

28 June 2011

Budget 2011-12

Long-term financial plan is key to sustainable future

Significant cuts to spending, a voluntary redundancy program and a revised long-term financial strategy have helped position Redland City Council for a strong, sustainable future.

Mayor Melva Hobson said the 2011-12 budget reflected Council's new long-term financial strategy, which responded to the organisation's recent loss of revenue.

"Changes to state legislation have reduced the level of funds we can raise through water revenue and developer contributions, and – like other councils – we are receiving less grant funding from other levels of government," the Mayor said.

"We were originally expecting our revenue for 2011-12 to be \$163m. As a result of the legislative changes, we calculated our actual revenue for the new financial year would be significantly less – only \$151m.

"That left us with a choice to either fund the shortfall through rates or find internal savings. We chose internal savings, and set about vigorously reviewing our long-term financial strategy and short-term operating costs and expenses."

Mayor Hobson said Council has since made \$10m in savings from what it original projected it would spend in 2011-12.

"Last year, we expected our operational costs would be around \$146m (based on our original revenue projections). Through savings, we've brought that figure down to \$136m.

"In fact, a straight comparison with last year's actual operating expenses shows a reduction in Council's budget for goods and services and employee costs of \$5.6 million, taking into account enterprise bargaining agreements and CPI increases.

"As part of our new long-term financial strategy, we'll be continuing to save a further \$20 million on our bottom line over the next two years, through reduced spending and revised revenue targets."

Council's internal savings measures include a voluntary redundancy program, which has already seen 18 management and professional officer positions made redundant in its first stage.

"As I have already said publicly, we are very sad to see the departure these key staff, and wish them well for the future. Their willingness to be involved in the program has made a significant contribution to our operational savings.

"These have been some of the hard choices we've had to make to minimise impacts on our ratepayers. Without these decisions, rates increases this year would have been significantly higher."

The Mayor also pointed out Council had already been addressing issues highlighted in the Queensland Treasury Corporation Sustainability Review of Redland City Council in 2006.

“While that review said Council was in ‘a strong financial position with a developing outlook’, it also listed several areas of concern, including that the Council of the day was forecasting net operating deficits, had a declining cash position, was not fully funding depreciation, and its capital and operating expenditure needed to be monitored to keep costs within budget.

“This Council has been aware of those concerns, and has been working to address them over the past three years. That’s what our new long-term financial strategy last year was all about.

“We were in year two of that strategy, and were already starting to turn around Council’s nine-year deficit to surplus. Even with reduced revenue, we’ve managed to get back on track to achieve this goal in two years, thanks to our recent round of cost-cutting measures.”

The Mayor said it was normal for councils to increase their operating expenditure each year, in line with inflation.

“However, we have bucked that trend this year by shaving \$3.8m from our operating deficit (compared to our adopted budget in 2010-11), which had always been our intention for 2011-12.

“We have also reduced the amount we had planned to borrow to support our previous long-term capital works program.

“I can reassure our community that Council’s overall financial position remains strong.

“Recent independent assessments of Council’s financial position by the Queensland Treasury Corporation confirmed our robust financial outlook. Cash balances will exceed \$73m as at 30 June 2011, and our long-term financial plan demonstrates that – through good planning by this Council – it will exceed all of its cash targets for the next decade,” Mayor Hobson said.