



CITY OF PALMERSTON

LONG TERM FINANCIAL PLAN **2019 - 2028**

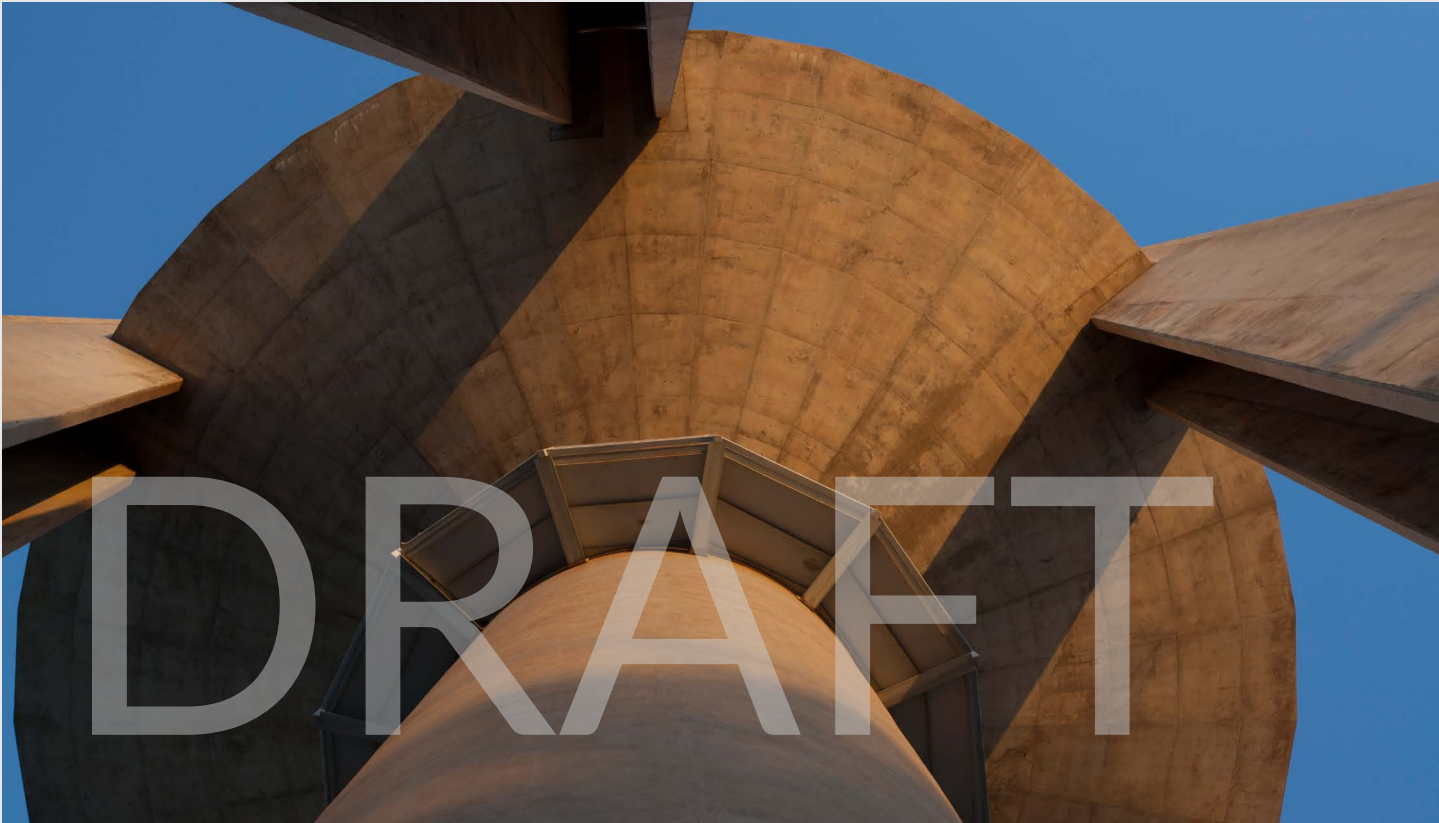


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Contents

<u>OVERVIEW</u>	4
<u>BACKGROUND</u>	6
<u>CURRENT FINANCIAL POSITION</u>	7
<u>MEASURING PERFORMANCE</u>	9
<u>ASSUMPTIONS</u>	10
<u>LONG TERM FINANCIAL PLAN</u>	12
<u>RESERVE MOVEMENTS</u>	16
<u>CONCLUSION</u>	18



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. City of Palmerston 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 City of Palmerston.

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. In 2018 Council will prepare a Strategic Plan in consultation with the community that will outline council's major projects and initiatives over the next 10 years. These will possibly impact on the plan if an increase in assets or service levels are identified.

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, loan repayment schedules, and other special income and expenses which are discussed in more detail below.

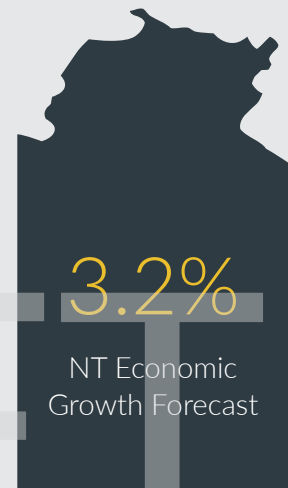
City of Palmerston’s Long Term Financial Plan covers the period 2018/19 to 2027/28. It recognises its current and future financial capacity to continue delivering quality services, provide facilities and infrastructure to the community while commencing new initiatives and projects to achieve the goals 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 2018/19 based on the proposed 2018/19 annual budget, that has been prepared on a conservative ‘business as usual’ approach. In the following years, adjustments have been made to demonstrate what Council will need to do to get onto and stay on the path to financial sustainability.

The aims of City of Palmerston’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

CITY OF PALMERSTON

One of the fastest growing cities in Australia and the fastest in the Northern Territory. The City of Palmerston located just 21kms from the heart of Darwin is a young, vibrant city attracting a number of young families, defence personal and businesses to our door, with a population nearing 35,000.

With a projected population of 42,000 by 2021, accelerated growth is high on the regions agenda with four suburbs currently under construction, including the expansion of existing suburbs Bellamack and Johnston, and new residential developments Zuccoli and the Heights Durack.

As the City of Palmerston is primarily a residential centre, there are many amenities available to the community. Including; a library, recreation centre, a swimming pool, water park, 18-hole golf course, fishing lakes as well as many sports grounds and parks throughout the municipality amongst other facilities.

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 3.2% 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 1.9% per annum in Tasmania to 3.3% per annum in Queensland and Victoria. DAE forecasts the national economy to grow by an average annual rate of 2.9% 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 December quarter 2017 prepared for the Northern Territory Government, has forecast average growth in the following key economic indicators for the five years (2018-22):

	Northern Territory	Australia
Economic Growth Forecast	3.2%	2.9%
Employment Growth Forecast	0.6%	1.7%
Population Growth Forecast	1.3%	1.6%
Consumer Price Index (CPI)	2.0%	2.2%

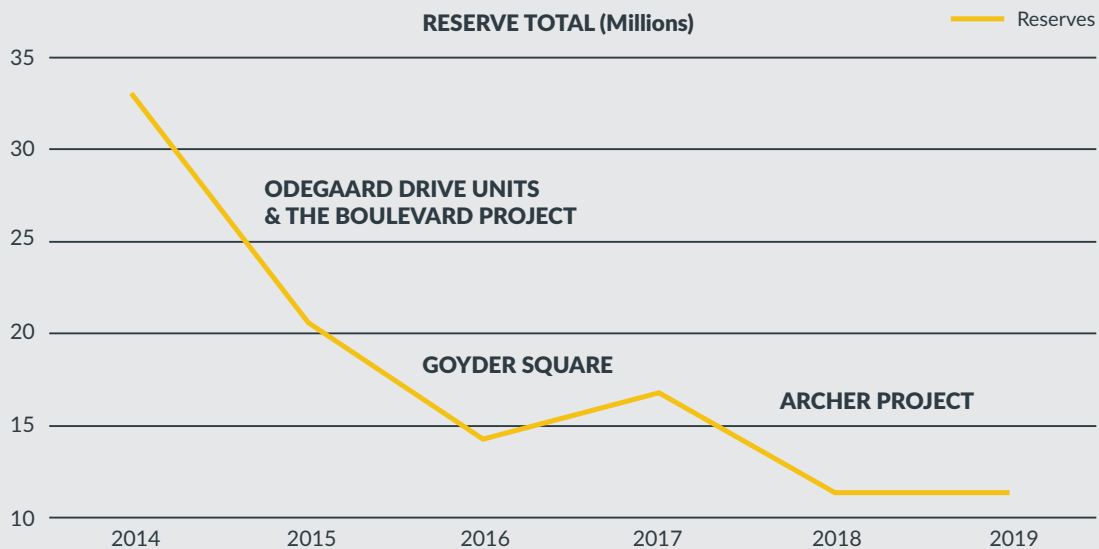


The Northern Territory economy is highly dependent on the government sector, mining and tourism. This dependence makes it highly prone to volatility, particularly once large capital projects wind down.

Current Financial Position

City of Palmerston faces a number of challenges in terms of long term financial sustainability. Our Council 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. However, in future years considerable asset

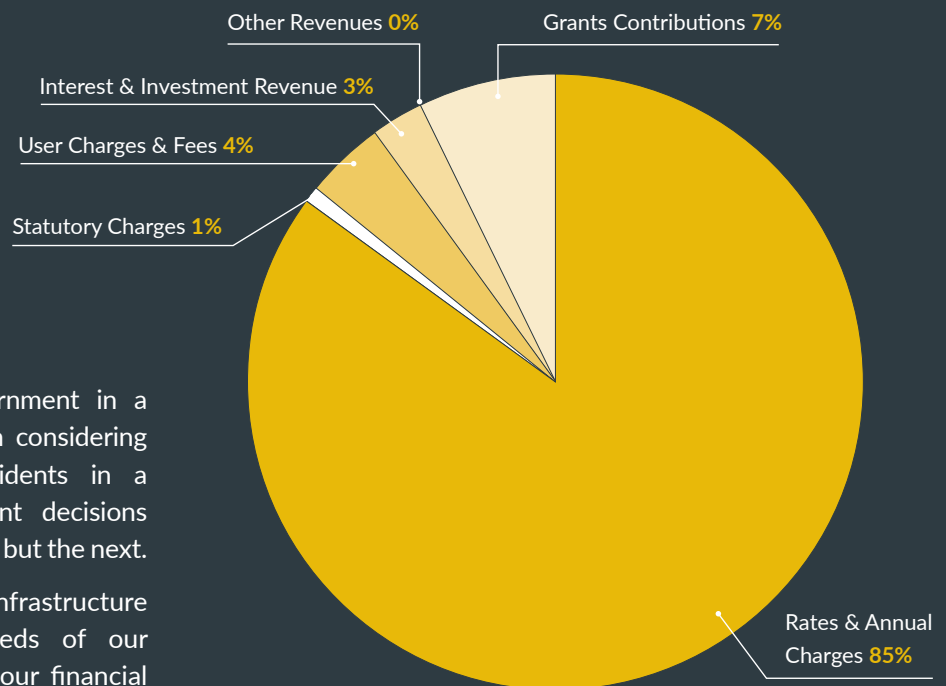
replacement will be required and this will represent a significant expense for the City. Council currently does not have adequate funds in reserve to contribute towards major asset replacement. If this trend were to continue, without increasing general revenues Council will need to look at options such as taking on additional long-term debt to fund asset replacement or tolerate a reduced level of service in the future.





Council currently derives nearly 85% of its operational revenues through rates and annual 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.

REVENUE SOURCE BY TYPE

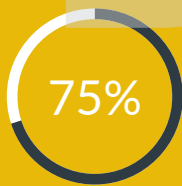


The strength of Local Government in a community is important when considering the quality of life for residents in a community. Local Government decisions impact not only this generation but the next.

In order to ensure services and infrastructure adapt to the changing needs of our community, we must ensure our financial position and our asset management practices are strong going into the future.



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 renew or replace the existing 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.

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
Residential 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	2.0%	Based on long term forecast for CPI for the Northern Territory

REVENUE ASSUMPTIONS

Item	Assumption	Comment
Rate Increase	4.1%	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 and fees charged for the disposal of waste at Shoal Bay
Statutory Charges	0.0%	There are currently no plans to change the By-Laws for City of Palmerston so statutory charges will only increase by the growth factor.
User Fees & Charges	CPI	All user fees and charges are expected to increase in-line with CPI
Investment Interest	2.6%	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 operating subsidy for the library from the NTG

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	5.0%	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 30 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

Long Term Financial Plan
INCOME STATEMENT

	Notes	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
		Actual	Revised Budget	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Income from Continuing Operations													
Revenue:													
Rates & annual charges		26,192,315	26,626,366	27,627,332	29,036,326	30,517,179	32,073,555	33,709,306	35,428,481	37,235,333	39,134,335	41,130,186	43,227,826
Rates		19,550,724	19,943,506	20,867,541	21,931,786	23,050,307	24,223,872	25,461,392	26,759,923	28,124,679	29,559,038	31,066,548	32,650,942
Waste		6,641,592	6,682,860	6,759,791	6,962,585	7,171,462	7,386,606	7,608,204	7,836,450	8,071,544	8,313,690	8,563,101	8,819,994
Statutory Charges		154,305	193,000	166,500	168,165	169,847	171,545	173,261	174,993	176,743	178,511	180,296	182,099
User charges & fees		1,260,364	1,551,219	1,432,240	1,460,885	1,490,102	1,519,905	1,550,303	1,581,309	1,612,935	1,645,194	1,678,097	1,711,659
Interest & investment revenue		1,120,762	829,360	963,160	954,811	994,805	1,056,279	1,133,963	1,236,831	1,373,758	1,554,012	1,768,330	2,001,480
Reimbursements		82,493	-	-	-	-	-	-	-	-	-	-	-
Other revenues		755,067	53,500	1,500	1,530	1,561	1,592	1,624	1,656	1,689	1,723	1,757	1,793
Grants & contributions for operating purposes		3,669,963	1,322,643	2,283,044	2,328,705	2,375,279	2,422,785	2,471,240	2,520,665	2,571,078	2,622,500	2,674,950	2,728,449
TOTAL INCOME FROM CONTINUING OPERATIONS		33,235,270	30,576,088	32,473,776	33,950,422	35,548,772	37,245,640	39,039,696	40,943,935	42,971,537	45,136,274	47,463,617	49,853,305
Expenses from Continuing Operations													
Employee benefits & costs		7,933,185	8,248,035	8,671,994	8,845,434	8,887,008	9,018,091	9,151,108	9,286,087	9,423,056	9,562,047	9,655,755	9,750,381
Borrowing costs		-	-	92,200	81,564	70,405	58,682	46,363	33,417	19,813	5,517	-	-
Materials, contracts and other expenses		18,272,425	19,721,773	19,879,335	20,276,921	20,682,460	21,096,109	21,518,031	21,948,392	22,387,360	22,835,107	23,291,809	23,757,645
Depreciation, amortisation & impairment		9,540,471	8,820,000	11,500,000	12,034,021	12,347,515	12,644,830	12,892,732	13,122,588	13,352,989	13,575,783	13,807,027	14,035,877
TOTAL EXPENSES FROM CONTINUING OPERATIONS		35,746,080	36,789,808	40,143,529	41,237,941	41,987,387	42,817,712	43,608,234	44,390,484	45,183,218	45,978,454	46,754,591	47,563,903
OPERATING RESULT FOR THE YEAR		(2,510,811)	(6,213,720)	(7,669,753)	(7,287,519)	(6,438,615)	(5,572,052)	(4,568,538)	(3,446,549)	(2,211,681)	(842,180)	679,027	2,289,402
Net Gain / (Loss) on disposal of assets		(810,296.00)	-	-	-	-	-	-	-	-	-	-	-
Net Gain / (Loss) on revaluation of assets		405,677.00	-	-	-	-	-	-	-	-	-	-	-
Amounts received specifically for new or upgraded assets		4,784,735.00	928,380	728,410	300,000	400,000	400,000	-	-	-	-	-	-
Physical resources received free of charge		23,492,271.00	5,000,000	10,000,000	6,000,000	5,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
TOTAL COMPREHENSIVE INCOME / (LOSS)		25,361,576	(285,340)	3,058,657	(987,519)	(1,038,615)	(2,172,052)	(1,568,538)	(446,549)	788,319	2,157,820	3,679,027	5,289,402

LONG TERM FINANCIAL PLAN

Long Term Financial Plan
STATEMENT OF FINANCIAL POSITION

\$ '000	Notes	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
		Actual	Revised Budget	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Assets													
Current Assets:													
Cash & cash equivalents		7,639,099	5,696,254	6,410,705	5,897,661	6,208,185	6,139,401	6,036,376	6,240,248	6,107,342	6,281,277	6,965,680	6,545,868
Investments		15,000,000	12,000,000	12,000,000	14,000,000	16,000,000	19,000,000	23,000,000	28,000,000	35,000,000	43,000,000	52,000,000	65,000,000
Receivables		1,595,383	1,561,678	1,557,296	1,558,749	1,566,387	1,580,581	1,601,721	1,630,215	1,666,494	1,711,011	1,764,243	1,826,689
Inventories		-	-	-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-	-	-
Non-current assets classified as 'held for sale'		1,612,748	-	-	-	-	-	-	-	-	-	-	-
TOTAL CURRENT ASSETS		25,847,230	19,257,932	19,968,001	21,456,410	23,774,572	26,719,982	30,638,097	35,870,463	42,773,837	50,992,288	60,729,922	73,372,557
Non-Current Assets:													
Investments		-	-	-	-	-	-	-	-	-	-	-	-
Receivables		-	-	-	-	-	-	-	-	-	-	-	-
Inventories		-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant & equipment		379,365,995	384,847,810	389,368,448	386,739,226	383,311,170	378,103,415	372,106,344	365,895,799	359,226,636	352,588,160	346,246,635	338,636,102
Investments accounted for using the equity method		-	-	-	-	-	-	-	-	-	-	-	-
Investment property		6,935,502	6,935,502	6,935,502	6,935,502	6,935,502	6,935,502	6,935,502	6,935,502	6,935,502	6,935,502	6,935,502	6,935,502
Work in progress		3,864,117	-	-	-	-	-	-	-	-	-	-	-
TOTAL NON-CURRENT ASSETS		390,165,614	391,783,312	396,303,950	393,674,728	390,246,672	385,038,917	379,041,866	372,831,301	366,162,138	359,523,662	353,182,137	345,571,604
TOTAL ASSETS		416,012,844	411,041,244	416,271,951	415,131,138	414,021,244	411,758,899	409,679,963	408,701,765	408,935,974	410,515,950	413,912,059	418,944,161
Liabilities													
Current Liabilities:													
Payables		3,535,031	3,535,031	3,605,732	3,677,846	3,751,403	3,826,431	3,902,960	3,981,019	4,060,639	4,141,852	4,224,689	4,309,183
Borrowings		-	-	208,814	219,431	230,587	242,310	254,629	267,575	281,179	295,475	-	-
Provisions		3,941,550	3,941,550	3,941,550	4,020,381	4,100,789	4,203,308	4,308,391	4,416,101	4,526,503	4,639,666	4,732,459	4,827,108
TOTAL CURRENT LIABILITIES		7,476,581	7,476,581	7,756,096	7,917,658	8,082,779	8,272,050	8,465,980	8,664,695	8,868,322	9,076,993	9,957,149	9,136,291
Non-Current Liabilities:													
Payables		-	-	-	-	-	-	-	-	-	-	-	-
Borrowings		-	-	1,791,186	1,571,755	1,341,148	1,098,858	844,229	576,654	295,475	-	-	-
Provisions		3,727,725	3,727,725	3,727,725	3,802,280	3,878,325	3,975,283	4,074,665	4,176,532	4,280,945	4,387,969	4,475,728	4,565,243
TOTAL NON-CURRENT LIABILITIES		3,727,725	3,727,725	5,518,911	5,374,035	5,219,493	5,074,141	4,918,394	4,753,186	4,576,420	4,387,969	4,475,728	4,565,243
TOTAL LIABILITIES		11,204,306	11,204,306	13,275,007	13,291,693	13,302,272	13,346,191	13,384,874	13,417,881	13,444,742	13,464,962	13,432,877	13,701,534
NET ASSETS		404,808,538	399,836,938	402,996,944	401,839,445	400,718,972	398,412,708	396,295,089	395,283,884	395,491,232	397,050,988	400,479,182	405,242,626
Equity													
Retained earnings/(accumulated deficit)		164,562,730	164,567,680	167,297,132	164,812,786	161,539,272	156,476,868	150,635,064	144,590,208	138,097,810	131,647,786	125,218,501	117,518,454
Other Reserves		16,757,901	11,781,351	12,211,905	13,538,752	15,691,793	18,447,933	22,172,117	27,205,768	33,905,515	41,915,295	51,772,774	64,236,265
Revaluation reserves		223,487,907	223,487,907	223,487,907	223,487,907	223,487,907	223,487,907	223,487,907	223,487,907	223,487,907	223,487,907	223,487,907	223,487,907
Council equity interest		404,808,538	399,836,938	402,996,944	401,839,445	400,718,972	398,412,708	396,295,089	395,283,884	395,491,232	397,050,988	400,479,182	405,242,626
Non-controlling interest		-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EQUITY		404,808,538	399,836,938	402,996,944	401,839,445	400,718,972	398,412,708	396,295,089	395,283,884	395,491,232	397,050,988	400,479,182	405,242,626

LONG TERM FINANCIAL PLAN

Long Term Financial Plan
STATEMENT OF CASH FLOWS

\$ '000	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Actual	Revised Budget	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Cash Flows from Operating Activities												
Receipts:												
Rates & annual charges	26,202,912	26,493,234	27,489,195	28,891,144	30,364,593	31,913,187	33,540,759	35,251,338	37,049,156	38,938,663	40,924,535	43,011,687
User charges & fees	1,501,595	1,718,056	1,574,759	1,604,614	1,635,050	1,666,078	1,697,710	1,729,957	1,762,833	1,796,349	1,830,517	1,865,352
Investment & interest revenue received	1,171,146	589,560	483,947	503,419	543,341	604,741	682,346	785,132	921,973	1,102,135	1,316,358	1,569,940
Grants & contributions	4,512,198	2,251,023	3,011,454	2,628,705	2,775,279	2,822,785	2,471,240	2,520,665	2,571,078	2,622,500	2,674,950	2,728,449
Bonds, deposits & retention amounts received	-	-	-	-	-	-	-	-	-	-	-	-
Other	2,464,197	52,698	1,478	1,507	1,537	1,568	1,599	1,631	1,664	1,697	1,731	1,766
Payments:												
Employee benefits & costs	(7,648,144)	(8,248,035)	(8,671,994)	(8,845,434)	(8,887,008)	(9,018,091)	(9,151,108)	(9,286,087)	(9,423,056)	(9,562,047)	(9,655,755)	(9,750,381)
Materials, contracts & other expenses	(21,684,927)	(19,425,946)	(19,581,145)	(19,972,768)	(20,372,223)	(20,779,667)	(21,195,261)	(21,619,166)	(22,051,549)	(22,492,580)	(22,942,432)	(23,401,280)
Finance Payments	-	-	(92,200)	-	-	-	-	-	-	-	-	-
Bonds, deposits & retention amounts refunded	-	-	-	-	-	-	-	-	-	-	-	-
Other operating payments	(1,272,635)	-	-	-	-	-	-	-	-	-	-	-
NET CASH PROVIDED (OR USED IN) OPERATING ACTIVITIES	5,246,342	3,430,590	4,215,493	4,811,186	6,060,570	7,210,601	8,047,286	9,383,471	10,832,099	12,406,718	14,149,904	16,025,533
Cash Flows from Investing Activities												
Receipts:												
Sale of investment securities	-	3,000,000	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant & equipment	1,887,404	1,612,748	-	-	-	-	-	-	-	-	-	-
Deferred debtors receipts	-	-	-	-	-	-	-	-	-	-	-	-
Amounts specifically for new or upgraded assets	4,784,735	928,380	728,410	300,000	400,000	400,000	-	-	-	-	-	-
Payments:												
Purchase of investment securities	(2,500,000)	-	-	(2,000,000)	(2,000,000)	(3,000,000)	(4,000,000)	(5,000,000)	(7,000,000)	(8,000,000)	(9,000,000)	(13,000,000)
Purchase of infrastructure, property, plant & equipment	(6,863,112)	(10,914,563)	(6,020,638)	(3,404,799)	(3,919,459)	(4,437,074)	(3,895,681)	(3,912,024)	(3,683,825)	(3,937,308)	(4,465,502)	(3,445,344)
Deferred debtors & advances made	-	-	-	-	-	-	-	-	-	-	-	-
NET CASH PROVIDED (OR USED IN) INVESTING ACTIVITIES	(2,690,973)	(5,373,495)	(5,292,228)	(5,104,799)	(5,519,459)	(7,037,074)	(7,895,681)	(8,912,024)	(10,683,825)	(11,937,308)	(13,465,502)	(16,445,344)
Cash Flows from Financing Activities												
Receipts:												
Proceeds from borrowings & advances	-	-	2,000,000	-	-	-	-	-	-	-	-	-
Payments:												
Repayment of borrowings & advances	-	-	(208,814)	(219,431)	(230,587)	(242,310)	(254,629)	(267,575)	(281,179)	(295,475)	(311,179)	(328,179)
NET CASH PROVIDED (OR USED IN) FINANCING ACTIVITIES	-	-	1,791,186	(219,431)	(230,587)	(242,310)	(254,629)	(267,575)	(281,179)	(295,475)	(311,179)	(328,179)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	2,555,369	(1,942,845)	714,451	(513,044)	310,524	(68,784)	(103,025)	203,872	(132,906)	173,935	684,403	(419,812)
plus: CASH & CASH EQUIVALENTS - beginning of year	5,083,730	7,639,099	5,696,254	6,410,705	5,897,661	6,208,185	6,139,401	6,036,376	6,240,248	6,107,342	6,281,277	6,965,680
CASH & CASH EQUIVALENTS - end of year	7,639,099	5,696,254	6,410,705	5,897,661	6,208,185	6,139,401	6,036,376	6,240,248	6,107,342	6,281,277	6,965,680	6,545,868

LONG TERM FINANCIAL PLAN

Long Term Financial Plan

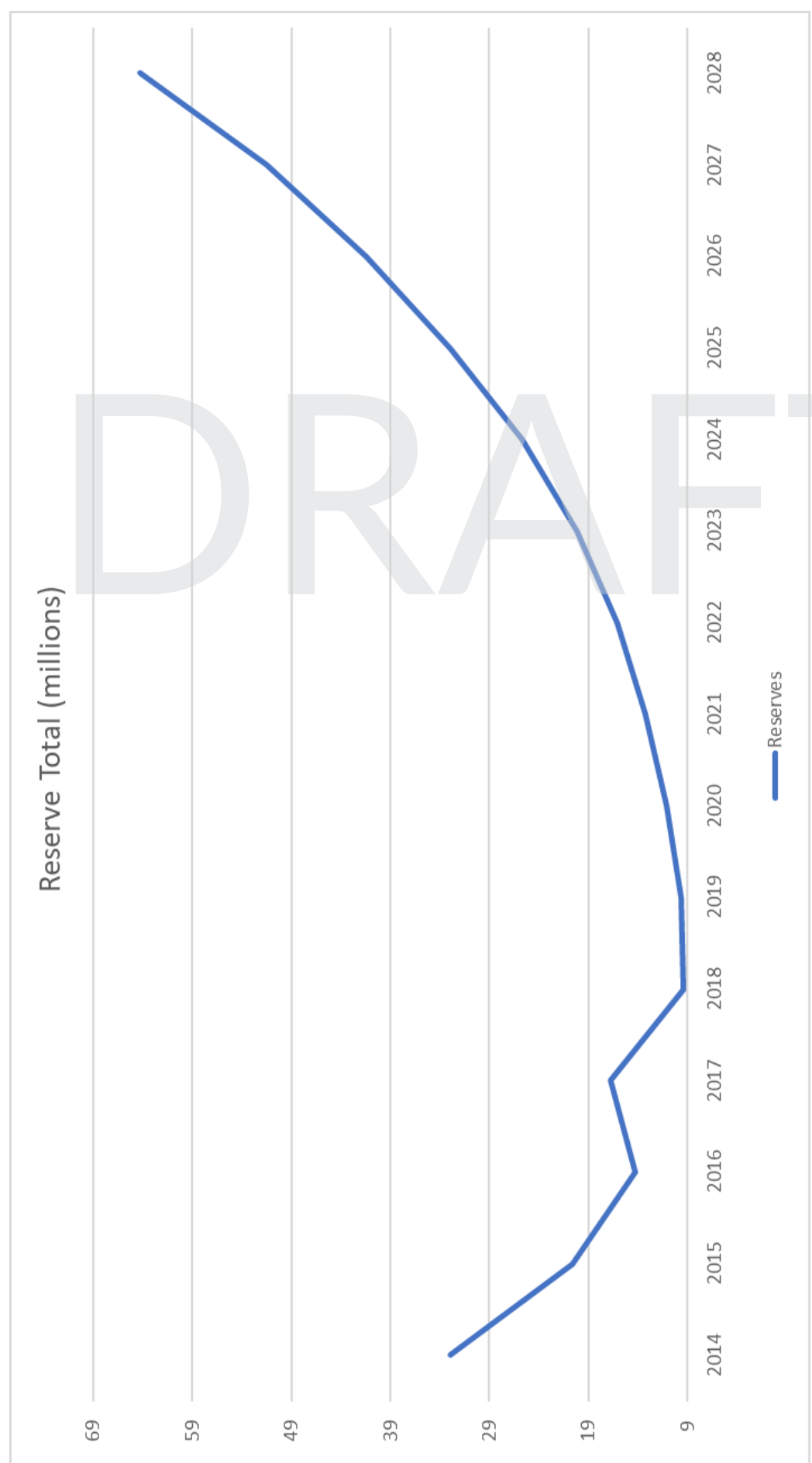
FINANCIAL RATIOS

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Actual	Revised Budget	Proposed 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%	-7.55%	-20.32%	-23.62%	-21.47%	-18.11%	-14.96%	-11.70%	-8.42%	-5.15%	-1.87%	1.43%	4.59%
<i>(operating revenue excl. capital grants and contributions - operating expenses) / operating revenue excluding capital grants and contributions</i>												
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	10.37	7.59	7.74	8.20	9.01	10.02	11.36	13.15	15.51	18.25	21.48	25.62
<i>(current year's cash and cash equivalents / (total expenses - depreciation - interest costs) * 12</i>												
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 to meet its liabilities and as such can significantly impact Council's ability to meet its liabilities. Benchmark - Greater than 1.5 current assets / current liabilities	3.46	2.58	2.57	2.71	2.94	3.23	3.62	4.14	4.82	5.62	6.78	8.03
<i>current assets / current liabilities</i>												
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	58.83%	65.23%	64.26%	64.60%	64.84%	65.04%	65.22%	65.36%	65.45%	65.49%	65.49%	65.49%
<i>rates / total operating revenue</i>												
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	N/A	N/A	9.52	12.60	16.33	19.99	23.89	28.04	32.45	37.14	N/A	N/A
<i>operating result before interest and depreciation (EBITDA) / principal repayments + borrowing interest costs</i>												
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	N/A	N/A	31.30	46.49	69.80	102.53	155.09	252.54	492.99	2026.39	N/A	N/A
<i>operating result before interest and depreciation (EBITDA) / interest expense</i>												
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	0.72	1.24	0.42	0.19	0.22	0.25	0.20	0.21	0.18	0.21	0.23	0.16
<i>annual capital expenditure on renewals / annual depreciation</i>												

RESERVE MOVEMENTS

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
TOTAL INCOME FROM CONTINUING OPERATIONS	30,576,088	32,473,776	33,950,422	35,548,772	37,245,660	39,039,696	40,943,935	42,971,537	45,136,274	47,433,617	49,855,305
TOTAL EXPENSES FROM CONTINUING OPERATIONS EXCLUDING DEPRECIATION	(27,969,808)	(28,643,529)	(29,203,919)	(29,639,872)	(30,172,882)	(30,715,502)	(31,267,895)	(31,830,229)	(32,402,670)	(32,947,564)	(33,508,026)
TOTAL CASH PROVIDED FROM OPERATIONS	2,606,280	3,830,247	4,746,502	5,908,900	7,072,778	8,324,194	9,676,040	11,141,308	12,733,604	14,486,054	16,345,279
CAPITAL INCOME	928,380	728,410	300,000	400,000	400,000	-	-	-	-	-	-
CAPITAL EXPENSE	(10,914,563)	(6,020,638)	(3,404,799)	(3,919,459)	(4,437,074)	(3,895,681)	(3,912,024)	(3,683,825)	(3,937,308)	(4,465,502)	(3,445,344)
LOAN REPAYMENTS	-	(208,814)	(219,431)	(230,587)	(242,310)	(254,629)	(267,575)	(281,179)	(295,475)	-	-
TOTAL CASH SURPLUS/(DEFICIT)	(7,379,903)	(1,670,795)	1,422,272	2,158,854	2,793,394	4,173,883	5,496,441	7,176,304	8,500,821	10,020,552	12,899,934
Funding Sources:											
LOAN FUNDING	-	2,000,000	-	-	-	-	-	-	-	-	-
TRANSFER FROM RESERVES/ (TO RESERVES)	7,379,903	(329,205)	(1,422,272)	(2,158,854)	(2,793,394)	(4,173,883)	(5,496,441)	(7,176,304)	(8,500,821)	(10,020,552)	(12,899,934)
FINAL RESERVE BALANCE	9,377,998	9,707,204	11,129,476	13,288,329	16,081,723	20,255,606	25,752,047	32,928,350	41,429,171	51,449,723	64,349,657

Note: For the purpose of reserve movements the above calculations do not take into account accrual accounting and assume all income is received in full in the budget year and all expenses are paid in full in the budget year.



* This forecast is based on the assumptions in this report and the information currently available to inform Council decisions. As Council undertakes further planning including modeling the costs of Strategic Plan initiatives and replacing existing infrastructure the amount of reserves will likely decrease.

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.


The City of Palmerston 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.








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