

City of Darwin

Long Term Financial Plan

July 2023 – June 2033



**CITY FOR PEOPLE.
CITY OF COLOUR.**



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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 communicate to stakeholders only the projects that can be delivered with reasonable certainty over the forecast period.

The 2023 LTFP has been developed using a similar approach to the 2020 plan. A review of the current model was undertaken and then further detailed analysis of the current and forecast financial position was applied using the underlying principles from previous plans.

The LTFP illustrates that the Council are able, on average, to sustain \$28M+ of capital expenditure per annum over the ten (10) year model period, with Rates increases of 5% in 2023/24 reducing over the 10 year period to 4%, and dwellings growth of 1.5%. Except for the FY25 and FY27 years, capital projects are anticipated, on average, at circa \$20M per year, with a focus on asset replacement with some capital investments. Council Cash Reserves are generally depleting throughout the period of the model.

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 Municipal Plan FY24, includes \$19.02M of capital works programs, which includes the current year funding commitments of highlight community projects, being the redevelopment of the Casuarina Pool at \$25M and further investment in the Shoal Bay Waste Management Facility.

2 Long Term Financial Plan Introduction

2.1 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 statement of the major initiatives the council proposes to undertake during the period to which the plan relates; and
- 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 and current. 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 financial plans.

2.2 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 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.

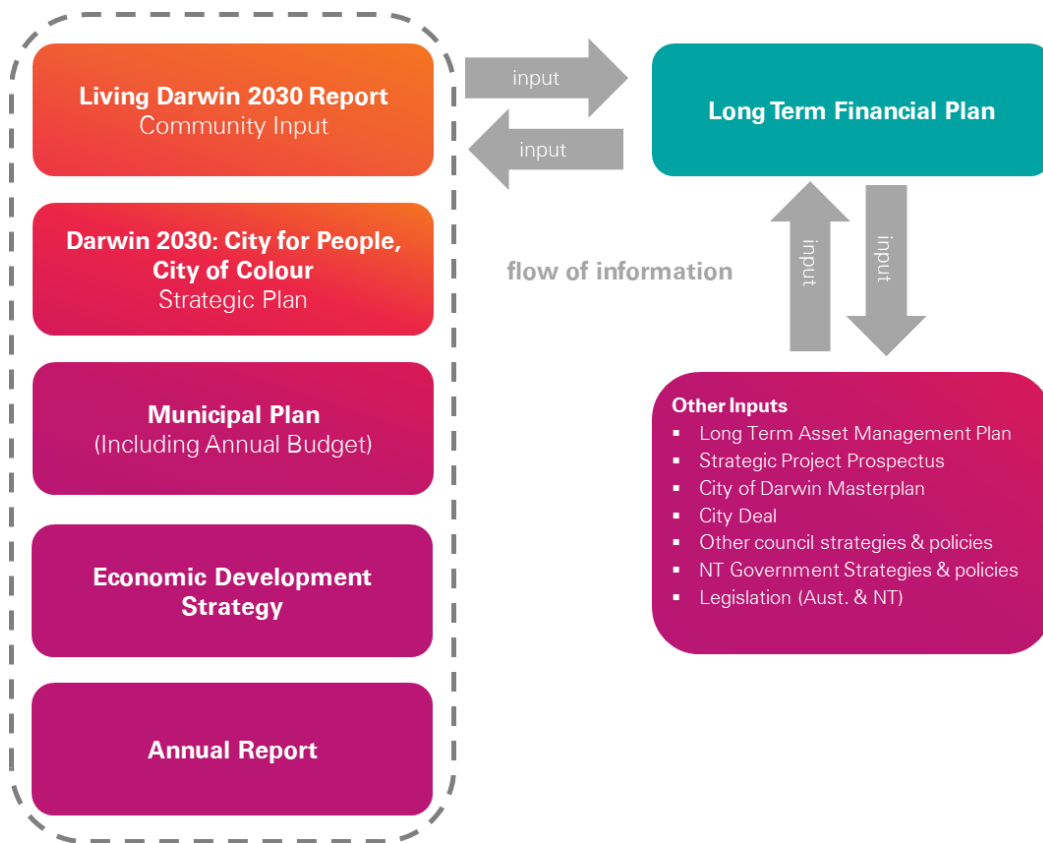
3 Corporate Direction and Future Vision

3.1 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.



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 phrase “City for People” emphasises Darwin’s connection with the diverse cultures of the 400 million people within four hours of our City making Darwin the most culturally diverse and inclusive city in Australia. The phrase “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.



3.2 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:

- 1 **Provider:** directly delivering services
- 2 **Funder:** funding other organisations to deliver services
- 3 **Regulator:** regulating some public activities through legislation
- 4 **Partner:** forming partnerships and strategic alliances with others in the interests of the community
- 5 **Facilitator:** assisting others to be involved in activities by bringing groups and interested parties together
- 6 **Advocate:** promoting the interests of the community to others (decision makers and influencers).

3.3 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 Reconciliation Action Plan, Greening Strategy, Climate Emergency Strategy, Movement Strategy, Play Space Strategy, Waste and Resource Recovery Strategy and associated initiatives.

The Municipal Plan also outlines the key actions and deliverables for City of Darwin and an overview of the services that Council provides.

The City of Darwin Municipal Plan FY24 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, specific grants, innovation and digital solutions to directly affect the economic success and prosperity of City of Darwin.

Some major projects for 2023-24 include:

- 1 Completion of the Casuarina Pool Redevelopment (\$1.3M)
- 2 Roads and Pathways (\$7.1M)
- 3 Stormwater Upgrades and Reconstruction (\$1.75M)
- 4 Enterprise IT upgrades (\$3.1M)
- 5 Plant and Equipment (replacement) (\$3.2m)

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.

4 Current Financial Position Overview

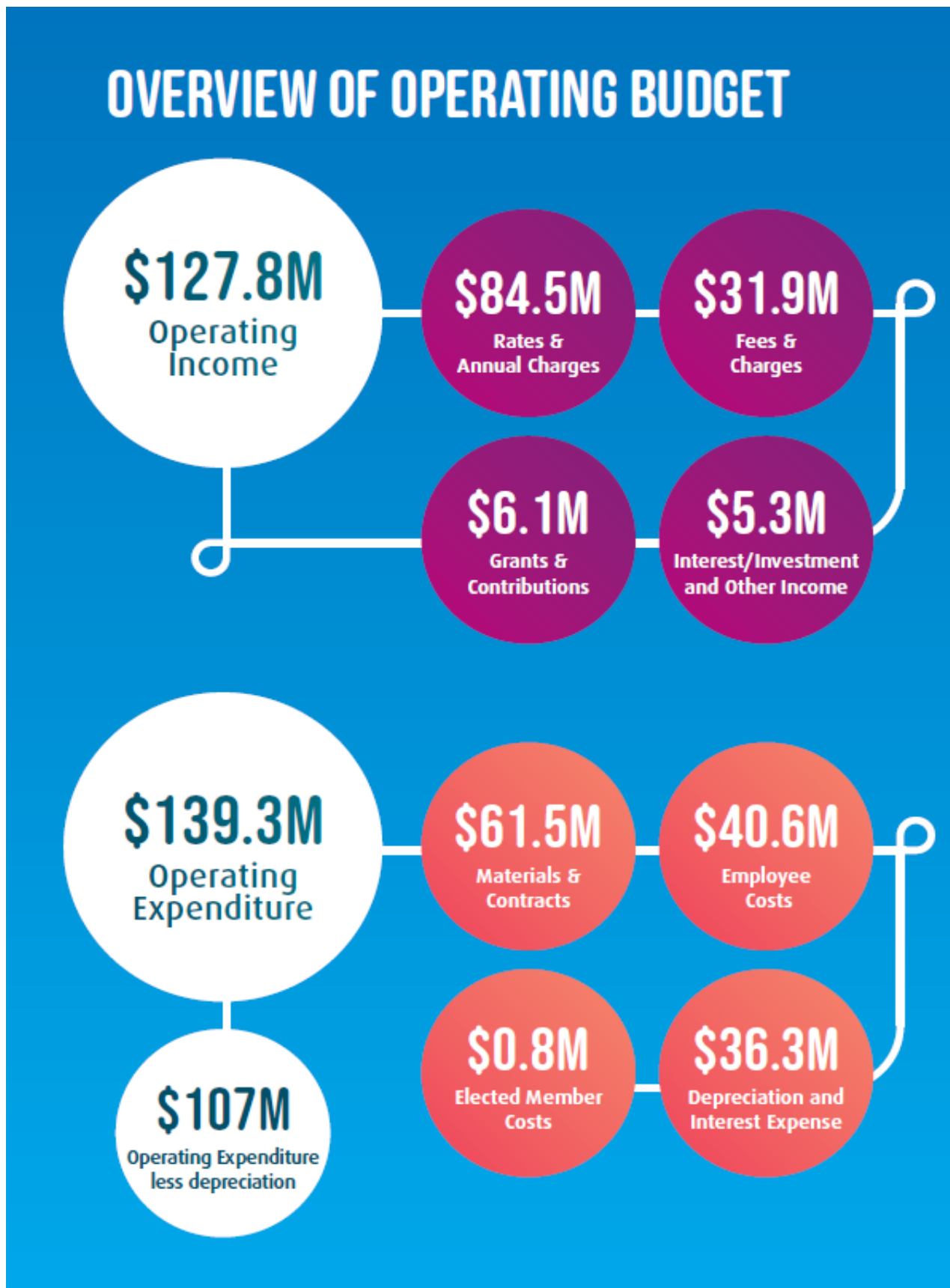
The City of Darwin continues to deliver high-quality essential services alongside an ambitious capital program. The longer term financial and economic impact of the pandemic recovery has seen a worldwide impact on inflationary pressure due to workforce mobility and supply and accessibility of goods, services and materials.

Financial Data for 31st May 2023

Cash and Investments	\$ 127.9M
Total Debt	\$ 63.2M
Financial Data FY23	
Operating Deficit YTD (May) FY23	\$ 10.1M
Operating Deficit Budget FY23	\$ 17.4M
<small>(includes depreciation)</small>	

	LTFP Target	LTFP FY24 (Budget)	MP FY24 (Budget)
Operating Surplus before Depreciation	\$25M - \$35M	\$ 20.9M	\$ 20.9M
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.			
Asset Sustainability Ratio	>50%	33%	33%
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.			
Liquidity Ratio (unrestricted)	Greater than 1.0	2.2	2.2
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 2023-24 (extract from the Municipal Plan)



5 Model Assumptions

5.1 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 FY24 and this reflects with Municipal Plan (MP) projections. Thereafter the model is then extrapolated using various market driven and internal assumptions to project revenue and expenditure outlooks over the remaining financial years to 2033.

The FY24 budget has been developed from a detailed historical review of all 39 service centres across Council’s four core hubs:

- Office of the CE and Lord Mayor
- Corporate
- Community
- Innovation

The model has been established based on the development of the 2023/24 Budget.

The consolidated assumptions are benchmarked against City of Darwin targets 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.

5.2 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. Outer year assumptions are estimated based on historical performance and will be updated annually to ensure that most accurate assumptions are applied to the model.

Table 1 – Key Assumptions

	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Rates CPI	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
CPI	6.0%	6.0%	5.0%	5.0%	5.0%	5.0%	4.0%	4.0%	4.0%	4.0%
Wage Price Index	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%	2.5%	2.5%	2.5%	2.5%
Dwelling Growth Rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Interest on Investments	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Interest on New Borrowings	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%

5.3 Revenue Assumptions

Table 2 – Summary Revenue Forecast

Income Statement - Projected	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Income from Continuing Operations	\$ ('000)	\$ ('000)	\$ ('000)	\$ ('000)	\$ ('000)	\$ ('000)	\$ ('000)	\$ ('000)	\$ ('000)	\$ ('000)
Income - Capital Grants & Contributions	-	-	-	-	-	-	-	-	-	-
Income - Interest	3,104	3,130	2,342	2,711	2,891	3,465	4,034	5,101	5,683	6,704
Income - Operating Grant	6,116	6,116	6,116	6,116	6,116	6,116	6,116	6,116	6,116	6,116
Income - Other	1,767	1,767	1,767	1,767	1,767	1,767	1,767	1,767	1,767	1,767
Income - Other - Reimbursements	384	2,739	1,132	1,007	665	537	329	257	-	-
Income - Rates	84,524	87,905	92,300	95,992	99,832	103,825	107,978	112,298	116,790	121,461
Income - Statutory Charges	2,338	2,431	2,528	2,629	2,735	2,844	2,958	3,076	3,199	3,327
Income - User Fees & Charges	29,532	33,353	37,723	42,723	46,622	50,896	53,374	55,972	58,698	61,557
Total Income from Continuing Operations	127,765	137,441	143,909	152,946	160,628	169,452	176,556	184,587	192,253	200,933

Table 3 – Revenue Assumptions

Revenue	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Income - Interest		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Income - Rates	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Income - Statutory Charges	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Income - User Fees & Charges	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Shoal Bay - Commercial Charges		15.0%	15.0%	15.0%	10.0%	10.0%	5.0%	5.0%	5.0%	5.0%

- 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 more than 65% of the total revenue before capital grants. Around 60% of rates revenue comes from residential ratepayers and the balance from commercial ratepayers.

There was a 5% increase in rates generally for City of Darwin property owners in 2023-24; mainly due to the escalating cost of inflation and the need to maintain core levels of services and performance. It is expected that similar levels of rate increase will be maintained over the life of the LTFP but will be dependent on wider economic factors.

- Statutory and User Charges**

The Fees and Charges register has been rationalised and simplified somewhat from previous years, with further improvements planned in future years. On average, Fees and Charges were increased in line with the 5% Rates increase. A significant change was to the Commercial Charges for Shoal Bay Waste Management Facility, which removed and combined a number of items.

- **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.

The revenue model assumes a continuation of increased Commercial Charges, primarily to support increased contributions to the Waste Remediation Reserve, and to provide future funding for the additional investments at Shoal Bay.

Parking revenue is steady year on year and is generated from city car park locations. On-street parking fees have been increased and off-street parking fees have been reduced, attempting to modify driver behaviour towards better utilisation of off-street carparking, thereby reducing CBD on-street congestion.

- **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 including libraries, parks and roads maintenance and some special purpose projects.

- **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.

Investment income has been offset against interest expenses, where loans have been secured for large capital investments.

- **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 are also captured here. 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 programmed 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 approach to be a prudent way to develop a LTFP for asset sustainability.

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 principle 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.

5.4 Expense Assumptions

Table 4 Expense Assumptions

	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Employee Costs	\$40.6M	2.5%	3.0%	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Materials, Contractors & Other Expenses	\$61.4M	6.0%	5.0%	5.5%	5.5%	5.0%	5.0%	5.0%	5.0%	5.0%
Finance Costs/ Interest Rate	\$3.9M	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%

- **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 29% 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 vary in line with inflation over the plan period. City of Darwin 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. A small adjustment has been provided for potential EB cost impacts for the next negotiation round.

- **Materials Contractors & Other Expenses**

Material, Contractors and other expenses comprises of all the principal 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, insurance, consultants and marketing costs.

The growth rate for this expenditure is set at 6% for FY25 based on current CPI and reduces to 5% from FY26 onwards. City of Darwin service lines and operational capacity are forecast to remain consistent over the future years.

- **Finance Costs**

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

Budgeted borrowings for FY24 are \$9.8M and are expected to be repaid over seven year terms. In accordance with Council’s current borrowing policy, new borrowings are forecast to be borne at an interest rate of 6.0% 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.

- **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	2023-24 Depreciation \$(m)	Useful Life (years)
Land	-	-
Buildings	3.6	40
Transport Infrastructure	9.5	60
Pathways Infrastructure	2.6	50
Stormwater & Drainage Infrastructure	4.4	80
Public Lighting Infrastructure	2.4	80
Waste Management & Remediation	3.8	15
Plant & Equipment	3.2	15
Park & Reserves Infrastructure	1.6	25
Other Assets	1.3	40
Total	32.4	

- **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.

6 Capital Assumptions

6.1 Capital Works and Infrastructure

City of Darwin has 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 of 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 CWP are made by relevant stakeholders on the most recent and accurate available information.

The current year FY24 approved CWP includes the initiatives as set out in the Municipal Plan totalling \$19.02M, 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 – FY24 Capital Program	MP FY24 (Budget) \$ (m)
IT infrastructure and Enterprise upgrades	3.54
Completion of Casuarina Aquatic and Leisure Centre	1.30
Roads and Paths	5.02
Plant and Equipment Replacement	3.20
Stormwater	1.75
Other	4.21
Total	19.02

The 10 year CWP includes various road, path, waste, recreational and stormwater initiatives with an average spend exceeding \$21M per annum. FY25 includes an allocation for the redevelopment of the Civic Centre precinct, surrounding site area, library carpark and other public facilities.

The projects and highlights are detailed below:

Table 5 – Project Capital Works Expenditure by Category.

	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Asset Category	\$(m)	\$(m)	\$(m)	\$(m)	\$(m)	\$(m)	\$(m)	\$(m)	\$(m)	\$(m)
Roads & Pathways	5.71	11.06	5.27	5.46	5.66	11.81	5.97	6.08	6.19	6.31
Stormwater	1.75	1.84	1.92	2.00	2.08	2.14	1.38	1.40	1.43	1.46
Street Lighting	0.80	0.84	0.88	0.91	0.95	0.98	1.01	1.03	1.05	1.07
Buildings	0.72	14.70	3.61	0.64	0.67	0.69	0.71	3.72	0.73	0.75
Recreational	2.79	1.49	1.55	2.61	4.27	1.71	1.76	1.79	1.83	1.86
Parking	0.00	28.30	0.00	0.00	0.00	0.00	0.00	0.00	3.00	0.00
Environmental	0.14	0.35	0.35	0.36	0.37	0.37	0.38	0.38	0.38	0.39
Waste	0.28	0.92	6.72	46.71	0.32	3.15	8.21	8.42	0.00	0.00
Public Art	0.16	0.17	0.18	0.18	0.19	0.20	0.20	0.21	0.21	0.21
Plant and Equipment	6.68	2.34	2.35	2.37	2.38	2.39	2.40	2.41	2.42	2.43
Total	19.02	62.00	22.83	61.24	16.87	23.44	22.01	25.44	17.24	14.47

6.2 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.

7 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 FY24 to FY33.

The financial suite of documents used to support the LTFP includes

(a) Forecast Statement of Comprehensive Income FY2024-FY2033 (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 FY2024-FY2033

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 FY2024-FY2033 (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 Reserves FY2024-FY2033 (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 FY2024-FY2033)

<i>Profit & Loss</i>										
<i>July 2023 - June 2033</i>										
										
City of Darwin										
10 Year Financial Plan: 2023-2033	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Income Statement - Projected	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY23	FY33
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income from Continuing Operations										
Capital Grants & Contributions		-	-	-	-	-	-	-	-	-
Interest - Income	3,104	3,130	2,342	2,711	2,891	3,465	4,034	5,101	5,683	6,704
Operating Grant	6,116	6,116	6,116	6,116	6,116	6,116	6,116	6,116	6,116	6,116
Other Income	1,767	1,767	1,767	1,767	1,767	1,767	1,767	1,767	1,767	1,767
Other - Reimbursements	384	2,739	1,132	1,007	665	537	329	257	-	-
Rates	84,524	87,905	92,300	95,992	99,832	103,825	107,978	112,298	116,790	121,461
Statutory Charges	2,338	2,431	2,528	2,629	2,735	2,844	2,958	3,076	3,199	3,327
User Fees & Charges	29,532	33,353	37,723	42,723	46,622	50,896	53,374	55,972	58,698	61,557
UFC - Other	5,532	5,753	5,983	6,222	6,471	6,730	6,999	7,279	7,570	7,873
UFC - Shoal Bay Commercial Charges	24,000	27,600	31,740	36,501	40,151	44,166	46,375	48,693	51,128	53,684
Total Income from Continuing Operations	127,765	137,441	143,909	152,946	160,628	169,452	176,556	184,587	192,253	200,933
Expenses from Continuing Operations										
Council Committee Allowances	10	10	11	11	11	11	12	12	12	12
Elected Members - Allowances	795	815	835	856	878	899	922	945	969	993
Elected Members - Expenses	64	66	67	69	71	73	74	76	78	80
Employee Costs (Net)	40,560	41,574	42,821	44,106	45,209	46,339	47,497	48,685	49,902	51,150
Expense - Borrowing Costs	3,948	3,020	2,899	3,830	3,446	3,073	3,153	2,768	2,375	1,988
Expense - Depreciation, Amort & Impairment	32,425	32,799	34,392	35,296	38,840	39,366	40,083	41,035	42,081	42,571
Expense - Materials & Contracts	61,477	65,087	68,341	72,100	76,065	79,869	83,862	88,055	92,458	97,081
Total Expenses from Continuing Operations	139,279	143,371	149,367	156,268	164,519	169,630	175,604	181,576	187,875	193,875
Operating Result from Continuing Operations	(11,514)	(5,930)	(5,458)	(3,321)	(3,891)	(178)	952	3,011	4,378	7,058
Reserve Movements										
Transfers between reserves	1,367	37,030	(7,501)	(3,033)	(12,407)	(16,006)	(21,743)	(13,168)	(24,041)	(29,665)
Total Reserve Movements	1,367	37,030	(7,501)	(3,033)	(12,407)	(16,006)	(21,743)	(13,168)	(24,041)	(29,665)
Grants	952	6,000		17,100			6,000			
Ending Accumulated Funds	294,209	331,308	318,349	329,094	312,796	296,612	281,821	271,664	252,001	229,394


(b) Forecast Funding Summary FY2024-FY2033

<i>Forecast Funding Summary</i>										
<i>July 2023 - June 2033</i>										
										
City of Darwin	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Funding Statement - Projected	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY23	FY33
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Result from Continuing Operations	(11,514)	(5,930)	(5,458)	(3,321)	(3,891)	(178)	952	3,011	4,378	7,058
Add back Depreciation & Amortisation	32,425	32,799	34,392	35,296	38,840	39,366	40,083	41,035	42,081	42,571
Add back Other Non Cash Movement	904	958	1,006	1,061	1,120	1,176	1,235	1,296	1,361	1,429,272
Operating Result from Continuing Operations (without Depreciation & Amortisation)	21,815	27,828	29,940	33,036	36,069	40,363	42,270	45,343	47,820	51,058
Capital - Balance Sheet Adjustments										
Purchase of Infrastructure, Property, Plant and Equipment	(19,020)	(62,004)	(22,830)	(61,236)	(16,873)	(23,439)	(22,011)	(25,436)	(17,243)	(14,471)
Sale of Infrastructure, Property, Plant and Equipment	500	500	500	500	500	500	500	500	500	500
Loan Repayments	(5,614)	(9,353)	(6,108)	(8,217)	(7,289)	(7,418)	(7,166)	(7,239)	(7,035)	(7,422)
New Loan Borrowings	-	-	6,000	21,850	-	-	8,150	-	-	-
Capital Income	952	6,000	-	17,100	-	6,000	-	-	-	-
	(23,182)	(64,857)	(22,438)	(30,003)	(23,662)	(24,357)	(20,527)	(32,175)	(23,778)	(21,393)
Cash Budget Surplus or (Deficit), before reserve transfers	(1,367)	(37,029)	7,502	3,033	12,407	16,007	21,743	13,167	24,042	29,665
Movement in Reserves Transfer from (-to)	1,367	37,030	(7,501)	(3,033)	(12,407)	(16,006)	(21,743)	(13,167)	(24,041)	(29,665)
Cash Budget Surplus or (Deficit), after reserve transfers	0	0	0	0	0	0	0	0	0	0

(c) Forecast Statement of Financial Position FY2024-FY2033 (Balance Sheet)

<i>Balance Sheet</i>										
<i>July 2023 - June 2033</i>										
										
City of Darwin										
10 Year Financial Plan: 2023-2033	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Balance Sheet - Projected	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY23	FY33
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS										
Current Assets										
Cash & Cash Equivalents	18,811	11,552	12,705	13,673	14,981	13,787	17,080	17,996	18,990	20,007
Trade & Other Receivables	11,759	8,933	8,782	9,250	9,034	9,248	9,403	9,604	9,715	9,879
Other Financial Assets (Term Deposits)	78,252	58,550	67,781	72,267	86,635	100,851	127,534	142,074	167,607	198,798
Inventories	300	300	300	300	300	300	300	300	300	300
Total-Current Assets	109,122	79,335	89,568	95,490	110,950	124,187	154,316	169,974	196,612	228,984
Non-Current Assets										
Infrastructure, Property, Plant & Equipment	1,267,733	1,296,937	1,285,375	1,311,315	1,289,348	1,273,421	1,255,349	1,239,750	1,214,912	1,186,813
Total Non-Current Assets	1,267,733	1,296,937	1,285,375	1,311,315	1,289,348	1,273,421	1,255,349	1,239,750	1,214,912	1,186,813
TOTAL ASSETS	1,376,855	1,376,272	1,374,944	1,406,805	1,400,298	1,397,608	1,409,665	1,409,723	1,411,524	1,415,797
LIABILITIES										
Current Liabilities										
Trade & Other Payables	18,286	19,383	20,352	21,370	22,438	23,560	24,503	25,483	26,502	27,562
Borrowings	5,451	6,108	8,217	7,289	7,418	7,166	7,239	7,035	7,422	6,379
Provisions	7,689	8,150	8,558	8,986	9,435	9,907	10,303	10,715	11,144	11,590
Lease Liabilities	888	888	888	888	888	888	888	888	888	888
Total Current Liabilities	32,314	34,529	38,016	38,533	40,179	41,521	42,933	44,121	45,956	46,419
Non-Current Liabilities										
Borrowings	55,960	49,852	47,635	62,195	54,778	47,612	48,523	41,488	34,066	27,687
Provisions	52,738	55,902	58,697	61,632	64,714	67,950	70,668	73,494	76,434	79,491
Lease Liabilities	1,254	1,329	1,396	1,465	1,539	1,616	1,680	1,748	1,817	1,890
Total Non-Current Liabilities	109,952	107,084	107,728	125,293	121,031	117,178	120,871	116,730	112,317	109,068
TOTAL LIABILITIES	142,266	141,613	145,743	163,826	161,210	158,698	163,804	160,851	158,273	155,487
Net Assets	1,234,589	1,234,659	1,229,200	1,242,979	1,239,088	1,238,910	1,245,861	1,248,873	1,253,251	1,260,310
EQUITY										
Retained Earning/ Accumulated Funds	294,209	331,308	318,348	329,094	312,796	296,612	281,820	271,664	252,001	229,395
Asset Revaluation Surplus	862,128	862,128	862,128	862,128	862,128	862,128	862,128	862,128	862,128	862,128
Other Reserves	78,252	41,223	48,724	51,757	64,164	80,170	101,913	115,081	139,122	168,787
Total Equity	1,234,589	1,234,659	1,229,200	1,242,979	1,239,088	1,238,910	1,245,861	1,248,873	1,253,251	1,260,310

(d) Forecast Statement of Reserves FY2024-FY2033 (Reserves)

<i>Reserves</i>										
<i>July 2023 - June 2033</i>										
										
City of Darwin										
10 Year Financial Plan for the Years ending 30 June 2033	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Reserves Excluding Asset Revaluation Reserve	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY23	FY33
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>EXTERNALLY RESTRICTED RESERVES</u>										
CBD Carparking Shortfall-Developer Contribution	13,862	2,416	2,513	2,613	2,718	2,826	2,939	3,057	3,179	3,306
CBD Carparking Shortfall - Rate Levy	17,038	1,958	3,286	4,717	6,257	7,913	9,692	11,600	10,525	12,591
Highway/Commercial Carparking Shortfall	54	56	58	61	63	65	68	71	74	77
Market Site Development	578	640	704	771	841	913	988	1,066	1,148	1,232
Other Carparking Shortfall	393	408	425	442	459	478	497	517	537	559
Developer Contributions	1,869	1,944	2,022	2,103	2,187	2,274	2,365	2,460	2,558	2,661
Waste Management	950	3,692	9,168	13,202	19,868	27,997	36,147	45,356	55,533	66,737
Specific Purpose Unexpended Grants	17	17	17	17	17	17	17	17	17	17
Waste Remediation Reserve	4,319	5,518	6,964	3,765	8,325	11,408	17,583	15,463	21,824	28,254
Total Externally Restrcted Reserve	39,080	16,649	25,157	27,691	40,735	53,893	70,296	79,607	95,395	115,433
<u>INTERNALLY RESTRICTED RESERVES</u>										
Asset Replacement & Refurbishment	2,852	2,494	1,760	2,663	1,460	3,537	7,880	10,495	17,247	25,094
Carry Forward Works	12,913	12,913	12,913	12,913	12,913	12,913	12,913	12,913	12,913	12,913
Disaster Contingency	2,204	2,337	2,454	2,588	2,731	2,867	3,011	3,161	3,319	3,485
Election Expense	260	390	520	670	820	970	1,120	1,270	1,420	1,570
Environmental	36	36	36	36	36	36	36	36	36	36
IT Strategy	1,206	1,206	1,206	1,206	1,206	1,206	1,206	1,206	1,206	1,206
Nightcliff Community Hall	117	134	151	169	188	207	228	249	271	293
Off & On Street Parking	1,671	1,412	934	163	305	530	840	1,246	1,755	2,379
Plant & Vehicle Replacement	3,680	3,519	3,461	3,524	3,638	3,878	4,251	4,765	5,427	6,246
Public Art	132	132	132	132	132	132	132	132	132	132
Sale of Land	14,100	-	-	-	-	-	-	-	-	-
Total Internally Restricted Reserve	39,173	24,574	23,567	24,066	23,429	26,277	31,617	35,474	43,727	53,355
Total Reserves	78,252	41,223	48,724	51,757	64,164	80,170	101,913	115,081	139,122	168,787

8 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

Table below 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.	Equal to or greater than 1.5
Asset Sustainability Ratio	Capital Expenditure on renewal and replacement plant and equipment and infrastructure assets / Annual Depreciation in that financial year.	100.00%

8.1 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.

Operating Surplus or Deficit



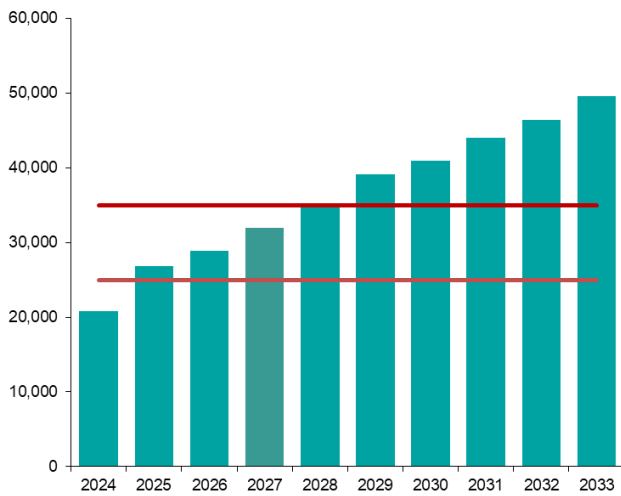
The first half of the plan LTFP forecasts operating deficits, which is broadly in line with the forecast from the previous LTFP. These deficits are offset by the use of reserves, funding essential activity delivery.

Annual surplus forecasts return and continue from FY29 to the end of the plan period. 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 projected capital expenditure and asset acquisition programs and the focus on improving the balance of the Waste Remediation Reserve.

Operating Surplus before Depreciation

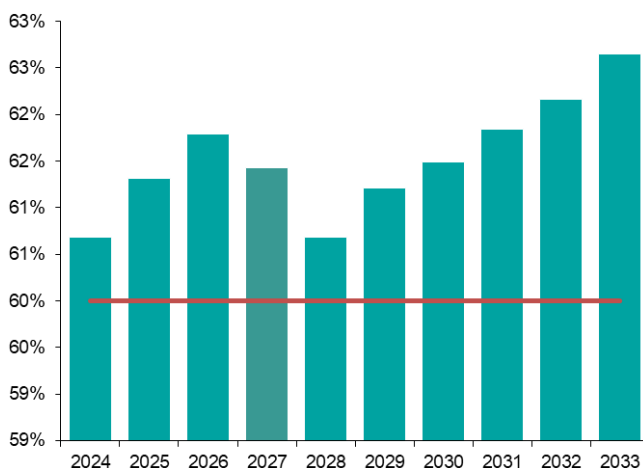


It is noted that the start year operates below the benchmark, but from 2028 surpluses exceed the benchmark, partly due to the continuing focus on sustaining the Waste Remediation Reserve.

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 revenue derived from Rates and other charges.

Own Source Operating Revenue Ratio



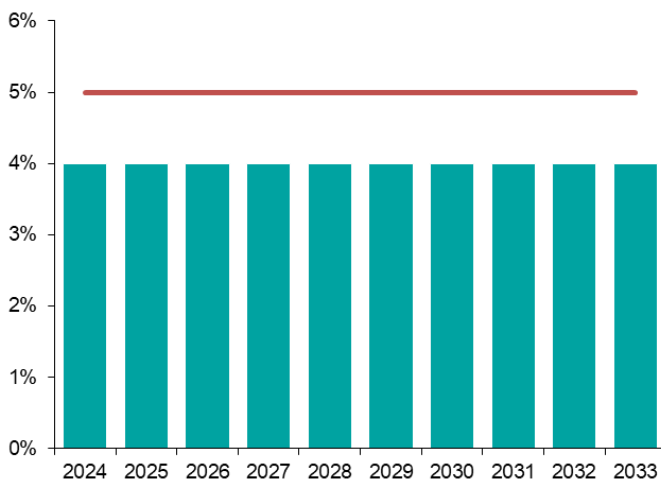
The City of Darwin will continue to focus on strategy to reduce reliance on external sources of funding and strengthen its own recurring revenue base to able to make sound capital investments in line with Council's strategic pillars. The ratio may be impacted by contingent capital receipts which are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

8.2 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.

Percentage of Rate Debtors Outstanding



Outstanding Rates are expected to remain well under the 5% benchmark for the FY24 to FY33 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 organisations to assess the sustainability of working capital and measure Council’s ability to meet its short term financial obligations as they fall due.

Liquidity Ratio – Unrestricted



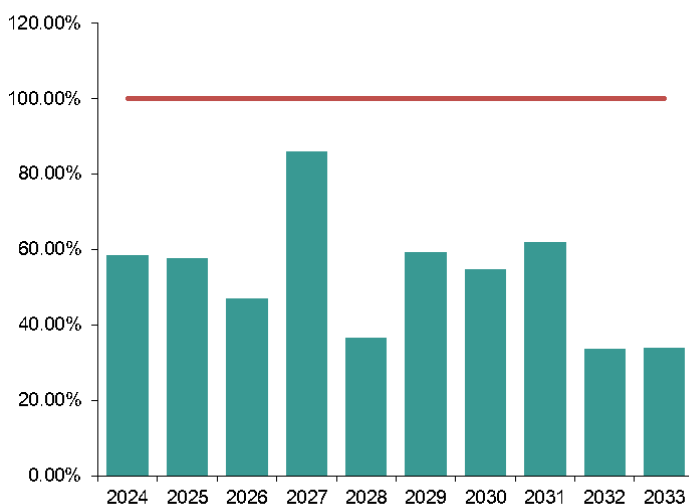
Council's unrestricted liquidity ratio is expected to remain considerably strong throughout the LTFP period. This reflects the maintenance of cash reserves to meet forecast demand for strategic projects and navigate uncertain economic challenges. The Council ensures in its' planning process that all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

8.3 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.

Asset Sustainability Ratio



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 in most years, 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.