

<p>ORDINARY MEETING</p> <p>26 AUGUST 2020</p>	<p>4</p>
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STATE OF PROCUREMENT REPORT

Bronwyn Sinclair | 63/14/03-01 | #6389265

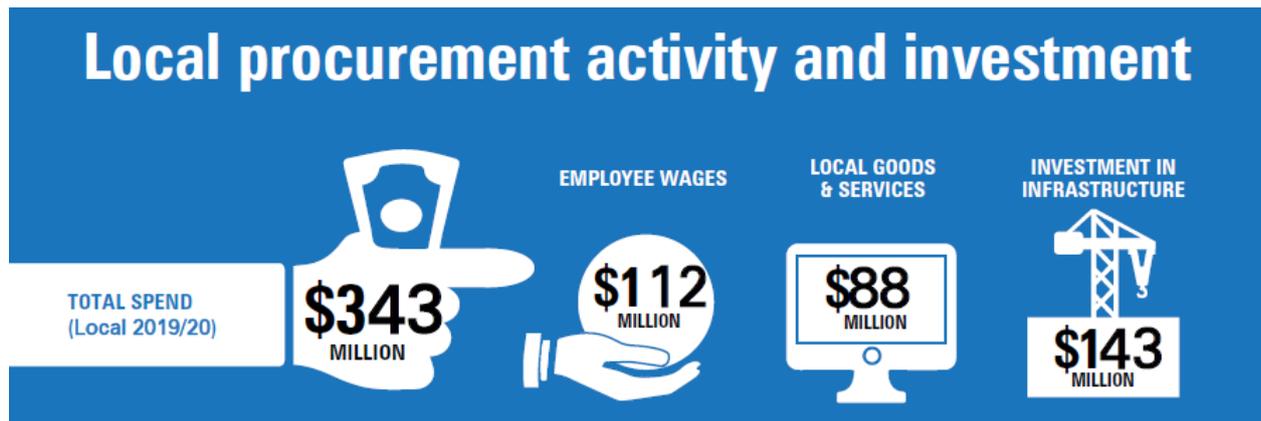
RECOMMENDATION:

That Council notes the State of Procurement Report for 2019/20.

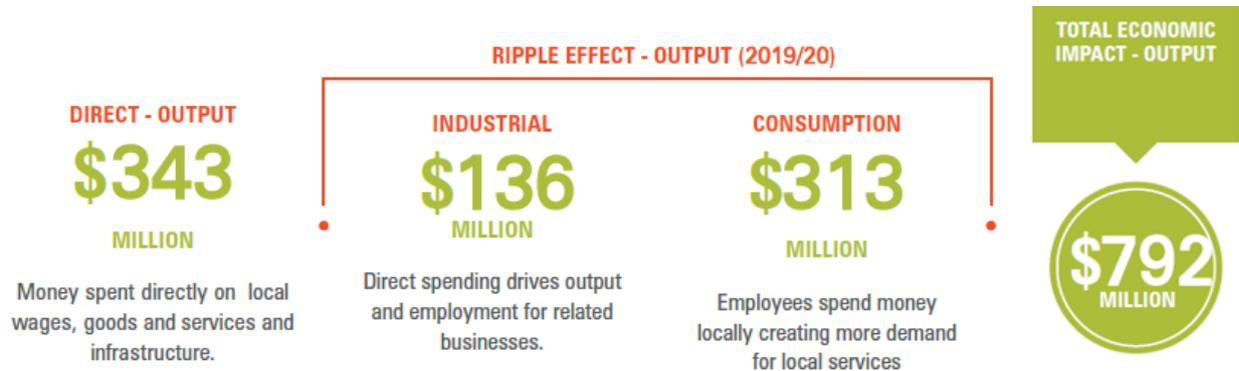
EXECUTIVE SUMMARY:

Council is a major contributor to the Cairns economy, generating a range of economic benefits for the region through employment and expenditure on goods and services. Council’s total expenditure for 2019/20 was \$394 Million, with 87% (\$343M) being local. Of the remaining 13% there was no local option for 8%, non-local suppliers were used for 3% and the remaining 2% is attributable to government expenditure. Local expenditure is made up of employee wages, operational expenditure on goods and services and investment in community infrastructure through Council’s capital works program.

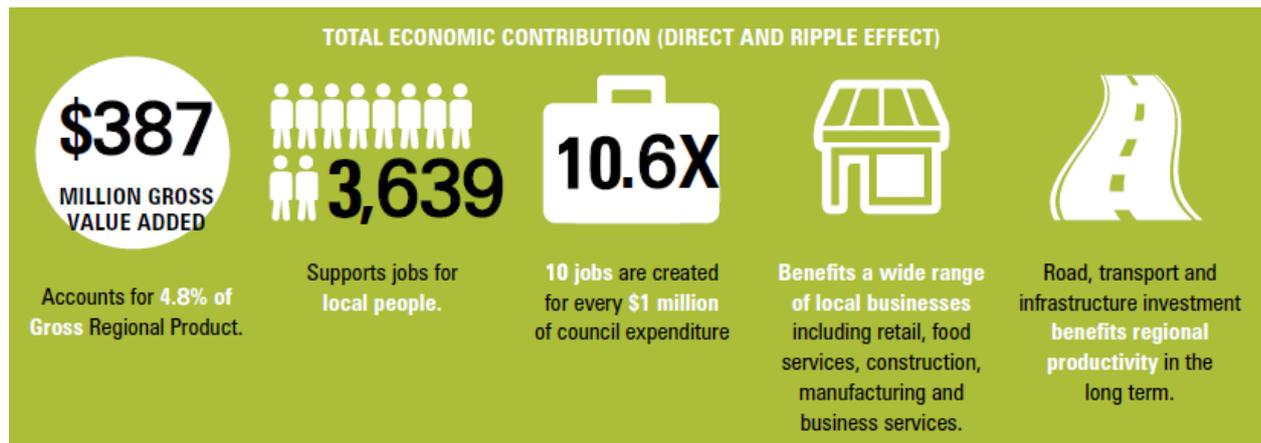
Overall, Council expenditure increased by \$31M, from \$363M in 2018/19 to \$394M in the 2019/20 financial year. Comparatively, local expenditure by Council also increased by \$31M from \$312M to \$343M over the same period. This additional \$31M in local expenditure has been spent in the Cairns region, directly creating and sustaining local jobs and supporting local business and industry. This increase in expenditure has come at a time when many businesses in Cairns have been adversely impacted by the economic impacts associated with COVID-19.



Council’s direct expenditure creates a ripple effect through linkages with other businesses and from workers spending money in Cairns, generating an additional economic local impact of \$449M (the total of indirect or ripple effects). This, when combined with Councils direct expenditure of \$343M, generates a total economic impact of \$792M.



The economic impact of the \$792M generated through direct and ripple effects of Council expenditure contributes \$387M in gross value add. This value represents Council’s contribution to the Gross Regional Product (GRP) of 4.8% for the Cairns region, supporting 10.6 jobs for every \$1M of Council expenditure, as well as benefiting a wide range of local businesses.



BACKGROUND:

Council is committed to creating an economic environment where business and industry can grow and prosper. This is demonstrated by the development of competitive local business and industry being one of the fundamental principles contained in Council’s Procurement Policy.

To enhance Council’s understanding of the wider economic impact that local expenditure has on the region and to maintain consistency with previous year’s reports, I.D. Consulting Pty Ltd were engaged to analyse the economic synergies and benefits that this expenditure generates through the use of their economic impact model.

COMMENT:

This report provides an overview of Council's procurement activities for the 2019/20 financial year and highlights the economic benefits and impact that it has on Cairns.

2019/20 Council Expenditure Categorisation

Council's total expenditure for 2019/20 was \$394M. This expenditure is categorised as employee wages, operational expenditure on goods and services and investment in community infrastructure through Council's capital works program.

Of Council's total expenditure for 2019/20, 87% was local. In terms of the remaining 13% there was no local option for 8%, non-local suppliers were used for 3% and the remaining 2% is attributable to government expenditure.

Expenditure Type	2019/20 Expenditure (\$M)	% Spend
Local Supplier	343	87%
Non-Local Supplier	10.5	3%
No Option Locally*	31.5	8%
FNQ and Events	1	0%
Government*	8	2%
Total	394	100%

*Signifies expenditure where there was no local procurement option.

The expenditure types are further defined below:

- **Local Supplier:** deemed local if they meet the definition of a local supplier as stated in Council's Procurement Policy, this being;
 - is beneficially owned by persons who are residents or ratepayers of the Local Government area of Council, or
 - has its principal place of business within the Local Government area of Council, or;
 - otherwise has a place of business within the Local Government area of Council which solely or primarily employs persons who are residents or ratepayers of the Local Government area of Council.

- **Non-Local Supplier:** defined as any supplier that is not local but where there are local procurement options that were not deemed the best option. Main examples of this expenditure were;
 - Specialised consultants for Water and Wastewater
 - Specialised electrical contractors for Water Treatment
 - Specialised legal services
 - Civil Construction Contractor

- **No Option Locally:** defined as any supplier that is not local and where there are no local procurement options. The main examples of this expenditure were;
 - Government
 - Workcare Scheme
 - Department of Transport and Main Roads
 - Local Government Mutual QLD
 - Department of Natural Resources and Mines
 - Local Government Association of Queensland (LGAQ)
 - Waste and Sewerage pipe relining
 - Water Infrastructure – specialised piping and accessories
 - New Core Platform (IT expenditure)
 - Proprietary IT hardware and software (licences)
 - Specialised water and reservoir services
 - Design specific items for capital works projects

- **FNQ and Events:** defined as any expenditure made with a supplier within the region of the Far North Queensland Regional Organisation of Councils (FNQROC) but not within the rate paying region of Cairns Regional Council (CRC), and where there are local procurement options that were not deemed best option. The main examples of this included expenditure in Tully and Mossman/Port Douglas, and events such as Cairns Ironman and the annual Targa Festival.

Whilst attempts were made to benchmark this result with other Councils it was found that this information was either not maintained or willingly shared. Contact was made with LGAQ to ascertain if they had access to data of this nature. They stated that although they had no official data they believed that there was no other Local Government that had such a high local content although with the advent of COVID-19 there is an expectation that this will become a major focus for all Councils in 2020/21. They were aware that there had been a recent local procurement initiative in a major local government in the South East Queensland area and that they were only able to achieve 70-75% local expenditure. Information received from Townsville City Council reported that they achieved 85% local expenditure in 2019/20, and Mackay Regional Council and Rockhampton Regional Council reported that they achieved 70-75% local expenditure.

To enhance Council's understanding of the wider economic impact that local expenditure has on the region, I.D. Consulting Pty Ltd were engaged to analyse the economic synergies and benefits that this expenditure generates.

The report provided by I.D. Consulting Pty Ltd (Attachment 1 and 2) used an economic impact model that is specifically tailored to the Cairns regional economy by using local input / output tables developed by National Institute of Economic and Industry Research (NIEIR). An input / output matrix describes how the different industries in an economy interrelate, and how supply chains operate in the local area. Using input / output tables, multipliers can be calculated to provide a simple means of working out the flow-on effects of a change in output in an industry on one or more of imports, income, employment or output in individual industries or in total.

Definitions of terminology used in this report are:

- **Direct impacts:** represent the initial change in the industry selected. This refers to expenditure associated with the industry (e.g. labour, material, supplies, capital).
- **Indirect impacts (Industrial):** The direct impacts from the initial expenditure creates additional activity in the local economy ('ripple effect'). Indirect effects are the results of business-to-business transactions indirectly caused by the direct impacts.
- **Induced impacts (Consumption):** An increase in revenue (from direct and indirect impacts) means that businesses increase wages and salaries by hiring more employees, increasing hours worked and raising wages. Households will then increase spending at local businesses.
- **Value added:** Value added is the value of sales generated by each industry, minus the cost of its inputs. Estimates are modelled using the NIEIR methodology and presented in constant dollars (adjusted for inflation). It is calculated by subtracting the cost of industry inputs from total sales generated.
- **Output:** Output is the gross sales of an industry, which includes the cost of inputs to that industry. To the extent that outputs from one industry are used as inputs to another, the economic productivity of an industry may be counted multiple times in output, which is why output totals generally appear much higher than value add or GRP.

Results of Economic Impact Analysis

Some of the main findings provided by I.D. Consulting Pty Ltd based upon Council expenditure are as follows:

In 2019/20, Council's total local spend was \$343M. This was made up of, \$112M on employee wages, \$88M on materials and services and \$143M on capital works.

The following table shows the direct economic contribution that Council had on the local economy in 2019/20:

	Operational (\$M)	Capital Works (\$M)	Total
Output \$M	200	143	343
Value add \$M	133	43	176
Jobs	1,272	543	1,815

Operational Impact

Operational expenditure is the money spent on the ongoing costs of maintaining Council operations and assets and it includes costs such as wages, maintenance and repairs, license fees, utilities etc. In 2019/20 Council's operational expenditure totalled \$225M.

Council operations make a direct contribution to the Cairns economy. In 2019/20 Council employed approximately 1,272 staff and had local operational expenditure of \$200M, making it one of the largest employers in the region. The operation of Council creates a ripple effect to the rest of the local economy.

The operational expenditure of \$200M in the Cairns economy supports indirect demand for goods and services across related industry sectors. These indirect industrial impacts are estimated to support an additional 231 jobs. This indirect impact on jobs in the local economy supports wages and salaries, a proportion of which would be spent on local goods and services, supporting a further 591 jobs through consumption impacts. Based upon NIEIR industry metrics, the combination of all direct, industrial and consumption effects support a total contribution of 2,094 jobs located in Cairns.

The combination of all direct, industrial and consumption effects from operational activities generates a total expenditure impact of \$402M. This contributes \$231M value add to the Cairns economy, equating to 2.8% of GRP.

Summary	Output (\$M)	Value-added (\$M)	Local jobs
Impacts on Cairns economy			
Direct impact on Public administration sector	200	133	1,272
Industrial impact	62	31	231
Consumption impact	140	67	591
Total impact on Cairns economy	402	231	2,094

Capital Works Impact

Council manages a very diverse range of infrastructure assets with a value in excess of \$4B. In 2019/20 Council's capital works expenditure totalled \$169M. This investment in infrastructure such as transport, drainage, water, wastewater, cultural and sporting facilities has an immediate impact on the economy as well as a long-term impact on regional productivity.

The local capital works expenditure of \$143M created through construction projects is estimated to have led to a corresponding direct addition of 543 jobs in the local construction sector. This expenditure resulted in flow on effects into other related intermediate industries, creating an additional 274 jobs. This addition of jobs in the local economy would lead to a corresponding increase in wages and salaries, a proportion of which would be spent on local goods and services, creating a further 728 jobs through consumption impacts. Based upon NIEIR industry metrics, the total impact of the capital works program resulted in a total impact of 1,545 additional jobs in the Cairns regional economy.

The combination of all direct, industrial and consumption effects results in local expenditure of \$390M. This contributes \$156M value add to the Cairns economy, equating to 1.9% of GRP.

Summary	Output (\$M)	Value-added (\$M)	Local jobs
Impacts on Cairns economy			
Direct impact on Construction sector	143	43	543
Industrial impact	74	30	274
Consumption impact	173	83	728
Total impact on Cairns economy	390	156	1,545

Total Economic Impact

Council's direct local expenditure creates a ripple effect through linkages with other businesses and from workers spending money in Cairns, generating an additional economic local impact of \$449M (the total of indirect or ripple effects). This when combined with Council's direct local expenditure of \$343M generates a total economic impact of \$792M.

The economic impact of the \$792M generated through direct and ripple effects of Council's local expenditure contributes \$387M in gross value add. This value represents Council's contribution to the Gross Regional Product (GRP) of 4.8% for the Cairns region, supporting 3,639 jobs or 10.6 jobs for every \$1M of Council expenditure, as well as benefiting a wide range of local businesses.

The following table provides an overview of the economic impact of Council's local expenditure. The direct output is Council's local expenditure for the past financial year and the ripple effect outputs are the indirect outcomes that this generates – a total economic impact of \$792M. The multipliers utilised are based upon industry recognised metrics provided by NIEIR.

Total economic impacts	Output (\$M)	Value-added (\$M)	Local jobs
Operational impacts			
Direct impact on Local Government	200	133	1,272
Industrial impact	62	31	231
Consumption impact	140	67	591
Operational impact on Cairns economy	402	231	2,094
Capital works impacts			
Direct impact on Construction	143	43	543
Industrial impact	74	30	274
Consumption impact	173	83	728
Capital works impact on Cairns economy	390	156	1,545
Total impacts			
Direct impact	343	176	1,815
Industrial impact	136	61	505
Consumption impact	313	150	1,319
Total impact on Cairns economy	792	387	3,639

The Cairns Economy

COVID-19 has had a significant adverse impact on the Cairns economy.

Pre-COVID-19, the Cairns economy was growing strongly, with GRP growth for the three years to June 2019 exceeding growth at both the State and National level. Private and public sector investment in infrastructure supported industry development and resulted in a significant fall in local unemployment, which was 4.3% immediately before the pandemic. There were 82,500 local jobs and GRP was \$9.6 billion.

Cairns was one of the first regions in Australia to be negatively impacted by national and global responses to COVID-19. The tourism sector effectively collapsed. Visitor numbers drastically reduced and the impact of this has spread to all industries. Accommodation and food services are the sectors most severely impacted.

The economic impact of the COVID-19 crisis will wind back three years of strong growth and diversification experienced recently in Cairns.

The significant current investment in the region's infrastructure will contribute significantly to Cairns' economic recovery. Key public sector projects either currently underway or planned to commence within the next 12 months include:

- Cairns Convention Centre – expansion and refurbishment - \$176M
- Bruce Highway - Cairns Southern Access Corridor - Stage 3 - \$481M
- Bruce Highway - Cairns Southern Access Corridor - Stage 4 - \$104M
- Smithfield Bypass Project - \$164M
- Wangetti Trail upgrade - \$49.4M has been committed at this stage
- Cairns Central Redevelopment -\$60M
- Cairns Esplanade Dining Precinct - \$28M
- Cairns South Health Facility - \$25M
- Cairns Western Arterial Road (Kamerunga Road to Stoney Creek Road) - \$20M
- Cairns Hospital Mental Health Unit - \$70M

Comparison of 2019/20 v Prior Years Expenditure

The following table summarises Council's expenditure over the past three years, showing the area of expenditure and value.

Expenditure Types	2019/20		2018/19		2017/18	
	Expenditure (\$M)	% Spend	Expenditure (\$M)	% Spend	Expenditure (\$M)	% Spend
Local Supplier	343	87%	312	86%	338	89%
Non-Local Supplier	10	3%	14	4%	18	5%
No Option Locally	32	8%	35	10%	23	6%
FNQ and Events	9	2%	2	0%	2	0%
Total	394	100%	363	100%	381	100%

Overall, Council expenditure increased by \$31M, from \$363M in 2018/19 to \$394M in the 2019/20 financial year. Comparatively, local expenditure by Council also increased by \$31M from \$312M to \$343M over the same period. This additional \$31M in local expenditure has been spent in the Cairns region, directly creating and sustaining local jobs and supporting local business and industry. This increase in expenditure has come at a time when many businesses in Cairns have been adversely impacted by the economic impacts associated with COVID-19.

Expenditure outside the rate paying region of Council has decreased in dollar value by \$4M, from \$14M to \$10M. This expenditure mainly relates to:

- Sewerage upgrades
- Stormwater relining
- Capital works on traffic infrastructure
- Disaster Management
- Specialised Plant – vacuum trucks
- Legal Services

There has been a decrease in expenditure where there was no local option by \$3M, from \$35M to \$32M, this expenditure relates mainly to capital, government and IT procurement such as:

- Government
 - Workcare Scheme
 - Department of Transport and Main Roads
 - Local Government Mutual QLD
 - Department of Natural Resources and Mines
 - Local Government Association of Queensland (LGAQ)
 - Economic Development Queensland
- Waste and sewer relining
- Core Platform System
- Water infrastructure specialised piping and accessories
- Specialised water and reservoir services
- IT hardware and licensing
- Material Recover Facilities (MRF)

The economic impact model used to determine the ripple effect of Council expenditure is updated each year to take account of changes to the local economy. Multipliers for a region, or industry, may change over time in response to changes in the economic and industry structure as well as price changes. Productivity changes (i.e. relationship between jobs and output) can have a large impact on the economic multiplier. This has been the case this year, where productivity increase has meant that increased output has led to an increase in jobs generated by Council expenditure, from 3,241 in 2018/19 to 3,639 in 2019/20. It would be expected that that these metrics will change in 2020/21 as the full impact of COVID-19 is realised.

It is also important to note that the total multiplier reported is based on Council's impact on other sectors. Construction is one of the major sectors due to capital expenditure on roads, bridges, etc. The construction sector also experienced a strong increase in productivity.

Upon review of this data, it is evident that Cairns Regional Council has developed and maintained robust policies, procedures and business practices that have continued to support, develop and encourage local business and industry during these challenging times. These internal practices support Council's Corporate Plan and the intent of its elected members to ensure a culture of local utilisation whenever and wherever appropriate.

The opportunity for Council in these difficult times will be to maintain this focus on local expenditure and to continue to develop strategies to sustain and develop further opportunities for growth. This principle has never been more integral to the essence of Council procurement and needs to be committed to by all levels of Council.

CONSIDERATIONS:

Risk Management:

To mitigate risk in the Procurement process, Council has an adopted Procurement Policy that meets all legislative requirements and provides direction and guidance on best practice procurement. The Procurement team are active in the communication of the requirements of this policy and in training activities in generating outcomes in the best interest of Council and its communities.

Council Finance and the Local Economy:

This report highlights the benefits that Council's procurement has on the local community. The local expenditure documented in this report contributes an estimated economic value of \$792M to the Cairns region and \$387 of gross add value or 4.8% of GRP. This support and encouragement of local business and industry is one of the main economic stimuli in the region and helps maintain a degree of stability in difficult global financial times.

Corporate and Operational Plans:

This report provides clear linkages to Council's Corporate and Operational plans. Council's Corporate plan states:

- *A strong, diversified and resilient regional economy that supports the growth of new and existing industry, business activities and provides long term employment opportunities.*
- *A vibrant, inclusive and healthy community with access to services and facilities which reflect its unique character, roles and needs.*
- *An efficient organisation providing best practices service delivery through leadership, effective management of people, assets and finances.*

CONSULTATION:

In the preparation of this report the following external parties were consulted:

- Cairns Regional Council Finance Branch
- I.D. Consulting Pty Ltd
- LGAQ

ATTACHMENTS:

1. Economic Contribution of Cairns Regional Council – Summary
2. Economic Contribution of Cairns Regional Council – Detailed Report

G.R. Burdon

Geoff Burdon

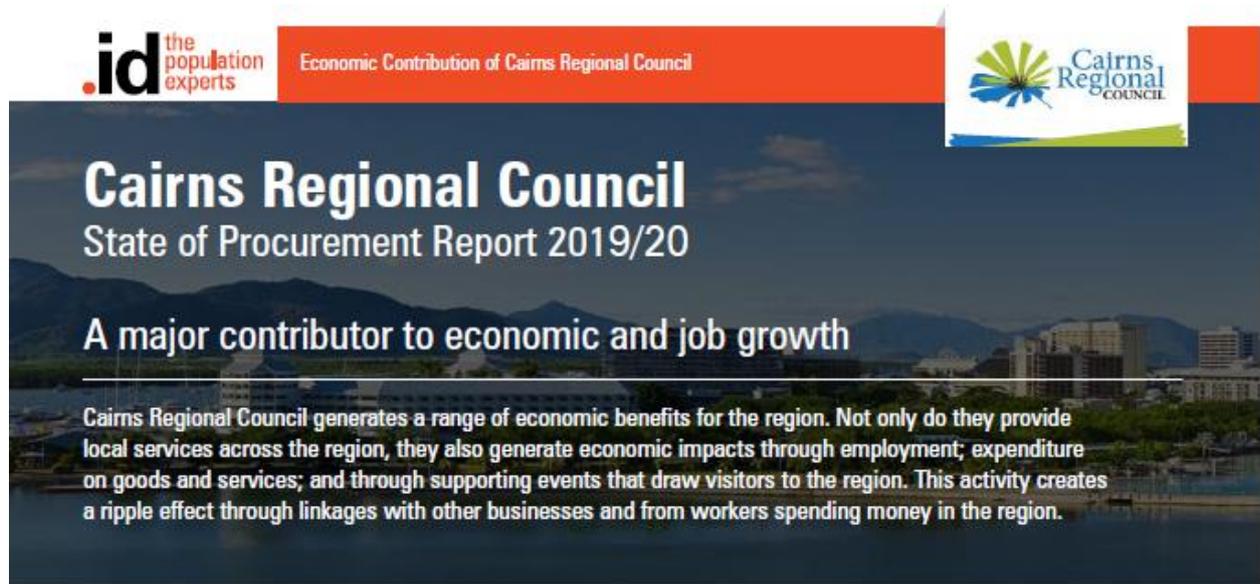
Manager Procurement and Payables

L. Whitton

Lisa Whitton

Chief Financial Officer

Attachment 1 – Economic Contribution of Cairns Regional Council – Summary



Generating jobs for the region

Cairns Regional Council is one of the largest employing businesses in the region and performs an important role in developing skills.

1,272
JOBS (2020)



Provides **1.5%** of total employment for Cairns Region.

99%
LOCAL (2020)



Majority of jobs performed by local residents

85%
FULL TIME (2020)



Important full time employer in a diverse range of occupations
Office workers, technicians and trade workers.

25%
UNIVERSITY QUALIFIED (2016)



Retains highly educated people.
Average is **23.3%**.

Local procurement activity and investment

TOTAL SPEND
(Local 2019/20)

\$343
MILLION

EMPLOYEE WAGES

\$112
MILLION

LOCAL GOODS & SERVICES

\$88
MILLION

INVESTMENT IN INFRASTRUCTURE

\$143
MILLION

The ripple effect

Council's economic and investment activities create a ripple effect through linkages with other businesses and from workers spending money in the Cairns.

RIPPLE EFFECT - OUTPUT (2019/20)

DIRECT - OUTPUT

\$343

MILLION

Money spent directly on local wages, goods and services and infrastructure.



eg. Council engages a local business to build a new facility. This business buys supplies.

INDUSTRIAL

\$136

MILLION

Direct spending drives output and employment for related businesses.



eg. Hardware wholesaler purchases inventory.

CONSUMPTION

\$313

MILLION

Employees spend money locally creating more demand for local services



eg. Hardware wholesaler employee buys food and clothing and goes to the dentist.

TOTAL ECONOMIC IMPACT - OUTPUT

\$792
MILLION

The combined effect

The combination of all direct and ripple effects generates **\$387 million** in gross value added. This value represents Cairns Regional Council's contribution to Gross Regional Product.

TOTAL ECONOMIC CONTRIBUTION (DIRECT AND RIPPLE EFFECT)

\$387

MILLION GROSS VALUE ADDED

Accounts for **4.8%** of Gross Regional Product.

3,639

Supports jobs for local people.

10.6X

10 jobs are created for every **\$1 million** of council expenditure



Benefits a **wide range of local businesses** including retail, food services, construction, manufacturing and business services.



Road, transport and infrastructure investment **benefits regional productivity** in the long term.

Sources: National Institute of Economic and Industry Research (NIEIR) ©2020, ABS Census of Population and Housing, Cairns Regional Council
Superscript 1. Expenditure estimates refer to local spending only and excludes depreciation or interest paid.



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Attachment 2 – Economic Contribution of Cairns Regional Council – Detailed Report



Economic contribution of Cairns Regional Council 2020

Final Report

August 2020

prepared by .id

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1. Introduction

1.1 Overview

Cairns Regional Council have requested an economic analysis of the economic contribution made by Council. The aim of this analysis is to highlight the important role Local Government plays in the local economy.

To meet this request, .id has undertaken a quantitative analysis of key impact indicators to illustrate the economic contribution made by Cairns Regional Council. This report estimates the annual contribution of Cairns Regional Council on the Cairns Region economy during the 2019/20 financial year.

The report presents the following information:

- ✘ An explanation of the methodology
- ✘ Industry and worker profile of the Cairns Regional Council
- ✘ Impact of operational expenditure
- ✘ Impact of capital works program

This report has been prepared as a reference document to the infographic provided to Cairns Regional Council.

1.2 Methodology

.id have used an economic impact model that is specifically tailored to the Cairns Regional economy by using local input-output tables developed by NIEIR. An input-output matrix describes how the different industries in an economy interrelate, and how supply chains operate in the local area. Using input-output tables, multipliers can be calculated to provide a simple means of working out the flow-on effects of a change in output in an industry on one or more of imports, income, employment or output in individual industries or in total.

The economic impact model is updated each year to take account of changes to the local economy. Multipliers for a region may change over time in response to

changes in the economic and industry structure as well as price changes. Some reasons for a multiplier to change include:

- ✘ overall size and economic diversity of the region's economy
- ✘ changes to industry structure (e.g. export/import, mix of labour/capital inputs, productivity changes)
- ✘ household income and household spending patterns

For example, if the retail industry takes 15 jobs to produce \$1 million of sales in 2006, and productivity increases by say 50% through 2016, then only 10 jobs are required to produce \$1 million of sales. The job multiplier falls from 15 to 10 jobs per \$1 million of sales.

The economic contribution and impact analysis were based on the following inputs obtained from Cairns Regional Council:

- ✘ Operational: \$225m of output mapped to the ANZSIC industry code - Public Administration (the sector that most closely resembles Local Government).
- ✘ Capital expenditure spent: \$169 million mapped to the ANZSIC industry code – Construction given that most of the capital works program is construction and repair related.

Other methodology points to be noted are:

- ✘ Non-local expenditure by Council has been excluded from this economic impact analysis. We have also excluded depreciation costs or interest payments.
- ✘ While attempts have been made to avoid double counting, there may be some double-counting with respect to the jobs generated through the construction impacts.
- ✘ Contribution to GRP is based on Total Industry Value Added.

1.3 Terminology

- **Direct impacts:** represent the initial change in the industry selected. This refers to expenditure associated with the industry (e.g. labour, material, supplies, capital).

- **Indirect impacts (Industrial):** The direct impacts from the initial expenditure creates additional activity in the local economy ('ripple effect'. Indirect effects are the results of business-to-business transactions indirectly caused by the direct impacts.
- **Induced impacts (Consumption):** An increase in revenue (from direct and indirect impacts) means that businesses increase wages and salaries by hiring more employees, increasing hours worked and raising wages. Households will then increase spending at local businesses.
- **Value added:** Value-added is the value of sales generated by each industry, minus the cost of its inputs. Estimates are modelled using the NIEIR methodology, and presented in constant dollars (adjusted for inflation). It is calculated by subtracting the cost of industry inputs from total sales generated.
- **Output:** Output is the gross sales of an industry, which includes the cost of inputs to that industry. To the extent that outputs from one industry are used as inputs to another, the economic productivity of an industry may be counted multiple times in output, which is why output totals generally appear much higher than value add or GRP.

1.4 Disclaimer

The Report is prepared only for use by the person/entity who commissioned the Report and may only be used for the purpose for which it was commissioned. ID accepts no liability in connection with the recipient's use or reliance on the Report.

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In relation to ABS Data ID accepts no liability with respect to the correctness, accuracy, currency, completeness, relevance or otherwise of the ABS Data.

In relation to the economic model, as this is only a model of the real world, it is likely that real-world results would differ from what is shown in this report. .id and NIEIR take no responsibility for the use of this information.

1.5 Local Government profile

1.5.1 Economic and investment activities

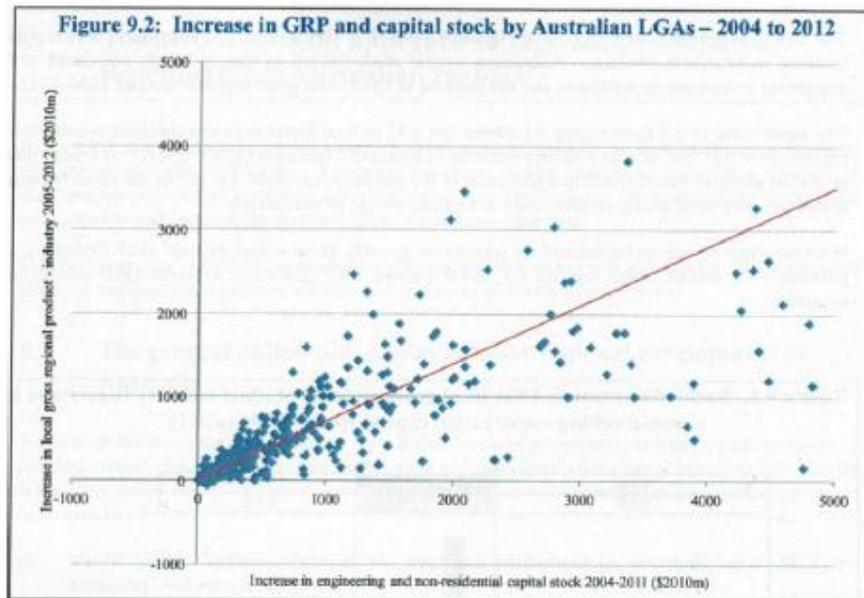
In 2019/20, Cairns Regional Council's total spend was estimated at \$394 million.

This was made up of:

- \$111.6 million on employee wages
- \$113.5 million on materials and services
- \$169 million on capital works

Much (most) of Cairns Regional Council expenditure is spent locally (around 87%) as do the wages earned by council staff. This expenditure supports other industries in the economy and help support a vibrant economy.

This investment in roads, infrastructure and transport has an immediate impact on the economy as well as a long term impact on regional productivity. The figure below is drawn from research by NIEIR. NIEIR analysis has demonstrated the relationship between increases in capital stock within an LGA and changes in levels of economic activity. Council therefore has a major role in supporting the long term economic productivity of the region.



Source: NIEIR (extracted from the State of the Regions report)

1.5.2 Direct economic contribution

The table below summarises the direct economic contribution of Cairns Regional Council to the local economy. In 2019/20, the total direct economic contribution of Cairns Regional Council was estimated at \$176 million (value added terms). This contribution represents around 2.2% of Gross Regional Product (total industry value added) and only includes expenditure captured in Cairns.

Table: Direct economic contribution of Cairns Regional Council, 2019/20

	Operational	Capital works	Total
Output \$m	\$200	\$143	\$343
Value add \$m	\$133	\$43	\$176
Jobs	1,272	543	1,815

Source: National Institute of Economic and Industry Research (NIEIR) ©2015. Compiled and presented in economy.id by .id , the population experts.

Section 2.5 and 2.6 estimates the economic impact of Councils direct expenditure.

1.5.3 Worker profile

Employment levels in 2019/20

In 2019/20, Cairns Regional Council employed 1,272 staff, of which 84.5% were engaged on a full time basis.

Worker characteristics 2016

The table below shows some key statistics for the workforce in this industry. This is based on the 2016 ABS Census of Population and Housing.

As the table shows, the Local Government Administration workforce is a little older than the total Cairns workforce. This may be due to the number of professional and technical roles within Council that require higher levels of qualifications and work experience that takes time to accrue. The workforce in this industry has a higher level of post school qualifications than Cairns overall.

Table: Workforce key statistics –Local Government Administration, Cairns LGA 2016

Name	Number	%	Cairns total workforce %
Workforce			
Total workforce (Census)	1,158	100	100
Males	732	63.2	48.1
Females	422	36.4	51.9
Age structure			
15 - 24 years	57	4.9	14.2
25 - 34 years	192	16.6	20.2
35 - 44 years	276	23.8	22.8
45 - 54 years	357	30.8	22.8
55 - 64 years	236	20.4	15.7
65 years and over	44	3.8	4.1
Indigenous status			
Indigenous	76	6.6	5.0
Non Indigenous	1,076	93.4	95.0
Hours worked			
Full time	976	84.3	62.1
Part time	118	10.2	32.7
Qualifications			
Bachelor or higher degree	267	23.1	20.8
Advanced diploma or diploma	153	13.2	12.1
Certificate level	393	33.9	30.0
No qualifications	320	27.6	40.0

Source: ABS Census of Population and Housing

1.6 Economic impact of operations

The operation of Council makes a direct contribution to the Cairns economy. In 2019/20, Cairns Regional Council employed around 1,272 staff and local operational expenditure of \$200 million (made up of \$112 million in wages and salaries and \$88 million in goods and services), making it one of the largest employing businesses in the region. The operation of Council creates a ripple effect to the rest of the economy.

The operational expenditure of \$200 million in the Public Administration sector of the Cairns economy supports indirect demand for intermediate good and services across related industry sectors. These indirect industrial impacts (Type 1) are estimated to support 231 jobs (in addition to the 1,272 jobs in Cairns Regional Council). This indirect impact on jobs in the local economy supports wages and salaries, a proportion of which would be spent on local goods and services, supporting a further 591 jobs through consumption impacts. The combination of all direct, industrial and consumption effects supports a total contribution of 2,094 jobs located in Cairns.

This means that around 10 jobs are created through every \$1m of Council operational expenditure: 6 in Local Government sector, plus 4 more jobs in areas like retail, Professional, Scientific and Technical Services and Accommodation and Food Services.

This ripple effect arises from linkages with other businesses and from workers spending money in the region. The combination of all direct, industrial and consumption effects from operational activities generates Value-added of \$231 million in Cairns economy, equating to 2.8% of Gross Regional Product (total industry value added).

Impact Summary – Cairns Regional Council - Operations (\$200m) – 2019/20

Summary	Output (\$m)	Value-added (\$m)	Local jobs
Impacts on Cairns economy			
Direct impact on Public administration sector	200	133	1,272
Industrial impact	62	31	231
Consumption impact	140	67	591
Total impact on Cairns economy	402	231	2,094

Source: National Institute of Economic and Industry Research (NIEIR)

1.7 Economic impact of capital works program

Council manages a very diverse range of infrastructure assets with a value in excess of \$4.06 billion (Annual Budget 2019/20). In 2019/20 Cairns capital works program totalled \$169 million. Of this, it is estimated that \$143 million was spent with local businesses. This investment in roads, infrastructure and transport has an immediate impact on the economy as well as a long term impact on regional productivity.

The capital works expenditure (local) of \$143 million created through construction projects is estimated to lead to a corresponding direct addition of 543 jobs in the local Construction sector. This expenditure results in flow on effects into other related intermediate industries, creating an additional 274 jobs. This addition of jobs in the local economy would lead to a corresponding increase in wages and salaries, a proportion of which would be spent on local goods and services, creating a further 728 jobs through consumption impacts. The total impact of the capital works program results in a total impact of 1,545 jobs in the Cairns Regional economy.

This means that around 11 jobs are created through every \$1m of spending on the capital works program: 4 in the construction industry, plus 7 more in areas like retail, manufacturing and business services. This ripple effect arises from linkages with other businesses and from workers spending money in the region.

The combination of all direct, industrial and consumption effects, results in a contribution of \$156 million of Value-added in Cairns economy, equating to a 1.9% of Gross Regional Product.

Impact Summary – Cairns Regional Council - Capital Works (\$143m) – 2019/20

Summary	Output (\$m)	Value-added (\$m)	Local jobs
Impacts on Cairns economy			
Direct impact on Construction sector	143	43	543
Industrial impact	74	30	274
Consumption impact	173	83	728
Total impact on Cairns economy	390	156	1,545

Source: National Institute of Economic and Industry Research (NIEIR)

1.8 Total economic impacts

The combination of all direct and ripple effects results generated \$387 million in gross value added to the local economy in 2019/20. This value represents Cairns Regional Council's contribution to Gross Regional Product (4.8% of GRP – total industry value added).

Impact Summary – Cairns Regional Council – Combined impacts (\$343m) – 2019/20

Total economic impacts	Output (\$m)	Value-added (\$m)	Local jobs
Operational impacts			
Direct impact on Local Government	200	133	1,272
Industrial impact	62	31	231
Consumption impact	140	67	591
Operational impact on Cairns economy	402	231	2,094
Capital works impacts			
Direct impact on Construction	143	43	543
Industrial impact	74	30	274
Consumption impact	173	83	728
Capital works impact on Cairns economy	390	156	1,545
Total impacts			
Direct impact	343	176	1,815
Industrial impact	136	61	505
Consumption impact	313	150	1,319
Total impact on Cairns economy	792	387	3,639

Source: National Institute of Economic and Industry Research (NIEIR).

Note: The economic impact model is updated each year to take account of changes to the local economy. Multipliers for a region may change over time in response to changes in the economic and industry structure as well as price changes.