

CORANGAMITE REGIONAL LIBRARY CORPORATION

BUDGET 2006/2007

EXECUTIVE SUMMARY

The 2006/07 budget has been prepared to:

- Deliver on priorities as set out in the Library Plan
- To build the collection to meet community needs
- To provide consistent quality service
- To ensure resources are managed efficiently

The four year Library Plan 2005-08 incorporates the following objectives:

KEY RESULT 1: Service meets community needs

OBJECTIVE	GOAL
<i>ACCESS</i>	Provide convenient services and facilities open at times which meet community requirements
<i>LENDING SERVICES</i>	Facilitate access to and circulation of resources
<i>REFERENCE & INFORMATION SERVICES</i>	Deliver relevant information in any format by friendly and competent staff
<i>ONLINE SERVICES</i>	Provide reliable technology to deliver online resources on or off-site.
<i>PROGRAMS & EVENTS</i>	Provide programs to support reader development, literacy and lifelong learning through the use of library services

KEY RESULT 2: Efficient management

<i>ADMINISTRATION</i>	Meet all statutory and financial requirements and manage service delivery professionally and efficiently.
<i>INFORMATION & COMMUNICATION TECHNOLOGY</i>	Develop IT resources and provide a reliable integrated library management system.
<i>RESOURCE PROVISION</i>	Develop a quality, organised and well presented collection in a range of formats which is current and responsive to community needs.
<i>MARKETING</i>	Responding to user feedback provide appropriate library services. Through effective promotion ensure the community is aware of library services and resources.

Budget Influences

External

- Public Library Grants Program: minimal increase based on population growth in Colac Otway, Moyne and Warrnambool City (2.9%)
- *Book Bonanza* Grant:: 2006/07 final year payment \$86,500

Internal

- Member Councils contributions based on direct service model
- Overall Council contribution increase 7.7%
- Enterprise Agreement No 3 - 2005 4% increase to be paid July 1 2006
- Staff establishment to support regional services, such as processing and help desk
- No increase in fees and charges

The following areas in the budget are noted:

ICT upgrade

- Ongoing systematic upgrade of equipment for both public and staff
- Asset replacement program implemented
- Maintain efficiencies in network costs

Working in partnership to improve facilities and branch presentation

- Working with member councils to improve external and internal signage
- Improve branch layout for ease of access
- Work with member councils to improve branch facilities to comply with OH&S standards for staff and public

Collection development

- Additional 25% funding for materials
- Maintain Collection Review Program to ensure collection current and attractive
- 2006/07 Final year of Book Bonanza Program
- Improve turn around time from order to shelf ready in Acquisitions

Staff Training and Development

- Statewide training programs discontinued: 2006/07 budget increase for in-house and external specialist skills training
- Provide opportunity for senior staff development

Monitoring and reviewing service delivery

- Cessation of regional Mobile Library Service 1/7/07
- All services to be monitored for continuous improvement

Marketing

- Implement the regional Marketing Strategy
- Promotion focus on service opening hours and programs
- Use the redesigned website to promote online services to members and non members

Summary

The 2006/07 budget continues to emphasize service delivery and collection development, building on improvements to the network and library management system made in 2005/06.

**CORANGAMITE REGIONAL LIBRARY CORPORATION
2006/2007 BUDGET**

1.1 Budgeted Standard Income Statement

The Standard Income Statement (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 Income 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 expenditure and revenue is recognised when it is incurred or earned, but not necessarily paid or received.

BUDGETED STANDARD INCOME STATEMENT

	NOTES	2005/06 PROJECTED	2006/07 BUDGET
OPERATING REVENUE			
Contributions to Regional Library Corporation	1	\$1,504,700	\$1,602,000
Operating Grants & Subsidies	2	\$111,500	\$111,500
Library Fees	3	\$42,500	\$46,000
Other	4	\$18,500	\$19,000
TOTAL OPERATING REVENUE		\$1,677,200	\$1,778,500
OPERATING EXPENSES			
Employee Expenses	5	\$1,025,500	\$1,059,500
Depreciation	6	\$387,400	\$409,700
Borrowing Costs	7	\$4,900	\$3,700
Materials & Services	8	\$283,100	\$295,000
Plant Expenses	9	\$45,000	\$38,500
TOTAL OPERATING EXPENSES		\$1,745,900	\$1,806,400
Net gain (loss) on disposal of assets	10	(\$400)	\$3,800
NET SURPLUS/(DEFICIT)		(\$69,100)	(\$24,100)

1.1.1 Notes *(Supporting the Budgeted Standard Income Statement)*

Income:

1. Contributions:

Contributions will increase by \$97,300 in 2006/07. The table below details individual Council contributions and State Government funding.

	2005/06 Forecast	2006/07 Budget
Colac Otway Shire	\$303,900	\$327,000
Corangamite Shire	\$173,700	\$187,000
Moyne Shire	\$147,700	\$159,000
Warrnambool City	\$361,200	\$389,000
Public Library Core Funding Grant	\$518,200	\$540,000
Total	\$1,504,700	\$1,602,000

2. Operating Grants & Subsidies:

Grants and Subsidies funding is expected to remain steady over both years.

3. Library Fees:

Library Fees are budgeted to have a minimal increase of \$3,500 due mainly to photocopying charges.

4. Other Income:

Other Income is budgeted to increase minimally by \$500.

Expenses:

5. Employee Expenses:

Employee expenses are budgeted to increase by \$34,000 based on the current Enterprise Bargaining Agreement.

6. Depreciation:

Depreciation forecasts are based on current asset valuations and future levels of capital expenditure but may be influenced by future asset revaluations which are expected to happen in 2005/2006. Asset revaluations can alter the asset valuation base upon which the annual depreciation charges are based.

7. Borrowing Costs:

A decrease in borrowing costs reflects scheduled principal repayments made in both years.

8. Materials and Services:

The 2006/07 budget includes an increase in Materials and Services of \$11,900 due to increased information technology expenses.

9. Plant Expenses:

Plant expenses will decrease due to lower budgeted maintenance costs on the bookmobile.

Other:

10. Net gain (loss) on disposal of assets:

The forecast disposals of plant and books in 2005/06, result in a marginal loss of \$400. In 2006/07, a net gain of \$3,800 is expected due mainly to gain on book disposals.

Observations

The continuance of operating deficits is not ideal, but the 2006/07 budgeted result is an improvement on the 2005/06 forecast deficit. As such, incremental contribution increases from the Corporations' shareholders will be required in future years.

1.2 Budgeted Standard Balance Sheet

The Budgeted Standard 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, *i.e.* 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 Balance Sheet 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.

The following table presents the Corporation's projected Balance Sheets for the relevant years.

BUDGETED STANDARD BALANCE SHEET

		2005/06 PROJECTED	2006/07 BUDGET
CURRENT ASSETS			
Cash	11	\$88,900	\$152,600
Receivables	12	\$5,700	\$5,700
TOTAL CURRENT ASSETS		\$94,600	\$158,300
NON-CURRENT ASSETS			
Fixed Assets	13	\$2,136,000	\$2,032,700
TOTAL NON-CURRENT ASSETS		\$2,136,000	\$2,032,700
TOTAL ASSETS		\$2,230,600	\$2,191,000
CURRENT LIABILITIES			
Payables	14	\$51,800	\$51,300
Employee Entitlements	15	\$79,200	\$82,400
Interest bearing liabilities	16	\$21,500	\$22,900
TOTAL CURRENT LIABILITIES		\$152,500	\$156,600
NON-CURRENT LIABILITIES			
Employee Entitlements	15	\$83,300	\$86,600
Interest bearing liabilities	16	\$47,200	\$24,300
TOTAL NON-CURRENT LIABILITIES		\$130,500	\$110,900
TOTAL LIABILITIES		\$283,000	\$267,500
NET ASSETS		\$1,947,600	\$1,923,500
EQUITY			
Accumulated Funds	17	(\$177,500)	(\$201,600)
Reserves	18	\$2,125,100	\$2,125,100
TOTAL EQUITY		\$1,947,600	\$1,923,500

1.2.1 Notes (Supporting the Projected Standard Balance Sheet)

11. Cash:

Cash is budgeted to increase over the period by \$63,700 increasing the working capital position/ratio to 101%.

12. Receivables:

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

13. Fixed Assets:

The value of fixed assets are expected to decline in 2006/07. This is the result of capital expenditure declining below the annual depreciation charges. However, it should be noted that asset revaluations can materially impact on the net value of bookstock assets and consequently increase the depreciation charges.

14. Payables:

Payables are based on past trends. They are projected to remain relatively constant as it is difficult to predict what invoices and accounts will be outstanding as of 30th of June each financial year.

15. Employee Entitlements:

The trend for Employee Entitlements is a marginal increase for 2006/07 financial year. Long Service Leave and Annual Leave are projected to increase in line with projected increased salaries.

16. Interest Bearing Liabilities:

Interest Bearing Liabilities will be extinguished by 2008/09 in line with the Corporation's current repayment schedule.

17. Accumulated Funds:

The projected operating loss will decrease 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.

Observations

- The Corporation's ongoing financial position will improve with working capital ratios (net current asset position) reaching approximating 101% and total equity (net assets) remaining at substantial levels, albeit marginally declining.
- Given that the overall financial position of the Corporation is dominated by the value of bookstock assets, it should be noted that such values can alter substantially as a result of required regular asset revaluation. The effect of revaluations on the Corporation's financial position is difficult to forecast with any surety.
- The Corporation's equity continues to decline in the forecast and budget periods. This is due to the continuation of the entity recording operating deficits as capital expenditure on bookstocks has fallen substantially below the annual depreciation charges, effectively resulting in a capital renewal gap.

1.3 Budgeted Standard Cash Flow Statement

The Budgeted Standard Cash Flows Statement 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 a Cash Flow Statement assists in the assessment of the ability to generate cash flows, meet financial commitments as they fall due including the servicing of borrowings, 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 bookstock, 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 borrowings 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.

BUDGETED STANDARD CASH FLOW STATEMENT

		2005/06	2006/07
	NOTES	PROJECTED	BUDGET
CASH FLOWS FROM OPERATING ACTIVITIES			
Grants		\$111,500	\$111,500
Library Fees		\$42,500	\$46,000
Contributions and donations received		\$1,504,700	\$1,602,000
Payments to employees		(\$1,019,300)	(\$1,053,000)
Payments to suppliers		(\$315,000)	(\$334,100)
Interest paid		(\$4,900)	(\$3,700)
Other Receipts		\$18,500	\$19,000
Net cash provided by operating activities		\$338,000	\$387,700
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for asset acquisition	19	(\$374,600)	(\$327,500)
Proceeds from disposal of assets	20	\$20,100	\$25,000
Net cash used in investing activities		(\$354,500)	(\$302,500)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	21	(\$64,300)	(\$21,500)
Proceeds from borrowings		\$0	\$0
Net cash used in financing activities		(\$64,300)	(\$21,500)
Net increase/(decrease) in cash held	22	(\$80,800)	\$63,700
Cash at the beginning of the financial year		\$169,700	\$88,900
CASH AT THE END OF THE FINANCIAL YEAR	23	\$88,900	\$152,600

1.3.1 Notes (Supporting the projected Standard Cash Flow Statement)**19. Capital Expenditure**

Budgeted Capital Expenditure for 2006/07 is \$327,500. This is a decrease on the 2005/06 forecast due to absence of Furniture, IT System and Network upgrades.

20. Proceeds from disposal of assets:

There is budgeted disposals of a motor vehicle in each of the years.

21. Repayments/Proceeds of borrowings:

Repayment of Borrowings (unfunded superannuation liability) is in line with the current loan repayment schedule. No new loans are proposed.

22. Change in Level of Cash Held:

The net change in cash held will increase for 2006/07, reflecting lower capital expenditure and loan repayments than 2005/06.

23. Cash at End of Financial Year:

As reflected in the Standard Balance Sheet, cash held at the end of the 2006/07 financial year will increase, leaving the Corporation with a comfortable liquidity position.

1.3.2 Summary:

The following points summarise the Corporation's Cash Flow Statement position.

- The Cash Flow Statement presented indicates that the Corporation's total cash generated from operating activities or used in normal service delivery increases due to increased contributions and core funding in 2006/07.
- Cash generated or used in the enhancement of assets (investing activities) decreases in 2006/07 due to the completion of Furniture and IT upgrades in 2005/06.
- Cash flows from financing activities will reduce by approximately \$43,000 due to lower repayments of the unfunded superannuation liability in 2006/07.
- The Cash Flow Statement indicates the Corporation will generate adequate cash flows to meet its financial commitments as they fall due, including the servicing of borrowings and to fund its functions and activities.

2.0 Budgeted Standard Capital Works Statement

2.1 Introduction

The Budgeted Standard Capital Works Statement is designed to demonstrate the overall total of capital expenditure and the types of capital expenditure to be undertaken for 2006/07. 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.

2.2 Capital Works Program

The table below sets out the proposed level and nature of capital expenditure proposed for 2006/07 Budget.

BUDGETED STANDARD CAPITAL WORKS STATEMENT

Projects	Note	2005/06 Projected	2006/07 Budget
Furniture	24	\$72,000	\$15,000
Bookstock	25	\$276,600	\$287,500
Plant	26	\$26,000	\$25,000
Total Capital Works		\$374,600	\$327,500
Represented by:			
Renewal		\$318,600	\$327,500
Upgrade		\$56,000	\$0
Total Capital Works		\$374,600	\$327,500

Notes:

24. Additional furniture was required in 2005/06 to upgrade the Regional Offices in Colac and the IT Systems and Networks.
25. Bookstock capital expenditure will increase in 2006/07 by \$10,900.
26. There is forecast motor vehicle replacements in both years.

2.3 Summary:

The proposed capital works program will deliver the required service levels and outcomes.