

DOUGLAS SHIRE COMPARATIVE ECONOMIC and FINANCIAL DATA 2014-2019

1. GROSS REGIONAL PRODUCT POST DE-AMALGAMATION

2014-2019

DOUGLAS SHIRE COUNCIL

**GROWTH – NEGATIVE. -6.5% or \$51 Million lost value in production of
Goods & Services**

Wooden Spoon FNQ

Scorecard: The Australian Economy has grown 11.7%. The Queensland economy has grown 6%, FNQ Councils have for the main grown consistently (+6.5%) – whereas Douglas Shire has experienced a structural major economic recession post de-regulation with no evidence of any recognition of the problem or a visionary solution. Since de-amalgamation the Shire's GRP declined has declined from \$782 mil to \$731 mil or 6.5% off a depressed base and is now \$51 million below June 2014 de-amalgamation levels.

Definition

The **Gross Regional Product (GRP)** of an area is the equivalent of **Gross Domestic Product**, but for a smaller area. It is the amount of the nation's wealth which is generated by businesses, organisations and individuals working in the area. This dataset is derived from the National Economics microsimulation model, and is a **broad indicator of the growth or decline of the local economy over time.**

Headline Gross Regional Product (GRP) is a measure of size or net wealth generated by the local economy. Changes in this figure over time can represent changes in employment, productivity or the types of industries in the area.

It is the prime indicator of the economic health and prosperity of a region. It is also the benchmark indicator for **recession** measurement.

Data can be found at <https://economy.id.com.au/douglas>

Douglas Shire Council

FNQROC

Year (ending June 30)	\$GRP \$m	% change from previous year	Cumulative change	\$GRP \$m	% change from previous year	Cumulative change
2019	731	+1.12	112	+16,331.17	+2.11	+157.40
2018	723	+0.65	110	+15,993.70	+1.37	+154.15
2017	718	+1.40	110	+15,777.33	+3.04	+152.06
2016	708	-2.05	108	+15,311.95	+1.86	+147.58
2015	723	-7.49	110	+15,032.87	+0.84	+144.89
2014	782	-6.80	119	+14,907.70	-0.09	+143.68

2. FULL TIME JOBS (FTE) GROWTH/LOSSES POST DE-AMALGAMATION 2014-19

DOUGLAS SHIRE COUNCIL

673 FULL TIME SHIRE JOBS GONE. (11% OF THE WORK FORCE)

Scorecard: FNQROC, as a total entity, has experienced strong new full-time jobs growth over the past five years led by CAIRNS with 4500 (+7%) new jobs and MAREEBA with 440 (+6%) by embracing new job creating business development opportunities

SUMMARY

An analysis of Douglas Shire's job areas worst affected show many of our key industries have suffered significant losses of jobs since 2014.

The shrinking of non-seasonal industry diversity has devastated many local small local businesses which are the grassroots of our community's non-transient long-term local workforce. This reflects inability and failure of the DSC to recognise and plan a broader industry base to build and support new industries to embrace a new direction to restore growth to our ailing economy. It is clear from this analysis that Port Douglas tourism is the Shire's most dominant employer and is carrying the rest of the Shire which has suffered a dramatic loss of jobs over the past 5 years. New blood is needed to move forward

Jobs Growth Peer Group Summation. <https://economy.id.com.au/douglas>

Full Time (FTE) JOBS CREATED/LOST POST DSC DE-AMALGAMATION VOTE			
Summary 2014 - 2019	TOTAL JOBS 2018	JOB GAINS/LOSSES	% MOVEMENT
FNQROC	112393	4,336	4.0%
CAIRNS	69110	4,508	7.0%
MAREEBA	7396	440	6.3%
TABLELANDS	8609	-253	-2.9%
CASSOWARY COAST	11717	53	0.5%
HINCHINBROOK	4381	-127	-2.8%
DOUGLAS SHIRE	5473	-674	-11.0%
COOK	3145	517	19.7%

Full-time equivalent employment by industry sector

Douglas Shire Council	2018/19			2013/14			Change
Industry (Click rows to view sub-categories)	Number	% Queensland%		Number	% Queensland%		2013/14 to 2018/19
Agriculture, Forestry and Fishing	285	5.2	3.4	306	5.0	3.1	-21
Mining	25	0.5	3.3	62	1.0	4.1	-36
Manufacturing	245	4.5	7.5	421	6.8	8.1	-176
Electricity, Gas, Water and Waste Services	58	1.1	1.5	86	1.4	1.6	-28
Construction	355	6.5	11.1	316	5.1	11.3	+40
Wholesale Trade	72	1.3	3.4	166	2.7	3.5	-94
Retail Trade	446	8.2	8.3	531	8.6	9.3	-84
Accommodation and Food Services	1,418	25.9	5.9	1,183	19.3	5.3	+235
Transport, Postal and Warehousing	501	9.2	6.0	684	11.1	6.0	-183
Information Media and Telecommunications	18	0.3	1.4	63	1.0	1.5	-46
Financial and Insurance Services	40	0.7	2.7	54	0.9	2.4	-13
Rental, Hiring and Real Estate Services	163	3.0	2.0	219	3.6	2.2	-56
Professional, Scientific and Technical Services	186	3.4	7.1	151	2.5	7.5	+35
Administrative and Support Services	313	5.7	3.2	303	4.9	3.1	+10
Public Administration and Safety	224	4.1	6.7	241	3.9	6.9	-17
Education and Training	288	5.3	8.2	353	5.7	7.2	-64
Health Care and Social Assistance	400	7.3	12.4	448	7.3	11.0	-49
Arts and Recreation Services	190	3.5	1.6	193	3.1	1.4	-2
Other Services	246	4.5	4.2	368	6.0	4.5	-122
Total Industries	5,473	100.0	100.0	6,147	100.0	100.0	-673

Jobs Growth Definition

Full-time equivalent (FTE) employment is modelled by NIEIR and takes into account differences in hours worked between industry sectors. It is a measure that allows direct comparison of employment between industries in the Douglas Shire.

Typically, industries such as Retail Trade and Accommodation and Food Services, which employ many part-time workers, have lower FTE employment than total employment.

FTE employment is calculated directly by dividing the total hours worked in each industry by 38. By comparing the number of full-time equivalent jobs in each industry sector to a regional benchmark, you can clearly see the structure of Douglas Shire's economy. This can be done by directly comparing the area to its benchmark, or by using a location quotient to look at the relative size of industries

3. BUILDING APPROVALS POST DE-AMALGAMATION

2014/2019

THE LEVEL OF BUILDING APPROVALS IN FY 2019 HAS DECLINED BY OVER 50% POST DE-AMALGAMATION

Scorecard: FNQROC, as a total entity, achieved 36.7% growth in Building Approvals over the past five Financial years with CAIRNS (+58%) including three 5-star Crystalbrook Hotel developments (\$400+Mil) and MAREEBA (+20%) by embracing new job creating profitable Building Development opportunities.

Value of total building approvals			
Douglas Shire Council			
Financial year	Residential \$('000)	Non- residential \$('000)	Total \$('000)
2019-20 Sep FYTD	10,793	33,576	44,370
2018-19	16,507	2,331	18,837
2017-18	21,452	11,677	33,129
2016-17	29,077	2,733	31,810
2015-16	32,279	3,759	36,038
2014-15	31,607	7,796	39,402

BUILDING					
APPROVALS	FNQROC	Cairns	Mareeba	Tablelands	Douglas
Y/E 30 JUN \$000					Shire
2018-19	696,420	496,839	52,353	48,664	18,837
2017-18	1,047,972	791,896	72,382	55,828	33,129
2016-17	824,657	600,920	41,420	48,280	31,810
2015-16	649,187	440,805	51,937	44,529	36,038
2014-15	509,289	313,801	43,507	29,272	39,402
Growth 2014 V 19	36.7%	58.3%	20.3%	66.2%	-52.2%

**the 2019 – 2020 FYTD has shown a growth figure of \$44,370,000. A majority being Council related non-residential.

4. COST OF SERVICES (RATES) POST DE-AMALGAMATION.

DOUGLAS SHIRE COUNCIL

COST OF SERVICES

THE LEVEL OF OPERATING REVENUE RAISED BY RATES, LEVIES AND CHARGES REVENUES IMPOSED ON THE SHIRE'S RATEPAYERS HAS RISEN MORE THAN 28% FROM 2014 POST DE-AMALGAMATION. IF A NEWLY ELECTED COUNCIL MAINTAINS THE MAYOR'S RECENT 2020-2022 BUDGET FORECAST THIS WILL TAKE THE TOTAL INCREASE TO AROUND 40% POST DE AMALGAMATION BY 2022.

AT THE TIME OF DE-AMALGAMATION THE JULIA LEU AND THE NEW INCOMING ADVISED RATEPAYERS THAT RATES UNDER DE-AMALGAMATION FINANCIAL MODEL WOULD BY IN LINE WITH CPI INCREASES.

Cost of Services

DEFINITION

Ratepayers and residents provide the majority of the Shire's operating revenue by way of Rates, Levies and Charges. In the 2019 financial a total of \$33.8 mil was received from DSC ratepayers and residents representing 75% of the Council's total operating revenue (\$45.5mil).

BACKGROUND

Financial forecasts submitted in the de-amalgamation document projected that Rate Revenue **would be around CPI levels** and the attendant additional costs projections of forming a smaller economic entity, were significantly below reality. Basically, it was poor financial planning by FODS and particularly the Mayor and those elected councillors post de-amalgamation who were complicit in their support for the flawed data.

The plan's drafter, David Carey as well as the subsequent Mayor and controlling Councillors (incl Cr Carey)) made during the following statements in the de-amalgamation campaign now appear to have been misleading and false.

"There will no additional impact upon rates and charges beyond what might be considered normal CPI movements imposed by the New Douglas Shire. That is, the status quo in terms of a financial impost on the

ratepayers of the New Douglas Shire will be maintained when compared to the current Cairns Regional Council rates burden. In that respect the model demonstrates that the costs of de-amalgamation can be absorbed”.

“The FODS financial model proposes no rates and charges increases are required over and above CPI (or its local government equivalents) to cover the costs of de- amalgamation and that those costs can be effectively absorbed with no adverse impact on the other services and financial obligations of the new Douglas Shire.” FODS Submission (Appendix 5)

DOUGLAS SHIRE COUNCIL

STATEMENTS OF COMPREHENSIVE INCOME

OPERATING RESULTS

RECURRENT REVENUE AND EXPENSES

	2014 \$ 6 months	2015 \$	2016 \$	2017 \$	2018 \$	2019 \$
Recurrent Income						
Rates, levies and charges	13,212,121	28,122,320	29,471,466	30,584,895	32,309,812	33,840,069
Fees, charges and ferry income	1,273,165	4,655,890	4,724,559	5,150,011	5,299,191	5,483,360
Rental income	302,543	272,314	296,420	295,350	278,004	256,261
Interest received	372,939	1,123,392	1,037,587	1,004,257	883,490	825,732
Other income and recoverable works	935,684	576,585	557,346	719,568	1,530,090	961,672
Grants, subsidies, contributions and donations	244,932	2,178,788	1,587,259	2,204,673	2,036,921	4,078,584
	<u>16,341,384</u>	<u>36,929,289</u>	<u>37,674,637</u>	<u>39,958,754</u>	<u>42,337,508</u>	<u>45,445,678</u>
Recurrent expenses						
Employee salaries, wages and benefits	5,574,636	11,338,883	12,310,033	12,842,608	12,812,702	13,513,697
Materials and services	10,437,177	16,137,571	16,030,724	17,217,560	19,303,433	21,073,884
Finance costs	87,369	429,645	399,215	657,386	147,930	203,072
Depreciation	5,443,314	10,122,645	10,523,693	11,063,670	10,851,299	11,625,956
	<u>21,542,496</u>	<u>38,028,744</u>	<u>39,263,665</u>	<u>41,781,224</u>	<u>43,115,364</u>	<u>46,416,609</u>
Operatin loss each year	\$ (5,201,112)	\$ (1,099,455)	\$ (1,589,028)	\$ (1,822,470)	\$ (777,856)	\$ (970,931)
Accumulated Operating Losses to 30 June 2019						(11,460,852)

Individual figures have been taken from audited accounts

Cost of Services

Operating Revenue- Rates and Utility Charges - % Increase

Douglas Shire vs Cairns 2014 – 2019

	2014/5	2015/6	2016/7	2017/8	2018/9	Total %	\$ Increase
DSC	+6.4*	+4.9	+3.8	+5.6	+4.7	+28.1*	+7.4 Mil
Cairns	+4.9	+1.5	+2.5	+2.3	+2.6	+14.5	
CPI	+1.5	+1.0	+1.9	+2.1	+1.6	+8.3	

* DSC Commenced 1 January 2014. Hence the 2014 Financial Year was only 6 months. This interim revenue data has been annualised to support the analysis starting base from July 2014.

DSC Rate Revenue Actual vs Promised CPI Only: \$millions

	2014	2015	2016	2017	2018	2019	2020 est.	TOTAL 14/20
Rates Levies & Charges \$Mil	\$26.42	\$28.1	\$29.5	\$30.6	\$32.31	\$33.84	\$34.84	\$215.59
Actual Revenue increase %		6.4%	5.0%	3.7%	5.6%	4.7%	3.0%	
Rates Levies & Charges \$Mil	\$26.42	\$26.82	\$27.08	\$27.60	\$28.18	\$28.63	\$29.17	\$193.90
CPI Only		1.5%	1.00%	1.90%	2.10%	1.60%	1.90%	
CPI Vs Actual Annual Gouge \$mil		\$1.28	\$2.42	\$3.00	\$4.13	\$5.21	\$5.67	\$21.71
		-1.28	-2.42	-3.00	-4.13	-5.21	-5.67	
DSC Operating Losses	-\$5.20	-\$1.10	-\$1.59	-\$1.82	-\$0.78	-\$0.97	\$0.08	-\$11.38
Operating Losses if promises CPI only rate Rises	-\$5.20	-\$2.38	-\$4.01	-\$4.82	-\$4.91	-\$6.18	-\$5.59	-\$33.09

These figures show an alarming situation. General Rates and Utility revenue has increased by 28% from 2014. Total Rates and Utilities in June 2014 year start point is estimated at \$26.4 Million. Rates and Utilities 2018/19 were \$33.84 Million, **Consequently collectively an extra \$16 million has been collectively gouged from the Shire ratepayers since de-amalgamation (2014-19) and this is expected to increase to increase to \$22 million this financial year.**

This alternative benchmark measurement of Rates Revenue apportioned to the number of rateable properties reconfirms the magnitude of the rate gouge since de-amalgamation

DSC. Rates, Levies and Charges Revenues/Rateable Properties 2014 vs 2019

	FY2014	FY2019	% Increase
Rates Levies and Charges \$000	26,424	33,840	28.1%
Rateable Properties.	9138	9396	2.8%
Average Cost per Property. \$	\$2891	\$3602	24.6%

Based on the average cost per Rateable Property the increase over the past five years has been 24.6% which is 3 times CPI (8.3%) and compares with 28.1% which is 3.4 times (CPI) in the Operating Revenue analysis

5. OPERATING SURPLUSES POST DE-AMALGAMATION

OPERATING SURPLUSES? (LOSSES)

Scorecard: Despite ramping rates, levies and charges continuously over the past 5 years, Douglas Shire Council has not been able to achieve profitable operations. This performance is in sharp contrast with adjoining Councils, CAIRNS and MAREEBA who have provided residents with 5 consecutive strong surpluses through sound planning and execution of their business growth plans.

DSC Operating Surplus/Losses post De-amalgamation Vs Cairns & Mareeba

2014/2019

\$000

	½ 2014	2014/15	2015/16	2016/17	2017/18	2018/9	Total
DSC \$000	-5,201	-1,100	-1,589	-1,823	-778	-970	-11,461
Cairns \$000	N/A	+8,700	+5,800	+6,400	+1,800	+1,100	+23,600
Mareeba	N/A	+5,441	+4,787	+10,814	+6,569	+8,343	+35,954

<https://douglas.qld.gov.au/>

Despite increasing rates at levels over 3 times CPI, the Council has accumulated significant operating losses since de-amalgamation and has not demonstrated a growth vision or plan to address the serious negative growth situation they have created.

An analysis of the recent budget forecasts, with particular critical focus on the next three years, rings alarm bells that the Mayor and former DSSG Treasurer, who participated in the drafting the failed de-amalgamation financial plan, have no effective credible plan for recovery.

The results are in sharp contrast with the strong growth and impressive operating surpluses achieved by our neighbouring Councils. Mareeba Council was de-amalgamated at the same time as Douglas Shire and, with a strong and innovative growth-oriented approach, has excelled. Similarly, our previous Cairns Council, post de-amalgamation has grown strongly and provided their ratepayers with modest rate CPI type rate increases and significantly improved tourism infrastructure.

The next three years Budget projections, approved by the Council in June, appear unrealistic and seem to lack plausibility. They appear financially and economically inept in many aspects of construction. It clearly signals concern, particularly when our Douglas Shire economy is already in a dire condition.

6. BUDGET PROJECTIONS - 2019/2022

DOUGLAS SHIRE COUNCIL

BUDGET PROJECTIONS 2019/2022 FLAWED

AT THIS STAGE IT IS CLEAR THAT THE EXPECTED BENEFITS OF DE-AMALGAMATION HAVE NOT BEEN ACHIEVED. THE SHIRE NOW HAS A SERIOUS ECONOMIC DILEMMA. COUNCIL LEADERSHIP AND DIRECTION APPEARS LACKING AND THERE IS A TOTAL SELF-DENIAL BY THE MAYOR OF THE URGENCY TO ADDRESS AND SERIOUSNESS OF WHAT THEY HAVE CREATED

Scorecard: The 2019/20 Shire Budget was ratified by the Council in June 2019 and was presented to the residents, ratepayers and investors in a PR release as a “spin” document which purported that the Council had finally achieved the success of the de-amalgamation and the Shire will record its first Operating Surplus (\$179,000) in the coming 2019/20 Financial Year.

Budget Projections 2019/2022

No Growth

The Council has accumulated operating losses of \$11.4mil since de-amalgamation and has not demonstrated a growth vision or plan to address the serious problems they created by their negative growth philosophy and economic stagnation post de-amalgamation. Achieving a break-even outcome in 2020 would be a start, but until the \$11.4 Million of post De-amalgamation losses are recouped, we are no better off than we were in 2014.

An analysis of the recent budget forecasts, with particular critical focus on the next three years, confirms that the Mayor and former DSSG Treasurer (who drafted the failed de-amalgamation financial model), have no plan for recovery and are oblivious of the dire consequences of a “no growth” budget. They believe that they have done a good job and next year will deliver a modest Operating Surplus.

Douglas Shire Council - Budgeted Statement of Income and Expenditure

For the period ending 30 June 2020

	2019/20	2020/21	2021/22
	\$	\$	\$
Operating Revenue			
Rates and utility charges	35,291,228	36,318,209	37,373,327
Less: Pensioner remissions / Rebates	(441,958)	(454,068)	(466,509)
Net rates and utility charges	34,849,270	35,864,140	36,906,818
Fees and charges	5,601,566	5,820,027	5,979,496
Grants and subsidies	2,899,962	1,858,389	1,895,557
Interest received	803,575	803,575	803,575
Other operating revenue	996,089	996,089	996,089
TOTAL OPERATING REVENUE	45,150,462	45,342,220	46,581,534
Operating Expenses			
Employee benefits	14,813,588	15,072,448	15,373,897
Materials and services	17,453,175	17,169,932	17,556,256
Depreciation and amortisation	12,616,241	12,994,728	13,384,570
Finance costs	88,127	89,890	91,687
TOTAL OPERATING EXPENDITURE	44,971,130	45,326,998	46,406,410
Operating Surplus / (Deficit)	179,332	15,222	175,124

The current 2020 Budget and 2021 and 2022 financial projections endorsed by the Council in June 2019 appear unrealistic and lack plausibility in many key areas.

Rate Revenues are projected to increase by 9% over the coming 3 years.

Douglas Shire Council Net Rates and Utility Charges 2019/ 20 Analysis

	2018/9 \$000 Actual	2019/20 \$000 Budgeted	Increase %
Net Rates & Utilities	33,840	34,849	+3.0%
General Rates	15,706	15,988 estimate	+1.8%
Other Rates	18,134	18,587 estimate	+2.5%

From an analysis of the forecast projections provided in the Budget document, a further projected **9.2%** rise in rates is planned during the coming three years. (ONLY IF BUDGET IS REACHED THIS YEAR, OTHERWISE THESE INCREASES WILL NEED TO BE HIGHER) This will take the total forecast increase in rates to **around 40% % since de-amalgamation (around 2.8 times estimated CPI growth for the 8-year period)**

Douglas Shire Council Net Rates and Utility Charges 2014/22

	1 July 2014 Est \$000	2018/9 \$000 Actual \$000	2019/20 \$000 Budgeted Forecast %	2020/21 \$000 Forecast %	2021/22 \$000 Forecast %	2014/2022 \$000% increase Actual and Forecast %
Net Rates & Utilities	26,424	33,840	34,849	35,864	36,906	10,482
Increased %		28.1	+2.98%	+2.91%	+2.91%	+39.7%

Stagnant growth in expenditure for the next 3 years

The Mayor's Budget release also did not mention that the three-year projections 2018/19 to 2021/22 showed only a 2.5% increase in Operating Revenues despite a 9% growth in Rates from Shire residents and businesses. This means that the Council's revenue from our rates will rise from around 75% to close to 80% of the Council's total revenue source and there appears to be no plan to build or develop other revenue sources.

Douglas Shire Council Ratepayer Vs Non-Ratepayer Operating Revenue 2019/2022

	2018/2019 \$000	2021/2022 \$000
Operating Revenue Forecasts	45,446	46,581
Rates, Levies and Charges	33,840	36,907
Rate charges / Total Revenue %	74.5%	79.2%
Non-Ratepayer Revenue	11,606	9,671
Non-Ratepayer Revenue/Total Revenue %	25.5%	20.8%

This appears to be an irresponsible approach to continue to gouge Shire ratepayers as the Council's prime revenue source and completely ignore the urgent need to generate "Other" revenue to grow the Shire's economy. **The Council's three-year forecasts show they plan for "Non-Ratepayer" revenue to decline 17% and "Ratepayer" revenue to increase by 9%.**

The other concerning feature is there is **"no" growth projected for Operational Expenditure for the next three years** and consequently this has facilitated the Mayor's claim of achieving break-even "Operational Surpluses" which is claimed basis of **"financial stability"**. At present our economy is in recession and balanced no growth budget is not going to change that.

Repairs and Maintenance 2019/20 Budget slashed by 17%

Operating Expenditure on “**Materials and Services**”, in the current 2019/20 years budget expenditure, has been cut by \$3.6 mil or 17% and is forecast not to increase over the coming three years. This category is primarily payments made to local Contractors for Repairs & Maintenance of our Shire’s infrastructure and represented around 45% of the Council’s total expenditure in the 2018/19 year. This appears to be a questionable prognosis on the effective cost of maintaining of our Shire’s assets and infrastructure in coming years.

It is acknowledged that the past year experienced extreme weather, which required over \$3 million of unbudgeted funding, and extreme weather globally in recent years is becoming an increasing phenomenon. This is reflected in the Shire’s past three years Materials and Services expenditure which has risen 22%.

Average annual expenditure for the past three years has been **\$19.2** million. The Shire’s Budgeted and forecast expenditure for the next three years has been pegged at **\$17.5mil** p.a which is 9% below the previous three year’s average.

Douglas Shire Council “Materials and Services” Budget Forecasts 3 years 2019 / 2022 Vs 3 years 2016 / 2019: \$000’s

2016/17	2017/18	2018/19	2016/19	2019/20	2020/21	2021/22	2019/22
Actual	Actual	Actual	Actual 3 Year Average	Forecast	Forecast	Forecast	Forecast 3 Year Average
17217	19,303	21,073	19197	17,453	17,170	17,556	17393
	12.1%	9.2%		-17.2%	-1.6%	2.2%	
	2,086	1,770		-3,620	-283	386	
17217	17578	17859		18163	18435	18712	Approx. With CPI rise only

This significant arbitrary cut in Materials and Services expenditure together with the freezing of the expenditure levels for the next 3 years and a further double CPI (9%) hike in rates, are the key factors which lack credibility. The Mayor’s claim that we will achieve the Shire’s first operating Surplus since De-amalgamation in 2020 and then have an ongoing financially sustainable prosperous structure also lacks credibility. A prosperous growing economy can’t be built from bleeding the Shire’s ratepayers by increasing their share of the Council’s operating revenue from around 75% to almost 80% and cutting and freezing the cost of maintaining and repairing our essential community infrastructure by 17%. This won’t achieve a sustainable Operating Surplus, it will most likely further damage the already shattered economic fabric of our community.

This apparent lack of basic financial acumen does not instil confidence that there is any possibility of stimulatory economic recovery assistance being provided, or implemented, by the Council to restore growth and jobs to our Shire in the foreseeable future.

**DSC Operating Revenue & Expenses Post De-amalgamation 2014/19 and Budget Forecast
2021/22**

	2014 Est*	2018/19.	2021/22
Operating Revenue \$000	32,682*	45446	46581
		+39.0%	+2.5%
Operating Expenses \$000	-37883	-46416	-46406
		22.5%	0.0%
Net Operating Position \$000	-5,201	-970	175
Rates Levies & Charges \$000	26,424*	33,840	36,907
*Based on Annualised Est.		+28.1%	+9.2%

7. LEADERSHIP, HONESTY, INTEGRITY AND SPIN-FREE COMMUNICATION

This is what we expect from our Council. We appear to be getting somewhat less.

Douglas Shire Council

Post De-amalgamation (2014-19) Economic Scorecard vs other FNQ Councils

“By far the worst performing Council in Far North Queensland”

Wooden Spoon FNQ Economic Growth -6.5%

Wooden Spoon FNQ Full Time Job Losses. -673

Wooden Spoon FNQ 2014/19 FY Building Approvals -52%

Wooden Spoon FNQ Rates & Charges +28.1% vs Cairns +14.5%

Wooden Spoon FNQ DSC Operating Surpluses Nil -\$11.4mil Losses

Wooden Spoon 2020 Budget Flawed +3% increase Rates -17% cut in operating expenses - No growth Plan

There is no recognition by the Mayor that de-amalgamation has been unable to achieve its financial objectives and consequently the Shire's Economy has been seriously impaired. There is no relevant recovery and growth plan to repair and restore the damage. The latest Mayor's comments on the 2020 Budget and Annual Report are filled with spin telling us everything is fantastic; she has done a great job and our Shire is now on a path to prosperity.

Mayor's Self-Denial Hyperbole Snapshot

2019 Budget Report Comments to Ratepayers

"I am delighted"

"We promised we would give the people of Douglas Shire a financially sustainable local government and we have delivered"

"Foundations set for future generations"

"Strong and capable"

"Immensely Proud"

"Punching well above our weight"

"Lowest (rate increase) as long as I can remember"

"Low rise (in rates) will ease cost of living pressures"

"Deliver some fantastic projects"

"Laying the foundations for an exciting period of economic growth"

"This is a no Brainer"

"Securing the operation of promotional powerhouses"

"Getting the budget back in the black was one of her Council's proudest achievement"

"Worked incredibly hard to get this fantastic outcome for Douglas Shire"

"Worked hard to minimise the impact of recent Shire wide rural land valuations"

The concerning aspects of this "spin" are that the majority are false claims related to events of the predicted outcome of the post-election 2020 Financial Year. The claimed Budget results haven't been achieved, they are

simply the questionable financial forecast of what the Council would like to achieve and what they would like the voters and ratepayers to hear.

An analysis of the budget's construction indicates a lack credibility that the forecasts can be achieved and specifically, much of the spin has no sound economic, or empirical base. Consequently, the majority of claims of achievement could be viewed as overtly false and/or misleading to the Shire's ratepayers and residents. Bearing in mind the Mayor's Wooden Spoon performance" in the leading of the Council's economic demise post de-amalgamation, there is no confidence, or track record, to support the claims we are entering a new and prosperous era. The de-amalgamation tragedy needs to be addressed and repaired before we can move to prosperous economic growth.

Self-denial and spin won't work.

Transcripts of the Mayor's 2019 Budget message to Ratepayers

https://douglas.qld.gov.au/download/council_meetings/meeting_agendas/DSC-Budget-Speech.pdf

<https://douglas.qld.gov.au/council-delivers-first-budget-surplus/>

MAYOR'S BUDGET MESSAGE

Your Douglas Shire Council has delivered.

I am delighted to present the 2019-20 Annual Budget – my seventh as Mayor of Douglas Shire and perhaps the most important for our community.

We have done it.

We promised we would give the people of Douglas Shire a financially sustainable local government and we have delivered.

I am proud to say we aim to report an operating surplus of \$179,332 this time next year.

The foundations are set for future generations to enjoy the benefits of a strong and capable Douglas Shire.

In June 2014, I put forward a five-year plan for this Council to achieve financial sustainability after recording a \$5.2 million deficit due to accounting for de-amalgamation costs.

Reaching financial sustainability has been this Council's number one priority, and I am immensely proud that we have been successful in achieving that priority.

Remember that back in 2013, the forces against de-amalgamation said "we would go broke, never get any grants and not survive on our own". Well I am thrilled to say that we have proved them wrong.

My fellow Councillors and 160-odd staff have chipped away at that deficit for the past five years, punching well above our weight to deliver key projects and maintaining a high level of service.

In the past four years, we have delivered three record capital works programs and shaken off loan borrowings to achieve a debt-free status.

We have persevered through many challenges, highlighted recently by one of the toughest wet seasons experienced for some time.

Despite this, the 19-20 budget contains a 1.8% general rate rise – the lowest for as long as I can remember.

For a Residential 1 category that receives the minimum general rate and utilities charges, this equates to an increase of \$1.15 per week.

This low rise will ease cost-of-living pressures, while allowing Council to invest in essential infrastructure, provide a high level of service and deliver some fantastic projects for the community.

In the next 12 months, your Council will inject a further \$15.34 million worth of projects and plans to achieve about 40 operational initiatives.

Council is continuing to invest in our road network, strengthen our disaster resilience and improve our water security.

I am pleased to announce that a \$1.05 million road reseal program under a \$5.6 million civil works program that will drive improvements on our region's network.

The program features numerous projects for Mossman and for the Daintree area, such as an engineering assessment of the road and slope stability of the Alexandra Range and \$450,000 culvert at Tara Hills Rd in Mossman.

We will spend more than \$1 million on projects aimed at strengthening disaster resilience in the Douglas Shire, projects that increase our ability to inform residents and allow the region to persevere through extreme weather.

The Daintree River project will feature an automatic river level gauge and two flood cameras that stream images to the Douglas Dashboard. Council will aim to install rain gauges in the very Upper Daintree and Bloomfield River.

Rain gauge instruments and river level monitors will also be installed in Port Douglas, Craiglie and Mossman to improve the accuracy of local weather information.

Council is also looking beyond the next 12 months and laying the foundations for an exciting period of economic growth and a more significant roll out of major projects for residents.

These include the Port Douglas CBD Blueprint, Mossman 2025 Plan, the Daintree Community Plan, new Daintree River Ferry Contract, Macrossan Street improvements, Murphy Street renewal and water park options, just to name a few.

Investment in tourism marketing and environmental initiatives will continue to steer Douglas Shire towards becoming Australia's leading sustainable tropical destination.

With spectacular natural areas such as the Daintree Rainforest, Great Barrier Reef and Mossman Gorge at our fingertips, this is a no brainer.

We must be the custodians of our precious World Heritage sites.

Council will inject \$810,000 into tourism and events over the next 12 months, securing the operation of promotional powerhouses Tourism Port Douglas Daintree (TPDD) and Port Douglas Carnivale.

Council will offset its carbon footprint for the next three years in a major step toward making our region the number one ecotourism destination.

Council is investing in the future. We are also laying the foundations to grow sports and recreation with fresh focus on lifestyle projects, public spaces and streetscapes will give back to the local community.

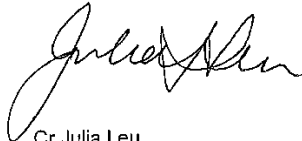
Masterplans for the Port Douglas Sports Complex and Mossman Showgrounds, as well as a \$400,000 design to turn the Mossman pool into multi-purpose sporting precinct, tourist site and wellness centre, is putting the wheels in motion for an exciting few years ahead.

In particular, Port Douglas has received a handful of big-ticket items aimed at reinvigorating streetscapes and upgrading key public spaces.

I'd like to thank Councillors for their cohesive approach to preparing this year's budget.

I also acknowledge our dedicated staff for their unwavering commitment to the community.

Councillors, it is my pleasure to present the 2019/20 Douglas Shire Council budget to you for adoption.



Cr Julia Leu
Mayor
Douglas Shire Council

Other reported Budget Comments

The 2019-20 Annual Budget details Council's aim to report an operating surplus of \$179,332.

The \$45.15 million budget will inject a further \$15.34 million worth of projects and plans to achieve about 40 operational initiatives.

Douglas Shire Mayor Julia Leu said getting the budget back in the black was one of her Council's proudest achievements.

"We promised we would give the people of Douglas Shire a financially sustainable local government and we have delivered," she said.

"Council has chipped away at that deficit for five years and this latest budget puts us in a position that we have fiercely strived for.

"My fellow Councillors and Council staff have worked incredibly hard to get this fantastic outcome for Douglas Shire."

The capital works program features a \$5.6 million investment in essential infrastructure such as roads, bridges and drains, \$1.97m to improve water security and \$933,000 towards sewerage services.

Council will also tip another \$810,000 into tourism marketing and events.

"What is particularly pleasing is we have been able to push almost \$3 million into our region's public spaces to improve lifestyle for our residents," Mayor Leu said.

"This means better playgrounds, more appealing parks and gardens, improved disability access and greater opportunity around sports and recreation."

Council has restricted general rate increases to 1.8% and again worked hard to minimise the impact of recent shire-wide rural land revaluations.

For a Residential 1 category that receives the minimum general rate and utilities charges, this equates to an increase of \$1.15 per week.

Utility charges for water, sewerage and waste will increase 2.5%

Spin Analysis

Spin 1

“We have done it. We promised we would give the people of Douglas Shire a financially Sustainable local government and we have delivered.

I am proud to say we aim to report an operating surplus of \$179,332 this time next year.”

Response:

All you have done is deliver budget document with some projections of what you would like to achieve in 2020 financial year. Until the Council’s financial results are released in October 2020, the jury is out. The Council’s current Operating position is a loss of \$970,000 taking total losses to \$11.4 mil since de-amalgamation.

An analysis of the key revenue and expense data suggest that the budget forecasts can only be achieved by slashing \$3.6mil, or 17% off the Shire’s repairs and maintenance bill and effectively increasing revenue from rates at twice the CPI benchmark for the next three years, which could be considered questionable practices by residents and ratepayers

Spin 2

“The foundations are set for future generations to enjoy the benefits of a strong and capable Douglas Shire”

Response:

Our Shire, post de-amalgamation, under the Mayor’s leadership, has suffered severe economic dislocation. We don’t have a strong and capable Douglas Shire. We have a stalled depressed economy which needs to be recognised and a new vision and commitment to restore urgent growth before we can claim to be strong and capable

- 6.5% of our economic GRP base has been destroyed by what appears to be inept management.
- Over 673 Full Time Equivalent jobs have been lost
- Building approvals have halved
- Shire Rates have risen over 28% and another 9% is planned over the coming three years

Spin 3

“Reaching financial sustainability has been the council’s number one priority. And I am immensely proud that we have been successful in achieving that priority.” and

“Getting the budget back in the black was one of her Council’s proudest achievement”

Response

These are both falsehoods. Claiming to be proud of achieving something that hasn’t happened, could be considered by some as irrelevant. The reality is that the predicted attainment of a Break-even Operating figure will not be attained from the generation of growth and prosperity within the Shire, It will have come exclusively from imposing significant and unreasonable increases in rate charges, which has removed significant liquidity

from the Shire's economy at a time when it desperately required stimulation to achieve growth. The inept and untimely fiscal management revenue grab combined with a "no growth" political agenda has created the recessionary conditions we are experiencing.

Spin 4

"remembering back in 2013, the forces against de-amalgamation said, "we would go broke, never get any grants and not survive on our own". Well I am thrilled to say we have proved them wrong."

Response

The fact that the Mayor cannot see that the de-amalgamation has severely dislocated our economy and still believes that it has worked effectively, is concerning. As residents, ratepayers and businesses within the community we have suffered 28% rate increases vs 14% if we had remained amalgamated with Cairns. We would also be sharing the benefits of a strong and prosperous growth driven tourist economy. We would also have had a Council with 12 diverse Councillors which promotes debate and depth to avoid personal factional negative agendas to prevail. The economic dislocation of the de-amalgamation process was clearly affected by the lack of depth and diversity of our Councillor team of five, three of whom who were key participants on the de-amalgamation project. We appear to have an autocratic "no growth" control faction controlling since the Shire's inception in 2014.

Spin 5

In June 2014 I put forward a five-year plan for this Council to achieve financial sustainability after recording a \$5.2 mil deficit due to accounting for de-amalgamation.

Response

The \$5.2 million deficit on de-amalgamation wasn't an "accounting Glitch" due to de-amalgamation. The terms of the de-amalgamation arrangement were that the Douglas Shire would have to pay the full costs of both Cairns Regional Council as well as their own re-establishment costs of the transfer process. These costs were factored into the de-amalgamation financial forecasts and were very significantly understated at **\$3.0mil** in the de-amalgamation planning documents. This was a major flaw in the plan and created a **\$2.2mil** shortfall in financial sustainability problem from day 1. The Douglas Shire ratepayers have picked up the tab for this blunder and the Mayor is "immensely proud" of this achievement. We have not yet achieved "financial sustainability" and based on lack the credibility of in the de-amalgamation financial forecasts, the chances of creating and structurally maintaining operating surpluses to stimulate a growth led recovery under the incumbent team, could be rated as zero.

Election Campaign Fake News

Port Douglas & Mossman Gazette. 12 December 2019

Front Page Headline. "Bring it on, says Leu"

Bring it on, says Leu

Mark Murray

DOUGLAS Shire Mayor Julia Leu has welcomed the leadership challenge from fellow councillor Michael Kerr ahead of next year's election.

The experienced local government administrator reaffirmed her intentions to stand, and declared water security as her immediate priority.

It follows Mr Kerr's public confirmation that he'll be running for her job at the polls in March 2020.

Ms Leu said council "had outperformed all predictions with a remarkable financial record" under her watch and was now debt free.

They'd also delivered "reasonable rates and charges, increased infrastructure maintenance and record capital works" since she was elected in 2013.

"We have done this while state, national and global economies are struggling, and the impacts of climate change are threatening our key assets: the reef, rainforest, agriculture and water supply," she said.

The incumbent mayor said she was looking forward to 'new challengers and new ideas' ahead of a likely two-horse leadership race with Mr Kerr.

READ MORE: PAGE 3
OPINION: PAGE 14

Response:

Spin 1

Her "watch" is two terms post De-amalgamation. The financial record 2014 to 2019 has not been in line with predictions. There is nothing "remarkable". It has been a financial calamity financed by the Shire's ratepayers.

- Her predictions at the outset was that the cost of de-amalgamation would be \$3mil payable in the first year. It was \$5.2mil payable in the first year. Total operating losses 2014/19 have since accumulated to \$11.5 mil.
- The Shire's 2014 Annual Report recorded borrowings of \$2.3Mil. which represents 0.7% of the Shire's assets. Repayment of this debt is hardly material particularly when measured against the Additional \$22mil PA of increased rates we have added to the coffers of Douglas Shire since she became Mayor,
- Since de-amalgamation our rates have significantly increased by 28%. Did she predict This?
- Her predictions when campaigning for de-amalgamation before taking office were based on FODS estimates:
"The FODS financial model proposes no rates and charges increases are required over and above CPI (or its local government equivalents) to cover the costs of de- amalgamation and that those costs can be effectively absorbed with no adverse impact on the other services and financial obligations of NDS."

That critical prediction was clearly not achieved.

Spin 2

"also delivered reasonable Rates & Charges, increased infrastructure maintenance and record capital works"

- **Reasonable rates and charges** have **not** been delivered. Rate increases have been more than double that of Cairns Regional Council and three times the promised CPI only increases during her watch. Currently rate revenues are up 28% and the Mayor's latest published financial forecast for the next three-year term (if re-elected) is to increase rates & Charges revenue levels to 40% since de-amalgamation.
- **Increased infrastructure maintenance** is technically correct in 2019 due to the one-off costs associated with extreme weather events in 2019. The current year's Maintenance budget has been slashed by 17% from \$21.1 mil in 2019 to \$17.4 mil in 2020. Budget forecasts for the next three years show zero growth in maintenance funding (\$17.4 mil) which is significantly below the past three-year average of \$19.2 mil. Based on the past three years and the budgeted next 3-year forecasts, the level of maintenance spending will be around the same level in 2022 as it was in 2016. At this stage unless budgets are revised upwards our infrastructure maintenance will need to be slashed significantly to the detriment of our community and our vital tourism assets.

Spin 3

"We've done this while State, National and Global economies are struggling"

This is an amazing misstatement. Douglas Shire's economy is in a parlous state and has probably been amongst the worst performing local government economies in Australia post De-amalgamation (2014/19) under her lack of adequate economic leadership. The fact that the Mayor doesn't know this or is spinning a story to cover it, should be a major concern to the electorate.

The Australian, State and other FNQ Local Government are doing fine. The Australian Economy has grown 11.7% - Douglas Shire Economy has recorded negative results and has been in recession for three of the past five years and has shrunk 6.5%.

Australia, Queensland, FNQ Regional Councils and Douglas Shire

GDP/GRP Growth Rates 2014/19

Australia	Queensland	FNQ Councils	Cairns	Douglas Shire
11.7%	6.0%	6.7%	9.4%	-6.5%

Douglas Shire Economic Scorecard 2014/19

ECONOMIC GROWTH	-6.5%(\$51mil)
FTE JOB LOSSES (-673)	-11%
BUILDING APPROVALS	-52%
RATE INCREASES	+28.1%
TOTAL OPERATING LOSSES	\$11.4 mil

Peer Group Measurement Criteria

Douglas Shire Council is a member of **Far North Queensland Regional organisational Councils (FNQROC)** .

The [Far North Queensland Regional Organisation of Councils \(FNQROC\)](#) was established in the 1980s and represents 13 member Councils from Hinchinbrook, north to Cooktown and west to Carpentaria in Far North Queensland. This area covers 1,235 km of the eastern seaboard with a land area of 316,663 sq km and a population of approximately 276,700. Gross regional product is \$14.5 Billion (2016/2017). FNQROC is currently the largest ROC in Queensland by way of Council membership and is the largest and fastest growing region in Northern Australia.

FNQROC's role is to foster cooperation and resource sharing between Councils and effectively advocate [regional positions and priorities](#). In doing this they also work closely with regional partners and stakeholders.

The following major participants, who represent 98% of population in this group, have been used in the peer group analysis: (Yarrabah, Etheridge and Carpentaria are not measured as they are very small and statistically immaterial to the comparison).

Cairns Regional Council	Cairns
Mareeba Shire Council	Mareeba
Tablelands Regional Council	Atherton
Cassowary Regional Council.	Innisfail
Hinchinbrook Shire Council	Ingham
Douglas Shire Council	Mossman
Cook Shire Council	Cooktown

PREPARED BY DOUGLAS SHIRE RATEPAYER , R HAYES FAII, Sf Fin, FAICD

Mr Hayes has a successful 45 year career as a Senior Research and Funds Management Executive of major domestic financial institutions including AMP and Westpac, and Founder and CEO of Barclays and Ausbil fund management operations specialising in economic and financial analysis and funds management, both domestically and globally.