees, levies, rents and charges. These measures will have a material impact on City of Darwin's long term budget position and cash reserves.

In response to the need for recovery activity, City of Darwin have also revised their short-term and medium-term capital works programs to stimulate economic activity within the community. In FY21 alone City of Darwin have increased their scheduled capital works program by over \$50M using a mix of reserves and increased debt to fund the projects. Despite these challenges and investments, the City remains in a strong financial position with the LTFP projecting \$95M cash balance at 30 June 2021 which is due to a prudent cash management and capital provisioning strategy.

FINANCIAL DATA FOR 30TH JUNE 2020

Book Value of Assets	\$985M	Cash and Investments	\$100M
Land	\$389M	Total Debt	\$8M
Buildings	\$65M		
Infrastructure	\$448M	Operating Surplus FY21*	\$32M
Waste Management	\$17M	Operating Surplus LTFP Av.#	\$32M
Plant & Equipment & Other	\$43M		
Parks	\$23M		

*excludes depreciation: # 10 Year Average

	LTFP Target	LTFP FY21 (Forecast)	MP FY21 (Forecast)
Operating Surplus before Depreciation	\$25M - \$35M	\$31M	\$33M
This indicator is designed to provide information on the result of ordinary operations before depreciation, which is a non-cash expense. Excluding depreciation gives the amount of operating income over and above operating expenses that is available to fund capital expenditure. The primary difference between the LTFP and the MP is depreciation which was forecast at \$2M more in MP			
Asset Sustainability Ratio	>50%	80%	95.5%
This indicator is designed to indicate the extent to which Council is renewing its assets. A ratio of 100% or more indicates that Council spends at least the amount of depreciation each year on renewing assets. Capital for replacement and renewal only is divided by anticipated depreciation for the year. Depreciation is an annual estimated consumption that does not necessarily reflect the renewal spend required each year. The LTFP forecasts that the Velodrome Capital is only \$2.5m due to an adjustment and not \$10.5M per the Municipal Plan.			
Liquidity Ratio (unrestricted)	Greater than 1.0	2.5	2.7
This indicator is designed to measure whether Council can pay its debts as they fall due expressed as a factor of one. Current assets less restricted reserves / current liabilities			



Operating Budget FY 2020/21

\$106.81M

OPERATING
INCOME

\$70.39M

RATES & ANNUAL
CHARGES

\$23.82M

FEES &
CHARGES

\$9.46M

GRANTS &
CONTRIBUTIONS

\$1.91M

INVESTMENTS &
INTEREST REVENUE

\$121.02M

OPERATING
EXPENDITURE

\$50.91M

MATERIALS &
CONTRACTS

\$35.53M

EMPLOYEE
COSTS

\$1.61M

BORROWING
COSTS



1.6 Model Assumptions

Approach

The LTFP is a comprehensive ten (10) year three-way financial model. The model is customisable and incorporates functionality that enables the model to be progressively updated and used as a progressive strategic tool.

The model starting point is FY21 and this reflects with Municipal Plan (MP) projections where possible as some MP assumptions have changed where more current information is now available.

Thereafter a detailed FY22 projection is fed into the model which is then extrapolated using various market driven and internal assumptions to project revenue and expenditure outlooks over the remaining eight financial years to 2030.

The FY22 budget has been developed from a detailed historical review of all 39 service centres across Council's five core departments:

1. Government Relations & External Affairs
2. Innovation, Growth & Development Services
3. Community & Regulatory Services
4. Corporate & Procurement Services
5. Engineering & City Services

Four years of historical information was reviewed and analysed for each service. The key objective of this approach was to:

1. Make the LTFP assumptions more transparent internally
2. Enhance the accuracy of the longer term budget assumptions
3. Identify sustainable cost reductions or budget creep
4. Normalise one-off operational project expenses
5. Identify longer term performance improvement opportunities

Once complete each service centre budget was reviewed relative to the expectations set in the Municipal Plan and consolidated into their respective header departments.

The header departments were then reviewed and consolidated into the overall corporate business model which is presented throughout this LTFP.

The consolidated assumptions are benchmarked against City of Darwin targets and other comparable local governments and refined where required.

The growth rates applied to the longer term financial years are derived from prudent market driven assumptions which then influence strategic growth rates adopted throughout such as required rates growth.



Key Growth Rates and Sensitivities

The primary growth assumptions applied throughout this model are listed below and broadly comply with the Reserve Bank's targeted inflation rates. No predictive timing assumptions have been applied to the growth rates, once applied they remain fixed year-on-year for the duration of the model.

- **Consumer Price Index (CPI)** has been set at 2.00% per annum across duration of the LTFP. No CPI has been applied to the FY21 starting point reflecting the view that CPI in the short-term will be constrained by the ongoing pandemic economic downturn.
- **Dwelling Growth** has been set at 1.50% per annum based on the statistics published by Australian Bureau of Statistics and population growth target set under Darwin 2030 Strategic Plan. No dwellings growth has been provisioned for prior to FY23 reflecting the challenging economic environment in the Northern Territory, exacerbated by the ongoing pandemic economic downturn and interstate border restrictions.
- **Rates Growth** is a product of the outcome of the LTFP. Council needs to ensure that the organisation is financially responsible, adequately provisioning to sustain the condition of the assets under management whilst pursuing strategic initiatives promised in their Darwin 2030 Strategic Plan. Council have acknowledged the challenging economic conditions the community face and set the rates growth rate in the LTFP in line with CPI increases. No rates increases are modelled in FY21.
- **Rates Revenue Growth** is a sum result of the Dwellings Growth Rate (1.5%) plus the Rates Growth Rate (2.0%), resulting in a net rates revenue growth of 3.5% per annum from FY23.
- **Wage Price Index** has been set at 2.3% per annum. This annual increment has been set broadly in line with the post-pandemic economic brief published by Department of Treasury and Finance.
- **Accelerated CPI** has been prudently added to certain high-growth expenses in the LTFP. These expenses are generally related to utilities and insurance expenses which have historically grown more than CPI. This growth rate has been set at 4.0% per annum.
- **Superannuation** expenses are set to progressively grow in line with the legislated Super Guarantee increases. Increases are expected in 0.5% increments between FY23 and FY27. On completion the Super Guarantee will have increased from 9.5% to 12.0%.
- **Interest Rates** have been set at prudent fixed rates over the duration of the LTFP. No predictive timing assumptions have been applied. The interest rates applied are:
 - Interest Income: 1.5% per annum
 - Interest Expense: 3.0% per annum

Revenue Assumptions

	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Rates Annual Charges	\$70.3M	2.0%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Statutory Charges	\$2.4M	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
User Charges	\$21.5M	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Operating Grants & Contributions	\$9.5M	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Interest on Investments	\$1.9M	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Reimbursements & Other Revenue	\$0.7M	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Capital Grants & Contributions	\$12.7M	\$4.2M	\$3.6M	\$4.0M	\$4.0M	\$4.0M	\$4.0M	\$4.0M	\$4.0M	\$4.0M
Physical Resources Received Free of Charge	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

RATES AND ANNUAL CHARGES

Rates and Annual Charges include general rates and domestic waste management fees. Rates and Annual charges are the principal source of revenue for City of Darwin, representing around 70% of the total revenue before Capital Grants. Around 60% of rates revenue comes from residential rates payers and the balance from commercial ratepayers.

As committed in the Municipal Plan, the City of Darwin opted not to increase the general rates for FY21 in consideration of the COVID-19 pandemic, taking all possible measures to support our people and our city. Measures taken mean the average general rates of a rateable property in the Darwin municipality are around \$1,829 per average single residential dwelling in FY21.

Annual rate increases are currently planned to be restored from FY22 at a rate of 2.0% per annum, in line with the consumer price index however no dwellings growth was included for this year. From FY23 the deemed dwellings growth rate of 1.5% and CPI of 2.0% have been combined to predict rates growth at 3.5% per annum from FY23.

STATUTORY CHARGES

Statutory Charges revenue from all types of statutory services provided by City of Darwin including animal registration, infringement notices and developer permit fees. Animal control and parking enforcement services are managed at a net neutral cost position. Developer services operate at a loss and as such accelerated CPI fee increases are proposed to reduce the net cost associated with providing these services.

USER CHARGES

User Charges are the second largest source of revenue for City of Darwin, representing around 20% of the total revenue before Capital Grants. User charges include commercial lease income, parking fees, and commercial waste fees.



Parking revenue is steady year on year and is generated from ten city car park locations. Parking revenue ordinarily received from the Cavanagh Street carpark provided to CDU as part of the City Deal is expected to fill capacity in other underutilised car parks allowing parking revenue to hold steady.

Commercial lease income is expected to decline in FY21 due to the provision of COVID-19 support to struggling tenants. For blue chip nature property locations however, rental income and occupancy is expected to remain consistent over the duration of the LTFP. Commercial tenancies include Pee Wees on the Point, Mindil Markets, Foreshore Restaurant, Sky City Car Park, Gardens Golf Course and various Mitchell Street properties.

The Shoal Bay Waste Management Site is undertaking some significant project reinvestment at present including the Leachate Treatment Plant, Cell Capping Stages 3 & 4, and developing Cells 6, 7 & 8. In addition to these significant projects, Council are also reviewing opportunities to potentially extend the effective lives of existing cells to dilute the net capital cost of waste management services. This will enable Council to consider utilising the operating surpluses of the waste management services to be reinvested into other strategic projects.

Given the strong demand for these services, User Charges currently provide a good operating surplus to City of Darwin and the community. As the returns are considered reasonable, only standard CPI increases are proposed for the duration of the LTFP.

OPERATIONAL GRANTS, SUBSIDIES AND CONTRIBUTIONS

City of Darwin historically receives around 4% of its operating revenue from various operational grants. These operational grants are for the provision of services and are annually approximately as follows; libraries (\$1.5M), mosquito control (\$150k), park maintenance and road maintenance (\$3.8M from Commonwealth Financial Assistance Grants, general and roads components). These grants are reasonably consistent year-on year, growing marginally in line with CPI. Historically City of Darwin has received some non-recurring operational grants however for the purposes of the LTFP, only grants confirmed are identified in the model. The FY21 forecast includes the \$4.0M Northern Territory Government COVID-19 Support per the Municipal Plan. It is assumed that any new operational grants would be offset by commensurate expenses, resulting in no net financial impact

INVESTMENT INCOME

In accordance with the Council's investment policy and risk management strategy, City of Darwin invests funds that are surplus to its current needs. Within the LTFP it is presumed surplus funds will be invested in a diversified portfolio of term deposits and securities.

With interest rates at historic lows, the Interest rate was prudently set 1.5% per annum for the duration of the LTFP. The LTFP has not sought to speculate on future interest rate volatility.

REIMBURSEMENTS & OTHER REVENUE

City of Darwin receive minor "Other Revenue" from multiple sources including photocopier charges, street food permits and city decorations. In addition to these minor recurring revenue sources, historical insurance recoveries have also been posted to this account. The LTFP does not speculate on insurance recoveries noting that recoveries would be offset by commensurate expenses, resulting in no net financial impact. Other Revenue assumptions are programed to increase at CPI over the duration of the LTFP.

CAPITAL GRANTS & CONTRIBUTIONS

City of Darwin are provided with regular Capital Grants to fund or subsidise strategic capital projects. These Capital Grants are uneven regarding amount, timing and frequency over past periods. The Long Term Capital Plan used to populate the capital expenditure assumptions of the LTFP, only list projects which have secured or probable funding agreements (i.e. access restricted reserves, unrestricted reserves, debt funding or Capital Grants). Council consider this to be a prudent way to develop a LTFP for asset sustainability. An average Capital Grant Income expectation of \$4.0M per annum has been used from FY24 onwards and associated Capital Expenditure is represented in other discretionary asset in the Capital Plan.

Council also highlight that they are in pursuit of a number of Capital Grants to help fund some significant new strategic infrastructure projects. As these funding agreements are secured the LTFP will be updated however in principal it is assumed that cash receipts for new Capital Grants would be offset with a capital outlay on the project. Operationally the impact will be a longer term increase in depreciation which will result in additional operational surplus requirements to continue to maintain the asset base and comply with Council's asset sustainability KPI.

Expense Assumptions

	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Employee Costs	\$35.7M	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Materials, Contractors & Other Expenses	\$50.2M	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Finance Costs/ Interest Rate	\$0.6M	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Fair value adjustments	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

EMPLOYEE COSTS

Employee costs include payment of salary and wages, leave entitlements, superannuation, training and workers compensation expenditures. Employee costs are the City of Darwin's most significant fixed expense representing around 43% of the annual operating expenses.

The LTFP projection for employee costs have been linked to wage price index statistics published by Department of Treasury and Finance. Employee Costs are expected to increase at a rate of 2.3% per annum which is above the projected CPI growth rate. The Council is committed to maintain all the existing service lines and no material change is expected in current workforce and employee working hours. Notwithstanding, annual review of labour capacity requirements and wages growth rate will be undertaken, and adjustments will be made accordingly to the employee assumptions.



MATERIALS CONTRACTORS & OTHER EXPENSES

Material, Contractors and other expenses comprises of all the principle expenditures incurred to deliver City of Darwin's services to the community. It includes all the direct and indirect expenses that are not included elsewhere, such as domestic waste treatment cost to operational expenses, like insurance, consultants and marketing costs.

The growth rate for this expenditure is set at 2% based on CPI and no change expected in current service lines and operational capacity. Although, Council is expecting a decrease in materials and all other overheads in 2020-21 financial year due to cost control initiatives and strategies arising from the impacts of COVID-19.

FINANCE COSTS

The two components underpinning the finance cost charges include estimated interest rate and projected borrowing requirements.

All of the current borrowings as at 30 June 2020, being \$8.2M, are expected to be repaid over seven years. In accordance Council's current borrowing policy, new borrowings are proposed at the interest rate of 3.00% per annum with an associated loan term to be no longer than the estimated useful life of the related asset or a maximum of 20 years.

One of the main goals of Council is to keep the external borrowing level at minimum level, whilst not compromising on the funding requirement of strategic capital projects planned for each financial year. The LTFP projected that City of Darwin will only need some additional funding in 2021 financial year to meet the record \$71.77 million capital budget in response to COVID-19. New borrowings* anticipated are \$12.5M for Casuarina Aquatic and Leisure Centre, repaid over 20 years and \$13.2M for Shoal Bay, repaid over 8 years to align with the asset life cycle. For all the remaining periods, Council is confident in meeting all its operational services and capital projects from own-sourced revenue generated over the course of the plan.

** Note - All external borrowings are subject to Ministerial approval per legislative requirements.*



DEPRECIATION

Depreciation is the provision representing the annual consumption or decrease in the value of all the non-current assets held by the City of Darwin. For the purposes of the LFTP model, depreciation expense is varied based on the capital expenditure levels and acquisition of new assets over future periods. Estimates related to the new additions to assets have been identified within the proposed Capital Works Program.

The depreciation rate included in the model is as per Council's Asset Capitalisation Framework and consistent to the General Purpose Financial Statements. The table below shows the details of the City of Darwin's asset classes and useful lives applied to each of them;

Assets Group	2020 Depreciation	Useful Life
Land	-	-
Buildings	\$3.6 million	40 years
Transport Infrastructure	\$9.5 million	60 years
Pathways Infrastructure	\$2.6 million	50 years
Stormwater & Drainage Infrastructure	\$4.4 million	80 years
Public Lighting Infrastructure	\$2.4 million	80 years
Waste Management & Remediation	\$3.8 million	15 years
Plant & Equipment	\$3.2 million	15 years
Park & Reserves Infrastructure	\$1.6 million	25 years
Other Assets	\$1.6 million	40 years
Total	\$32.7 million	

FAIR VALUE ADJUSTMENTS

City of Darwin holds some non-current assets held at fair value and annual review of these valuations are undertaken to appropriately account for all the adjustments. LFTP did not include any projections related to fair value adjustments to avoid an inaccurate representation of the City of Darwin's asset base.



1.7 Capital Assumptions

Capital Works and Infrastructure

The City of Darwin Engineering & City Services Department (E&CS) have developed a ten (10) year Capital Works Plan (CWP) which considers proposed expenditure requirements for new infrastructure assets, asset management and maintenance programs and replacement assets. This 10 year plan is not formally approved by Council and is considered an indicative estimate of capital works requirements into the future. The cost and timing estimates and assumptions used to support the Capital Works Plan are made by the Engineering Department on the most recent and accurate available information at the time.

The current year FY21 approved Capital Works Program includes the initiatives as set out in the Municipal Plan totalling \$71.77M adjusted for projects that vary within this financial year due to funding or other changes as noted below. The projects and highlights are detailed below;

Project Highlights – FY21 Capital Program	LTFP FY21 (Forecast)	MP FY21 (Forecast)
Casuarina Aquatic and Leisure Centre	\$25.0M	\$25.0M
Shoal Bay Waste Management	\$15.5M	\$15.5M
Parks, Pathways, Plant, Art, Stormwater and Lighting	\$10.5M	\$10.5M
Velodrome	\$ 2.5M	\$10.5M
COVID-19 Stimulus	\$3.0M	\$3.0M
Building and Structures, Transport	\$6.0M	\$6.0M
Other Community Events, Economic Development	\$1.2M	\$1.2M
Total	\$63.7M	\$71.7M

The 10 year CWP includes various road, path, waste, recreational and stormwater initiatives with an average spend of \$31M per annum. The years FY24 & FY25 include an allocation for the redevelopment of the Civic Centre precinct, surrounding site area and library and other public facilities. The projects and highlights are detailed below;

Project Highlights – FY22-30 Capital Program	
Annual FY22 - Roads & Pathways \$11.3M, Plant & Equipment (P&E) \$3.7M,	\$26.0M
Annual FY23 - Roads & Pathways \$10.6M, P&E \$3.5M,	\$22.8M
Shoal Bay Waste \$10.5M (FY23/25)	
Annual FY24 - Roads & Pathways \$5.7M, P&E \$6.9M, Civic Centre \$25M (FY24/25)	\$35.5M
Annual FY25 - Roads & Pathways \$5.8M, Plant & Equipment \$4.3M	\$34.7M
Annual FY25 - Roads & Pathways \$5.8M,	\$25.3M
Annual FY27 - Roads & Pathways \$6.4M, P&E \$4.3M, Carpark \$26M (FY27/28)	\$34.3M
Annual FY28 - Roads & Pathways \$7.5M, P&E \$5.8M,	\$37.8M
Shoal Bay Waste \$10.5M (FY27/29)	
Annual FY29 - Roads & Pathways \$6.1M, Other Capex \$15M	\$34.0M
Annual FY30 - Roads & Pathways \$6.1M, Other Capex \$15M	\$31.4M

Strategic Projects Prospectus

The City of Darwin has developed a supplementary Strategic Projects Prospectus to provide the public with an opportunity to contribute to provide feedback on identified projects that are aimed to revitalise the city and economy. The specific projects discussed in the Prospectus align with the strategic direction of Darwin 2030: *City for People. City of Colour*. The Prospectus also serves as a beacon to attract investment partners to help council deliver the community's vision.

Six major project projects specifically identified in the Prospectus are:

1. **Lameroo Beach to the Waterfront:** Darwin Esplanade public space redevelopment, amenity enhancement and foreshore connection
2. **Casuarina Pool:** Community and recreation facility redevelopment
3. **Vestey's Beach:** Public space enhancement to activate and improve the amenity of this area with potential public, private partnership development
4. **Darwin's Smart Northern Suburbs:** Expansion of smart city technology deployment to the Northern Suburbs
5. **Service Commercialisation Opportunities:** Including waste management, property, car parking and streetlight assets
6. **Renewable Energy Hubs:** Incorporating solar and waste to energy technologies

In addition to the projects listed above, Council are in active discussions with the Federal and Territory Governments about number of significant projects outlined in the 2015 Darwin City Centre Master plan.

Reserves

In accordance with the Council adopted Financial Reserves Policy the LTFP considers the alignment of Council's financial strategy to allow for an equitable distribution of the costs of establishing and maintaining assets and services between current and future rate payers. Cash back reserves have been calculated with the net increase or decrease shown as a transfer to or from reserves. The result from the statement of cashflows must be sufficient to cover any net transfer from cash backed reserves during the year. Reserves are also subject to external legislative restrictions and other reserves are "internally restricted" and created for a particular purpose by resolution of Council.



1.8 Forecast Key Financial Statements

The LTFP and the assumptions and projections used within are supported by a resulting suite of financial statements covering the 10 year period FY21 to FY30.

The financial suite of documents used to support the LTFP includes

(a) Forecast Statement of Comprehensive Income FY2021-FY2030 (Profit and Loss)

This statement outlines all Council's sources of income, including Capital Grants and contributions and all operating expenses, including depreciation. This statement does not include capital expenditure.

The net operating result for each year is calculated as total operating income less total operating expenses. The result is then shown as a surplus or a (deficit) and is a measure of Council's performance.

(b) Forecast Funding Summary FY2021-FY2030

This is a forecast summary starting with the operating surplus or (deficit) from each year and adding back depreciation being a non-cash item. The summary considers other funding inflows and outflows to display a net cash result which is then managed via the reserves to ensure that Council maintains appropriate funding levels to support activities.

(c) Forecast Statement of Financial Position FY2021-FY2030 (Balance Sheet)

The Statement of Financial Position details what Council owns (assets) and what it owes (liabilities) at a given point in time. Council's net worth is determined by deducting total liabilities from total assets, which results in Equity.

(d) Forecast Statement of Cash Flows FY2021-FY2030 (Cash Flow)

The Statement of Cash Flows summaries the actual flows of cash for each year and explains the change in cash balance held from the start of the year to the end of the year. The report shows where Council has received cash from and what it has then spent it on.

(e) Forecast Statement of Reserves FY2021-FY2030 (Reserves)

The Statement of Reserves details Council's reserve balances at the start of each year and the end of each year. Reserves are cash backed assets and investments and the statement indicates which reserves are classified as internally or externally restricted. Reserves are generally held to provide for future upgrade or provision of new infrastructure and assets.

(a) FORECAST STATEMENT OF COMPREHENSIVE INCOME (PROFIT AND LOSS FY2021-FY2030)

10 Year Financial Plan: FY2021-2030											
Income Statement - Projected											
	Forecast 2021 \$'000	Forecast 2022 \$'000	Forecast 2023 \$'000	Forecast 2024 \$'000	Forecast 2025 \$'000	Forecast 2026 \$'000	Forecast 2027 \$'000	Forecast 2028 \$'000	Forecast 2029 \$'000	Forecast 2030 \$'000	
Income from Continuing Operations											
Rates Revenues	70,393	75,776	78,290	80,890	83,578	86,358	89,231	92,202	95,275	98,451	
Statutory Charges	2,332	2,461	2,550	2,643	2,740	2,840	2,944	3,052	3,164	3,281	
User Charges	21,505	22,167	22,613	23,067	23,530	24,003	24,485	24,977	25,479	25,991	
Operating Grants, Subsidies and Contributions	9,552	4,377	4,501	4,630	4,762	4,898	5,039	5,184	5,334	5,489	
Investment Income	1,887	1,862	1,841	1,894	1,795	1,683	1,732	1,665	1,590	1,625	
Reimbursements	651	731	746	761	776	792	807	824	840	857	
Other Income	105	197	201	205	209	213	217	222	226	231	
Grants & Contributions provided for capital purposes	12,730	4,206	3,606	4,000	4,000	4,000	4,000	4,000	4,000	4,000	
Physical Resources Received Free of Charge	-	-	-	-	-	-	-	-	-	-	
Total Income from Continuing Operations	119,155	111,777	114,348	118,089	121,390	124,786	128,456	132,127	135,909	139,925	
Expenses from Continuing Operations											
Employee Costs	35,646	36,521	37,532	38,569	39,635	40,729	41,853	42,816	43,800	44,808	
Materials, Contracts & Other Expenses	50,265	48,522	49,505	50,508	51,531	52,576	53,642	54,729	55,839	56,971	
Depreciation, Amortisation & Impairment	30,463	32,080	32,933	33,614	34,681	30,579	31,394	32,046	33,215	34,304	
Finance Costs	622	606	615	563	509	454	397	338	317	295	
Net Losses from the disposal of assets & Fair value adjustments											
Total Expenses from Continuing Operations	116,996	117,729	120,584	123,254	126,357	124,338	127,285	129,928	133,171	136,378	
Operating Result from Continuing Operations	2,159	(5,952)	(6,236)	(5,165)	(4,967)	449	1,171	2,198	2,737	3,546	



(b) Forecast Funding Summary FY2021-FY2030

[illegible]

(c) FORECAST STATEMENT OF FINANCIAL POSITION FY2021-FY2030 (BALANCE SHEET)

10 Year Financial Plan: FY2021-2030												
Balance Sheet - Projected												
	Forecast 2021 \$'000	Forecast 2022 \$'000	Forecast 2023 \$'000	Forecast 2024 \$'000	Forecast 2025 \$'000	Forecast 2026 \$'000	Forecast 2027 \$'000	Forecast 2028 \$'000	Forecast 2029 \$'000	Forecast 2030 \$'000		
ASSETS												
Current Assets												
Cash & Cash Equivalents	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000		
Trade & Other Receivables	8,717	8,660	8,831	9,129	9,340	9,457	9,714	10,012	10,202	10,430		
Other Financial Assets (Term Deposits)	88,756	86,658	89,445	82,130	73,901	76,423	71,194	65,368	66,877	72,900		
Inventories	200	204	208	212	216	221	225	230	234	239		
Total Current Assets	102,673	100,522	103,484	96,471	88,458	91,101	86,134	80,609	82,313	88,569		
Non-Current Assets												
Infrastructure, Property, Plant & Equipment	1,011,590	1,006,091	996,555	996,036	996,636	991,911	989,133	995,346	996,694	994,299		
Total Non-Current Assets	1,011,590	1,006,091	996,555	996,036	996,636	991,911	989,133	995,346	996,694	994,299		
TOTAL ASSETS	1,114,263	1,106,613	1,100,039	1,092,508	1,085,094	1,083,012	1,075,267	1,075,955	1,079,007	1,082,868		
LIABILITIES												
Current Liabilities												
Trade & Other Payables	14,079	13,795	14,074	14,358	14,648	14,944	15,245	15,553	15,867	16,188		
Borrowings	6,273	4,041	4,041	4,041	4,041	4,041	2,721	2,721	840	840		
Provisions	7,994	8,178	8,366	8,558	8,755	8,956	9,162	9,373	9,589	9,809		
Total Current Liabilities	28,345	26,014	26,480	26,957	27,443	27,941	27,128	27,647	26,296	26,837		
Non-Current Liabilities												
Borrowings	24,629	24,710	23,342	19,925	16,404	12,779	10,364	7,838	8,997	8,253		
Provisions	27,436	27,988	28,551	29,126	29,713	30,311	24,622	25,118	25,625	26,142		
Total Non-Current Liabilities	52,065	52,698	51,894	49,051	46,117	43,090	34,986	32,956	34,622	34,395		
TOTAL LIABILITIES	80,410	78,712	78,374	76,008	73,561	71,031	62,114	60,603	60,918	61,233		
Net Assets	1,033,853	1,027,901	1,021,665	1,016,500	1,011,533	1,011,982	1,013,153	1,015,351	1,018,089	1,021,635		
EQUITY												
Retained Earning/ Accumulated Funds	349,250	345,396	336,373	338,523	341,785	339,712	346,112	354,137	355,365	352,888		
Asset Revaluation Surplus	616,836	616,836	616,836	616,836	616,836	616,836	616,836	616,836	616,836	616,836		
Other Reserves	67,767	65,669	68,456	61,141	52,912	55,434	50,205	44,379	45,888	51,911		
Total Equity	1,033,853	1,027,901	1,021,665	1,016,500	1,011,533	1,011,982	1,013,153	1,015,351	1,018,089	1,021,635		



(d) FORECAST STATEMENT OF CASH FLOWS FY2021-FY2030 (CASH FLOW)

10 Year Financial Plan: FY2021-2030											
Cash Flow - Projected											
	Forecast \$'000	Forecast \$'000	Forecast \$'000	Forecast \$'000	Forecast \$'000	Forecast \$'000	Forecast \$'000	Forecast \$'000	Forecast \$'000	Forecast \$'000	Forecast \$'000
Cash Flows from Operating Activities											
Receipts:											
Rates & Annual Charges (Trade Receivables)	71,762	75,829	78,116	80,588	83,363	86,236	88,970	91,901	95,079	98,219	
Statutory & User Charges	23,837	24,628	25,163	25,710	26,270	26,843	27,429	28,029	28,644	29,272	
Operational Grants and Contributions	9,552	4,377	4,501	4,630	4,762	4,898	5,039	5,184	5,334	5,489	
Investment Income	1,887	1,862	1,841	1,894	1,795	1,683	1,732	1,665	1,590	1,625	
Other	756	928	947	966	985	1,005	1,025	1,045	1,066	1,088	
Payments:											
Employee Costs & On-Costs	(35,438)	(36,309)	(37,315)	(38,347)	(39,408)	(40,497)	(41,615)	(42,572)	(43,551)	(44,553)	
Materials, Contractors and Other (Trade Creditors)	(58,399)	(48,805)	(49,226)	(50,224)	(51,241)	(52,280)	(53,340)	(54,421)	(55,525)	(56,651)	
Interest Repayment	(622)	(606)	(615)	(563)	(509)	(454)	(397)	(338)	(317)	(295)	
Net Cash provided (or used in) Operating Activities	13,335	21,905	23,412	24,653	26,016	27,434	28,844	30,494	32,320	34,193	
Cash Flows from Investing Activities											
Receipts:											
Sales of Investment Securities	-	2,098	-	7,315	8,228	-	5,229	5,826	-	-	
Sale of Infrastructure, Property, Plant and Equipment	14,204	-	-	-	-	-	-	-	-	-	
Grants provided for capital purposes	12,730	4,206	3,606	4,000	4,000	4,000	4,000	4,000	4,000	4,000	
Payments:											
Purchase of Investment Securities	(6,759)	-	(2,787)	-	-	(2,522)	-	-	(1,509)	(6,023)	
Purchase of Infrastructure, Property, Plant and Equipment	(69,613)	(26,057)	(22,863)	(32,550)	(34,725)	(25,287)	(34,338)	(37,794)	(34,090)	(31,427)	
Other	-	-	-	-	-	-	-	-	-	-	
Net Cash provided (or used in) Investing Activities	(49,438)	(19,754)	(22,044)	(21,235)	(22,496)	(23,808)	(25,109)	(27,967)	(31,599)	(33,450)	
Cash Flows from Financing Activities											
Receipts:											
Proceeds from Borrowings & Advances	25,700	1,000	1,950	-	-	-	-	-	-	-	
Payments:											
Repayment of Borrowings & Advances (Principal)	(3,023)	(3,151)	(3,318)	(3,418)	(3,520)	(3,626)	(3,734)	(2,526)	(722)	(743)	
Other Financing Repayments	-	-	-	-	-	-	-	-	-	-	
Net Cash provided (or used in) Financing Activities	22,677	(2,151)	(1,368)	(3,418)	(3,520)	(3,626)	(3,734)	(2,526)	(722)	(743)	
Net Increase / (Decrease) in Cash & Cash Equivalents											
Plus: Cash & Cash Equivalents - beginning of year	(13,426)	-	(0)	-	-	-	-	-	0	(0)	
Plus: Cash & Cash Equivalents - end of the year	18,426	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	
Cash & Cash Equivalents - end of the year	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	
Cash & Cash Equivalents - end of the year	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	
Investments - end of the year	88,756	86,658	89,445	82,130	73,901	76,423	71,194	65,368	66,877	72,900	
Investments - end of the year	93,756	91,658	94,445	87,130	78,901	81,423	76,194	70,368	71,877	77,900	

(e) FORECAST STATEMENT OF RESERVES FY2021-FY2030 (RESERVES)

10 Year Financial Plan: FY2021-FY2030	Forecast 2021 \$'000	Forecast 2022 \$'000	Forecast 2023 \$'000	Forecast 2024 \$'000	Forecast 2025 \$'000	Forecast 2026 \$'000	Forecast 2027 \$'000	Forecast 2028 \$'000	Forecast 2029 \$'000	Forecast 2030 \$'000
Reserves Excluding Asset Revaluation Reserve										
EXTERNALLY RESTRICTED RESERVES										
CBD Carparking Shortfall-Developer Contribution	13,416	13,618	13,822	14,029	14,240	14,453	2,670	-	-	-
CBD Carparking Shortfall - Rate Levy	13,646	13,411	14,694	6,019	7,235	8,491	9,790	(199)	1,017	2,275
Highway/Commercial Carparking Shortfall	52	53	54	55	56	57	58	59	60	61
Market Site Development	516	561	608	655	704	754	804	856	909	963
Other Carparking Shortfall	383	389	395	401	407	413	419	425	432	438
Developer Contributions	1,831	1,859	1,887	1,915	1,944	1,973	2,003	2,033	2,063	2,094
Waste Management	8,634	9,474	12,272	11,868	11,400	12,670	20,214	20,484	20,865	26,741
Specific Purpose Unexpended Grants	-	-	-	-	-	-	-	-	-	-
Total Externally Restricted Reserve	38,575	39,461	43,827	35,038	36,081	38,907	36,053	23,755	25,442	32,668
Asset Replacement & Refurbishment	1,447	66	(562)	1,175	7,167	7,446	5,808	12,504	12,549	12,074
Carry Forward Works	-	-	-	-	-	-	-	-	-	-
DEC Air Conditioning Replacement	96	96	96	96	96	96	96	96	96	96
Disaster Contingency	2,135	2,235	2,337	2,441	2,547	2,655	2,766	2,878	2,993	3,110
Election Expense	332	32	134	238	344	19	130	242	357	6
Environmental	80	80	80	80	80	80	80	80	80	80
IT Strategy	84	84	84	84	84	84	84	84	84	84
Nightcliff Community Hall	30	43	57	70	84	98	112	127	142	157
Off & On Street Parking	3,363	3,159	2,951	2,738	2,522	2,301	2,076	1,846	1,612	1,373
Plant & Vehicle Replacement	6,622	5,450	4,529	4,298	3,665	3,544	2,837	2,644	2,450	2,220
Purchase of Land	-	-	-	-	-	-	-	-	-	-
Sale of Land	14,600	14,600	14,600	14,600	-	-	-	-	-	-
Street Lighting	499	459	419	379	339	299	259	219	179	139
Total Internally Restricted Reserve	29,192	26,208	24,629	26,103	16,831	16,527	14,152	20,624	20,446	19,243
Total Reserves	67,767	65,669	68,456	61,141	52,912	55,434	50,205	44,379	45,888	51,911



1.9 Key Ratios and Benchmarking

City of Darwin has a strategy in place to have a robust financial planning, performance measuring and reporting framework to identify potential risks in timely manner, choose appropriate risk mitigation plans and to keep track of all the adopted strategies.

This approach helps to ensure the long term financial sustainability of Council and provide performance measuring framework that meets our five strategic directions. There are number of key performance indicators used to measure financial sustainability.

The key performance measures and benchmark adopted for the purposes of LTFP are based on City of Darwin long-term strategic goals and in line with Local Government Sustainability Objectives and industry trends. Council aims to reports its performance against these indicators in future Annual Reports, and has adopted the following measures as the principle indicators of financial sustainability:

- Operating Surplus or Deficit (Net Profit)
- Operating Surplus before Depreciation
- Rates Ratio / Own Source Operating Revenue Ratio
- Percentage of Rate Debtors Outstanding
- Liquidity Ratio – Unrestricted
- Asset Sustainability Ratio

The table on Page 32 provides the definition and the adopted benchmarks for each respective KPI used to measure Council financial sustainability over the life of LTFP. The first three KPIs are measure of profitability and effectiveness of operations, the next two measures Council liquidity and indebtedness position and last one is measure of Council asset management performance.



Key Performance Indicator	Definition	Benchmark
Operating Surplus or Deficit (net Profit)	Total operating revenue less the operational expenses of Council for the financial year.	Breakeven
Operating Surplus before Depreciation	The amount of operating income less the operating expenses (excluding depreciation) that is available to fund capital expenditure.	Between \$25 to \$35m
Rates Ratio / Own Source Revenue Ratio	Total rates revenue / operating expenses, including depreciation	Benchmark 60%-70%
Percentage of Rate Debtors Outstanding	Outstanding Rates Balance at year end / Total Rates Revenue in the financial year.	Less than <5%
Liquidity Ratio – Unrestricted	Current assets less externally restricted reserves / Current liabilities.	Benchmark 1.5 or higher
Asset Sustainability Ratio	Capital Expenditure on renewal and replacement plant and equipment and infrastructure assets / Annual Depreciation in that financial year.	100.00%

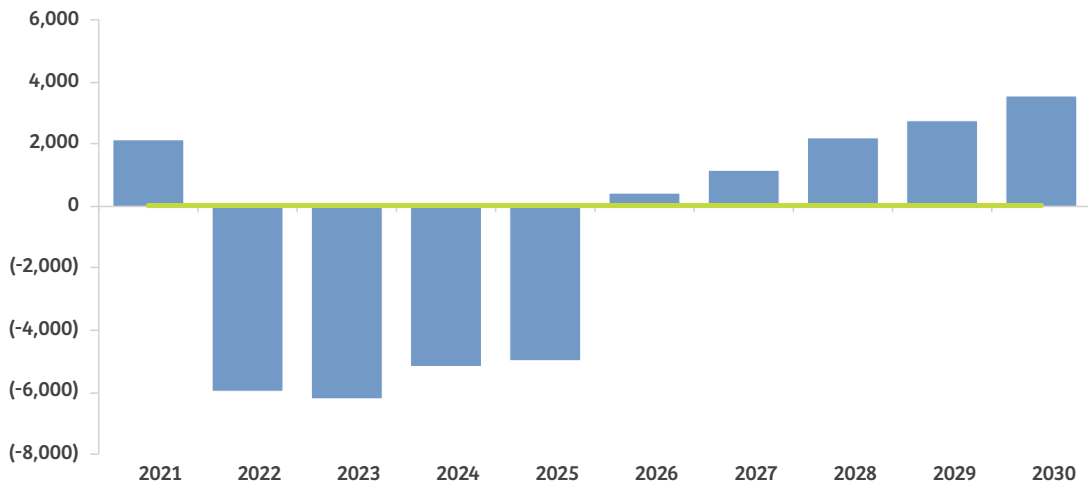




(a) Profitability

OPERATING SURPLUS OR DEFICIT

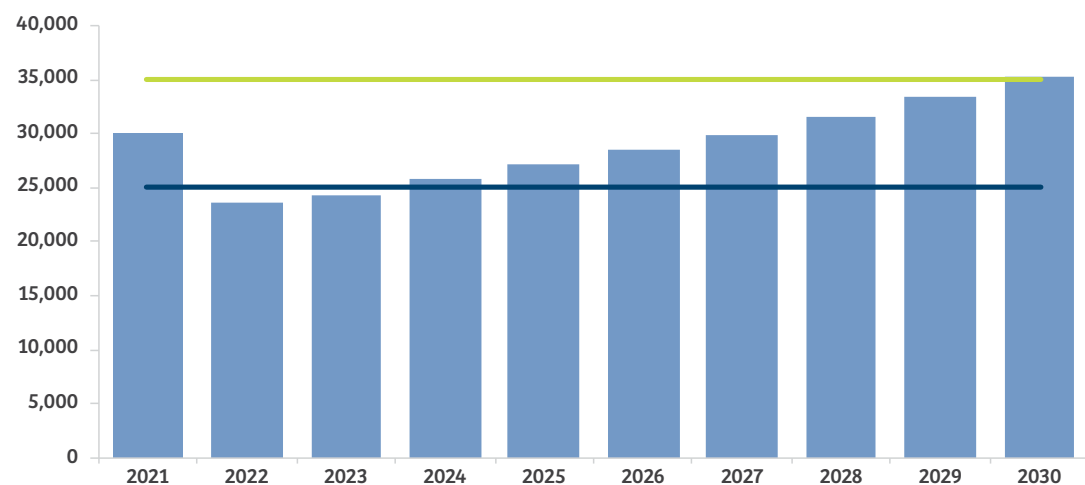
A broadly used core key performance measure of financial sustainability in the sector, this ratio essentially measures a council's operating result in monetary terms.



The first year of the LTFP forecasts an operating surplus which is above the benchmark indicator. However, over the next four periods, from FY22 to FY25, a series of operating deficits are forecast. These deficits reflect the City of Darwin's commitment to deliver a number of strategic infrastructure projects by 2026. This boosting of capital investment in new assets and the corresponding resultant depreciation is contributing to this deficit position. Annual surplus forecasts return and continue from FY26 to FY30. This indicator should be considered in conjunction with the next KPI which provides a summary of Council performance from an operational point of view.

OPERATING SURPLUS OR DEFICIT BEFORE DEPRECIATION

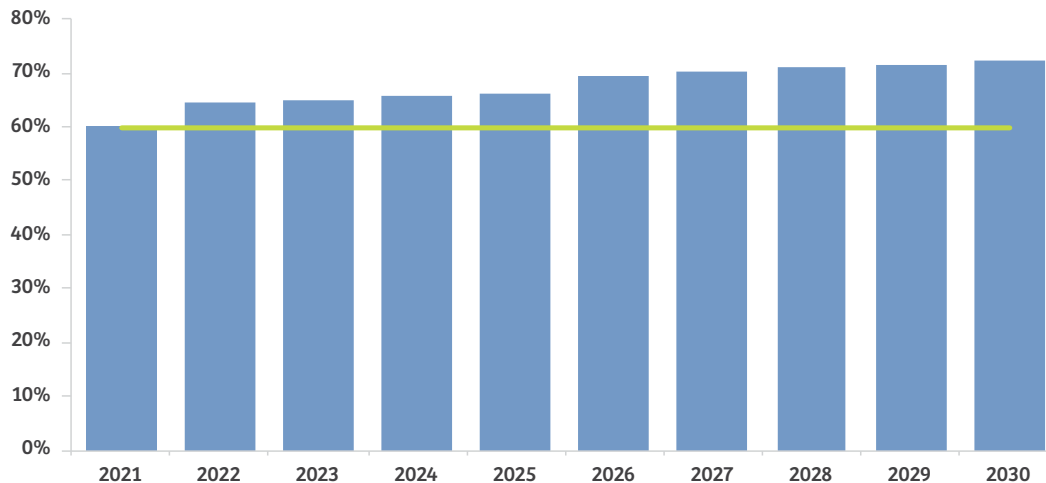
Operating surplus excluding depreciation provides true reflection of the City of Darwin effectiveness in sustaining enough operating surplus to meet forecasted capital expenditure and asset acquisition programs.



All years within the Plan are expected to remain within the benchmark with operating surplus exceeding the benchmark range in last financial year. This trend supports the Council's advocacy for continuous financial sustainability growth by maintaining stabilised operating surplus to fund planned capital and operational strategic projects throughout the period.

RATES RATIO / OWN SOURCE REVENUE RATIO

This KPI measure degree of City of Darwin reliance on external funding sources such as operating grants and contributions. Own Source Revenue refers to Council's ability to cover its day to day expenses through its own rates and other charges.

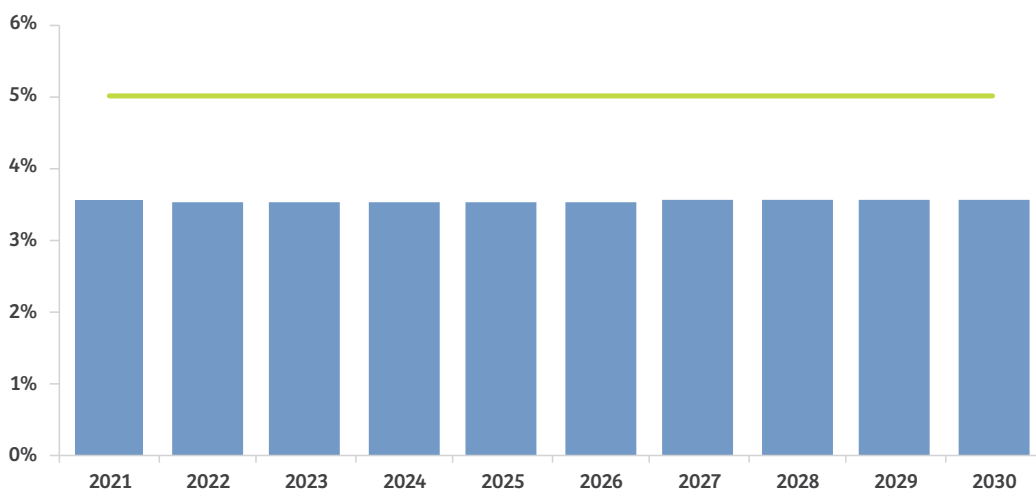


The City of Darwin will continue to focus on strategy to reduce reliance on external sources of funding and strengthen its own recurring revenue base to able to make sound capital investments in line with Council's strategic pillars. The ratio may be impacted by contingent capital receipts which are not included in the model due uncertainty evolving around timing and amount of those funding.

(b) Liquidity and Debt Position

PERCENTAGE OF RATE DEBTORS OUTSTANDING

This ratio helps to assess the Council competency and recovery efforts in relation to debts legally owed to it. Council aims to maintain outstanding debt at the end of each financial period below 5% to minimise the impact of uncollected rates on liquidity.

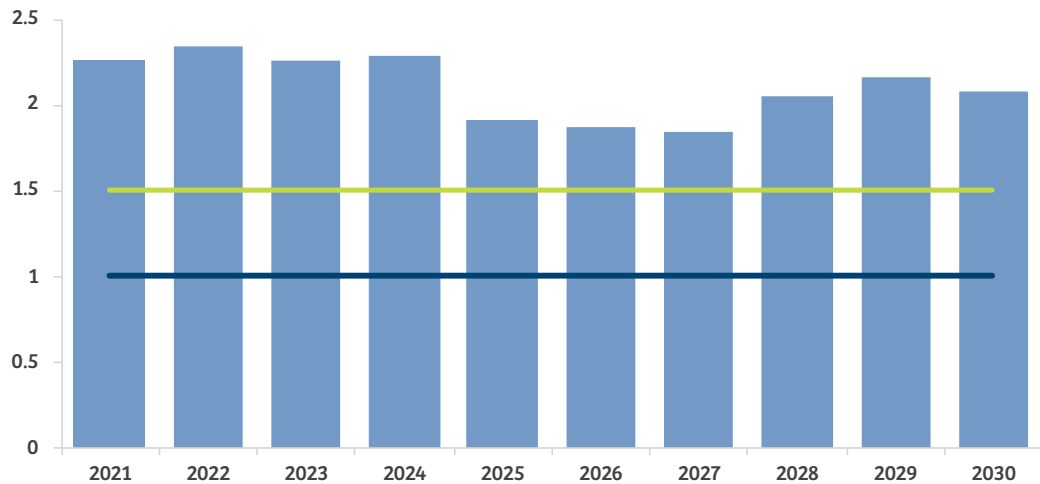


Apart from 2020 financial year, outstanding rates are expected to remain well under the benchmark which is in line with Council past performance and strong controls in place for rates recovery. Outstanding rates are expected to remain well under the 5% benchmark for the FY21 to FY30 period. This trend correlates to historical Council performance and considers the robust internal controls that exist for rates recovery.



LIQUIDITY RATIO – UNRESTRICTED

Liquidity Ratio – Unrestricted ratio is predominantly used by local government organization to assess the sustainability of working capital and measuring Council's ability to meet its short term financial obligations as they fall due.

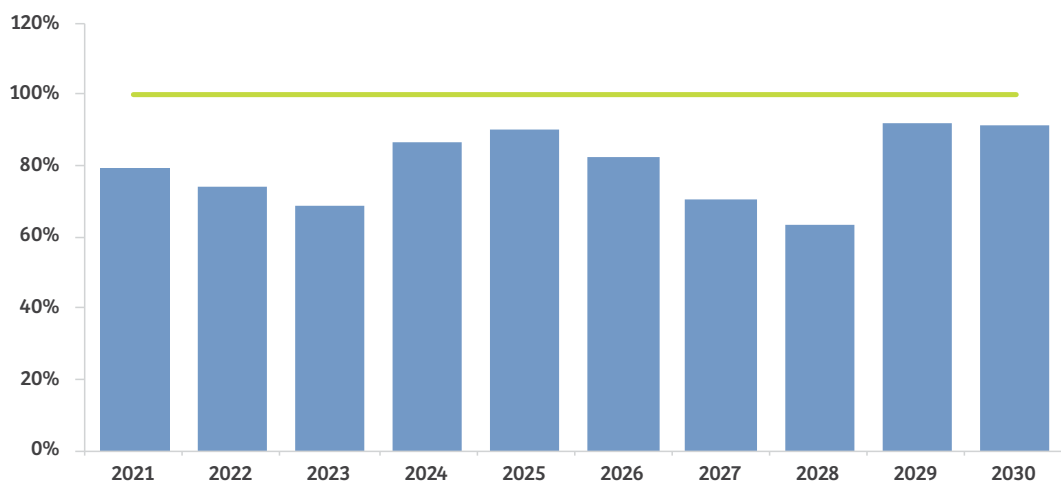


Council's unrestricted liquidity ratio is expected to remain considerably strong throughout the LTFP period. This reflects the maintenance of cash reserves to meet forecast demand for strategic projects and navigate uncertain economic challenges, such as COVID-19. The Council ensures in its' planning process that all excess cash reserves are invested within diversified short to longer term deposits and securities, which generates interest income, whilst meeting all legislative requirements.

(c) Asset Performance

ASSET SUSTAINABILITY RATIO

Asset sustainability ratio is one of the most used performance measurement tools to assess Council efforts in renewal and maintenance of its infrastructure and non-current assets.



The adopted benchmark for this ratio is 100% which indicates a level of capital replenishment equal to the depreciation amount which represents Council's consumption of non-current assets. The sustainability ratio remains below the benchmark level in the LTFP however Council continually reviews its Capital Works program and formally adopts initiatives on an annual basis via the budgetary process. Council's focus continues to ensure that adequate investment is made in strategic projects and capital programs to meet existing maintenance requirements and to achieve sustainable growth in the overall asset base.



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