



ENQUIRIES: L Whitton
PHONE: 4044 3047
OUR REF: #5442930

26 May 2017

Committee Secretary
Infrastructure, Planning and Natural Resources Committee
Parliament House
George Street
BRISBANE QLD 4000
ipnrc@parliament.qld.gov.au

Dear Sir/Madam,

Inquiry into the long-term financial sustainability of local government

Thank you for the opportunity to make a submission regarding the long-term financial sustainability of local government.

Cairns Regional Council fundamentally agrees with each of the recommendations made by QAO in their report to parliament on Forecasting long term sustainability of local government.

Whilst our practices are already consistent with the recommendations made, we would like to offer our feedback in relation to financial planning and long-term forecasting (refer attached).

Should you have any further enquiries or require additional information, please contact Council's Chief Financial Officer, Lisa Whitton, on the above phone number.

Yours sincerely

A handwritten signature in black ink, appearing to read "John Andrejic".

John Andrejic
Chief Executive Officer

Cairns Regional Council Response to Inquiry into the long-term financial sustainability of Local Government

Executive Summary

Cairns Regional Council (CRC) fundamentally agrees with each of the recommendations made by QAO in their report to parliament on forecasting long term sustainability of local government.

We are fortunate to be in a position where our financial planning and forecasting processes are very mature and underpin all key decisions of Council.

CRC's long term financial forecast (LTFF) is a key focus of its annual budget process. Management and Council workshop and agree the key outcomes and parameters for now and over the longer term to ensure deliverables align with expectations.

We have a strong sense of fiscal responsibility embedded into our decision making processes. If a new initiative is brought forward that hasn't been anticipated in the current budget or LTFF then impacts are understood before decisions are made.

We are focused on good asset management planning and building a robust capital works program so that we can be confident we are doing the right projects at the right time. This has meant better, more efficient cash flow forecasting and made historical local government concepts of "funded depreciation" and "reserves" redundant.

Whilst our practices are already consistent with the recommendations made, we would like to offer our feedback in relation to financial planning and long-term forecasting as we believe there to be a couple of key areas that affect the reliability of our forecasting.

We acknowledge that Council are in direct control of a number of the variables within our forecast however, there are a number of areas where pressure is continually applied. These include cost shifting by other levels of government and the predictability and reliability of grants.

Factors affecting the reliability of forecasts

1. Cost Shifting

Local Government is constantly under pressure to absorb the impacts of changes in government legislation and changes in services standards by other levels of government. This includes the responsibility to enforce additional local laws for example new smoking rules, pool safety and animal management. Whilst we may agree conceptually with the changes, the enforcement costs can be considerable and have a material impact on us financially and therefore our ratepayers.

Additionally, local governments often have to fill the void where the service standards of other government agencies do not meet the expectations of our residents. A prime example of this is the DTMR standard levels for maintaining the verges and medians along state controlled roads.

2. Grants

The last ten years has seen a tightening of many of our grants streams which put pressure on the affordability of our capital works program. The predictability of success in these grant streams is difficult given narrow eligibility criteria and cumbersome application and approval processes.

We are very supportive of the recent initiatives by the State Government to rationalise grant streams and have a more generous eligibility criteria (e.g including asset renewal works) as well as a more efficient application and approval process. We understand the Works for Queensland grant program to be an outcome of this and commend the State Government for this initiative. The eligibility criteria were broad, application process simple and approval turnaround fast (4 week turnaround between announcement, submissions and approval) meaning immediate delivery of results.

We do believe however that the Federal Government needs to consider applying this methodology as well, with some of their grant streams currently meandering at best. By way of example, the \$220 Million Regional Jobs and Investment Package was announced in June 2016, of which \$20 Million has been allocated to Tropical North Queensland, however the investment plan was only released this month with quite a narrow focus. Grant applications open later this month with no word on a closing date for applications. This is evidence of a very drawn out process with a significant lag between announcement and results. Another example is the grant for the upgrade of the Cairns Marine Precinct which was announced in May 2016, with \$24 Million allocated. This is currently only at submission assessment stage and there is no word on approval timeframes.

The variability imposed by both of these factors significantly impacts the uncertainty of local government forecasts and requires due consideration by both State and Federal Government.