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Council warns of dark times ahead

FINANCIAL pressure from a looming water crisis and mounting debt has been laid bare in Cairns Regional Council's annual report.

It was an extraordinary year marked by border closures, economic confusion and a two-speed business sector with development thriving while tourism starved.

Such a situation required a creative response, and it did not come cheap.

The council finished 2020-21 with a \$33.4m net result and delivered a capital works program that topped \$158.9m.

However, it had to take out significant new loans to get there – and there will be more to come.

Mayor Bob Manning and chief executive Mica Martin issued a joint message that acknowledged the stress caused by fast-tracking projects such as the \$28m Esplanade outdoor dining precinct upgrade, and rolling out incentives to keep the construction sector pumping.

"Incentives to encourage activity in the building and construction sectors were introduced; we accelerated funding for the tourism and international education sectors; and we waived relevant fees and charges to assist businesses, as well as extending the time for our residents and businesses to pay rates," they wrote.

"This resulted in a cash impact and contributed to the need to bring forward the drawing down of debt earlier than was modelled in the 10year financial plan.

"This deliberate move was agreed to on the basis that council should carry some of the burden during difficult times such as we have experienced in the past 18 months."

The pair was "comfortable" the council's long-term position could be managed even though \$30m of new loans were drawn down last financial year.

As at June 30, the council's debt per rateable property was \$2391 compared with \$2279 the previous year.

"We must be aware that the greater strain we put on council via debt, the less manoeuvrability we have in the short term," the mayor and CEO said.

"This becomes even more important for council as it faces the looming prospect of funding the biggest ever single capital works project council has undertaken to date."

A \$215m water security project has been flagged as the most critical project in the region's foreseeable future with warnings of potential water shortages from 2027 if action is not taken.

As it stands, ratepayers will have to foot the cost – and there has already been modelling for \$293m in projected new long-term loans from this financial year to 2026-27 if state or federal funding is not forthcoming.

Clearly, that is a less than ideal situation for the city and ratepayers.

"Council cannot afford this alone without unacceptable ramifications for the community in the form of higher rates and a reduced capacity to deliver other key community projects and services," Mr Manning and Ms Martin said.

"As council's official No.1 priority advocacy project, we continue to brief representatives of the state and federal governments on this critical issue and have been encouraged by their acknowledgment of the importance of securing future consumptive water resources for our region.

"We will continue to advocate for this project and hope our plea will be heard and funding will be forthcoming so we can start the project in 2024."

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