



**LITCHFIELD  
COUNCIL**

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**FINANCIAL MANAGEMENT STRATEGY  
& LONG-TERM FINANCIAL PLAN  
2023-24 to 2032-33**

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## Acknowledgement of traditional owners

Litchfield Council respectfully acknowledges the traditional owners of the land that we live and work on and pay our respect to their elders, past, present and future.

## Overview

The Financial Management Strategy (Strategy) is Council's long-term financial plan that is underpinned by a series of policies, plans, risk responses and associated financial stability and sustainability targets to measure performance. A key outcome of the Strategy is the Long-Term Financial Plan (LTFP). The LTFP is Council's ten-year financial forecast of Council's planned approach to the management of financial resources and includes income, expenditure, cash flow projections, assets, liabilities and community equity. Council refers to this model when considering financial decisions, for example borrowings, long-term operational projections as well as capital expenditure forecasts. The LTFP provides a basis for assessing the medium to long term financial sustainability of the Council.

The Long-Term Financial Plan (LTFP) is designed to inform decisions regarding the prioritisation and use of financial resources by Litchfield Council over the next ten years by supporting sound financial decision making.

To assess a local government entity as financially sustainable over the long term there are two assessments that must both be satisfied:

- Is the Council able to demonstrate the ability to maintain fiscal capital (that is access to cash as required for operating, investing, and financing activities).
- Is the Council able to demonstrate the ability to maintain infrastructure (physical assets) as required to meet service requirements.

Sustainability in the context of Litchfield means that Council is able to provide acceptable services, facilities and infrastructure to the community at an affordable level of property rates, both now and into the future.

The Long-Term Financial Plan included in this document encompasses:

- Planning assumptions used to develop the Plan
- Projected income and expenditure
- Statement of financial position
- Statement of Cash flows
- Financial ratios

Council currently has substantial cash reserves and no debt, which provides a good foundation in the short term. In the long term, however, Council faces several challenges, including:

- operating deficits due to insufficient revenue to fund total depreciation (that is, the cost of using or consuming existing assets);

- dependency on external funding (mostly grant funding) due to insufficient own-source revenue; and
- inadequate cash available to fund necessary capital expenditure to renew and replace existing assets when needed.

These challenges are not easily resolved and can only be addressed through a long term, disciplined approach to allocating financial resources and strong advocacy relationships with external agencies for grant funding.

The LTFP is based on the following strategies:

- Improve the operating position
- Advocate strongly for grants from other levels of government
- Review of services, and level of service
- Enhanced asset management
- Define the need for funding for capital renewal and replacement of existing assets
- Optimising potential income from residential and industrial land development.

Combining these strategies will gradually improve Litchfield's sustainability over time with the key objective of increasing availability to cash and the level of capital expenditure on asset renewal, which is currently inadequate to maintain existing levels of services. Future growth of the Council can present both challenges and opportunities, which Council will need to influence and manage carefully to improve the financial sustainability over the long term.

A ten-year Income Statement, Balance Sheet and Cash Flow Statement have been prepared based on a series of assumptions about the movement of each income and expenditure type. These assumptions are based on interest rate expectations, employee award increases, estimated lifecycle costs for developer contributed assets, and other special income and expenses which are discussed in more detail in this Plan. This ten-year view provides the context for the annual Municipal Plan and budget process and aligns with Council's adopted Strategic Plan 2022-2025 (Strategic Plan). The report also provides Financial Performance Indicators' historical and ten-year forecasts and identifies the Council's financial performance targets.

## Financial Management Strategy and Long-Term Financial Plan Objective

The *Local Government Act 2019* requires Council to prepare and maintain an LTFP. The Plan must cover a minimum period of four years, however, many of the decisions that Council makes have impacts that go well beyond this time horizon. Accordingly, Litchfield Council has developed a ten-year plan to ensure that today's decisions can be assessed for sustainability in the long term.

An LTFP provides a framework to consider:

- The level of funding required to deliver services for the community.
- The financing of new or upgraded assets.
- What income sources are available, and how these may be maximised?

The goal of the Financial Management Strategy (FMS) and LTFP is to visualise financial decisions strategically, ensuring sustainability and inter-generational equity.

The objective of preparing the FMS and LTFP is to provide Council with a strategic framework to guide the development of annual budgets and long-term financial plans. The key objective of the FMS and LTFP is to ensure that Council can fund the ongoing delivery of services whilst implementing the priorities identified in the Strategic Plan and beyond.

## Financial Management Strategy

The Litchfield Municipality is the heart of the Top End and boasts a diverse, inclusive community with prosperous economic industries. The vast size of our municipality presents Council with some challenges, but our uniqueness makes Litchfield the best place to live in the Top End.

The Litchfield Council Strategic Plan provides the community with our intentions over a four year period and how we will achieve our vision. It defines the Council's vision, mission, strategic priorities and how the community can be involved along the way.

The Strategic Plan identifies opportunities to ensure the Council remains responsive to the community's needs and adapt to changes, including population growth, community demands, and technologies.

Council will continue to develop Litchfield as 'the best place to live, work, and play in the Top End'.

## Alignment with Strategic Plan 2022-2025

The following table aligns the Strategic Plan elements with the requirements for the FMS and LTFP:

Strategic Plan Element	FMS and LTFP Strategic Requirement
<b>People</b>	
<p>Our community is at the heart of all we do.</p>	<p>Review income structure to improve the equity in the rate burden, including potential changes in rating structure.</p> <p>Continue developing asset management plans, prioritising asset renewals based on criticality, and grant opportunities to upgrade current assets.</p> <p>Service planning to ensure the service offering over the long term is affordable.</p> <p>Upgrade waste processing infrastructure with consideration to the waste service pricing and financial impacts.</p>
<b>Progress</b>	
<p>The majority of the Council's budget each year provides a very broad range of services and facilities that are valued by our communities.</p>	<p>Council will continue to maintain operational spending to maintain service levels and remain vigilant to community demand and expectation changes. Council may design a catalogue of services that defines efficiency opportunities in the range of services, including asset enabled services, and consider an assessment tool, incorporating community engagement, with regards to ceasing services, and / or offering other revenue generating services.</p> <p>Council will provide, the reasonable level of service, and resourcing demand now and into the future to inform the LTFP.</p> <p>Council will continue to improve in the planning and management of assets.</p>
<b>Prosperity</b>	
<p>We will work in partnership with our business community to encourage business success and jobs growth.</p>	<p>The Northern Territory Government has commenced a three-stage planning process to shape the growth of Litchfield Municipality Including the development and expansion of suburbs in Holtze, Kowandi and Virginia West, all in the Litchfield Municipality.</p>

Council will seek opportunities for investments to grow and diversify the local economy. Potential take up of unincorporated land are not currently considered in the long term financial plan.

**Places**

Building and maintaining Council's infrastructure takes up a significant portion of Council's annual budget and includes a road network of 645km of sealed roads and 70km of unsealed roads.

Review of the road's delivery program, informed by a lifecycle management approach to roads including review of design and construction techniques to optimise value.

Asset management planning for all assets, considering two options: (1) based on Remaining Useful Life (RUL), and (2) based on Asset Condition, investing in condition assessments for critical assets initially, and then a sample of each asset class due to financial constraints.

A project management business model framework that enhances the project identification, selection and prioritisation (including support of business case for new and upgraded assets) to ensure capital works are efficient and provide value for money.

**Performance**

In partnership with our community and stakeholders, our Council will deliver best value through a focus on sustainable and efficient delivery of corporate and community services.

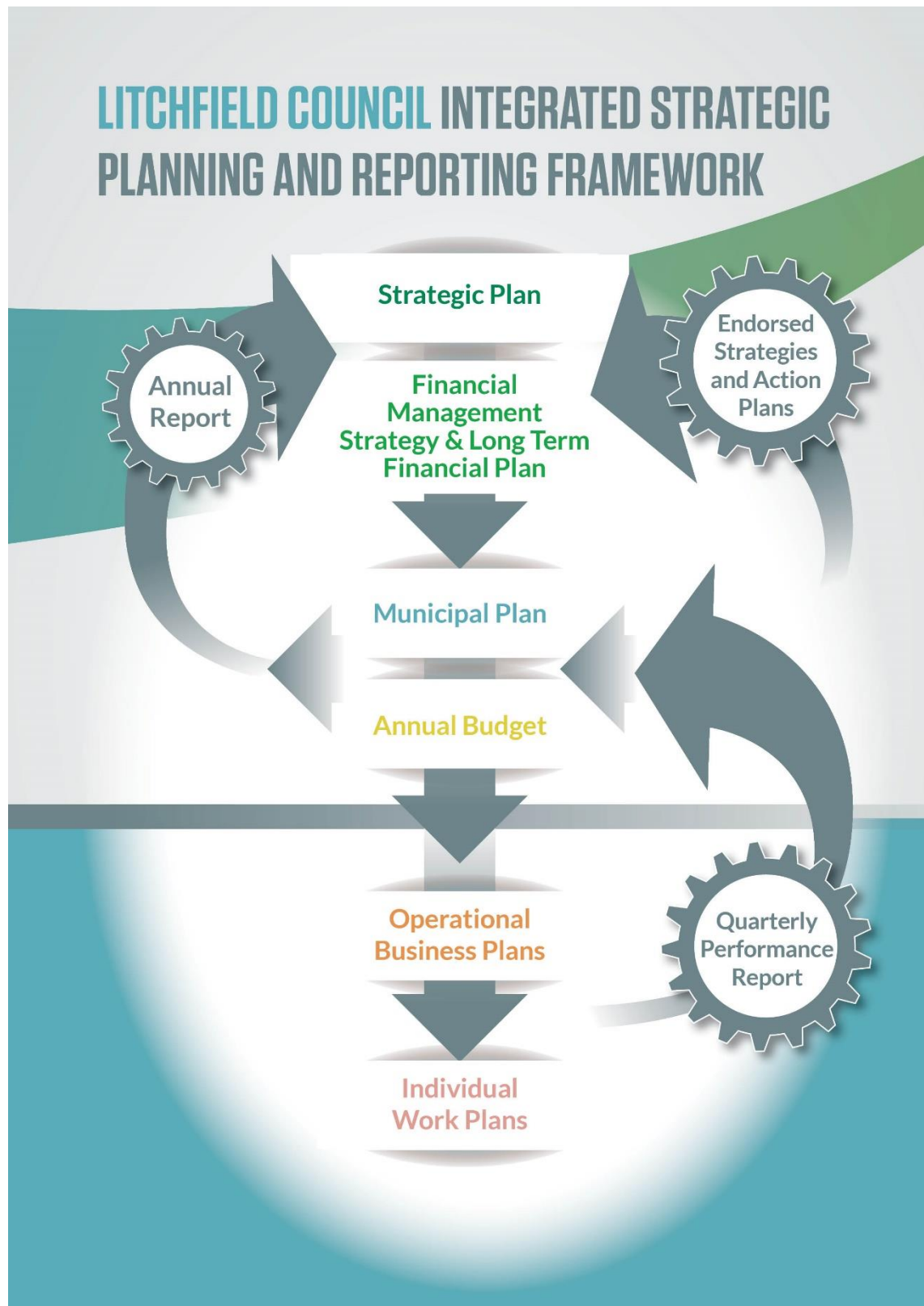
Council will continue to look for efficiencies to reduce operational spend while maintaining service levels.

Council will continue to review Fees & Charges schedules to ensure full cost recovery across all user pays services.

Council will measure its performance through community engagement and an annual community survey.

Council will continue improvements in financial governance to enhance the management capability, improve reporting and ensure appropriate accountability for efficient use and management of Councils assets and financials.

## Litchfield Council Reporting Framework



## Historical Financial Performance

Table 2-1 outlines actual financial performance indicators for the 2020 to 2022 financial years and Amended Budget 2022-23 after First Budget Review, compared to LTFP Target Indicators. In addition, green and orange indicators have been included to highlight whether a target has been achieved.

From the results in Table 2-1 and a review of the relevant financial statements (including internal reports), the following pertinent observations can be made:

- Council has historically achieved a significant operating deficit. However, operating deficits are not sustainable for local government bodies as sufficient cash must be generated from operations to fund the capital expenditure necessary for asset renewals, upgrades, and augmentation.
- Depreciation as a percentage of total assets at 2.6% (2022-23 Budget) is still slightly high compared to the industry benchmark of 1.5% to 2%, however has been reduced due to the review of the useful life for Council's roads assets in 2021-22. A further depreciation measurement review for other asset classes is in progress for 2022-23.
- Despite reporting significant operating deficits, Council has maintained healthy liquidity. The cash balance is \$25 million at 2021-22 end of year, and the budget for 2022-23 is projected the cash balance to slightly decrease to \$23 million. Local government bodies can maintain or increase cash despite reporting operating deficits due to constraining expenditure on capital and not delivering on planned operating or capital expenditure.
- The expenditure/renewal demand ratio in Council's Roads Asset Management Plan (RAMP) indicates that Council is completing insufficient renewals to meet demand. The RAMP indicates renewal demand consistently exceeding \$7 million per year for road assets. LTFP spending for resealing of roughly \$1 million per year and pavement rehabilitation of roughly \$1.3 million per year represents significant underinvestment in road renewal. Council must work toward the renewal demand for roads and other assets to ensure intergenerational equity and future sustainability subject to review of the RAMP based on low traffic volumes.
- Council has a moderate reliance upon external operating grants (including the Financial Assistance Grants) to fund recurrent operations. The Council has budgeted to receive 68% of total revenue through rates in 2022-23. A standard benchmark for local government is to achieve more than 60% of total revenue through annual rates and charges. However, the capacity for Council to achieve a higher proportion through rates depends on council's rating strategy and a range of constraints, including population, population growth, rurality, size of local economy etc.

Table 2-1. Financial Performance Indicators – Historical (2020-22) and Budget (2022-23)

Financial Performance Indicator	Units	2020-21 Actual	2021-22 Actual	2022-23 Budget	LTFP Target	Comment
<b>Financial Performance</b>						
Net Result	%	-28.10%	-23.60%	-9.70%	>0%	Includes capital revenue
Adjusted underlying result	%	-39.10%	-23.50%	-39.70%	>10%	Excludes capital revenue
Operating Surplus/(Deficit) after Adjustments	\$'000	-6,106	-4,801	-2,515	>5,000	Sufficient cash surplus to fund capital works
<b>Financial Position</b>						
Liquidity	ratio	4.12	5.42	3.46	>1.00	Sufficient cash to manage any revenue shocks. Excessive cash to be invested to maximise return on cash holdings
Capital replacement ratio	ratio	0.66	0.52	1.16	>.90	Capital renewal expenditure to be at greater than 90% of depreciation expense
Current Ratio (Current Assets/Current Liabilities)	%	412.30%	541.60%	346.10%	>100%	Sufficient current assets to meet current liabilities
<b>Revenue Ratios</b>						
Rates Outstanding/Total Rates Levied	%	19.70%	16.20%	18.00%	<12%	
Recurrent Grants/Total Revenue	%	19.40%	29.10%	15.60%	>5%	Measure success in obtaining grant funding
Fees & Charges/Total Revenue	%	9.30%	10.90%	7.90%	>6%	Maintain current fees and charges as a proportion
Rate Revenue/Total Adjusted Revenue (excl capital grants and contributions)	%	71.60%	68.60%	76.80%	>55%	Increase in rates projected
<b>Expense Ratios</b>						
Depreciation/Total Assets	%	4.20%	2.40%	2.60%	2.00%	Review and maintain depreciation to reflect actual consumption of assets
Employee Costs as a % of Total Expenses	%	23.60%	27.20%	24.90%	<30%	Maintain employee costs under 30% of total costs
<b>Capital Expenditure (CAPEX) Ratios</b>						
Capital Expenditure on Renewal & Upgrade/Depreciation	%	58.40%	62.60%	116.40%	>90%	
Capital Expenditure/Rate Revenue	%	72.90%	53.10%	93.20%	>50%	
Renewal Expenditure/Renewal Demand Ratio (%)	%	69.30%	89.00%	68.10%	>90%	Ensure asset renewals are completed as planned within the Asset Management Plan
Renewal Gap = Not Funded	\$'000	2,347	698	2,798	<1,000	

Requires Improvement

On Target

## Forecast Long Term Financial Plan Performance

Table 2-2 outlines forecast financial performance for the financial years from 2023–24 to 2032-33 and benchmark indicators. Green and orange indicators have been included to highlight whether a target has been achieved.

From the results in Table 2-2 and a comparison with benchmarks, the following relevant observations can be made:

- Councils' financial performance remains below target throughout the LTFP period. Council will continue to explore revenue options and constrain costs through budget efficiencies to improve performance.
- Council maintains a healthy liquidity ratio throughout the LTFP period through controlling operational expenditure and will continue to advocate for grant funding to assist with capital demands.
- Council receives the majority of rate revenue by applying a fixed general rate. Fixed general rates create a regressive tax structure where the ratepayers with the least capacity to pay contribute a greater portion of their household income. In a fixed-rate system, new developments with most likely higher land valuations are rated the same as older development with lower land valuations. It is also likely that new developments require a higher level of service.
- The capital expenditure/renewal demand ratio indicates whether the Council has completed asset renewals sufficient to meet the demand outlined in asset management plans. Litchfield Council currently has two asset management plans, 2019 – 2023 Roads Asset Management Plan (dated October 2019) and 2021 – 2031 Fleet, Plant and Equipment Asset Management Plan (dated October 2021). Council currently has no asset management plans for other asset categories (e.g., buildings and facilities). The Roads Asset Management Plan outlines renewal demand of at least \$7.6 million per year. The current annual budget for resealing and pavement rehabilitation of approximately \$2.0 million per year. This would represent significant underinvestment in road renewal. Council will work toward the renewal demand for roads and other assets to ensure inter-generational equity and future sustainability and investigate potential of depreciation rate assumptions based on traffic usage rates.

**Table 2-2. Financial Performance Indicators – Budget 2023-24 and Forecast (2024-33)**

Financial Performance Indicator	Units	2023-24 Budget	2024-33 Forecast Average	LTFP Target	Comment
<b>Financial Performance</b>					
Net Result	%	-8.20%	4.00%	>0%	Includes capital revenue
Adjusted underlying result	%	-21.20%	-14.20%	>10%	Excludes capital revenue
Operating Surplus/(Deficit) after Adjustments	\$'000	-1,978	1,387	>5,000	Sufficient cash surplus to fund capital works
<b>Financial Position</b>					
Liquidity	ratio	3.36	3.85	>1.00	Sufficient cash to manage any revenue shocks. Excessive cash to be invested to maximise return on cash holdings.
Capital replacement ratio	ratio	0.80	0.7	>.90	Capital renewal expenditure to be at greater than 90% of depreciation expense
Current Ratio (Current Assets/Current Liabilities)	%	335.30%	383.80%	100%	Sufficient current assets to meet current liabilities
<b>Revenue Ratios</b>					
Rates Outstanding/Total Rates Levied	%	16.00%	9.30%	<12%	
Recurrent Grants/Total Revenue	%	16.80%	12.80%	>5%	Recurrent operational grants include Federal Assistance Grants and Annual Public Library funding.
Fees & Charges/Total Revenue	%	8.70%	8.30%	>6%	Maintain current fees and charges as a proportion
Rate Revenue/Total Adjusted Revenue (excl capital grants and contributions)	%	76.60%	81.00%	>55%	Increase in rates projected
<b>Expense Ratios</b>					
Depreciation/Total Assets	%	2.20%	2.40%	2.00%	Review and maintain depreciation to reflect actual consumption of assets
Employee Costs as a % of Total Expenses	%	27.00%	26.80%	<30%	Maintain employee costs under 30% of total costs
<b>Capital Expenditure (CAPEX) Ratios</b>					
Capital Expenditure on Renewal & Upgrade/Depreciation	%	81.80%	61.70%	>90%	
Capital Expenditure/Rate Revenue	%	53.40%	35.80%	>50%	
Renewal Expenditure/Renewal Demand Ratio (%)	%	46.50%	56.50%	>90%	Ensure asset renewals are completed as planned within the Asset Management Plan
Renewal Gap = Not Funded	\$'000	4,562	3,689	<1,000	

Requires Improvement

On Target

## Emerging Issues

### The Impact of Growth

Litchfield Municipality has experienced substantial growth in population over the last ten years, and by 2036 it is expected to record a population of approximately 30,300 growing at an average rate of 1.8% per annum from 2021 (id Informed decisions).

Population growth can impact the Council's financial position in several ways. Additional properties provide more income to Council through property rates and waste management charges. Whilst pressure on existing services and infrastructure increases. Another impact of growth noted over the past years is increasing community expectations for an expanded range and quality of services, for example, library services and increased regulatory services. Managing these expectations can be challenging as funding new service standards may be beyond the financial capacity of Council, with rate income generated through additional properties not increasing proportionally. Council has struggled with this disproportional growth of residents to rateable properties for several years.

For the LTFP, growth in rateable properties from Holtze/Kowandi has been assumed. The Northern Territory Government has commenced a three-stage planning process to shape the growth of Litchfield Municipality. Including the development and expansion of suburbs in Holtze, Kowandi and Virginia West, which are in the Litchfield Municipality. Council anticipates that Holtze and Kowandi will start coming online in the next two years and gradually grow the councils' rate base.

### Asset Management

Council has an extensive network of infrastructure assets. Maintaining these assets in good order and renewing them as they age requires substantial yearly expenditure.

Depreciation estimates the value of assets consumed during each financial year. The Asset Sustainability Ratio mentioned above highlighted Council's inability to fund the replacement of infrastructure assets. This challenge also extends to the Thorak Regional Cemetery.

Rates revenue increases or additional grant funding is required to increase funding available for capital expenditure and reduce the rate at which the capital renewal backlog rises each year.

### The Way Ahead – Improving Long Term Sustainability

As indicated in the section of this LTFP relating to the current financial position, Council has substantial cash reserves and no debt, which means in the short term, it will be able to continue to deliver services and a limited amount of capital works to the community.

However, Litchfield Council faces several challenges in the long term, including operating deficits and inadequate funding for capital expenditure required to maintain its existing asset base. These long-term challenges will require a concerted and disciplined approach to managing financial resources to improve sustainability.

The LTFP aims to improve sustainability by:

1. decreasing the size of the operating deficit and in doing so increase cash generated from operations to fund asset renewal and replacements;
2. increasing the funding available for capital expenditure from external sources (ie grants) – including advocating for sealing Council's unsealed roads;
3. improve the performance of assets, to extend the life of the assets and reduce the whole of life costs of the assets; and
4. promote and facilitate growth and development within the Council boundaries to increase the size of the local economy and the total revenue generated by the Council.

The following strategies are designed to address these challenges.

## Council's Financial Management Strategy

### Improve the operating position

The Operating performance ratio measures a council's ability to generate sufficient recurrent revenue to fund the recurrent operating expenditure, including the annual depreciation cost. Over the long term, a local government that continues to produce material operating deficits will most likely not be able to replace and renew assets as required, resulting in a deterioration of the asset portfolios, impacting upon service levels and requiring a high reliance upon external funding sources (e.g. grants) to fund assets replacement or renewal. Council intends to improve its operating position to ensure long-term sustainability.

Council will look to deliver on this strategy by constraining growth in operating costs, in particular employee costs, contractors, and materials. Council will explore efficiencies and productivity improvements across all services and ensure increases in recurrent operating expenditure are supported by a business case indicating funding from matching income sources or reductions in spending in another part of the budget.

### Advocate strongly for grants from other levels of government

Council has received substantial grants for one-off capital projects in recent years and continues to advocate strongly for grants relating to works on the road network and recreation reserves (acknowledging that Council has received approval of \$10million from the Australian Government for investment in Freds Pass recreation reserve). Advocacy efforts in this area will lean heavily toward funding for capital renewals. New assets will be considered by exception. However, it is important to note that new assets require ongoing maintenance and long term renewal which will only contribute to the challenge Council faces in generating sufficient income to maintain its asset base.

Given the uncertainty about the allocation of grant funding, the LTFP has taken a conservative approach to forecasting future grant income. However, advocacy efforts and grant applications will be stepped-up to ensure that any available funding consistent with meeting Council's strategic objectives is targeted.

## Asset management

Asset management is one of the key determinants of sustainability for local government. Councils with poor asset management have little foresight of sustainability and lack control over sustainability. The planning and management of assets across the lifecycle of the assets is an important component of financial sustainability for local government.

Integration of the asset management planning with the Long-Term Financial Plan enables Council to plan for adequate funding to address the asset demands, and where insufficient funding is available, enabling Council to make decisions and prioritisations as appropriate to manage the impacts on long term sustainability of the assets (and the organisation more broadly).

To be financially sustainable Council must be able to hold and fund an asset portfolio to an acceptable standard and risk based on the services and service level requirements established with the community and informed by technical expertise and data.

Additional cost of asset ownership through new and upgraded assets, either through Council construction or contributed assets, without an adequate increase in revenue generated from the project, is a significant risk to the underlying operating deficit for Council.

Council will look to deliver on this strategy through the following:

- Continue developing and implementing Asset Management Plans, which will provide more reliable data for the projection of costs. Asset Management Plans for roads and vehicles and equipment have been adopted by Council, with other plans in draft form.
- Continue to improve the data and analysis of asset condition, valuation, and useful life, to support the assessment of the depreciation expense as part of a financial asset revaluation exercise utilising actual asset conditions.

A Capital Works Statement forms part of the below information. It shows councils increasing accumulated renewal gap based on council's current 2019 – 2023 Roads Asset Management Plan and 2021 – 2031 Fleet, Plant and Equipment Asset Management Plan. Current projections estimate that the accumulated renewal gap will grow to \$45 million by 30 June 2033 on current assumptions.

## Assumptions

The following assumptions were used in preparing the LTFP to provide current service levels.

### Operating income and expenditures

	2024	2025	2026-2033
\$'000's	Forecast	Forecast	Forecast
<b>Assumptions</b>			
Rates - Residential	5.00%	5.00%	5.00%
Rates - Commercial	5.00%	5.00%	5.00%
Rates - Gas Plant	5.00%	5.00%	5.00%
Waste Increase - No Collection	5.00%	5.00%	5.00%
User Charge	5.00%	5.00%	5.00%
Grants	0.00%	0.00%	0.00%
Employee Cost Index - including superannuation	3.00%	3.00%	3.00%
Materials & Contractors	3.00%	3.00%	3.00%
Overdue rates interest rate	17.00%	17.00%	17.00%
Cash Investment Interest Rate	4.5%	4.5%	4.5%

### Capital Income and Expenditures

The below Capital Works Statement indicated council's capital works expenditure. Furthermore, capital grants have been predicted and limited to reoccurring historical grants that Council has received consistently.

The Capital Works Statement below represents capital works budget for 2023-24 and forecast figures up to 2033. The renewal gap represents the unfunded portion of the 2019-2023 Roads Asset Management Plan and the 2021-2031 Fleet, Plant and Equipment Asset Management Plan.

## CHALLENGES AND OPPORTUNITIES

As Council implements the financial sustainability strategic objectives, it is likely to confront the following challenges and opportunities, and it is recommended these and any others identified by officers be incorporated into Council's Financial Management Strategy and Long-term Financial Plan and updated annually.

### CHALLENGES

- Volatility in the economic environment – During the preparation of this Financial Sustainability Strategy, the Australian economy was experiencing high volatility, with high inflation and supply chain issues, the continuation of which is likely to increase the cost of services and the cost of construction/acquisition of assets, as well as potentially delay the

delivery of capital works, increase borrowing costs and potentially limit the availability of funding from external sources (e.g., grants).

- Impact of the Holtze development on Council's financial position – A proportion of the \$43 million investment into assets to enable services funded by the Northern Territory Government are proposed to be contributed to Council as gifted assets upon completion of construction. This will increase the expenditure on operating and maintaining the assets, as well as a significant increase in the depreciation expense. If additional revenue through rates, fees, charges and other revenue streams does not match the increase in operating expenditure, the completion of the development will impact negatively upon the financial position of the Council.
- Policy changes from other levels of Government – changes to policies and strategies set by the Northern Territory and Federal Governments is likely to impact upon Council's financial sustainability, therefore requiring strong advocacy and engagement with key stakeholders to protect the interests of the Council and its community.

#### OPPORTUNITIES

- Innovation and Technological Advancement – Council can improve long term sustainability through enhanced productivity and efficiencies achieved through adopting innovation and technological advancements, which will require Council to maintain effective relationships and professional networks with industry leaders.
- Regional Economic Development – There is significant opportunity for Council to leverage and realise significant development of the local economy and enhancement to the socio-economic profile of the region. Council can maximise the realised benefit through advocating and pursuing Council's interests, as well as more broadly the community's economic and socio-demographic interests.

#### SIGNIFICANT RISKS

The risks outlined below present a significant threat to the successful achievement of the Financial Sustainability Strategy.

- Economic Conditions - Council is impacted by the volatility of economic conditions. This has been experienced most significantly during the recent COVID-19 outbreak, where the income earned by Council for a range of services was significantly reduced. As such, any further impacts leading to significant change from the market assumptions adopted will require further revision by Council of planned investments and service expenditure.
- Expenditure Estimates - A key risk to the accuracy of the long-term forecast of operating and capital expenditure is the accuracy of cost estimates and actual inflation in future years being above assumptions used in the forecast.
- Impairment and Early Deterioration of Assets - While renewals are planned through the asset management planning process, the actual deterioration and performance of assets may deteriorate faster than projected or be impacted through natural disasters or other unforeseen events, bringing forward the need to renew and replace assets. This will require either re-prioritisation across the capital works plan, or additional cash investment.

- Local Government Municipal boundaries review - Northern Territory Government review of the local government municipal boundaries could cause substantial increase in costs or loss of income.

## 10 Year Capital Works Statement

Period end		30 Jun 23	30 Jun 24	30 Jun 25	30 Jun 26	30 Jun 27	30 Jun 28	30 Jun 29	30 Jun 30	30 Jun 31	30 Jun 32	30 Jun 33
<b>Capital Works Statement</b>												
Buildings	\$'000	198	245	145	145	1,045	1,045	145	145	145	145	145
Plant, machinery and equipment	\$'000	610	340	400	286	143	417	469	312	129	300	464
Roads	\$'000	10,671	6,273	4,598	4,598	4,598	4,098	5,598	5,698	5,698	5,698	6,743
Drainage	\$'000	900	658	630	630	630	630	630	630	630	630	630
Recreational, leisure and community facilities	\$'000	120	250	120	120	120	120	120	120	120	120	120
Other infrastructure	\$'000	306	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Works</b>	<b>\$'000</b>	<b>12,805</b>	<b>7,766</b>	<b>6,041</b>	<b>6,185</b>	<b>6,883</b>	<b>6,419</b>	<b>7,281</b>	<b>6,984</b>	<b>6,801</b>	<b>6,972</b>	<b>8,181</b>
<b>Represented by:</b>												
Renewal Investment	\$'000	5,975	3,958	4,245	4,131	3,988	3,762	5,314	5,157	4,974	5,145	6,354
Upgrade Investment	\$'000	6,830	3,698	1,648	1,648	1,648	1,648	1,648	1,748	1,748	1,748	1,748
Expansion Investment	\$'000	-	-	-	-	-	-	-	-	-	-	-
New Investment	\$'000	-	110	148	406	1,247	1,009	319	79	79	79	79
<b>Total Capital Works</b>	<b>\$'000</b>	<b>12,805</b>	<b>7,766</b>	<b>6,041</b>	<b>6,185</b>	<b>6,883</b>	<b>6,419</b>	<b>7,281</b>	<b>6,984</b>	<b>6,801</b>	<b>6,972</b>	<b>8,181</b>
Renewal Demand	\$'000	8,773	8,520	8,616	8,429	8,315	8,686	8,767	8,546	8,305	8,305	8,305
Renewal Gap = Not Funded	\$'000	2,798	4,562	4,371	4,298	4,327	4,924	3,453	3,389	3,331	3,160	1,951
Accumulated Renewal Gap	\$'000	8,471	13,033	17,404	21,702	26,029	30,953	34,406	37,795	41,126	44,286	46,237

## 10 Year Income Statement

Period start	1 Jul 22	1 Jul 23	1 Jul 24	1 Jul 25	1 Jul 26	1 Jul 27	1 Jul 28	1 Jul 29	1 Jul 30	1 Jul 31	1 Jul 32
Period end	30 Jun 23	30 Jun 24	30 Jun 25	30 Jun 26	30 Jun 27	30 Jun 28	30 Jun 29	30 Jun 30	30 Jun 31	30 Jun 32	30 Jun 33

### Comprehensive Income Statement

#### Revenue from Operating Activities

Rates and Charges	\$'000	13,741	14,536	15,306	16,203	17,149	18,149	19,206	20,324	21,505	22,578	23,704
Grants - Operating (Recurrent)	\$'000	4,036	4,036	4,036	4,036	4,036	4,036	4,036	4,036	4,036	4,036	4,036
Grants - Capital (Non-recurrent)	\$'000	5,546	2,581	1,733	1,733	1,733	1,733	1,733	1,733	1,733	1,733	1,733
Contributions (Non monetary)	\$'000	-	-	3,000	3,000	4,000	4,000	5,000	5,000	6,000	-	-
User Charges	\$'000	1,865	1,926	2,022	2,123	2,230	2,341	2,458	2,581	2,710	2,846	2,988
Statutory Fees and Fines	\$'000	170	175	175	175	175	175	175	175	175	175	175

<b>Total Revenue from Operating Activities</b>	\$'000	25,358	23,254	26,272	27,270	29,323	30,434	32,608	33,849	36,159	31,368	32,636
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#### Revenue from Outside of Operating Activities

Interest Revenue	\$'000	423	670	673	677	680	684	687	690	694	697	701
Other Revenue Outside of Operating Activities	\$'000	91	140	140	140	140	140	140	140	140	140	140

<b>Total Revenue from Outside Operating Activities</b>	\$'000	514	810	813	817	820	824	827	830	834	837	841
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<b>Total Revenue</b>	\$'000	25,872	24,064	27,086	28,087	30,143	31,258	33,435	34,679	36,993	32,205	33,477
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#### Operating Expenses from Ordinary Activities

Employee Costs	\$'000	(7,068)	(7,042)	(7,253)	(7,470)	(7,695)	(7,925)	(8,163)	(8,408)	(8,660)	(8,920)	(9,188)
Materials & Consumables	\$'000	(10,313)	(9,645)	(10,434)	(10,644)	(10,861)	(11,186)	(12,022)	(12,383)	(12,754)	(13,137)	(13,531)
Depreciation	\$'000	(11,004)	(9,355)	(9,575)	(9,792)	(10,011)	(10,237)	(10,486)	(10,721)	(10,938)	(11,124)	(11,352)
Other Expenses	\$'000	(2)	-	(2)	-	(2)	-	(2)	-	(2)	-	(2)

<b>Total Operating Expenses</b>	\$'000	(28,387)	(26,042)	(27,264)	(27,906)	(28,569)	(29,348)	(30,673)	(31,512)	(32,354)	(33,181)	(34,073)
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<b>Net Surplus/(Deficit) from Operations</b>	\$'000	(2,515)	(1,978)	(178)	181	1,574	1,910	2,762	3,167	4,639	(976)	(596)
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#### Adjustments

Net Gain/(Loss) on Disposal of Property Plant & Equipment	\$'000	-	-	-	-	-	-	-	-	-	-	-
Net Gain/(Loss) on Sale of Assets Held for Resale	\$'000	-	-	-	-	-	-	-	-	-	-	-

<b>Total Adjustments</b>	\$'000	-	-	-	-	-	-	-	-	-	-	-
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<b>Operating Surplus/(Deficit) after Adjustments</b>	\$'000	(2,515)	(1,978)	(178)	181	1,574	1,910	2,762	3,167	4,639	(976)	(596)
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<b>Adjusted Underlying Surplus (Deficit)</b>	\$'000	(8,061)	(4,559)	(4,911)	(4,552)	(4,159)	(3,823)	(3,971)	(3,566)	(3,094)	(2,709)	(2,329)
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## 10 Year Balance Sheet

Period start	1 Jul 22	1 Jul 23	1 Jul 24	1 Jul 25	1 Jul 26	1 Jul 27	1 Jul 28	1 Jul 29	1 Jul 30	1 Jul 31	1 Jul 32
Period end	30 Jun 23	30 Jun 24	30 Jun 25	30 Jun 26	30 Jun 27	30 Jun 28	30 Jun 29	30 Jun 30	30 Jun 31	30 Jun 32	30 Jun 33

**Balance Sheet**
**Current Assets**

Cash and Cash Equivalents	\$'000	17,260	16,914	17,544	18,166	18,690	20,281	21,386	23,136	25,745	28,794	28,379
Trade and Other Receivables	\$'000	5,480	5,510	5,718	6,022	6,342	6,663	7,039	7,418	7,818	8,160	8,566
GST Receivable	\$'000	-	62	67	68	69	71	77	79	81	83	85

Total Current Assets	\$'000	22,740	22,486	23,329	24,256	25,102	27,015	28,502	30,633	33,644	37,038	37,030
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**Non Current Assets**

Property Plant and Equipment	\$'000	743	1,215	1,604	1,847	2,812	3,989	4,268	4,355	4,244	4,271	4,413
Infrastructure Assets	\$'000	406,654	404,594	403,671	402,821	402,728	401,734	403,250	404,425	406,399	402,220	398,908

Total Non Current Assets	\$'000	407,397	405,808	405,275	404,668	405,541	405,723	407,518	408,780	410,643	406,491	403,321
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Total Assets	\$'000	430,137	428,294	428,604	428,924	430,643	432,738	436,019	439,413	444,288	443,529	440,351
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**Current Liabilities**

Trade and Other Payables	\$'000	5,950	6,085	6,571	6,709	6,852	7,037	7,555	7,782	8,015	8,233	5,649
Current Provisions	\$'000	621	621	622	622	624	624	625	625	626	626	627

Total Current Liabilities	\$'000	6,571	6,706	7,193	7,331	7,475	7,661	8,180	8,407	8,641	8,859	6,276
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**Non Current Liabilities**

Non Current Provisions	\$'000	382	382	383	383	383	383	384	384	385	385	386
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Total Non Current Liabilities	\$'000	382	382	383	383	383	383	384	384	385	385	386
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Total Liabilities	\$'000	6,953	7,088	7,576	7,714	7,859	8,044	8,564	8,791	9,026	9,244	6,662
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Net Assets	\$'000	423,184	421,206	421,029	421,210	422,784	424,694	427,456	430,623	435,262	434,286	433,690
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**Equity**

Accumulated Surplus	\$'000	3,103	1,514	981	374	1,245	1,428	3,222	4,485	6,347	2,195	(976)
Waste Management Reserve	\$'000	3,947	3,947	3,947	3,927	3,927	3,737	3,518	3,378	3,358	3,358	3,358
Asset Reserve	\$'000	8,954	8,587	9,143	9,901	10,598	12,440	13,684	15,968	18,715	21,841	24,316
Election Reserve	\$'000	200	200	-	50	100	200	200	-	50	100	200
Disaster Recovery Reserve	\$'000	400	400	400	400	400	400	400	400	400	400	400
Strategic Initiatives Reserves	\$'000	400	400	400	400	400	400	400	400	400	400	400
Unexpended Grants Reserve	\$'000	-	-	-	-	-	-	-	-	-	-	-
Thorak Regional Cemetery	\$'000	1,579	1,557	1,557	1,557	1,513	1,488	1,431	1,391	1,391	1,391	1,391
Cash for Cans Reserve	\$'000	113	113	113	113	113	113	113	113	113	113	113
Developer Contribution Reserve - DCP/ICP	\$'000	576	576	576	576	576	576	576	576	576	576	576
Asset Revaluation Reserve	\$'000	403,912	403,912	403,912	403,912	403,912	403,912	403,912	403,912	403,912	403,912	403,912

Total Equity	\$'000	423,184	421,206	421,029	421,210	422,784	424,694	427,456	430,623	435,262	434,286	433,690
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## 10 Year Cash Flow Statement

Period start	1 Jul 22	1 Jul 23	1 Jul 24	1 Jul 25	1 Jul 26	1 Jul 27	1 Jul 28	1 Jul 29	1 Jul 30	1 Jul 31	1 Jul 32
Period end	30 Jun 23	30 Jun 24	30 Jun 25	30 Jun 26	30 Jun 27	30 Jun 28	30 Jun 29	30 Jun 30	30 Jun 31	30 Jun 32	30 Jun 33

### Cash Flow Statement

#### Cash flows from Operating Activities

Rates and Charges Received	\$'000	11,399	14,510	15,040	15,908	16,838	17,837	18,842	19,956	21,117	22,246	23,314
Grants - Operational Received	\$'000	3,864	4,034	4,035	4,036	4,036	4,037	4,035	4,036	4,036	4,037	4,035
Grants - Capital Received	\$'000	5,310	2,580	1,802	1,733	1,733	1,733	1,733	1,733	1,733	1,733	1,733
Interest Received	\$'000	423	670	673	677	680	684	687	690	694	697	701
User Fees Received	\$'000	1,786	2,118	2,215	2,327	2,443	2,566	2,693	2,828	2,969	3,119	3,273
Statutory Fees and Fines Received	\$'000	163	192	192	193	193	193	192	193	193	193	192
Other Revenue Received	\$'000	87	154	154	154	154	154	154	154	154	154	154
Employee Costs Paid	\$'000	(6,879)	(7,029)	(7,234)	(7,452)	(7,677)	(7,908)	(8,142)	(8,388)	(8,639)	(8,901)	(9,164)
Materials and Consumables Paid	\$'000	(8,572)	(10,487)	(11,011)	(11,588)	(11,823)	(12,136)	(12,728)	(13,415)	(13,817)	(14,252)	(17,492)
GST Received / (Paid)	\$'000	-	679	804	820	831	851	919	947	971	996	1,021

<b>Net Cash flows from Operating Activities</b>	\$'000	7,581	7,420	6,671	6,806	7,408	8,010	8,385	8,735	9,410	10,021	7,766
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#### Cash flows from Investing Activities

Payment for Property Plant and Equipment and Infrastructure	\$'000	(12,805)	(7,766)	(6,041)	(6,185)	(6,883)	(6,419)	(7,281)	(6,984)	(6,801)	(6,972)	(8,181)
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<b>Net Cash flows from Investing Activities</b>	\$'000	(12,805)	(7,766)	(6,041)	(6,185)	(6,883)	(6,419)	(7,281)	(6,984)	(6,801)	(6,972)	(8,181)
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#### Cash flows from Financing Activities

Proceeds from Interest Bearing Loans and Borrowings	\$'000	-	-	-	-	-	-	-	-	-	-	-
Repayments of Interest Bearing Loans and Borrowings	\$'000	-	-	-	-	-	-	-	-	-	-	-

<b>Net Cash flows from Financing Activities</b>	\$'000	-	-	-	-	-	-	-	-	-	-	-
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<b>Net Change in Cash Held</b>	\$'000	(5,224)	(346)	630	621	525	1,591	1,104	1,751	2,609	3,049	(415)
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<b>Cash at Beginning of the Financial Year</b>	\$'000	22,484	17,260	16,914	17,544	18,166	18,690	20,281	21,386	23,136	25,745	28,794
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<b>Cash at End of the Financial Year</b>	\$'000	17,260	16,914	17,544	18,166	18,690	20,281	21,386	23,136	25,745	28,794	28,379
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