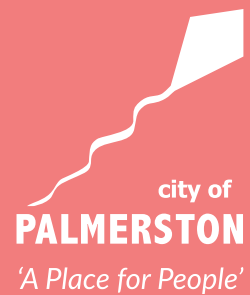




DRAFT

CITY OF PALMERSTON

LONG TERM
FINANCIAL PLAN
2022-2031



city of
PALMERSTON
'A Place for People'



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FOREWORD

City of Palmerston is pleased to present its Long Term Financial Plan for 2022 to 2031.

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 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

This Long Term Financial Plan has been prepared with the ongoing COVID-19 pandemic in mind. Council's measures taken in response to the COVID-19 pandemic remain having an impact on the operational income. With a zero-rate increase in the previous year and ongoing free community facility hire as well as free pool entrance and free parking, Council continues its commitment to the community. The decisions made in this Plan have been assessed for their long term impact. Whilst every effort has been made to eliminate uncertainty, the COVID-19 pandemic remains an element of unpredictability.

Council has been able to generate continued support from territory and federal governments with grant funding that supports the delivery on the Community Plan outcomes. This Long Term Financial Plan is forecasting the delivery of major projects, such as the Swimming Wellness Events Leisure Lifestyle (SWELL) project and the 'Where We Live Matters' project in Zuccoli.

Within this Plan Council is proposing to take up loans for up to \$7.5 million to fund the above-mentioned

projects. The financial capacity for Council is sound to service the loan and the methodology supports the inter-generational cost distribution. Meaning, that residents will bear the cost of the construction of the facilities as they utilise them. With this financing model, Council ensures that financial reserve balances remain healthy and continue to increase within the 10-year timeframe to ensure the cost of asset renewal can be met into the future as our City grows older.

Council's Long Term Financial Plan covers the period from 2021-22 to 2030-31. 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 out in the Community Plan.

The Long Term Financial Plan 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 in this 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 Long Term Financial Plan is therefore closely monitored, and regularly revised, to reflect these changing circumstances.

This Long Term Financial Plan has been prepared with the base year being 2020-21, based on the second revised 2020-21 annual budget.

The Long Term Financial Plan 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.

STATUTORY REQUIREMENTS

The *Local Government Act* requires Council to prepare and maintain a Long Term Financial Plan. 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.



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, with significant population growing each year 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

All economic indicators are based on September 2020 assessments.

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 Economics (DAE) forecasts the Territory economy to grow by an average of 1.1 per cent per annum over the next five years. DAE forecasts the national economy to grow by an average annual rate of 1.5 per cent over the five-year period.



DAE September quarter 2020 prepared for the Northern Territory Government, has forecast average growth in the following key economic indicators for the five years (2019-20 to 2023-24):

	Northern Territory	Australia
Economic Growth Forecast	3.4%	1.9%
Employment Growth Forecast	0.9%	0.5%
Population Growth Forecast	0.4%	0.9%
Consumer Price Index (CPI)	1.1%	1.5%



Council's Long Term Financial Plan will continue to deliver the current level of service and improve facilities for our community.

CURRENT FINANCIAL POSITION

The City of Palmerston is relatively young and is 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 is working towards targets set in its asset management plans to ensure infrastructure stability long term.

Council continues to roll out significant innovative and progressive projects that are designed to enhance the amenity and liveability in the city, with projects ranging from new a Community Hub in Zuccoli ('Where We Live Matters') and a revitalisation of the Palmerston pool into the modern and exciting SWELL project as well as environmental initiatives such as greening the City of Palmerston. Work has been completed on the *Making the Switch* project. This project is a transformative project improving

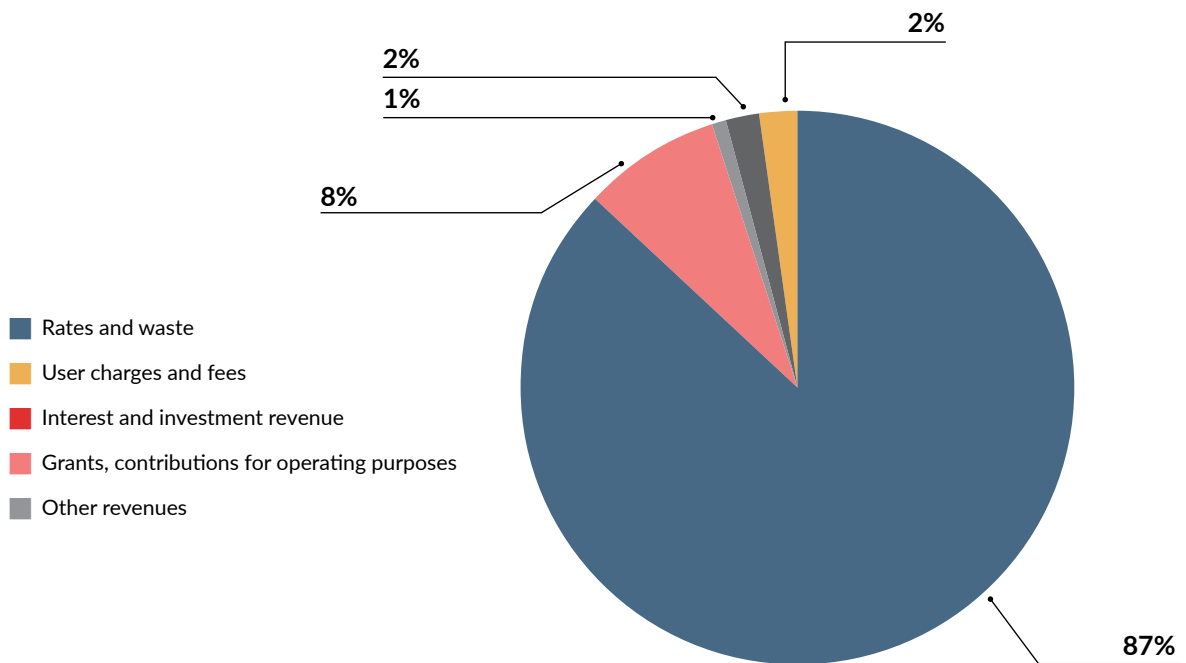
the public lighting quality in the City and reducing electricity use and consequently generating savings. This project is funded from an internal loan from reserves and as a self-funding project, the savings identified in electricity costs are repaid back into reserves with additional savings allocated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

Council's reserves are adequate to continue ongoing operations without affecting service levels and Council will continue working with other levels of government to secure capital grants and will utilise loans to support works like SWELL and 'Where We Live Matters'.

Council currently derives nearly 87 per cent 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 continue to lobby funding bodies for grants.



OPERATING REVENUE SOURCE BY TYPE 2021-22



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 zero per cent.

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 three 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 per cent.

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.

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 one, the Council may have a deteriorating asset base.

Ratio	Benchmark	10-Year Average
Operating Ratio	>0%	-17%
Cash Expense Ratio	>3 months	5.2 months
Current Ratio	>1.5	2.6
Rates Coverage Ratio	60%-75%	95%
Debt Service Ratio	>2	8.5
Interest Cover Ratio	>4	33.1
Sustainability Ratio	<1	0.9

FUTURE FINANCIAL POSITION

The Long Term Financial Plan models an improving financial position for the City of Palmerston over the planning period considering the Rate Freeze in the budget for 2020-21 due to the COVID-19 pandemic and only a 2.4 per cent average increase and \$30 increase to the minimum rates in 2021-22.

The Plan predicts that the operating deficit of Council is reduced from a budget operating deficit in 2019-20 of \$4.8 million to an operating deficit of \$2.8 million in 2030-31. The Long Term Financial Plan allows for a gradual increase in revenues through rates at a modest increase of 3.3 per cent including an anticipated property growth of 0.6 per cent with maintaining existing service levels for the community, whilst also delivering on what the community has identified as outcomes in the Community Plan for Palmerston.

The Long Term Financial Plan anticipates that the *SWELL* and the 'Where We Live Matters' projects as well as other community focused projects will be undertaken resulting in an increase in capital expenditure in the 2021-22 to 2023-24 financial years. It is anticipated that these projects will be undertaken in partnership with the Commonwealth and Territory Government. Council will need to establish an external loan for \$5 million over the 2021-22 and 2022-23 financial years and \$2.5 million in 2023-24 to fund a portion of the projects which will be paid back in full over a period of 20 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 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 Long Term Financial Plan Council is planning to spend a total of \$93.3 million in capital works which will result in new and modern facilities for the Community.

As well as the replacements and renewals of assets 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 Long Term Financial Plan it is assumed that the service standards provided will not change and Council has consequently based its future repairs and maintenance estimations to remain consistent and has also provided for CPI increases throughout the term of the Plan in accordance with Councils asset management plans.

Furthermore, the Plan includes major initiatives in the form of the SWELL project with a cost of \$15 million over the 2021-22 and 2022-23 financial year, anticipated to be funded through capital grants and a Council loan of up to \$5 million. The second major initiative over seven financial years starting in 2021-22 is the project 'Where We Live Matters' creating a major community hub in Zuccoli at the total value of \$14.6 million, with a planned loan of up to \$2.5 million.

10 YEAR CAPITAL WORKS SCHEDULE

Asset	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	10 Year Total
Buildings	12,909,393	5,026,785	5,579,285	2,373,985	2,603,985	3,668,985	2,004,285	804,285	384,285	239,285	35,594,558
Parks and Reserves	3,380,000	1,522,000	1,256,000	1,290,000	1,074,000	1,108,000	1,142,000	1,176,000	1,206,000	1,236,000	14,390,000
Footpaths	934,000	937,249	940,074	792,915	805,774	818,649	831,542	844,453	857,382	870,330	8,632,367
Roads	1,611,656	1,532,483	1,595,858	1,862,151	1,931,508	2,004,083	2,080,038	2,159,539	2,237,766	2,319,905	19,334,987
Stormwater	150,000	170,000	180,000	190,000	200,000	210,000	220,000	230,000	240,000	2,040,000	2,040,000
Irrigation	390,000	300,000	310,000	320,000	330,000	340,000	350,000	360,000	370,000	380,000	3,350,000
Vehicles	335,000	355,000	355,000	355,000	355,000	355,000	355,000	355,000	360,000	360,000	3,560,000
Public Lighting	690,000	695,000	700,000	405,000	410,000	420,000	420,000	425,000	430,000	435,000	5,025,000
Furniture and Fittings	70,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	1,420,000
Totals	20,390,049	10,688,517	11,066,216	7,739,051	7,860,267	9,069,717	7,552,865	6,504,277	6,235,433	6,240,519	93,346,912

ASSUMPTIONS

This Long Term Financial Plan 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 Long Term Financial Plan also includes the following specific assumptions in relation to expected revenues and expenses.

GENERAL ASSUMPTIONS

Item	Budget Assumptions 2021-2022	Forecast Assumption 2023-2031	Comment
Residential Growth	0.6%	0.6%	City of Palmerston accommodation stocks grew by 3.3 per cent p.a. from 2006 to 2011, and 4.6 per cent p.a. from 2011 to 2016 according to the ABS. A conservative 0.6 per cent growth is included in this Plan. Although a recent increase in development has been recognised during the COVID-19 pandemic, it is unclear how sustainable this growth will be over the long-term.
CPI	1.1%	1.1%	Based on long-term forecast for CPI for the Northern Territory as per DAE (September 2020 release).

REVENUE ASSUMPTIONS

Item	Budget Assumptions 2021-2022	Forecast Assumption 2023-2031	Comment
Rate Increase	2.4%	3.3%	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. Not including growth.
Waste Management Charge	Reduction by 1%	CPI	In 2021-22 Council decreases the general residential waste charge by \$10, supporting ratepayers during the ongoing COVID-19 pandemic. Beyond that, charges will increase in line with contractual increases and fees charged for the disposal of waste at Shoal Bay.
Statutory Charges	0.0%	0.0%	Whilst a By-Law review is underway for City of Palmerston statutory charges should only increase by the growth factor.
User Fees & Charges	CPI	CPI	All user fees and charges are expected to increase in-line with CPI.
Investment Interest	1%	1.5% - 2%	Interest is calculated on the forecast cash and investment balances reflecting stable investment rates.
Interest on Overdue Rates	8%	8%	Interest is calculated on the overdue outstanding rates balance.
Other Revenues	CPI	CPI	Other revenues consist of program fees and sundry income items.
Operating Grants	CPI	CPI	Operating grants include the financial assistance grant and the operating subsidy for the library from the Northern Territory Government.

EXPENSE ASSUMPTIONS

Item	Budget Assumptions 2020-2021	Forecast Assumption 2021-2030	Comment
Employee Benefits and On-costs	2.5%	2% - 2.5%	Employee costs increase in line with the enterprise agreement at 2 per cent, however between the years 2021-2022 to 2025-26 a further 0.5 per cent per annum is included to increase superannuation as per federal legislation.
Current Borrowing Costs	2.78%	2.78%	PAN Borrowing costs are fixed for the term of the loan.
Future Borrowing Costs	2.7%	2.7%	Conservative estimate noting that borrowing interest rates are currently well below average levels.
Materials, Contracts and other Expenses	CPI	CPI	Average increase anticipated.
Depreciation	N/A	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	Budget Assumptions 2021-2022	Forecast Assumption 2023-2031	Comment
Capital Income	N/A	N/A	Included as detailed in the 10 years capital work program.
Capital Expenditure	N/A	N/A	Included as detailed in the 10 years capital work program.



LONG TERM FINANCIAL PLAN INCOME STATEMENT

\$'000's	2018-2019	2019-2020	2020-2021	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
	Actual	Actual	Revised Budget	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Income from Continuing Operations														
Revenue:														
Rates & annual charges	28,199	28,838	28,910	29,476	30,510	31,582	32,693	33,844	35,038	36,275	37,690	39,160	40,687	
Rates	21,197	21,989	22,010	22,675	23,559	24,478	25,432	26,424	27,455	28,526	29,638	30,794	31,995	
Waste	7,002	6,848	6,901	6,801	6,951	7,104	7,260	7,420	7,583	7,750	7,920	8,095	8,273	
Statutory Charges	133	153	169	140	142	144	145	147	148	150	152	153	155	
User charges & fees	1,299	910	660	688	695	703	711	718	726	734	742	751	759	
Interest & investment revenue	1,189	1,039	993	637	622	632	616	641	623	612	618	635	677	
Reimbursements	925	5	-	-	-	-	-	-	-	-	-	-	-	
Other revenues	183	1,855	376	331	335	338	342	346	350	353	357	361	365	
Grants & contributions for operating purposes	3,713	2,930	2,020	2,738	1,740	1,758	1,775	1,793	1,829	1,865	1,903	1,941	1,979	
TOTAL INCOME FROM CONTINUING OPERATIONS	35,640	35,729	33,128	34,030	34,044	35,156	36,282	37,489	38,714	39,970	41,462	43,001	44,623	
Expenses from Continuing Operations														
Employee benefits & costs	8,779	9,206	10,249	10,868	11,140	11,618	11,908	12,406	12,716	13,171	13,434	13,703	13,977	
Borrowing costs	-	53	46	40	60	159	213	198	182	168	140	150	141	
Materials, contracts and other expenses	20,333	21,576	20,000	20,619	20,846	21,075	21,307	21,541	21,778	22,018	22,260	22,505	22,753	
Depreciation, amortisation & impairment	10,094	9,778	10,400	10,608	10,411	10,470	10,535	10,539	10,545	10,572	10,572	10,552	10,529	
TOTAL EXPENSES FROM CONTINUING OPERATIONS	39,206	40,613	40,695	42,134	42,457	43,323	43,964	44,684	45,221	45,929	46,406	46,910	47,399	
OPERATING RESULT FOR THE YEAR	(3,566)	(4,884)	(7,567)	(8,105)	(8,413)	(8,167)	(7,682)	(7,195)	(6,507)	(5,939)	(4,944)	(3,909)	(2,776)	
Changes in Revaluation Surplus - I.P. & E	508	7,458	52	-	53	54	54	55	55	56	56	57	57	
Adjustments (Compliance with Revised Accounting Standards)	(2,210)	(7,827)	(4,691)	(50)	-	-	-	-	-	-	-	-	-	
Asset Disposal & Fair Value Adjustments	8,208	4,481	4,576	13,351	5,552	5,452	4,790	4,040	4,040	3,540	2,040	2,040	1,950	
Amounts received specifically for new or upgraded assets	7,498	518	8,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	
Physical resources received free of charge	(299)	(299)	370	8,196	192	339	162	(101)	588	657	152	1,187	2,232	
TOTAL COMPREHENSIVE INCOME / (LOSS)	10,438	(299)	370	8,196	192	339	162	(101)	588	657	152	1,187	2,232	

Notes

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

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
	Actual	Actual	Revised Budget	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Assets													
Current Assets:													
Cash & cash equivalents	23,925	17,422	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Investments	7,664	9,165	16,435	11,673	12,337	11,281	10,769	9,766	8,231	8,547	9,397	11,501	14,627
Receivables	2,013	2,073	2,073	2,154	2,238	2,326	2,416	2,510	2,608	2,710	2,816	2,925	3,039
Non-current assets classified as 'held for sale'													
TOTAL CURRENT ASSETS	33,602	28,660	22,508	17,827	18,575	17,606	17,185	16,276	14,839	15,257	16,212	16,426	21,666
Non-Current Assets:													
Infrastructure, property, plant & equipment	548,294	554,098	565,626	578,408	581,685	585,281	585,485	585,807	587,332	587,313	586,245	584,928	583,640
Investment property	5,100	5,200	5,252	5,305	5,358	5,411	5,465	5,520	5,575	5,631	5,687	5,744	5,801
Work in progress	1,171	4,409	-	-	-	-	-	-	-	-	-	-	-
TOTAL NON-CURRENT ASSETS	554,565	563,707	570,878	583,713	587,043	590,692	590,950	591,327	592,907	592,944	591,933	590,672	589,442
TOTAL ASSETS	588,167	592,367	593,386	601,539	605,618	608,299	608,136	607,603	607,746	608,201	608,145	607,098	611,107
Liabilities													
Current Liabilities:													
Payables	4,139	4,326	4,369	4,413	4,457	4,502	4,547	4,592	4,638	4,684	4,731	4,779	4,826
Unearned Grant Income (IASB 1058)		4,955	1,035										
Borrowings	221	228	235	241	287	457	567	583	322	331	359	349	359
Provisions	1,814	1,357	1,384	1,419	1,454	1,491	1,528	1,566	1,605	1,637	1,670	1,703	1,737
TOTAL CURRENT LIABILITIES	6,174	10,866	7,023	6,073	6,198	6,450	6,642	6,741	6,565	6,652	6,760	6,831	6,922
Non-Current Liabilities:													
Payables	1,739	1,510	1,276	2,035	5,748	7,790	7,223	6,659	6,318	5,988	5,629	5,280	4,921
Borrowings	1,771	1,806	1,842	1,888	1,935	1,984	2,033	2,084	2,136	2,179	2,223	2,267	2,312
Provisions	3,510	3,316	3,118	3,923	7,683	9,774	9,257	8,744	8,455	8,167	7,851	7,547	7,234
TOTAL NON-CURRENT LIABILITIES	9,684	14,182	10,141	9,996	13,881	16,224	15,896	15,485	15,020	14,819	14,611	14,378	14,156
NET ASSETS	578,483	578,185	583,245	591,544	591,736	592,075	592,237	592,118	592,726	593,382	593,533	594,720	596,951
Equity													
Retained earnings/(accumulated deficit)	204,380	206,259	213,576	225,553	225,070	226,575	227,297	228,131	229,945	230,214	229,462	228,450	227,475
Other Reserves	27,428	17,794	15,485	11,754	12,377	11,157	10,544	9,535	8,274	8,605	9,452	11,595	14,743
Revaluation reserves	346,675	354,132	354,184	354,237	354,290	354,343	354,397	354,452	354,507	354,563	354,619	354,676	354,733
Council equity interest	578,483	578,185	583,245	591,544	591,736	592,075	592,237	592,118	592,726	593,382	593,533	594,720	596,951
TOTAL EQUITY	578,483	578,185	583,245	591,544	591,736	592,075	592,237	592,118	592,726	593,382	593,533	594,720	596,951

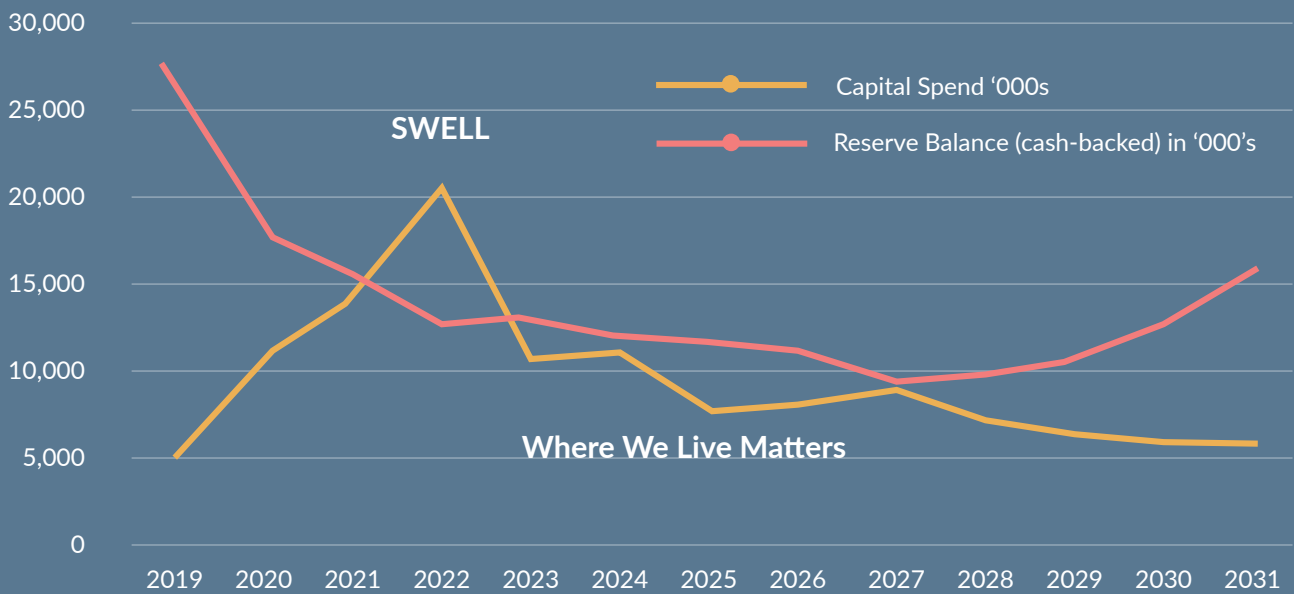
**LONG TERM FINANCIAL PLAN
STATEMENT OF CASH FLOWS**

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
	Actual	Actual	Revised Budget	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Cash Flows from Operating Activities													
Receipts:													
Rates & annual charges	28,055	28,458	28,910	29,395	30,426	31,494	32,603	33,750	34,940	36,173	37,584	39,050	40,573
User charges & fees	1,429	920	829	828	837	846	856	865	875	884	894	904	914
Investment & interest revenue received	1,189	1,039	993	637	622	632	616	641	623	612	618	635	677
Grants & contributions	3,713	2,930	2,020	2,758	1,740	1,758	1,775	1,793	1,829	1,865	1,903	1,941	1,979
Bonds, deposits & retention amounts received	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	3,186	5,154	376	331	335	338	342	346	350	353	357	361	365
Payments:													
Employee benefits & costs	(8,396)	(9,407)	(10,186)	(10,787)	(11,057)	(11,533)	(11,822)	(12,317)	(12,625)	(13,096)	(13,358)	(13,625)	(13,897)
Materials, contracts & other expenses	(23,195)	(24,409)	(19,957)	(20,575)	(20,802)	(21,030)	(21,262)	(21,496)	(21,732)	(21,972)	(22,213)	(22,458)	(22,705)
Finance Payments	-	(53)	(46)	(40)	(60)	(159)	(213)	(198)	(182)	(168)	(140)	(150)	(141)
Bonds, deposits & retention amounts refunded	-	-	-	-	-	-	-	-	-	-	-	-	-
Other operating payments	-	-	-	-	-	-	-	-	-	-	-	-	-
NET CASH PROVIDED (OR USED IN) OPERATING ACTIVITIES	5,981	4,632	2,939	2,547	2,041	2,345	2,875	3,384	4,078	4,651	5,645	6,658	7,745
Cash Flows from Investing Activities													
Receipts:													
Sale of investment securities	-	-	-	4,762	-	1,056	511	1,004	1,535	-	-	-	-
Sale of infrastructure, property, plant & equipment	187	42	-	-	-	-	-	-	-	-	-	-	-
Amounts specifically for new or upgraded assets	7,363	1,609	5,065	12,316	5,552	5,452	4,790	4,040	4,040	3,540	2,040	2,040	1,950
Payments:													
Purchase of investment securities	(3,164)	(1,501)	(7,270)	-	(664)	-	-	-	-	(316)	(850)	(2,104)	(3,126)
Purchase of infrastructure, property, plant & equipment	(5,002)	(11,031)	(13,928)	(20,390)	(10,689)	(11,066)	(7,739)	(7,860)	(9,070)	(7,553)	(6,504)	(6,235)	(6,241)
NET CASH PROVIDED (OR USED IN) INVESTING ACTIVITIES	(616)	(10,881)	(16,133)	(3,312)	(5,800)	(4,558)	(2,438)	(2,817)	(3,495)	(4,329)	(5,314)	(6,299)	(7,416)
Cash Flows from Financing Activities													
Receipts:													
Proceeds from bonds and deposits	-	-	-	1,000	4,000	2,500	-	-	-	-	-	-	-
Proceeds from borrowings & advances	1,960	-	-	-	-	-	-	-	-	-	-	-	-
Payments:													
Repayment of borrowings & advances	(387)	(254)	(228)	(235)	(241)	(287)	(457)	(567)	(583)	(322)	(331)	(359)	(349)
NET CASH PROVIDED (OR USED IN) FINANCING ACTIVITIES	1,573	(254)	(228)	765	3,759	2,213	(457)	(567)	(583)	(322)	(331)	(359)	(349)
Total CASH PROVIDED (OR USED IN) FINANCING ACTIVITIES	1,573	(254)	(228)	765	3,759	2,213	(457)	(567)	(583)	(322)	(331)	(359)	(349)
Plus: CASH & CASH EQUIVALENTS - beginning of year	16,142	23,925	17,422	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	6,938	(6,503)	(13,422)	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Total CASH at bank	23,080	17,422	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Plus: INVESTMENTS ON HAND - beginning of year	7,664	9,165	9,165	16,435	11,673	12,337	11,281	10,769	9,766	8,231	8,547	9,397	11,501
Increase/(Decrease) in investment securities	-	-	7,270	(4,762)	664	(1,056)	(511)	(1,004)	(1,535)	316	850	2,104	3,126
Total Investments on Hand	7,664	9,165	16,435	11,673	12,337	11,281	10,769	9,766	8,231	8,547	9,397	11,501	14,627
TOTAL CASH & CASH EQUIVALENTS & INVESTMENTS - end of year	30,744	26,587	20,435	15,673	16,337	15,281	14,769	13,766	12,231	12,547	13,397	15,501	18,627
NET INCREASE/(DECREASE) IN CASH, CASH EQUIVALENTS & INVESTMENTS	10,102	(5,002)	(6,152)	(4,762)	664	(1,056)	(511)	(1,004)	(1,535)	316	850	2,104	3,126

LONG TERM FINANCIAL PLAN FINANCIAL RATIOS

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
	Actual	Actual	Revised Budget	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Operating Ratio This ratio measures Council's ability to contain operating expenditure within operating revenue. Benchmark - Greater than 0%.	-10%	-14%	-23%	-24%	-25%	-23%	-21%	-19%	-17%	-15%	-12%	-9%	-6%
	(operating revenue excl. capital grants and contributions / operating revenue excluding capital grants and contributions)												
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	13.02	10.36	8.11	5.97	6.13	5.61	5.34	4.87	4.25	4.28	4.50	5.14	6.09
	(current year's cash and cash equivalents / total expenses - depreciation - interest costs) * 12												
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	5.44	2.64	3.20	2.94	3.00	2.73	2.59	2.41	2.26	2.29	2.40	2.70	3.13
	current assets / current liabilities												
Own 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%	90%	92%	94%	92%	95%	95%	95%	95%	95%	95%	95%	95%	95%
	Own funding / total operating revenue												
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	16.87	15.94	10.34	9.13	6.64	5.16	4.25	4.37	5.28	9.45	11.95	13.05	15.83
	operating result before interest and depreciation (EBITDA) / principal repayments + borrowing interest costs												
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. Benchmark - Greater than 4.0	N/A	92.14	61.58	63.24	33.43	14.47	13.38	16.90	22.20	27.52	40.09	44.26	55.15
	operating result before interest and depreciation (EBITDA) / interest expense												
Asset 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	0.50	1.13	1.34	1.92	1.03	1.06	0.73	0.75	0.86	0.71	0.62	0.59	0.59
	annual capital expenditure on renewals / annual depreciation												

CAPITAL SPENDING AND RESERVE MOVEMENTS 2019 - 2031



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 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 strong and financially viable. 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.

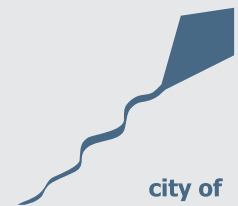
PUBLIC CONSULTATION

While the *Local Government Act* does not require Council to undertake public consultation of Long Term Financial Plan 2022-2031, Council welcomes community feedback of this important document.

City of Palmerston's draft Long Term Financial Plan 2022-2031 is available for public consultation online from Wednesday 19 May 2021, with the last day for submission being Thursday 3 June 2021.

All submissions received were reviewed and presented with the draft Plan for consideration to the 2nd Ordinary Council Meeting on Tuesday 15 June 2021.





city of
PALMERSTON

'A Place for People'



Civic Plaza, 1 Chung Wah Terrace



08 8935 9922



palmerston@palmerston.nt.gov.au



palmerston.nt.gov.au