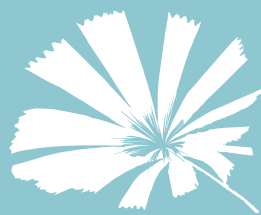


Budget 2011/12 **action plan**



Cairns
Regional
COUNCIL

ROBUST - RESPONSIBLE - RESILIENT



Mayor's message

Val Schier Mayor, Cairns Regional Council

The Cairns Region has had another tough economic year and this is reflected in the 2011/2012 Cairns Regional Council budget. As we enter our third year of economic downturn and on the back of Cyclone Yasi, we are delivering a budget that will maintain our key services and reinforce our commitment to delivering these services to the highest standard. At the same time, this budget continues my Council's focus on planning for a more prosperous future through creating jobs, diversifying the economy and building new infrastructure.

As the rest of Australia begins to emerge from the economic downturn, we still find ourselves with high unemployment, a stagnant construction industry and a slow retail environment. When I walk around town, I see businesses struggling to cover their costs and families who are cutting back to make ends meet. The economic downturn has affected Council in the same way and just like families we have entered our third year of cutting back our costs to operate. We have looked internally again to find significant efficiencies to ensure we limit the financial burden on our ratepayers as much as possible.

This budget will maintain our service levels in parks and gardens, roads and community services whilst insulating our community as much as possible from cost of living increases. We have taken a financially responsible approach that allows us to continue delivering high quality services while keeping rate increases well below the Local Government Association of Queensland cost index.

Our commitment to planning for the future and delivering key economic and infrastructure projects remains strong. We will continue with our significant future planning agenda including the completion of the Daintree Gateway Masterplan and the Cairns Regional Economic Development Plan and will begin the implementation of the plans for the City Centre, the Cairns Entertainment Precinct and Port Douglas Waterfront.

We will also continue our innovation agenda and our commitment to the diversification of the Cairns economy. This Council has defined itself with a strong commitment to economic development. Council's first ever in house economic development team is kicking goals with initiatives such as the Tropical Innovation Awards. We have also overseen the expansion of Advance Cairns' activities and increases in Council funding available to the tourism industry. Whilst this has played a role in mitigating some of the effects of the downturn, the greatest rewards of our investment in economic development and diversification are yet to come.

This has been the third tough budget in a row for this Council. We have made a strong commitment to absorbing most of the pain internally and delivering minimal rate and fee rises whilst maintaining high levels of service. It will be another tough year for Council staff who, just like the community, will be trying to do more with less. However our commitment to building a stronger and more resilient community and economy is unwavering and we are confident that the planning work undertaken during this Council will ensure a prosperous future for our region.



CEO'S message

Lyn Russell CEO, Cairns Regional Council

Cairns Regional Council's focus for the 2011/12 fiscal year is on delivering a "back to basics" budget with an emphasis on excellence in service delivery. This Budget is about getting the fundamentals right and delivering our core services, the very heart of local government.

This budget reflects Council's continued commitment to prudent and responsible budgeting, which is enabling our region to be resilient in the face of a series of extensive fiscal challenges caused by a downturn in tourism and slow economic recovery, as well as recent natural disasters. Nevertheless, the budget we are presenting strongly maintains critical services. Council's commitment to keeping rates realistic is especially important during these difficult economic times, as businesses seek to survive and thrive and many residents affected by the slow economic recovery struggle to balance their own household budgets.

Council will continue its strong investment in the growth and development of our region. The retention of our workforce and the protection of jobs is integral to continuing to provide excellent service to our ratepayers and community.

This budget reflects a thoughtful and reasoned approach, one which recognises that we are still in tough economic times in our region. It also reflects the necessary balance of reducing spending with our responsibility to provide services at a level our residents need and deserve.

After an exhaustive analysis of our expenses, revenues and the efficiency of our operations, this budget represents a focus on our priorities for this fiscal year, and more importantly; it lays the foundations for us to move towards surpluses in coming years.

Residents have a right to expect Council to run efficiently and effectively and we are looking at achieving value for money with every dollar we spend and every service we provide. The tough economic times we currently face push us to be more creative, more inventive but still highly productive.

This budget could not have been developed and presented without the hard work and dedication of many Council officers throughout the organisation. Their professionalism and commitment to service, particularly in this year of great challenges, is greatly appreciated. I express my sincere thanks and gratitude to all Councillors and employees whose hard work and strong commitment has resulted in a responsible and realistic budget for 2011/12.

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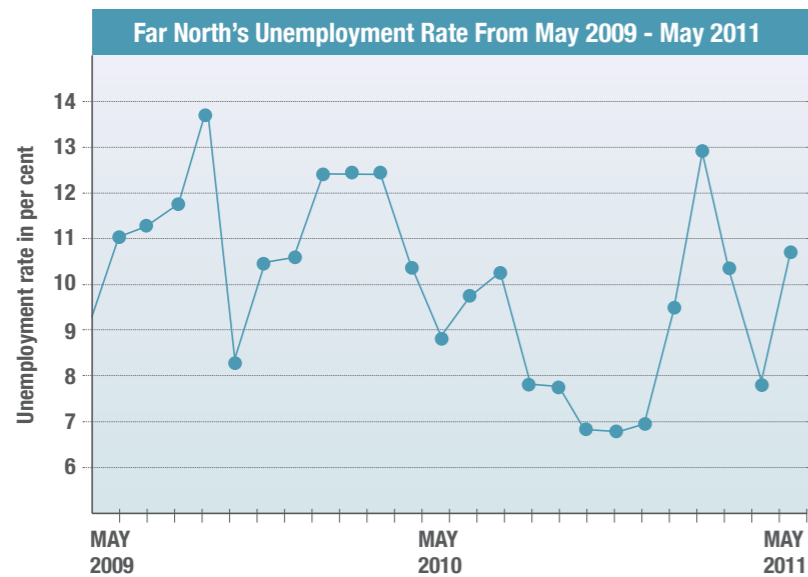
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Budget 2011/12

This budget sets a new benchmark in responsible financial management to ensure ongoing economic resilience and sustainability of the region.

The current high unemployment rate reminds us of the difficulties our community still faces. Council's 2011/12 Capital Works budget will focus on job creation and infrastructure renewal throughout the region.

Council recognises that ratepayers in the region are experiencing financial strain. Keeping this in mind Council has restricted the rate yield increase to just 3.4% to minimise the impact on the community.



Unique challenges

The back-to-back blows of a weak tourism sector and the devastation of cyclone Yasi caused unemployment to peak at 13% in February 2011 – the highest jobless rate in the country and the region's worst result since September 2009.

The Far North Queensland region continues to have the highest unemployment rate in Queensland at 10.8% compared with the National average of 4.9%. The rate should see a steady improvement as the post-cyclone Yasi reconstruction process builds in intensity and gets business back to normal.

Passenger numbers at the international terminal have struggled to maintain the levels that were achieved during 2010 and are on a reducing trend. International passenger numbers are likely to remain soft due to a reduction in tourist numbers from Japan following the earthquake and tsunami and the surge in the Australian dollar.

The Cairns property market has been deteriorating in recent months with sales rates slow and median property prices tending to decline due to a weak demand.

Construction activity continues to show building approval figures for the Cairns urban area stagnet.

The region has experienced a high rate of business closure particularly in the tourism and construction industry. Evidenced by:

- Liquidation and receivership of construction companies
- Foreclosure of building companies
- Closure of Babinda Mill

Environmental factors including three cyclones, local flooding and a very wet year have impacted greatly on the tourism industry as well as on Council resources.

A 6.6% increase in electricity costs from 1 July and increases in insurance costs will impact greatly on Council's operational costs as well as adding another cost burden to the community.

We are starting to see some green shoots in the regional economy but as the fluctuating employment rate shows it is still a fragile environment.



Economic Overview

What is the impact of the new valuations?

The Valuer-General's Office has changed methodology in relation to property valuations, moving from unimproved value to using site value (with the exception of primary production land).

Property owners will have received their new valuations and most owners will have noticed a change in valuation from last year.

Residential values increased by an average of 1% while inner city commercial properties generally reduced in value in the order of 10%. In some areas individual values have increased by 20% and in others they have reduced by as much as 30%.

Council's rates are based on the cost of providing adequate levels of service to the community, providing and maintaining infrastructure and planning for the future. Whilst property valuations may fluctuate the level of rates must still generate enough revenue to fund these services.

Through an extensive rate modelling process Council endeavours to ensure a fair and equitable distribution of any rates increases, by taking into account the many factors that affect the rates process, including valuations, rates in the dollar, minimum rates and rating categories. It's important to note that because of these factors a reduction in valuation may not necessarily translate directly into a reduction in Council rates.

Why will there be a deficit?

An operating deficit of \$4.8 million will allow Council to meet community needs with a modest increase in rates.

This outcome means Council can still deliver the quality of service our community expects, whilst absorbing much of the considerable upward pressure on rates.

Significant cutbacks have been made within all departments, however Council faces increasing costs reflected in the LGAQ cost index of 7.5%.

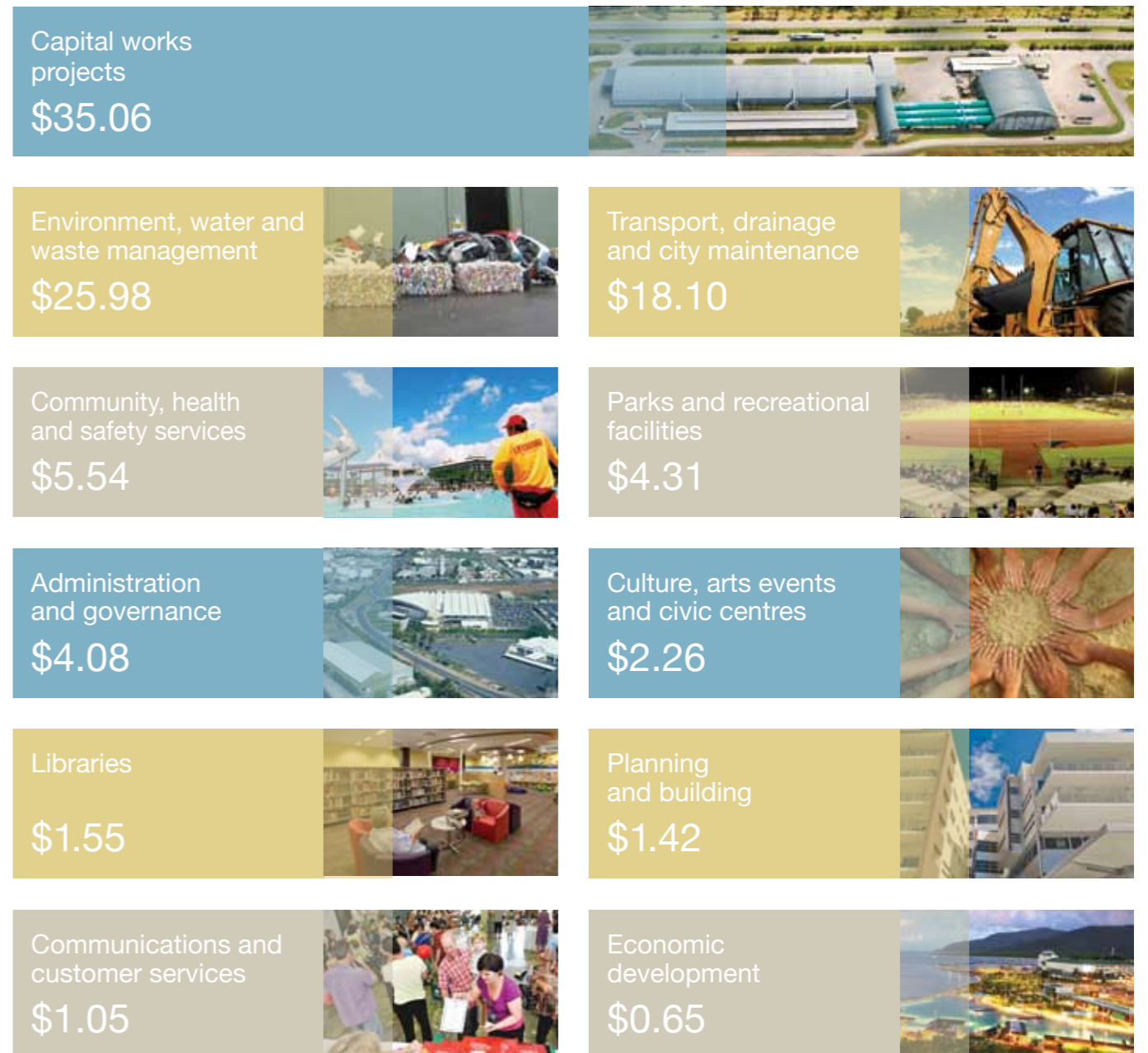
Council is confident that this year's deficit can be overturned in the next couple of years, with the 10-year outlook taking us into a significant surplus.

Forward projections show Council will move toward a balanced budget during the next two years with a surplus in the third year.

The deficit is well within the Queensland Treasury Corporation's recommended tolerance for deficit budgets.

Where do your rates go?

For every \$100 in expenditure, Council delivers the following services:



Economic Overview

Planning for tomorrow

Council has worked hard to establish long-term strategies and plans to ensure the region retains its enviable lifestyle and unique character. As the economic downturn subsides we expect to re-enter a period of continued growth and development.

The community has played a key role in developing master plans across the region, including Mount Peter; Cairns City Centre; Daintree Gateway; Edmonton town centre; and Port Douglas Waterfront master plans.

The Cairns Entertainment Precinct Master Plan has taken shape and will provide the cornerstone for our revitalised region. This includes how the site utilises public spaces and facilities, architecture and design and White's Shed. The Master Plan also addresses issues surrounding climate and environment and the way in which the site can provide access and accessibility.

These plans allow Council to look confidently at the future of the region and examine partnerships between all levels of government as catalyst projects turn these plans into reality and create jobs throughout the region.

Council is mindful of the need to diversify the regional economy to mitigate the effects of future economic downturns. Our economic development strategy will guide our decision making around job creation and economic development funding.

Our future

Council is putting in place long-term measures to change the face of Cairns and its recovery through:

- Economic development strategy
- Event strategy
- Cairns Plan
- Community Plan
- Master plans
 - Cairns Entertainment Precinct
 - Daintree Gateway
 - Port Douglas Waterfront
 - Cairns City Centre
 - Mount Peter
 - Edmonton Town Centre

Council is investing in building resilience within the community to withstand future social, environmental, political and economic impacts. Looking at the next 10 years is just as important as looking at the next 12 months.

Council will continue to work with external organisations and key industry bodies to find co-ordinated strategies to improve employment opportunities in the region. Council will develop and implement strategies that encourage future growth and development in the region such as Discounted Infrastructure Charges. Through this initiative Council has waived \$4 million in developer contributions to enable 32 developers to kick-start the Cairns construction sector.



ROBUST

Building for the future

Council will continue to invest in infrastructure renewal and job creation throughout the region. Our capital works budget for 2011/12 will be a total of **\$151.7 million**.

Council has developed a responsible and robust Capital Works program that will continue to provide essential services and infrastructure for the community.

A focus on renewal of community assets and infrastructure will ensure that Council can continue to provide quality infrastructure now, and for future generations.

Council's Water and Waste unit will continue to carry out important infrastructure projects within its \$48.7 million capital works project.

The focus of this year's capital works program is on maintaining and upgrading our existing community assets.

Our projects

\$103 million Capital Works budget for 2011/12 excluding Water and Waste

Departmental split

- Infrastructure Services:\$36.70 million
- Community, Sport and Cultural Facilities:\$11.479 million
- Corporate Services:\$3.875 million
- Planning and Environment:\$0.675 million

MAJOR PROJECTS:

- Cairns Entertainment Precinct:\$46.00 million
- \$6 million carried over from Council's 2011/12 budget and \$40 million committed by the Federal Government.

Community, sport and cultural facilities

- School of Arts – rewire and air conditioning:\$1.49 million
- Cairns City Centre master plan scoping and design:\$0.49 million
- Annual sports facilities renewal program:\$0.50 million
- Barlow Park lighting upgrade:\$1.50 million
- Libraries:\$1.075 million



ROBUST

Our projects

Transport - \$22.49 million

- More than \$6.35 million on Council's overlay, reseal and road rehabilitation programs.
- \$1.49 million on identified road reconstruction projects.
- \$1.49 million on projects to implement the Cycling and Walking strategy.
- \$1.00 million on kerb and channel renewal projects throughout the region.

Drainage and flood mitigation - \$3.48 million

- \$0.75 million for the Glen Boughton drainage.
- \$0.50 million toward drainage infrastructure projects throughout the region.

Parks and foreshores - \$2.5 million

- \$0.50 million toward shoreline erosion management programs.
- \$0.49 million toward toilet facilities renewal.
- \$0.24 million playground equipment renewal.

Water and Waste

- \$48.70 million capital works budget

PROJECT HIGHLIGHTS

Water - \$20.70 million

- Design & Construct Recycled Water Systems at Marlin Coast, Northern & Mossman Water Treatment Plants\$8.23 million
- Port Douglas Reservoir Design and Construction Project..... commencing in 2011/2012

Waste Water - \$23.49 million

- Mossman Wastewater Treatment Plant Upgrade - Design and Construct\$2.00 million
- In-situ Sewer Relining Program 2011/12.....\$3.20 million
- Sewerage Pumping Station Upgrade - Swallow Road Edmonton\$1.00 million
- Clifton Beach Pressure Main System\$1.00 million
- Major Trunk Pressure Main Upgrades\$10.00 million

Waste and recycling - \$4.48 million

- Portsmouth Landfill LMS/GMS (part of the Portsmouth Landfill Closure operational project \$6.50 million)\$3.43 million



RESPONSIBLE

Sound financial management

Council has worked hard to find innovative solutions that will allow us to achieve goals, complete initiatives and effectively accomplish Council work while at the same time reducing costs.

Council continues to identify services that can be provided more cost effectively and will continue this policy through this financial year to improve our net position as the year progresses. Council identified over \$19 million in savings over the 2011/12 financial year.

Examples are:

- No increase in materials and services expenditure to 0.62% for 2011/12
- Freeze staff numbers for 12 months
- Overall operating expenditure increase restricted to 2.9%
- Remove Councillor divisional funds - \$500,000

Council will maintain service levels to ratepayers while continuing to find internal cost savings.

An operating deficit of \$4.8 million will be incurred by Council to shield ratepayers from Council's significant cost increases and revenue shortfall.

Our action plan

Every department within Council has formed teams to investigate better ways of doing business to find possible improved efficiencies and expenditure savings.

A review of the Rates Based Assistance Policy has been conducted and the maximum amounts for general and sewerage rates to assist sports and recreation clubs have been removed.

Council will maintain its workforce of approximately 1490 staff across the region to continue to provide high levels of service to the community.

Council will continue where possible to provide business to local companies and contractors for works projects. Council has amended its purchasing policy to further encourage the use of local suppliers wherever possible to stimulate the regional economy.



RESILIENT

Creating a resilient economy

Council recognises that although we are facing tough economic circumstances trying to reduce operating costs where possible, we must keep the ball rolling on creative initiatives to grow the region into the future.

Establishing a stable and financially sustainable budget is essential to tackling the issues that the region faces, including high unemployment rates. To deliver a more sustainable economy we need to do more with less by making better use of resources, increase investment, promote stability and competition, develop skills and reward work.

Establishing an economically sustainable region requires us to take a long-term view of the economy, rather than adopting short term fixes.

Council has taken a responsible approach in finding the balance between protecting our community from increased costs and operating from a deficit position.

Disaster management initiatives which are aimed at improving our community resilience to natural hazards, such as the storm tide evacuation strategy, will continue to be implemented with a budget of \$1.08 million.

Our initiatives

Council will lead the way in sustainable economic practices and will encourage organisations and community groups to share a similar sustainable economic and environmental focus.

Council's scheme to provide up to \$4 million in discounted infrastructure charges on local development projects has stimulated the construction industry.

Innovative planning opens new market opportunities to stimulate the economy and create new jobs.

Council is investing in master planning and community planning to identify future infrastructure and community needs. Council is focusing on areas where we can provide a mutual benefit in not only meeting the region's growth needs but also boosting economic growth.

Although the region's economy is still operating somewhat below capacity, Council is preparing for when it is booming again. Through the development of strategies and plans the region will be well positioned for when the economic downturn is reversed. Council is putting in place long-term measures to change the face of the region and its economy through initiatives such as:

- [Community Plan](#)
- [Events Strategy](#)
- [Economic Development Strategy](#)
- [City Centre Master Plan](#)
- [Cairns Entertainment Precinct](#)

Establishing an economically sustainable region requires us to take a long-term view of the economy rather than adopting short term fixes. This budget will provide funding to support tourism initiatives that help stimulate the local economy:

- [Tourism Tropical North Queensland - \\$880,000](#)
- [Tourism Port Douglas - \\$430,000](#)
- [Advance Cairns - \\$250,000](#)

At this point in time, Council is investing in viable and sustainable economic development opportunities that truly build the economy, promote long-term job growth, and enhance our region's quality of life.

Together, the savings being made by Council's efforts to work smarter and harder are reducing the burden on all ratepayers in the region. We will identify and implement ways to save money by doing business more efficiently and retaining the high quality of services residents expect.



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