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Committee Secretary  
Infrastructure, Planning and Natural Resources Committee  
Parliament House, George Street  
BRISBANE QLD 4000

Via email: [ipnrc@parliament.qld.gov.au](mailto:ipnrc@parliament.qld.gov.au)

Dear Dr Dewar

***INQUIRY INTO THE LONG-TERM FINANCIAL SUSTAINABILITY OF LOCAL GOVERNMENT.***

Thank you for your invitation to provide a submission to the inquiry into the long-term financial sustainability of local government.

By way of background, Mareeba Shire Council de-amalgamated from Tablelands Regional Council on 1 January 2014. The de-amalgamation of Mareeba from the Tablelands Regional Council was driven by the Mareeba Community, despite financial forecasts clearly identifying the financial risks associated with the move.

Council covers an area of almost 54,000 square kilometres with a relatively small rate base of less than 10,000 rateable properties, and full-time employee equivalents of 209. To improve on our forecast sustainability, some tough decisions had to be made in the very early stages of commencing our new Council. Fortunately we were able to turn the Queensland Treasury Corporation rating of 'very weak with a negative outlook' to a rating of 'moderate with a neutral outlook' by May 2015. This modest result was testimony to the commitment and experience of the entire Mareeba Shire Council, and all was achieved without the necessity to burden ratepayers with the hefty \$872 per annum general rates increase which had been forecast.

**Comments on the Parliamentary committee Terms of Reference**

**a. Financial planning and long-term forecasting**

As a small regional Council, MSC relies significantly on the Financial Assistance Grant (FAG). With Council's small rates base, the 2016/17 budgeted (consolidated) rates income was \$27 million of which over one third goes towards employee expenses, in fact the annual general rates revenue is less than our total employee expenses.

Council has prepared its' 10 year forecast on the assumption that the FAG will continue. The risk of this funding ceasing would significantly diminish our ability to provide core services and exposes our vulnerability to operations. Like other small councils, we focus on core services and provide basic levels of service to ensure our ratepayers are not overburdened. We are always conscious that our low socio-economic demographic cannot afford higher service levels and while we understand the risks associated with the FAG being withdrawn, have no option but to assume it will be available into the future.

Over the more recent years there has also been a notable shift of responsibilities from both State and Federal governments to local government. This shift of responsibility does not come with an income source and results in councils reducing service levels to accommodate increasing costs of compliance. Unfortunately the impact on smaller regional councils is far greater due to the ability to raise revenue through rates, an example of this is to say that a 1% increase in general rates for MSC returns only \$157,428, compared to a 1% increase in general rates for Cairns Regional Council returns \$1,802,750. Legislative requirements don't scale according to revenue base and staff resource availability and this

creates a disadvantage to smaller, less populated, lower socio-economic councils such as ours. This shift in responsibilities often occurs with little warning and certainly with no acceptance by councils and adds another complexity to financial forecasting.

Other more recent legislative impacts such as the new Industrial Relations (IR) Act create another dimension of difficulty to future forecasting. While local government is seen to have moved into a more commercial style of operation in terms of legislative and reporting requirements, the new IR Act makes it far more difficult for councils to have flexibility in negotiating and setting wage levels of employees. By forcing employee benefits on council can result in an increase in cost base of employing staff.

**b. Asset condition data and asset management plans**

While Council understands the importance of asset condition data and asset management plans, it is very difficult to maintain the same degree of record keeping as larger regional councils and/or city councils. Other larger councils are more likely to be resourced and have smaller, more accessible, geographic areas to manage.

There is a strong expectation that asset data collection appears to a 'one size fits all' approach and with our large geographic area and limited staff resources, unfortunately we are somewhat disadvantaged as a result of this broad approach.

In saying this, there is little evidence to suggest that without long-term forecasts and reliable asset condition data and asset management plans that councils have faltered in their sustainability to a point that has seen them in financial distress. The provision of asset condition data and asset management plans may better equip decision makers with more timely information however this does not insure against financial distress in future years.

**f. Organisational governance**

Through changes in legislation over time, but more particularly over the past five years, additional roles and resources have been added to council's organisational structure. By way of example the types of 'new' positions are in Procurement, Asset Management, and Governance. These positions undertake policy development, monitoring and compliance to ensure our legislative requirements are being upheld. These positions are a significant cost to an organisation our size and are borne by our ratepayers who are forced to settle for reduced service levels. Our low socio-demographic population cannot withstand further rate increases and additional grants from state and federal governments are not forthcoming to compensate for this increase in fixed costs.

Should you wish to discuss any aspect of this submission further, please direct your enquiry to Council's Director Corporate and Community Services, Jennifer McCarthy on [REDACTED] or [REDACTED]

Yours faithfully



**PETER FRANKS**  
CEO