



BUDGET REPORT

for the year

2009/2010

Prepared 30 June 2009

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1. EXECUTIVE SUMMARY

The 2009/2010 budget seeks to:

- deliver the services as set out in the Library Plan;
- provide a collection relevant to community needs;
- efficiently manage resources; and
- plan for the financial viability of the Corporation.

The objectives of the current Library Plan are:

KEY RESULT 1: Service meets community needs

OBJECTIVE	GOAL
Access	Provide convenient services and facilities open at times which meet community requirements
Lending Services	Facilitate access to and circulation of resources
Reference & Information Services	Deliver relevant information in any format by friendly and competent staff
Online Services	Provide reliable technology to deliver online resources on or off-site.
Programs & Events	Provide programs to support reader development, literacy and lifelong learning through the use of library services

KEY RESULT 2: Efficient management

OBJECTIVE	GOAL
Administration	Meet all statutory and financial requirements and manage service delivery professionally and efficiently.
Information & Communication Technology	Develop IT resources and provide a reliable integrated library management system.
Resource Provision	Develop a quality, organised and well presented collection in a range of formats which is current and responsive to community needs.
Marketing	Responding to user feedback provide appropriate library services. Through effective promotion ensure the community is aware of library services and resources.

Commentary

The preparation of the 2009/2010 Budget has involved a detailed review of all costing and particularly the operational standards for staffing levels.

As a consequence there is no significant increase in staffing costs. The review took into account:

- the impact of the new Enterprise Agreement (ave. 3.8% increases)
- establishment of base standards for the small libraries for set-up and set-down procedures
- full recognition of staff hours & award classifications
- relief hours

Budget initiatives include:

- the next phase of the computer replacement plan
- implementation of the Marketing Plan
- focus on staff training and development

Notwithstanding, overall investment in the service is still limited. The collection stock numbers around 110,000, which is well below the recommended level (in the order of 200,000) for the population of the service area. However, the lack of adequate floor space would inhibit the display of the recommended level of stock.

The investment in Materials, the Corporation's major asset, does not adequately cover the replacement of old and damaged items. The current stock turnover rate is 12.5 years, compared to the desired rate of 8 years.

This discrepancy is being addressed through the updated forward financial strategy, as set out in the proposed new Strategic Resources Plan.

Contributions from the four members councils are budgeted to increase by 4.5%.

The Budget ensures that the liquidity issues that have troubled the Corporation in the past have been properly addressed.

2. BUDGET PREPARATION

2.1 Statutory Requirements

The Local Government Act 1989 requires that the Corporation:

- Must prepare a budget each financial year.
- Must include:
 - Standard statements per the Regulations
 - Description of activities and initiatives
 - Statement on how the activities contribute to the strategic objectives (in the Library Plan)
 - Performance targets & measures for key strategic activities
- Must give public notice once prepared and invite submissions
- Must adopt the budget by 31 August each year.
- Submit a copy to the Minister.

The Local Government (Finance and Reporting) Regulations 2004 specify the information required for inclusion in the Budget report.

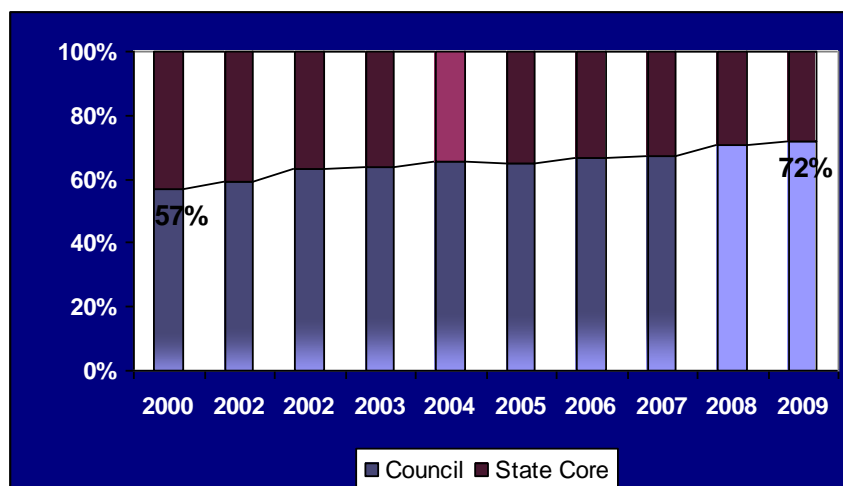
2.2 Budget Influences

Community

- The latest community survey again highlighted the importance of the service to the community – rated 9.5 out of a possible 10.
- The community said that the most important services within the library were
 - Staff courtesy & helpfulness
 - Staff knowledge

External

- Only a minimal increase (3%) in the Public Library Grant Program is expected, based on past trends.
- The following chart highlights the shift in the balance of State and Council funding for the service over the past 8 years



Internal

- Member Councils contributions are based on the previous funding formula & increased in the budget year by 4.5%
- Impact of the new staff Enterprise Agreement – average wage increases of 4.2%
- Retention of existing open hours at all libraries
- No increase in fees and charges

Council Contributions Formula

- The Regional Agreement provides that “each Council will contribute to the operating budget of the Corporation via a formula to be agreed by the Board on an annual basis”.
- The funding formula applied in the current financial review reflects a continuation of the basis of the formula most recently supported by the Board is the 2007/08 budget with a 4.5% increase in the 2008/09 budget.

Cost component (operating & capital)	Formula basis (2008/09), + 4.5% increase 09/10
Regional	Per capita
Information Technology	No. of PCs at branch libraries
Materials	No. of issues per branch library
Branches	Direct operating costs for branch libraries
Outreach	No. of issues per stop

2.3. Budget Highlights

The following Budget allocations are highlighted:

ICT upgrade

- Funding for third year (of the 4 year) replacement plan for ICT equipment - \$19,600
- Network improvements and efficiencies - \$16,600

Collection

- Annual replacement program - \$342,917
- Second year of the State 'Reading Challenge' funding program - \$31,617

Lending Services

- Courier services between branch libraries - \$33,000

Programs

- Activities, including Reading Club, Book Talks, author visits - \$18,000

Staff

- Final instalment for borrowing for the unfunded superannuation payment - \$25,000
- Funding for staff development and training programs - \$20,500

Marketing

- Funding to support implementation of the Marketing Strategy - \$30,000

Regional Headquarters

- Allocation for rental for the regional staff accommodation - \$34,000
- Financial services support agreement, with Colac-Otway Shire - \$35,000

The following strategic work plans are also highlighted:

Operations

- Definition of Operational Standards
- Input into the operation of the new Colac Library
- Search for new premises for Regional Headquarters
- All services to be monitored for continuous improvement

Collection

- Completion of the Collection Development & Management Plan

Assets

- Preparation of design standards for library buildings
- Audit of library buildings against the standards

Unfortunately, the Budget does not satisfactorily address the following matters:

- Shelving and furniture replacement
- Workroom improvements
- Buildings maintenance control
- Increase in public access to internet terminals

2.4 Public Consultation

The draft budget will be advertised in the Colac Herald and Warrnambool Standard in the week following the Board's resolution to prepare the Budget.

The draft budget documents will be available at all libraries and on the Corporation's website - www.corangamitelibrary.vic.gov.au.

Date	Activity	Action
14 th May	Board Meeting	Consider formal Budget documents (standard statements). Resolve to prepare Budget and Strategic Resources Plan (SRP).
16 May	Advertise	Invite public submissions on Budget & SRP.
18 June	Board Meeting	Consider submissions. Adopt Budget & SRP.

2.5 Budget Adoption

The Board needs to adopt the Budget by 31st August.

3 STANDARD STATEMENT OF FINANCIAL PERFORMANCE

3.1 Purpose

The Standard Statement of Financial Performance (often referred to as a Profit and Loss Statement) discloses revenues, expenses and sometimes other transactions (donated assets, written down value of assets sold, etc) which have occurred in a given accounting period. For budgetary and strategic financial planning purposes this period will generally be a particular financial year.

Major categories of revenues and expenses are aggregated within the Standard Statement in order to itemise and disclose major line items of both revenue and expenses.

The Statement is prepared and presented on an accrual basis, or the 'matching principle', whereby revenue and expenditure is recognised when it is incurred or earned, but not necessarily paid or received.

3.2 Budget Statement

BUDGETED STANDARD STATEMENT OF FINANCIAL PERFORMANCE

	Notes	2008/2009 PROJECTED	2009/2010 BUDGET
OPERATING REVENUE			
Contributions & grants to Regional Library Corporation	1	\$2,045,574	\$2,128,241
Operating Grants & Subsidies	2	\$Nil	\$Nil
Library Fees	3	\$36,500	\$37,595
Other	4	\$27,808	\$28,642
TOTAL OPERATING REVENUE		\$2,109,882	\$2,194,478
OPERATING EXPENSES			
Employee Expenses	5	\$1,308,106	\$1,363,046
Depreciation	6	\$411,145	\$393,000
Borrowing Costs	7	\$919	\$0
Materials & Services	8	\$363,891	\$374,808
Plant Expenses	9	\$18,000	\$31,480
TOTAL OPERATING EXPENSES		\$2,102,061	\$2,162,334
NET SURPLUS/(DEFICIT)		\$7,821	32,144

3.3 Notes Supporting the Statement

3.3.1 Revenue

1. Contributions

The table below details individual Council contributions and State Government funding – Council contributions will increase by 4.5% on the 2008/09 base budget provision.

Source	2008/09 Projected	2009/10 Budget
Colac-Otway Shire	\$406,271	\$424,553
Corangamite Shire	\$292,194	\$305,343
Moyne Shire	\$210,681	\$220,162
Warrnambool City	\$510,855	\$533,843
Council Contributions	\$1,420,001	\$1,483,901
Public Library Core Funding Grant	\$569,774	\$584,843
Total	\$1,989,774	\$2,068,774

2. Grants & Subsidies

Grants are included in the Contributions & Grants figures.

3. Library Fees

Revenue attributed to Library Fees is budgeted to slightly increase.

4. Other Revenue

Expectations of investment earnings have been lowered.

3.3.2 Expenditure

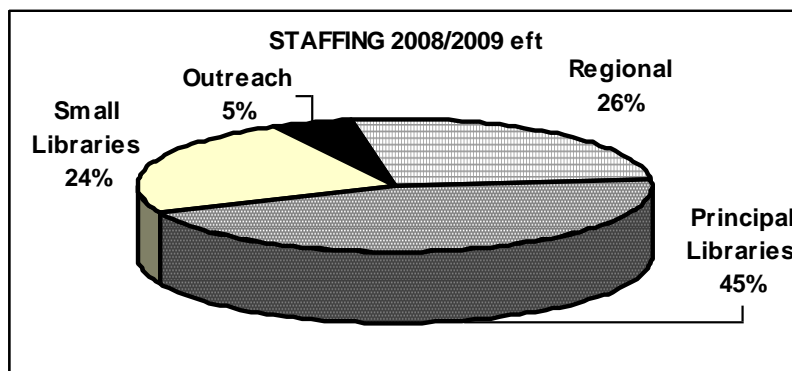
5. Employee Expenses

Employee expenses are budgeted to increase by 4.2%.

Year	EFT	Wages & Oncost
2008/2009 Projected	24.10	\$1,308,106
2009/2010 Budget	24.10	\$1,363,046
Increase		\$54,940

This increase in staffing costs is due to:

- the impact of the new Enterprise Agreement (3.8% increases)
- movements within bands



6. Depreciation

Depreciation forecasts are based on current asset valuations. Allowance has not been made for a revaluation of the assets and a more accurate depreciation calculation should be forthcoming at 30 June 2009.

7. Borrowing Costs

Loan has been fully repaid in this year.

8. Materials and Services

No major variation.

9. Plant Expenses

Plant expenses relate to the Outreach Service van and the staff car.

4 STANDARD STATEMENT OF FINANCIAL POSITION

4.1 Purpose

The Standard Statement of Financial Position (often referred to as the Balance Sheet) demonstrates the Corporation's net value or equity at any given time. Fundamentally, it indicates the current value of what the Corporation owns (assets) less what is owed (liabilities).

This Statement also forms the basis for financial investigation into the Corporation's liquidity position, *ie.* The amount of cash available, or the Corporation's capacity to pay its current liabilities as and when they fall due.

Assets and liabilities within the Statement are categorised as current or non-current. Current refers to those assets or liabilities which can be liquidated (converted to cash), are payable within the next twelve months and the Corporation cannot defer payment of the liability beyond a 12 month period.

4.2 Budget Statement

BUDGETED STANDARD STATEMENT OF FINANCIAL POSITION

	Note	2008/09 PROJECTED	2009/10 BUDGET
CURRENT ASSETS			
Cash	11	\$333,393	\$384,693
Receivables	12	\$4,800	\$4,800
Prepayments	12	\$0	\$0
TOTAL CURRENT ASSETS		\$338,193	\$389,483
NON-CURRENT ASSETS			
Fixed Assets	13	\$2,202,300	\$2,225,147
TOTAL NON-CURRENT ASSETS		\$2,202,300	\$2,225,147
TOTAL ASSETS		\$2,540,493	\$2,614,640
CURRENT LIABILITIES			
Payables	14	\$23,400	\$23,200
Employee Entitlements	15	\$211,532	\$239,325
Interest bearing liabilities	16	\$0	\$0
TOTAL CURRENT LIABILITIES		\$234,932	\$262,525
NON-CURRENT LIABILITIES			
Employee Entitlements	15	\$6,033	\$6,033
Interest bearing liabilities	16	\$0	\$0
TOTAL NON-CURRENT LIABILITIES		\$6,033	\$6,033
TOTAL LIABILITIES		\$240,965	\$268,558
NET ASSETS		\$2,299,528	\$2,346,082
EQUITY			
Accumulated Funds	17	\$174,428	\$220,982
Reserves	18	\$2,125,100	\$2,125,100
TOTAL EQUITY		\$2,299,528	\$2,346,082

4.3 Notes Supporting the Statement

4.3.1 Assets

11. Cash

Cash is budgeted to increase over the period by \$51,300.

12. Receivables and Prepayments

Receivables relate to outstanding Goods and Services Tax at June 30 each year.

13. Fixed Assets

The value of fixed assets is expected to slightly increase in 2008/09. This is the result of capital expenditure being slightly greater than annual depreciation charges.

4.3.2 Liabilities

14. Payables

Payables are based on past trends. Whilst they are projected to drop, it is difficult to precisely predict what invoices and accounts will be outstanding as of 30th of June each financial year.

15. Employee Entitlements

Long Service Leave and Annual Leave are projected to increase in line with projected increased salaries.

16. Interest Bearing Liabilities

Interest Bearing Liabilities were extinguished in the 2008/09 year.

4.3.2 Equity

17. Accumulated Funds

The projected operating profit will increase the Accumulated Funds.

18. Reserves

Changes in Reserves from Asset Revaluations have not been taken into account due to the uncertainty of revaluations. Consequently the quantum of reserves has been kept static.

5 **STANDARD STATEMENT OF CASH FLOWS**

5.1 **Purpose**

The Standard Statement of Cash Flows shows what has happened or what is expected to happen during a year in terms of cash. It explains what cash movements have resulted in the difference in the cash balance at the beginning and the end of the year.

The net cash flows from operating activities, shows how much cash remains or is expected to remain after paying for providing services to the community which may be invested in things such as capital works.

The information in this Statement assists in the assessment of the ability to generate cash flows, meet financial commitments as they fall due including the servicing of borrowing's, fund charges in the scope or nature of activities and obtain external finance.

Cash flow management is a vital function for any entity. The Cash Flow Statement assists the Corporation to identify and monitor its ability to generate cash flows into the future; its capacity to meet financial obligations, eg, payment of borrowings and payments to creditors; and the feasibility of expenditure decisions and any potential impact on working capital or liquidity.

The Cash Flow Statement also reveals what cash movements have occurred within a given accounting period (normally a year) and how these movements may translate to differing cash balances at the commencement and conclusion of an accounting period.

Cash in this statement refers to bank deposits and other forms of highly liquid investments that can readily be converted to cash, such as cash invested with funds managers, net of bank overdrafts.

Cash arises from, and is used in, three main areas:

- Cash flows from operating activities:
 - *Receipts*: All cash received from Library Fees, Council's contribution's to the Corporation and others who owed money to the Corporation as part of its normal operations.
 - *Payments*: All cash paid by the Corporation to staff, creditors, other persons as part of its normal operations.
- Cash flows from investing activities are those activities which relate to acquisition and disposal of non-current assets, including the collection, plant, furniture and equipment, and investments not falling within the definition of cash.
- Cash flows from financing activities are those activities which relate to changing the size and composition of the financial structure of the entity, including equity, and borrowing's not falling within the definition of cash.
- The bottom line of the Statement of Cash Flows is the cash at end of financial year. This shows the capacity of the Corporation to meet its debts and other liabilities.

5.2 Budget Statement

BUDGETED STANDARD STATEMENT OF CASH FLOWS

	Note	2008/09 PROJECTED	2009//10 BUDGET
CASH FLOWS FROM OPERATING ACTIVITIES			
Grants		\$625,574	\$644,341
Library Fees		\$36,500	\$37,595
Contributions and donations received		\$1,420,000	\$1,483,900
Payments to employees		(\$1,308,106)	(\$1,363,046)
Payments to suppliers		(\$363,891)	(\$374,808)
Interest paid		(\$919)	\$0
Other Receipts		\$27808	\$28,642
Net cash provided by operating activities		\$436,966	\$368,500
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for asset acquisition	19	(\$433,992)	(\$447,012)
Proceeds from disposal of assets	20	\$2,000	\$15,000
Net cash used in investing activities		(\$431,992)	(\$317,200)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	21	\$0	\$0
Proceeds from borrowings		\$0	\$0
Net cash used in financing activities		\$0	\$0
Net increase/(decrease) in cash held	22	\$4974	\$51,300
Cash at the beginning of the financial year		\$328,419	\$333,393
CASH AT THE END OF THE FINANCIAL YEAR	23	\$333,393	\$384,693

5.3 Notes Supporting the Statement

19. Capital Expenditure

Capital Expenditure from general funds is slightly increased on the previous year's dollar level.

20. Proceeds from disposal of assets

Proceeds from book sales are minimal and are included in the operating activities.

21. Repayments/Proceeds of borrowings

No new loans are proposed.

22. Change in Level of Cash Held

Positive net change in cash held.

23. Cash at End of Financial Year

As reflected in the Standard Balance Sheet, cash held at the end of the financial year will increase, leaving the Corporation with a positive cash position.

6 STANDARD STATEMENT OF CAPITAL WORKS

6.1 Purpose

The Standard Statement of Capital Works is designed to demonstrate the overall total of capital expenditure and the types of capital expenditure to be undertaken. Capital expenditure is defined as expenditure that either creates a new asset or improves the current function of an existing asset. Capital expenditure is distinct from maintenance expenditure.

6.2 Capital Works Program

BUDGETED STANDARD STATEMENT OF CAPITAL WORKS

Projects	Note	2008/09 PROJECTED	2009/10 BUDGET
Furniture & Equipment	24	\$15,811	\$15,000
Collection	25	\$385,110	\$396,663
Plant	26	\$10,224	\$10,000
Total Capital Works		\$411,145	\$421,663
Represented by:			
Renewal		\$385,110	\$396,663
Upgrade		\$26,035	\$25,000
Total Capital Works		\$411,145	\$421,663

6.3 Notes Supporting the Statement

24. Furniture & Equipment

Expenditure includes the computer replacement program, IT Hardware upgrades, signage enhancements and general equipment replacements.

25. Collection

Expenditure increase due to slight movement in funding for book stock.

26. Plant

Minor plant replacement

6 **KEY STRATEGIC ACTIVITIES**

7.1 **Performance Targets & Measures**

Indicator	2010 Target
Membership as % population	40%
Visits per capita	5.0
Loans per capita	7.0
Collection items per capita	1.4
Visits per member	8.0
Internet access PCs per 10,000 population	5.0
Items acquired per capita annually	0.15
Acquisitions as % collection	12.0%
User satisfaction score	>8.6
Loans per staff eft	23,000
Collection – no. items	120,000