



CITY OF PALMERSTON

LONG TERM FINANCIAL PLAN 2020 - 2029





Message from the Mayor

I am pleased to present the City of Palmerston's 2020-2029 Long Term Financial Plan.

This is the second Long-Term Financial Plan (LTFP) for the recently elected 9th City of Palmerston Council. The key focus of the plan has been the vision of Palmerston as "A Place for People". Based on that vision, Council is committed to ensuring that services and infrastructure are maintained and improved to meet the needs of our growing community.

This LTFP responds to ongoing operational requirements but also considers the long-term impact of key Council initiatives that have been developed since the inauguration of the Council in April 2018. One of these key initiatives is the Prójects, a suite of six transformative projects that respond to the current and future needs of the Palmerston community and improve the level of amenity to all locals and visitors alike. These projects range from upgrades to the Palmerston Swimming and Fitness Centre to Smart Cities technology and are planned to be delivered over four years.

The LTFP also considers the outcomes that the community has deemed important in the Community Plan, a 10-year strategic plan designed to align Council's services and priorities to that of the community. Council resources have been allocated in the plan to ensure that the priorities of the community are met.

Over the course of the plan, Council will invest a total of \$94.7 million into capital projects, rejuvenating its assets as well as adding much

needed new social infrastructure. The large portion of the capital projects will be self-funded, however, there are several projects identified where the three tiers of Government can work together to deliver key infrastructure to the benefit of the Palmerston community.

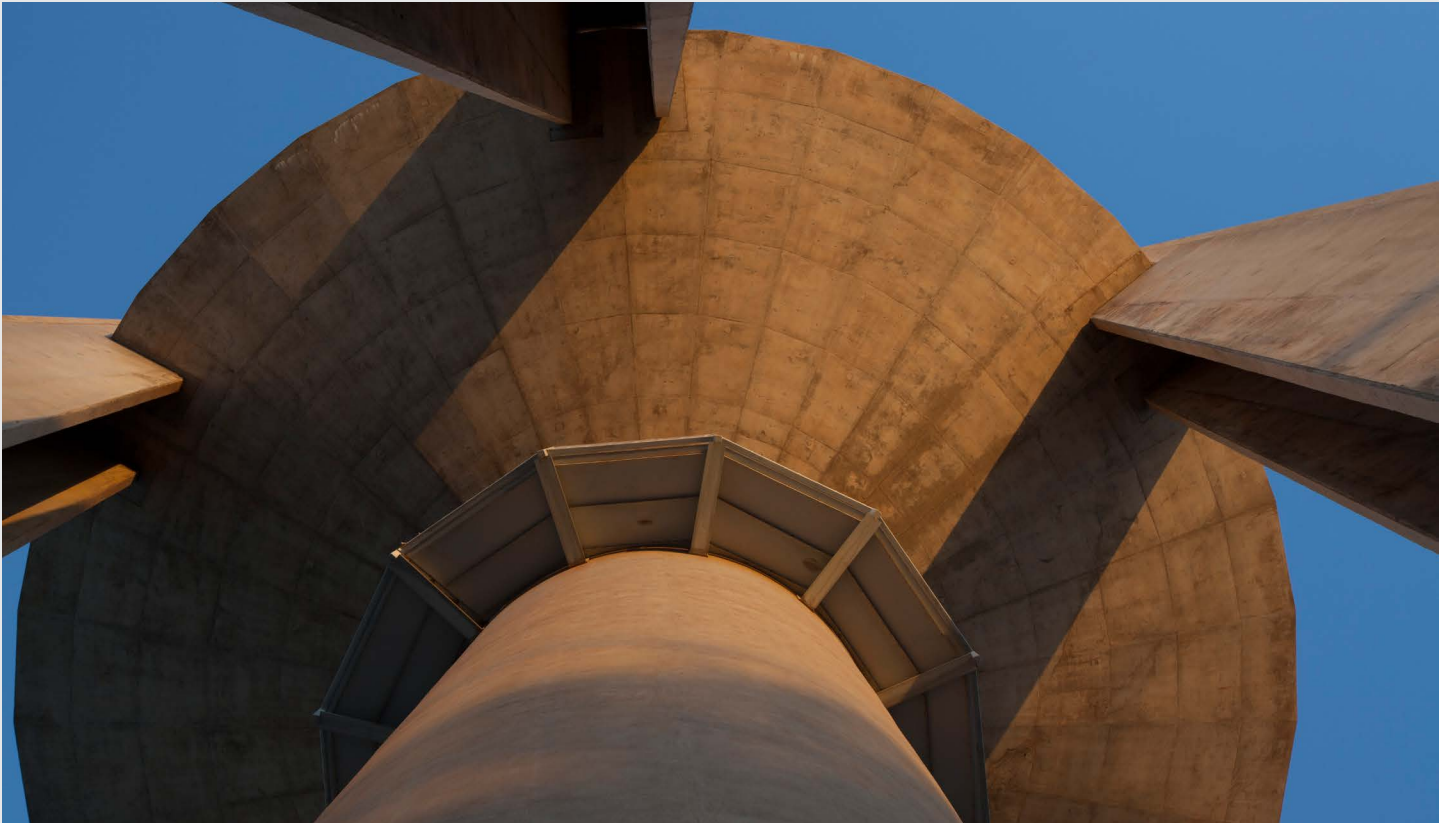
The plan also demonstrates an improving financial position over the course of the 10 years. Financial sustainability is a key concern for the Council, and it is imperative that Council becomes and remains financially sound to ensure a continued high level of service. Council is also mindful of the social impacts and pressures that many in our community are currently feeling due to the tough economic conditions and consequently a delicate balancing act is required to ensure that Council can adequately resource itself without over-burdening the community.

Over the course of the plan, the Council will see its operating deficit improve from a deficit of \$8.1 million to a deficit of \$2 million inclusive of depreciation. This will be achieved through a consistent and gradual increase of revenues over the long term whilst maintaining service standards.

We are committed to ensuring Council delivers quality services and infrastructure to the community in a sustainable and sensible manner.

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Overview

The Local Government Act requires Council to prepare and maintain a Long Term Financial Plan (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. Council has developed a 10-year financial plan as it is important that stakeholders understand the financial implications arising from Council's decisions, and to ensure the financial sustainability of Council.

The financial modelling supporting the Long Term Financial Plan is used to forecast the Council's financial future over 10 years. The plan is a tool which assists with decision making and problem solving, enabling decisions to be made on how to best achieve the Council's corporate objectives and asset management needs whilst considering its long term financial challenges.

The LTFP includes:

- Planning assumptions used to develop the plan
- Projected income and expenditure
- Balance sheets
- Cash flow statements
- Methods of monitoring financial performance

The LTFP contains a core set of assumptions. These assumptions are based on CPI forecasts, interest rate expectations, employee award increases, estimated loan repayment schedules, and other special income and expenses which are discussed in more detail below.

Council’s Long Term Financial Plan covers the period 2019/2020 to 2028/2029. It recognises its current and future financial capacity to continue delivering quality services, provide facilities and infrastructure to the community while commencing new initiatives and projects to achieve the goals set down in the Municipal Plan.

Financial planning over a 10-year time horizon is difficult and relies on a variety of assumptions that will undoubtedly change during the period. The LTFP is therefore closely monitored, and regularly revised, to reflect these changing circumstances.

This LTFP has been prepared with the base year of 2018/2019 based on the revised 2018/2019 annual budget. In the following years, anticipated projects such as the Projects capital works have been included and adjustments have been made to demonstrate what Council will need to do to progress towards the path to financial sustainability.

The LTFP model and assumptions were provided to KPMG to provide advice on the succinctness of the model and assumptions used. Although no assurance or opinions can be issued under this type of engagement, the advice received was that KPMG were satisfied with the material functionality of the Plan.

The aims of Council’s Long Term Financial Plan are to:

- Set out the assumptions upon which Council’s financial plans and budgets have been structured.
- Identify some Key Performance Indicators upon which Council can benchmark its financial performance.
- Set the framework so that the impact of future policy decisions can be identified.
- Evaluate the impact of future scenarios upon Council’s financial position.
- Provide a basis for future informed decision making.
- Identify issues which impact upon the financial sustainability of Council including known opportunities and threats.
- Achieve a balanced budget on a funding basis, acknowledging that continued service delivery and asset renewals are current priorities.



Background

PALMERSTON

The second largest and fastest growing city in the Northern Territory, Palmerston is a regional hub with a promising future positioning itself as The Family City of the Northern Territory and 'A Place for People'.

Palmerston boasts a multi-cultural and diverse population of more than 36,000 residents, growing at an average of 5% a year who are supported by lifestyle options including multiple shopping centres, a PGA tournament standard golf course, land conservation areas, connected spaces, swimming and fitness centre, numerous schools and the recently opened Palmerston Regional Hospital, all of which support families who choose to call our city home.

With almost universal NBN coverage and a young, tech savvy population, Palmerston is becoming a hub for digital innovation through e-gaming, the Top End's annual GeekFest and regional collaboration delivering Smart City opportunities.

This rapid growth presents Council with the challenge of growing and renewing essential family friendly infrastructure for Palmerston and surrounding communities.

NORTHERN TERRITORY ECONOMY

The Northern Territory economy is highly dependent on the government sector, mining and tourism. This dependence makes it highly prone to volatility, particularly once large capital projects wind down.

Deloitte Access Economic (DAE) forecasts the Territory economy to grow by an average of 3.0% per annum over the five years to 2021-22. This is the third highest economic growth forecast of all jurisdictions, behind Queensland and Victoria. In other jurisdictions, the estimated five-year average economic growth ranges from 2.4% per annum in Tasmania to 3.4% per annum in Queensland and Victoria. DAE forecasts the national economy to grow by an average annual rate of 3.0% over the five-year period.



DAE notes that despite the outlook for future major project activity to be subdued, exports are expected to be a key driver of Territory economic growth, as the Ichthys liquefied natural gas (LNG) project transitions to the production and export phase.

DAE September quarter 2018 prepared for the Northern Territory Government, has forecast average growth in the following key economic indicators for the five years (2018-2022):

	Northern Territory	Australia
Economic Growth Forecast	3.0%	2.0%
Employment Growth Forecast	0.8%	1.8%
Population Growth Forecast	1.1%	1.6%
Consumer Price Index (CPI)	1.9%	2.3%



The Northern Territory economy is highly dependent on the government sector, mining and tourism. This dependence makes it highly prone to volatility, particularly once large capital projects wind down.

Current Financial Position

The City of Palmerston is relatively young and is rapidly growing, both in terms of population and infrastructure with developers handing over millions of dollars' worth of infrastructure annually. As the infrastructure is relatively new, it only requires maintenance works to keep it in a satisfactory condition in the short to medium term. However, in future years considerable asset replacement will be required and this will represent a significant expense for the City.

Council has recently endorsed Projects which is an innovative and progressive suite of projects that are designed to enhance the amenity and liveability in the city, with projects ranging from a new Community Hub in Zuccoli and the revitalisation of the Palmerston Swimming and Fitness Centre to smart city technology and environmental initiatives such as greening the City of Palmerston. Work has already commenced on the Making the Switch project. This project is a transformative project improving the public lighting

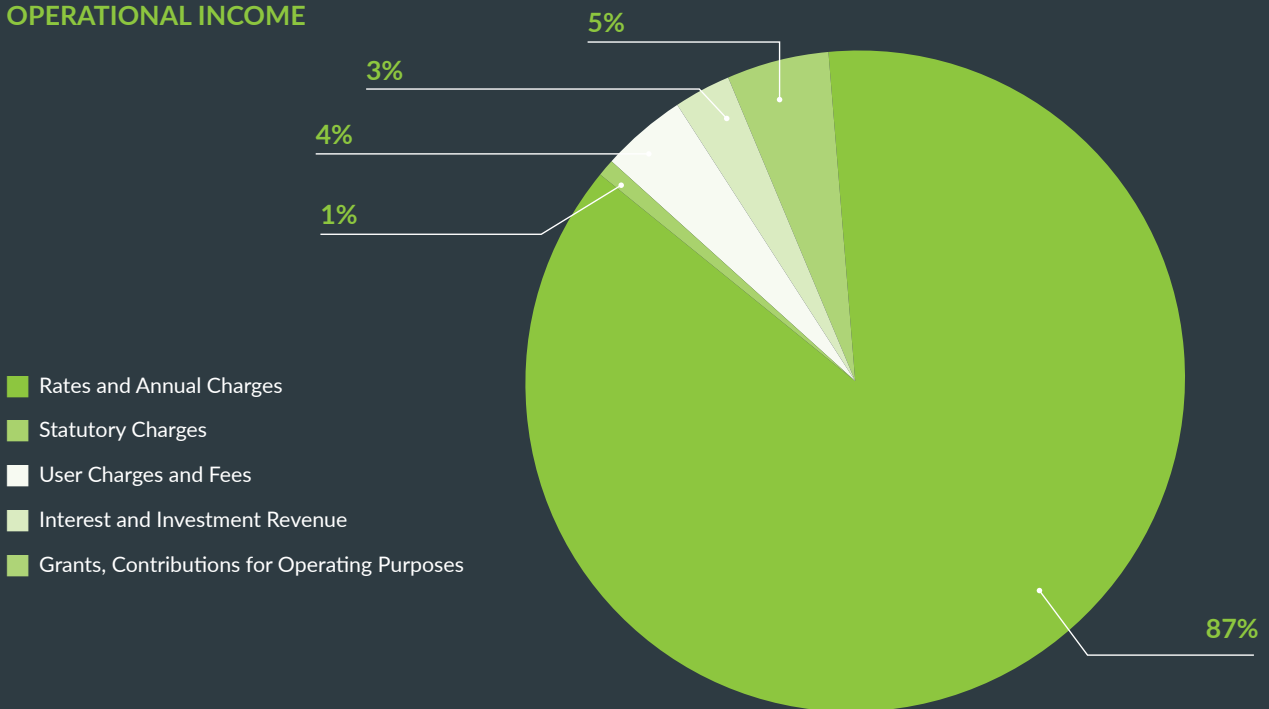
quality in the City and reducing electricity use and consequently generating savings. This project is funded from an internal loan from reserves and as a self-funding project the savings identified in electricity costs are repaid back into reserves with additional savings allocated to improving the quality of public lighting across Palmerston.

Council's reserves have been depleted over the past several years by significant capital projects which were predominately funded from reserves. These projects included the construction of an investment property that is leased to the NT Government as well as redevelopment of Goyder Square and the Boulevard. Council's reserves are currently adequate to continue ongoing operations without affecting service levels however there is limited scope to draw on reserves to fund significant future capital works and Council will need to rely on securing capital grants or the use of debt to fund these works.



Council currently derives nearly 87% of its operational revenues through annual rates and charges. This provides Council with certainty and security over the bulk of its revenue base and is not overly reliant on factors outside of its control. Council does however need to identify other revenue sources and lobby funding bodies for grants as currently Council's only short-term solution to increasing revenues is through above CPI increases to rates and annual charges.

OPERATIONAL INCOME





Operating Ratio
Benchmark



Rates Coverage Ratio
Maximum Benchmark



Sustainability Ratio
Minimum Benchmark

Measuring Performance

Council will continue to report on and monitor its financial performance based on standard financial indicators.

These indicators include:

- **Operating Ratio** – This measures the capacity of Council to contain its operating expenditure within its operating revenue allowing for asset renewals funded through depreciation. The benchmark for this ratio is greater than 0%.
- **Cash Expense Ratio** – This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash-flow. The benchmark for this ratio is greater than 3 months.
- **Current Ratio** – This ratio represents Council's ability to meet debt repayments as they fall due. It should be noted that Council's externally restricted assets will not be available as operating funds and as such can significantly impact Council's ability to meet its liabilities. The minimum benchmark is greater than 1.5.
- **Rates Coverage Ratio** – This ratio measures fiscal flexibility. It is the degree of reliance that Council places on external funding sources such as operating grants and contributions to fund its day to day operations. The benchmark for this ratio is between 60–75%.
- **Debt Service Cover Ratio** – This ratio measures the availability of operating cash to service debt including interest, principal and lease payments. The benchmark for this ratio is greater than 2.0.
- **Interest Cover Ratio** – This ratio indicates the extent to which Council can service its interest-bearing debt and take on additional borrowing. It measures the burden of the current interest expense upon Council's operating cash. The minimum benchmark for this ratio is greater than 4.
- **Sustainability Ratio** – This ratio indicates the extent to which Council is forecasting to increase or replace the asset base of the Council. The minimum benchmark for this ratio is 1. Where a Council records a value higher than 1, this indicates the overall asset base is being replenished at a rate equal to, or higher than, the Council's consumption of assets. Where the sustainability ratio is less than 1, the Council may have a deteriorating asset base.

Future Financial Position

The LTFP models an improving financial position for the City of Palmerston over the planning period. The plan predicts that the operating deficit of Council is reduced from a budget operating deficit in 2018-2019 of \$8.156 million to an operating deficit of \$2.043 million in 2028-2029.



The previous plan was prepared conservatively and aimed to generate an operational surplus (inclusive of depreciation) within nine years. Considering the depressed economy and to minimise the cumulative burden on the community this goal has been delayed beyond the length of this plan.

It must be stressed however, that the financial position is improving every year of the plan with the operational deficit decreasing from \$8.165 million in 2018/19 to \$2.043 million in 2028/29. This represents an improvement of a reduction of 75% of Council's current deficit. The rate increase of 3.5% is to ensure that Council's cash reserves remain at a stable level throughout the planning period and that there is adequate working capital available, whilst maintaining service levels and increasing the capital spend.

The LTFP also anticipates that the projects outlined in Projects will be undertaken and completed within five financial years and a significant increase in capital expenditure is recognised in this

period. It is anticipated that these projects will be undertaken in partnership with the Commonwealth Government, Territory Government and commercial partners through funding agreements to help fund the bulk of the works. It is however expected that Council will need to establish an external loan for \$3 million to fund a portion of the 'Splashing Out' project which will be paid back in full over a period of 10 years.

Although an operational surplus will not be reached over the term of the plan additional cash will be generated each year. These funds have been allocated into increasing capital renewals thereby ensuring that the assets of Palmerston remain in a satisfactory condition for the community. It is anticipated that a modest amount of cash will be allocated back to reserves throughout the life of the plan to take advantage of any unknown opportunities that may occur or to fund any unexpected expenses.



Major Initiatives and repairs and maintenance of assets

Over the term of the LTFP Council is planning to spend a total of \$94.134 million in capital works.

\$25.175 million will be spent on the Projects works, which will result in new and modern facilities for the Community. The remaining balance will be spent on new assets, replacements and renewals that relate to infrastructure such as roads, pathways, parks, public lighting, buildings, stormwater and fleet ensuring that the assets within Palmerston remain in a satisfactory condition.

In the adopted 2018/2019 Municipal Plan, Council budgeted for \$5.2 million for repairs and maintenance on its assets. In the LTFP it is assumed that the service standards provided will not change and has consequently based its future repairs and maintenance estimations on this amount plus provision for CPI increases throughout the term of the plan in accordance with the recently developed draft asset management plans.

LONG TERM FINANCIAL PLAN LONG TERM CAPITAL PLAN

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	TOTAL
Buildings	\$ 1,147,000	\$ 1,086,000	\$ 877,500	\$ 646,500	\$ 907,000	\$ 524,000	\$ 981,000	\$ 1,521,000	\$ 1,741,500	\$ 1,507,500	\$ 10,939,000
Parks & Reserves	\$ 1,320,000	\$ 1,506,000	\$ 1,424,500	\$ 1,216,000	\$ 1,521,000	\$ 1,962,000	\$ 1,827,500	\$ 1,858,000	\$ 1,804,000	\$ 1,984,000	\$ 16,423,000
Pathways	\$ 760,000	\$ 815,500	\$ 961,000	\$ 986,500	\$ 1,012,000	\$ 1,037,500	\$ 1,063,000	\$ 1,088,500	\$ 1,114,000	\$ 1,139,500	\$ 9,977,500
Roads	\$ 1,310,000	\$ 1,451,000	\$ 1,397,000	\$ 1,185,000	\$ 1,224,000	\$ 1,765,000	\$ 1,816,000	\$ 2,372,000	\$ 2,888,000	\$ 3,929,000	\$ 19,337,000
Stormwater	\$ 380,000	\$ 399,000	\$ 418,000	\$ 437,000	\$ 456,000	\$ 475,000	\$ 494,000	\$ 513,000	\$ 532,000	\$ 551,000	\$ 4,655,000
Public Lighting	\$ 105,000	\$ 110,500	\$ 276,000	\$ 281,500	\$ 287,000	\$ 292,500	\$ 298,000	\$ 303,500	\$ 309,000	\$ 314,500	\$ 2,577,500
Fleet	\$ 355,000	\$ 355,000	\$ 355,000	\$ 355,000	\$ 355,000	\$ 355,000	\$ 355,000	\$ 355,000	\$ 355,000	\$ 355,000	\$ 3,550,000
IT	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 1,500,000
Projects	\$ 5,500,000	\$ 9,275,000	\$ 9,000,000	\$ 700,000	\$ 700,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,175,000
TOTALS	\$ 11,027,000	\$ 15,148,000	\$ 14,859,000	\$ 5,957,500	\$ 6,612,000	\$ 6,561,000	\$ 6,984,500	\$ 8,161,000	\$ 8,893,500	\$ 9,930,500	\$ 94,134,000

Assumptions

This LTFP has been prepared on the basis that Council will continue to deliver the same level of service to the community as it is currently providing.

The LTFP also includes the following specific assumptions in relation to expected revenues and expenses.

GENERAL ASSUMPTIONS

Item	Assumption	Comment
Dwelling Growth	1.0%	City of Palmerston accommodation stocks grew by 3.3% p.a. from 2006-2011, and 4.6% p.a. from 2011-2016 according to the ABS. A conservative 1% growth is included in this plan due to the recent housing devaluations and possible oversupply of accommodation in the short term.
CPI	2.3%	Based on long term forecast from Deloitte Access Economics for CPI for the Australia.

REVENUE ASSUMPTIONS

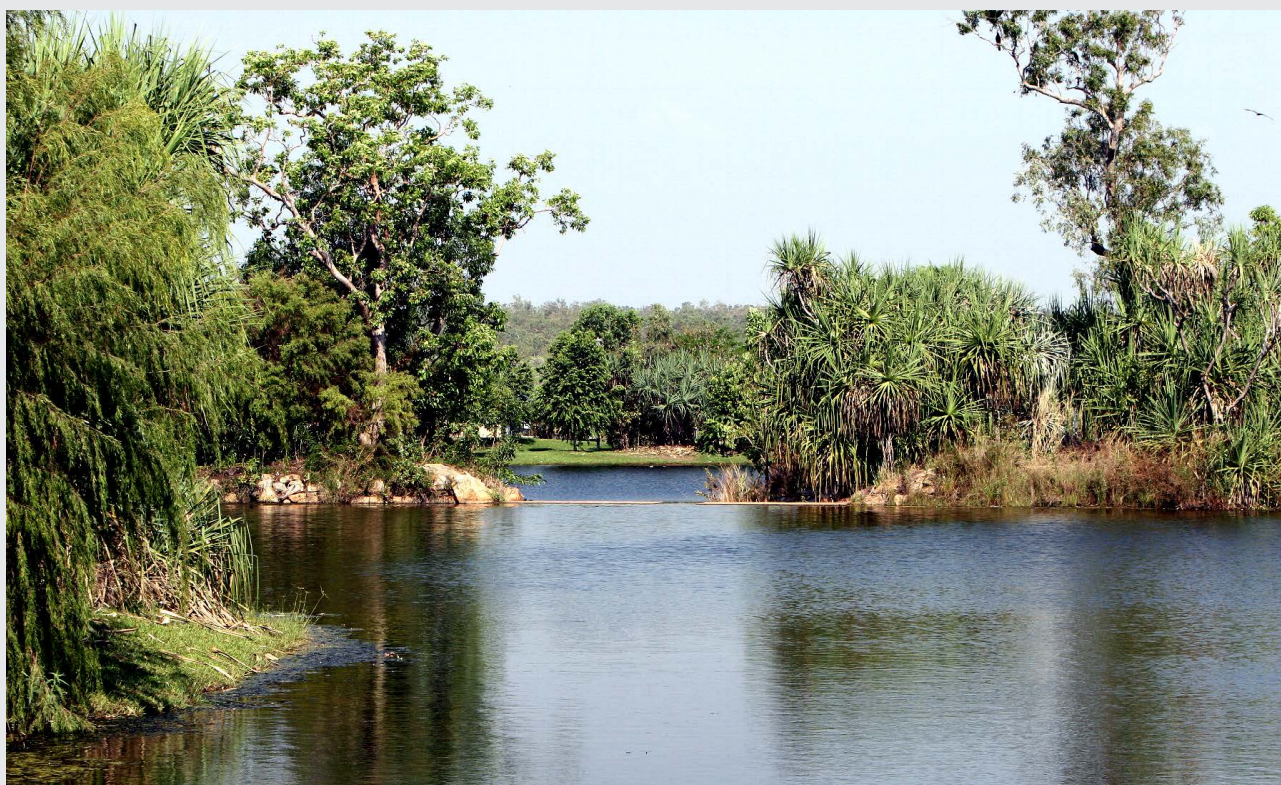
Item	Assumption	Comment
Rate Increase	3.5%	This is the required amount that Council will need to raise rates to ensure that the Council is sustainable and is able to renew its current asset base.
Waste Management Charge	CPI	Annual Charges will increase in line with contractual increases.
Statutory Charges	0.0%	Statutory Charges are not forecast to increase.
User Fees and Charges	CPI	All user fees and charges are expected to increase in-line with CPI.
Investment Interest	2.9%	Interest is calculated on the forecast cash and investment balances.
Interest on overdue rates	18.0%	Interest is calculated on the overdue outstanding rates balance.
Other Revenues	CPI	Other revenues consist of program fees and sundry income items.
Operating Grants	CPI	Operating grants include the financial assistance grant and the public library funding agreement.

EXPENSE ASSUMPTIONS

Item	Assumption	Comment
Employee Benefits and on-costs	2.0% - 2.5%	Employee costs increase in line with the enterprise agreement at 2%, however between the years 2021/2022 to 2025/26 a further 0.5% p.a. is included to increase superannuation as per federal legislation.
Borrowing Costs	4.99%	Conservative estimate noting that borrowing interest rates are currently well below average levels.
Materials, contracts and other expenses	CPI	Election expenses have been budgeted for every 4 years at \$150k increased by cumulative CPI.
Depreciation	N/A	Depreciation is based on current depreciation rates plus depreciation on gifted and constructed assets at an average useful life of 70 years across asset classes.

CAPITAL ASSUMPTIONS

Item	Assumption	Comment
Capital Income	N/A	Included as detailed in the 10 years capital work program.
Capital Expenditure	N/A	Included as detailed in the 10 years capital work program.



**LONG TERM FINANCIAL PLAN
STATEMENT OF FINANCIAL POSITION**

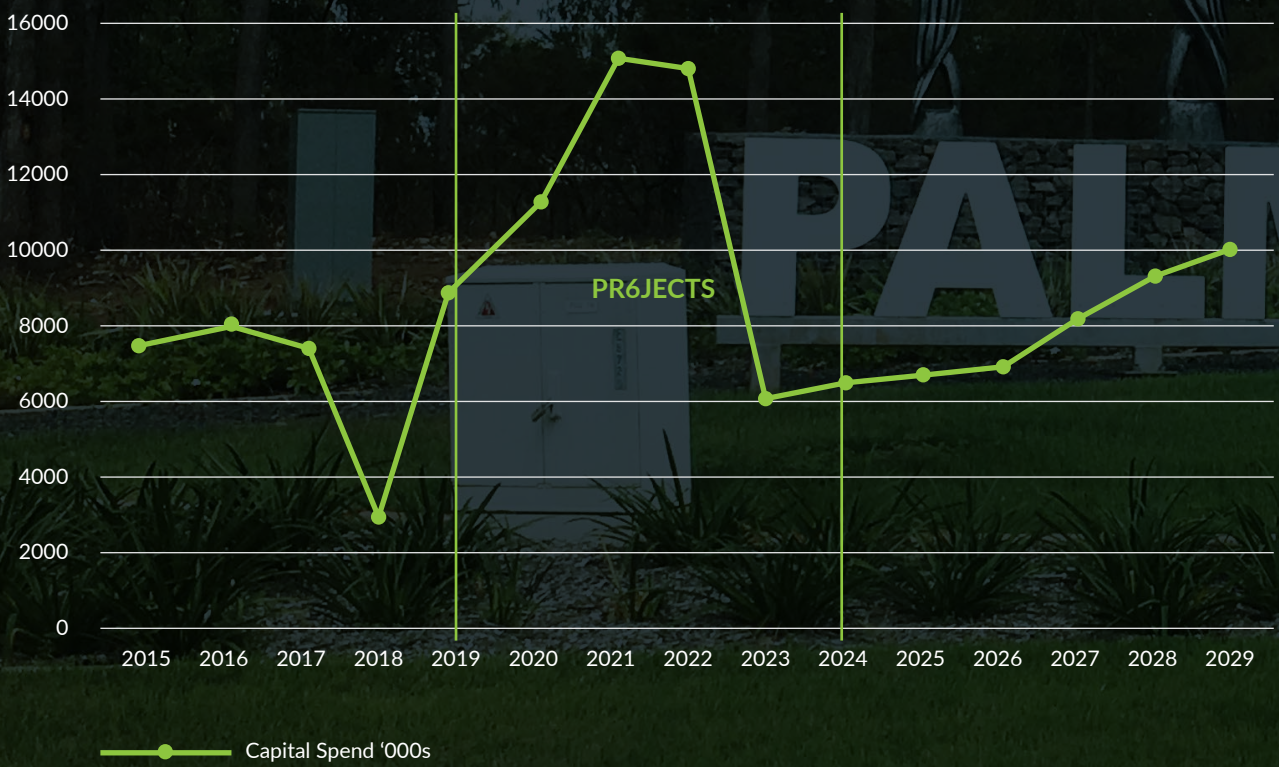
\$ '000	Notes	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
		Revised Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Assets												
Current Assets:												
Cash & cash equivalents		11,677	6,485	4,090	3,518	3,517	3,505	3,824	3,543	3,906	4,222	4,604
Investments		4,500	6,500	6,500	6,500	6,500	6,500	6,500	7,500	7,500	7,500	7,500
Receivables		1,522	1,537	1,553	1,570	1,587	1,604	1,622	1,639	1,657	1,676	1,695
Non-current assets classified as 'held for sale'		-	-	-	-	-	-	-	-	-	-	-
TOTAL CURRENT ASSETS		17,698	14,523	12,144	11,588	11,604	11,609	11,945	12,682	13,063	13,398	13,799
Non-Current Assets:												
Infrastructure, property, plant & equipment		552,937	559,674	569,189	576,126	573,903	572,210	570,580	568,981	568,417	568,676	569,548
Investment property		6,773	6,773	6,773	6,773	6,773	6,773	6,773	6,773	6,773	6,773	6,773
Work in progress		-	-	-	-	-	-	-	-	-	-	-
TOTAL NON-CURRENT ASSETS		559,710	566,447	575,962	582,899	580,676	578,983	577,353	575,754	575,190	575,449	576,321
TOTAL ASSETS		577,408	580,970	588,106	594,487	592,281	590,592	589,298	588,436	588,253	588,846	590,120
Liabilities												
Current Liabilities:												
Payables		3,430	3,509	3,590	3,672	3,757	3,843	3,932	4,022	4,115	4,209	4,306
Borrowings		219	231	242	504	530	557	585	304	320	336	353
Provisions		1,036	1,057	1,078	1,105	1,132	1,161	1,190	1,219	1,244	1,269	1,294
TOTAL CURRENT LIABILITIES		4,685	4,796	4,910	5,282	5,419	5,561	5,707	5,546	5,678	5,814	5,953
Non-Current Liabilities:												
Payables		-	-	-	-	-	-	-	-	-	-	-
Borrowings		1,572	1,342	1,100	3,358	2,828	2,271	1,686	1,381	1,061	725	372
Provisions		1,744	1,779	1,814	1,860	1,906	1,954	2,003	2,053	2,094	2,136	2,179
TOTAL NON-CURRENT LIABILITIES		3,316	3,120	2,914	5,218	4,734	4,225	3,689	3,434	3,155	2,861	2,551
TOTAL LIABILITIES		8,001	7,917	7,824	10,499	10,153	9,786	9,395	8,980	8,834	8,675	8,504
NET ASSETS		569,407	573,053	580,282	583,988	582,127	580,806	579,903	579,456	579,419	580,171	581,616
Equity												
Retained earnings/(accumulated deficit)		210,226	217,159	226,880	231,513	229,774	228,590	227,496	226,152	225,867	226,419	227,603
Other Reserves		13,013	9,726	7,234	6,307	6,185	6,048	6,239	7,136	7,384	7,584	7,845
Revaluation reserves		346,168	346,168	346,168	346,168	346,168	346,168	346,168	346,168	346,168	346,168	346,168
Council equity interest		569,407	573,053	580,282	583,988	582,127	580,806	579,903	579,456	579,419	580,171	581,616
Non-controlling interest		-	-	-	-	-	-	-	-	-	-	-
TOTAL EQUITY		569,407	573,053	580,282	583,988	582,127	580,806	579,903	579,456	579,419	580,171	581,616

	Notes	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
		Revised Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
LONG TERM FINANCIAL PLAN STATEMENT OF CASH FLOWS												
		\$ '000										
Cash Flows from Operating Activities												
Receipts:												
Rates & annual charges		27,927	29,100	30,323	31,597	32,927	34,313	35,758	37,265	38,837	40,584	42,411
User charges & fees		1,530	1,571	1,605	1,640	1,675	1,712	1,749	1,787	1,826	1,865	1,906
Investment & interest revenue received		537	916	824	754	738	737	737	746	767	778	787
Grants & contributions		1,536	2,402	2,450	2,499	2,549	2,600	2,652	2,705	2,759	2,814	2,870
Bonds, deposits & retention amounts received		-	-	-	-	-	-	-	-	-	-	-
Other		1	2	2	2	2	2	2	2	2	2	2
Payments:												
Employee benefits & costs		(8,672)	(8,845)	(9,022)	(9,248)	(9,479)	(9,716)	(9,959)	(10,208)	(10,412)	(10,620)	(10,833)
Materials, contracts & other expenses		(19,873)	(20,229)	(20,896)	(21,586)	(22,448)	(23,039)	(23,799)	(24,585)	(25,546)	(26,239)	(27,105)
Finance Payments		(92)	(82)	(70)	(199)	(175)	(149)	(122)	(94)	(74)	(58)	(42)
Bonds, deposits & retention amounts refunded		-	-	-	-	-	-	-	-	-	-	-
Other operating payments		-	-	-	-	-	-	-	-	-	-	-
NET CASH PROVIDED (OR USED IN) OPERATING ACTIVITIES		2,894	4,835	5,215	5,459	5,788	6,460	7,018	7,618	8,159	9,125	9,996
Cash Flows from Investing Activities												
Receipts:												
Sale of investment securities		-	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant & equipment		-	-	-	-	-	-	-	-	-	-	-
Amounts specifically for new or upgraded assets		728	3,320	7,770	6,070	670	670	670	670	670	670	670
Payments:												
Purchase of investment securities		(1,000)	(2,000)	-	-	-	-	-	(1,000)	-	-	-
Purchase of infrastructure, property, plant & equipment		(8,879)	(11,127)	(15,149)	(14,859)	(5,955)	(6,612)	(6,812)	(6,984)	(8,162)	(9,143)	(9,931)
NET CASH PROVIDED (OR USED IN) INVESTING ACTIVITIES		(9,151)	(9,807)	(7,379)	(8,789)	(5,285)	(5,942)	(6,142)	(7,314)	(7,492)	(8,473)	(9,261)
Cash Flows from Financing Activities												
Receipts:												
Proceeds from bonds and deposits		-	-	-	-	-	-	-	-	-	-	-
Proceeds from borrowings & advances		2,000	-	-	3,000	-	-	-	-	-	-	-
Payments:												
Repayment of borrowings & advances		(209)	(219)	(231)	(242)	(504)	(530)	(557)	(585)	(304)	(336)	(353)
NET CASH PROVIDED (OR USED IN) FINANCING ACTIVITIES		1,791	(219)	(231)	2,758	(504)	(530)	(557)	(585)	(304)	(336)	(353)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS		(4,465)	(5,191)	(2,395)	(572)	(1)	(12)	319	(281)	363	316	382
plus: CASH & CASH EQUIVALENTS - beginning of year		16,142	11,677	6,485	4,090	3,518	3,517	3,505	3,824	3,543	3,906	4,222
plus: INVESTMENTS ON HAND - end of year		4,500	6,500	6,500	6,500	6,500	6,500	6,500	7,500	7,500	7,500	7,500
CASH & CASH EQUIVALENTS & INVESTMENTS - end of year		16,177	12,985	10,590	10,018	10,017	10,005	10,324	11,043	11,406	11,722	12,104

LONG TERM FINANCIAL PLAN FINANCIAL RATIOS

	2019 Revised Budget	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast
<p>Operating Ratio This ratio measures Council's ability to contain operating expenditure within operating revenue Benchmark - Greater than 0%</p> <p>(operating revenue excl. capital grants and contributors - operating expenses) / operating revenue excluding capital grants and contributors</p>	-25.50%	-16.29%	-15.35%	-14.92%	-14.17%	-12.26%	-10.77%	-9.28%	-8.03%	-5.95%	-4.26%
<p>Cash Expense Cover Ratio This ratio indicates the number of months Council can continue paying for its immediate expenses without additional cash inflow Benchmark - Greater than 3.0 months (current year's cash and cash equivalents / (total expenses - depreciation - interest costs) * 12)</p>	6.80	5.36	4.25	3.90	3.76	3.67	3.67	3.81	3.81	3.82	3.83
<p>Current Ratio This ratio represents Council's ability to meet debt payments as they fall due. It should be noted that Council's externally restricted assets will not be available as operating funds and as such can significantly impact Council's ability to meet its liabilities. Benchmark - Greater than 1.5 current assets / current liabilities</p>	3.78	3.03	2.47	2.19	2.14	2.09	2.09	2.29	2.30	2.30	2.32
<p>Rates Revenue This ratio measures the level of Council's fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. Council's financial flexibility improves the higher the level of its own source revenue Benchmark - Greater than 60% < 75% rates / total operating revenue</p>	65.44%	64.31%	64.89%	65.41%	65.84%	66.22%	66.61%	66.97%	67.32%	67.52%	67.71%
<p>Debt Service Cover Ratio This ratio measures the availability of cash to service debt including interest, principal, and lease payments Benchmark - Greater than 2.0 operating result before interest and depreciation (EBITDA) / principal repayments + borrowing interest costs</p>	7.91	13.09	14.64	10.70	7.46	8.45	9.27	10.14	19.59	21.21	23.35
<p>Interest Cover Ratio This ratio indicates the extent to which Council can service its interest bearing debt and take on additional borrowings. It measures the burden of the current interest expense upon Council's operating cash Benchmark - Greater than 4.0 operating result before interest and depreciation (EBITDA) / interest expense</p>	25.82	48.24	62.58	23.69	28.98	38.46	51.50	73.32	100.50	143.63	219.80
<p>Sustainability Ratio This ratio indicates the extent to which Council is replacing its existing asset base with capital renewals of existing assets Benchmark - Greater than 1.0 annual capital expenditure on renewals / annual depreciation</p>	0.77	1.07	1.42	1.36	0.53	0.58	0.60	0.60	0.70	0.77	0.82

CAPITAL SPEND '000S



Conclusion

Financial sustainability is ensuring that Council is able to fund both its services and be able to fund asset replacement at the rate upon which they deteriorate.


Council is committed to long-term financial sustainability and intergenerational equity, where each generation 'pays their way,' rather than any generation 'living off their assets' and leaving it to future generations to address the issue of replacing worn out infrastructure without the necessary funds to do so.


Council is currently relatively low on un-restricted reserves and operating with continuous deficits. However, the organisation itself is sustainable and financially viable in a strong cash position. Through prudent and responsible budgeting, planning and financial management the Council will be able to rebuild its reserves, continue to deliver quality services to the community and replace and renew assets now and into the future, ensuring the same level of service for each generation.





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