



EASTERN REGIONAL LIBRARIES
CORPORATION

Budget Report - 2009/2010

Background

The Eastern Regional Libraries Corporation (ERLC) is a library corporation under section 196 of the Local Government Act 1989. The member Councils are Knox City Council, Maroondah City Council and Yarra Ranges Shire Council.

The Corporation is administered by a Board comprising two Councillor representatives from each of the Member Councils. Council officers attend Board meetings as advisors. The Corporation’s Chief Executive reports to the Board and is responsible for the management of the organization.

Funding is provided by contributions from the Member Councils together with grants from the State Government. The annual funding contributions for each member Council are based on a budget allocation formula basis that includes direct, per capita and usage components.

ERLC’s funding is provided as follows:

Source	Amount	Percentage of Total Revenues	Increase for 2009/2010	Comments
Council Contribution	7,923,028	74%	4%	<ul style="list-style-type: none"> To reflect true costs of operating libraries.
State Government Contribution	2,268,808	21%	2.75%	<ul style="list-style-type: none"> Does not reflect true escalation costs e.g. salaries are increasing by 5.5%. In the 70s, State Government for a period contributed 50% of Operating Costs.

The Corporation generates 5% (over \$600,000) of its income through User Charges and Fees, Investment Income and Asset Sales and receives other small one-off grants.

Alternate sources of funding are explored and investigated. ERLC endeavours to make Governments aware of the importance of funding for library services, at both Local and State Government levels.

ERLC delivers financial accountability, is committed to ongoing financial sustainability and takes a strong business approach to the provision of library services.

The Corporation is required to prepare and adopt an Annual Budget under the provisions of the Local Government Act 1989 (“the Act”). The budget is required to include certain information about the fees and charges that the Corporation intends to levy as well as a range of other financial information.

The Budget Report provides key information about revenue, operating result, service levels, cash and investments, capital works, financial position, financial sustainability and key strategic activities of the Corporation.

Budget processes

The preparation of the budget begins with Officers preparing the annual budget in accordance with the Act and submitting the “proposed” budget to the Board for approval “in principle”.

The Corporation is then required to give “public notice” that it intends to “adopt” the budget. It must give 14 days notice of its intention to adopt the proposed budget and make the budget available for inspection at its offices. A person has a right to make a submission on any proposal contained in the budget and any submission must be considered before adoption of the budget by the Board.

The final step is for the Board to adopt the budget after receiving and considering any submissions from interested parties.

The budget is required to be adopted and a copy submitted to the Minister by 31 August each year. The key dates for the budget process are summarised below:

Budget process	Month
1. Proposed budget submitted to the Board for approval	28 May
2. Public notice advising intention to adopt budget	8 June
3. Budget available for public inspection & comment until	10 July
4. Submissions together with budget referred to the Board	21 August
5. Budget presented to the Board for amendment/adoption	27 August
6. Copy of adopted budget submitted to the Minister	31 August

1. Linkage to the Library Plan

This section describes how the Annual Budget links to the achievement of the library plan within an overall planning framework. This framework guides the Board in identifying community needs and aspirations and then holding itself accountable through the Annual Report and Audited Statements.

1.1 Strategic Planning Framework

In accordance with the Local Government Act, Eastern Regional Libraries Corporation (ERLC) has developed a four year strategic plan. The Corporation reviews its four year plan annually and at the end of each four year cycle. The Plan plays a vital role in shaping library services to the communities served by the Corporation.

The Library Plan has taken direction from the ERLC Best Value Review. The Review was conducted taking into account Best Values Principles-

- Best possible quality and value for money
- Responsive to community needs
- Accessible to the people they are intended for
- Show continuous improvement
- Subjected to regular community consultation
- Reports regularly to community on performance against Best Value principles

Community members were consulted regarding their requirements and aspirations for library services in the three municipalities as part of the Review.

The Library Plan takes also into consideration a Library Services Review undertaken by the Member Councils in 2005.

The City of Knox has undertaken a review of its library infrastructure. The recommendations as they relate to, and have been funded by, Knox City Council, are reflected in the Budget.

The Library Plan is divided into Key Strategic Areas which are drivers of the **ERLC Way**. Each key area has a strategic objective and an action plan with measures and targets.

Achievements and outcomes will be monitored and reported back to Councils and community members in the ERLC Annual Report.

Implementation of strategies within the Key Areas will be achieved within the context of the ERLC Strategic Resource Plan, the Best Value Continuous Improvement Plan, service plans including the Information and Communications Technology Plan and the Marketing Plan, and policies including Collection Development and Information Services.

1.2 Our purpose

The Corporation delivers library services, activities and initiatives on behalf of the Cities of Knox and Maroondah, and the Shire of Yarra Ranges. Each Strategic Area contributes to the achievement of the Library Plan for the 2009-2013 years. The Annual Budget converts these activities and initiatives into financial terms to ensure that there are sufficient resources for their achievement.

ERLC WAY

We aspire to:

- Provide our communities with access to knowledge, experience and ideas
- Being the “third” place for our communities

We undertake to:

- Provide universal and equitable access to library resources and services
- Create opportunities and spaces that will enhance peoples’ lives and community interaction

We value:

- Co-operation, partnerships and alliances
- Social, cultural, environmental and economic sustainability
- Innovation that enhances the opportunities and services for our communities
- Service excellence
- Teamwork and the contribution made by our staff

2. Activities, initiatives & key strategic activities

ERLC believes that the following key strategic areas and strategic objectives will provide the means to sustaining the **ERLC Way**.

Social - strong communities provided with opportunities for connection and interaction.

Economic – accountable and responsible management of the community’s library services.

Environmental – accountable and responsible management of Corporation’s impact on our environment.

Web 2.0 – resources and systems that meet the diverse interests and needs of our communities.

3. Budget influences

In preparing the Budget it has been necessary to make a number of assumptions about the internal and external environment within which the Corporation operates. As there is no internal financial support, assistance has been sought from Knox City Council staff; and the Knox City Council 2009/2010 Annual Budget Guidelines (where relevant) have been used in preparing this budget.

3.1 External Influences

In preparing the 2009/2010 budget, a number of external influences have been taken into consideration, because they are likely to impact significantly on the services delivered by the Corporation in the budget period. These include:

- An escalation factor of 5.5% in employee costs.
- Contacts and Utilities to increase by at least 3%.
- Insurances by 5%.
- Increase of 2.75% in State Government contributions, which is less than the projected cost escalation factor.
- A reduction in Investment Income.

3.2 Internal Influences

As well as external influences, there were also a number of internal influences arising from the 2008/2009 year which have an impact on the setting of the budget for 2009/2010.

The forecast Operating Surplus for the year ending 30 June 2009 remains on target to be in excess of \$5,000. The end of year cash position (\$1,904,132) is estimated to be better because the budgeted opening cash of \$1,807,709 will be adjusted to reflect the cash as per the Statement of Financial Position as at 30 June 2008 (\$2,615,000). The forecast capital performance for the year ending 30 June 2009 shows that the budgeted capital works program for the 2008/2009 year will be achieved apart from the acquisition of a regional outreach vehicle..

There would appear not to be any significant variances between the forecast actual and budgeted results for the 2008/2009 year at the time the 2009/2010 Budget was prepared.

Section 8 of this report “Impact of Current Year on 2009/2010 Budget” provides a more detailed analysis of these internal influences.

3.3 Budget Principles

The principles include:

- Existing fees and charges where appropriate to be increased in line with CPI or market levels.
- Contributions and Grants are proposed funding levels based on advice from Councils and State Government.
- Service levels to be maintained at 2008/2009 levels with an aim to use less resources with an emphasis on innovation and efficiency.
- Expenditure estimated on previous years experience and likely outcomes for 2008/2009.
- Casual labour to be minimised.
- New initiatives or new employee proposals to be cost neutral where practicable.

3.4 Legislative Requirements

Under the Local Government Act 1989 (the Act), ERLC is required to prepare and adopt an annual budget for each financial year. The budget is required to include certain information about the fees and charges that ERLC intends to levy as well as a range of other information required by the Local Government (Finance and Reporting) Regulations 2004 (the Regulations) which support the Act.

The 2009/10 budget, which is included in this report, is for the year 1 July 2009 to 30 June 2010 and is prepared in accordance with the Act and Regulations. The budget includes standard statements being a budgeted Income Statement, Balance Sheet, Cash Flows and Capital Works. These statements have been prepared for the year ended 30 June 2010 in accordance with Accounting Standards and other mandatory professional reporting requirements and in accordance with the Act and Regulations. It also includes detailed information about the fees and charges to be levied, the capital works program to be undertaken and other financial information, which ERLC requires in order to make an informed decision about the adoption of the budget.

The budget includes consideration of a number of long term strategies to assist ERLC in considering the Budget in a proper financial management context. These include a Strategic Resource Plan for the years 2009/10 to 2012/13 (section 9) and Funding Strategies (section 10), including infrastructure and service delivery.

4. Analysis of operating budget

This section of the report analyses the expected revenues and expenses of the Corporation for the 2009/2010 year.

4.1 Operating Revenue

Item	2008/2009	2009/2010	Variance
	\$	\$	\$
Revenues from Ordinary Activities			
Grants	2,179,002	2,208,808	29,806
Premier's Reading Challenge		60,000	60,000
Contributions	7,596,491	7,923,028	326,537
User Charges & Fees	410,550	410,550	0
Interest	125,000	100,000	-25,000
Proceeds from the Disposal of Property, Plant & Equipment	70,100	70,100	0
Total Revenues	10,381,143	10,772,486	391,343

4.1.1 Council Contributions (\$326,537 increase)

The Corporation has been advised of the Member Council proposed contributions which shows an increase of \$326,537 over 2008/2009 to \$7.92 million. This will ensure that the level of public service will be maintained for 2009/2010.

4.1.2 State Government Grants (\$29,806 increase)

State Government Grants are estimated to grow by 2.75%. The increase is less than the predicted increase in the cost escalation factor for salaries and oncost. This is in contrast to the Member Councils whose increases are an average of 4%. The Grants now also reflect the "Premier's Reading Challenge" grant of \$60,000 for 2009/2010 and assume a similar level of ongoing funding for following years.

4.1.3 User Fees and Charges (No increase)

User Fees and Charges have been estimated based on previous years' experiences and the likely outcome for 2008/2009.

4.1.4 Interest (\$25,000 decrease)

The decrease to \$100,000 is due to the reducing return on investments.

4.1.5 Proceeds from the Disposal of Plant and Equipment (No change)

Proceeds are estimated to be the same as for 2008/2009 based on a sales schedule for motor vehicles (changeover after 40,000 klms) and book sales of \$25,000.

4.2 Operating Expenditure

Item	2008/2009	2009/2010	Variance
	\$	\$	\$
Expenses from Ordinary Activities			
Employee Expenses	6,865,364	7,067,173	201,809
Contract Payments, Materials and Services	1,965,141	2,106,995	141,854
Written Down Value of Assets Sold	45,000	45,000	0
Depreciation	1,500,000	1,550,000	50,000
Total Operating Expenses	10,375,505	10,769,168	393,663

4.2.1 Employee Expenses (\$201,809 increase)

Employee costs comprise approximately 66% of the Corporation’s expenditure budget.

The main increase in staffing costs reflects a proposed Collective Agreement increase of 5.5% and an ensuing oncost escalation. The overall increase has been restricted to 3% by predicting savings through and limiting the casual budget and overall staff numbers through the proposed introduction of self service technology in branches with loans of at least 250,000 per annum.

The cost of employees that work in branch and or mobile libraries is allocated directly to the respective Member Council as per the budget formula. The cost of the work time of employees employed at the Corporation administration is allocated to the Member Councils on a per capita basis.

Employee costs include all labour related expenditure such as wages and salaries and on-costs such as allowances, leave entitlements, employer superannuation, rostered days off, etc. Long Service leave, Superannuation, and Workcover are all statutory requirements and provision for the payment of these items is included in the budget.

The employee expenses item also includes increases in salaries for some employees due to movement through salary scales due to length of service.

Type of employment	2008/09	2009/10
Permanent	159	156
Casual	22	22
Total	181	178
Number of EFTs	102.4	101.4

4.2.2 Contract Payments, Materials and Services (\$141,854 increase)

Contract Payments, Materials and Services include the purchases of consumables, payments to contractors for the provision of services and utility costs. Contract Payments, Materials and Services are forecast to increase by \$141,854 compared to 2008/2009.

These costs are estimated based on previous years' experience, contract escalation factors and likely outcome for 2008/2009.

4.2.3 Written Down Value of Assets Sold (No change)

The estimated written down value is based on a sales schedule for motor vehicles only (changeover after 40,000 kms). Books are estimated to have a nil written down value on the basis that only the oldest books are "weeded" from the collection.

4.2.4 Depreciation (\$50,000 increase)

Depreciation is an accounting measure which attempts to measure the usage of the Corporation's property, plant and equipment including motor vehicles and books.

Refer to section 6. "Analysis of Capital Budget" for a more detailed analysis of the Corporation's capital works program for the 2009/2010 year.

5. Analysis of budgeted cash position

This section of the report analyses the expected cash flows from the operating, investing and financing activities of the Corporation for the 2009/2010 year i.e. the budgeted cash flow position. Budgeting cash flows for the Corporation is a key factor in setting the level of rates and providing a guide to the level of capital expenditure that can be sustained with or without using existing cash reserves.

5.1 Budgeted Standard Cash Flow Statement

Item	2008/2009	2009/2010	Variance
	\$	\$	
Receipts			
Grants	2,179,002	2,268,808	89,806
Contributions	7,596,491	7,923,028	326,537
User Charges & Fees	410,550	410,550	0
Interest	125,000	100,000	-25,000
	10,311,043	10,702,386	391,343
Payments			
Employee Expenses	6,865,364	7,067,173	201,809
Contract Payments, Materials and Services	1,965,141	2,106,995	141,854
	8,830,505	9,174,168	343,663
Net Cash provided by Operating Activities	1,480,538	1,528,218	47,680
Proceeds			
Proceeds from the Disposal of Property, Plant & Equipment	70,100	70,100	0
	70,100	70,100	0
Expenses			
Purchase of Property, Plant & Equipment	140,000	140,000	0
Library Materials	1,100,000	1,150,000	50,000
Avs	115,000	120,000	5,000
IT&C Developments	100,000	250,000	150,000
Outreach Vehicle	50,000	50,000	0
	1,505,000	1,710,000	205,000
Net Cash provided in Investing Activities	-1,434,900	-1,639,900	-205,000
Net Increase/(Decrease) in Cash	45,638	-111,682	-157,320
Cash at beginning of the Financial Year	1,904,132	1,949,770	
Cash at end of the Financial Year	1,949,770	1,838,088	(111,682)

5.1.1 Revenue from Operating Activities (\$391,343 increase)

Operating activities refer to the cash generated or used in the normal service delivery functions of the Corporation. The increase in cash inflows from operating activities is due mainly to a \$326,537 increase in Council contributions. Interest Income is expected to decrease by \$25,000 due to the current unfavourable returns on investments.

5.1.2 Revenue from Investing Activities (No change)

This income is estimated to remain at \$70,100 based on a sales schedule for motor vehicles (changeover after 40,000 kims) and book sales of \$25,000.

5.1.3 Expenses from Operating Activities (\$343,663 increase)

These costs are estimated based on previous years' experience and likely outcome for 2008/2009.

The main increase in staffing costs reflects a proposed Collective Agreement increase of 5.5% and an ensuing oncost escalation. The overall increase has been restricted to 3% by predicting savings through limiting the casual budget and overall staff numbers through the proposed introduction of self service technology in branches with loans of at least 250,000 per annum.

Employee costs comprise approximately 66% of the expenditure budget

5.1.4 Expenses from Investing Activities (\$105,000 increase)

The main impacts on Expenses from Investing Activities are:

- Investment in Library Materials up by \$50,000.
- Roll over from 2008/2009 of a proposed expenditure on a Regional Outreach Vehicle (\$50,000)
- Further Information and Communication Technology (ICT) improvements (\$250,000) for Self Checkout.

5.1.5 Cash at End of the Year (\$111,682 decrease)

Overall, total cash is forecast to decrease by \$111,682 to \$1,838,088 million as at 30 June 2010.

5.2 Restricted Funds and Working Capital

The cash flow statement indicates that the Corporation is estimating at 30 June, 2010 it will have cash and investments of \$1.83 million which has been restricted as follows:

- **Employee Benefits (Current) (\$1,500,000)** – These funds must be applied for specified statutory purposes in accordance with various legislative and contractual requirements. Whilst these funds earn interest revenues for the Corporation, they are not available for other purposes.
- **Employee Benefits (Non-current) (\$100,000)** – These funds are separately identified as restricted to ensure there is sufficient funds to meet the Corporation's obligations as set out in the Local Government (Long Service Leave) Regulations 2002.

5.3 Cash Flows from Operating Activities (\$47,680 increase)

Cash flows from Operating Activities for capital works is expected to increase by \$47,680 to \$1.52 million during the 2009/2010 year.

6. Analysis of capital budget

This section of the report analyses the planned capital expenditure budget for the 2009/2010 year and the sources of funding for the capital budget.

6.1 Budgeted Standard Capital Works Statement

	2008/2009	2009/2010	Variance
	\$	\$	
Capital Works Areas			
Books	1,100,000	1,150,000	50,000
Audiovisual Materials	115,000	120,000	5,000
Motor Vehicles	90,000	90,000	0
Equipment	50,000	50,000	0
IC&T Developments	100,000	250,000	150,000
New Regional Outreach Vehicle	50,000	50,000	0
Total Capital Works	1,505,000	1,710,000	205,000
Sources of Funds			
Proceeds from the Disposals	70,100	70,100	0
External	1,480,538	1,528,218	47,680
Total Sources of Funds	1,550,638	1,598,318	47,680

6.1.1 Net Cash Inflow from Operating Activities (\$1.52 m)

The Corporation generates cash from its operating activities, which is used as a funding source for the capital works program. It is forecast that \$1.52 m will be generated from operations to fund the 2009/2010 capital works program.

6.1.2 Proceeds from Disposal of Property, Plant & Equipment (\$70,100)

The estimated income is \$70,100 based on a sales schedule for motor vehicles (changeover after 40,000 klms) and book sales of \$25,000.

6.1.3 Cash Reserve (\$1.94 million at the begging of the financial year)

The Corporation has cash reserves of which it will require \$111,682 to fund its proposed capital works.

6.1.4 Library Materials (\$1.27 million)

For the 2009/2010 year, \$1.27 million will be expended on Library Materials. This is based on the budgeted levels of Contributions and Grants and other estimated income.

6.1.5 Motor Vehicles (\$90,000)

For the 2009/2010 year, \$90,000 has been budgeted to be expended on vehicles. This represents the changeover of two vehicles which form part of a total fleet of three cars.

6.1.6 New IC&T Developments (\$250,000)

It is part of the Corporation's strategy to acquire software and hardware to keep abreast of IC&T developments which will improve customer service and achieve productivity gains. This year Self Checkout will be introduced in some branches which have loans in excess of 250,000.

7. Analysis of budgeted financial position

This section of the budget report analyses the movements in assets, liabilities and equity between 2008/2009 and 2009/2010.

7.1 Budgeted Standard Balance Sheet

	2008/2009	2009/2010	
	\$	\$	
CURRENT ASSETS			
Cash Assets	1,949,770	1,838,088	(111,682)
Prepayments		40,000	40,000
Receivables	71,000	40,000	(31,000)
TOTAL CURRENT ASSETS	2,020,770	1,918,088	(102,682)
NON-CURRENT ASSETS			
Property, Plant and Equipment	5,850,445	5,965,445	115,000
TOTAL NON-CURRENT ASSETS	5,850,445	5,965,445	115,000
TOTAL ASSETS	7,871,215	7,883,533	12,318
CURRENT LIABILITIES			
Payables	442,212	430,412	(11,800)
Employee Benefits	1,459,500	1,500,000	40,500
TOTAL CURRENT LIABILITIES	1,901,712	1,930,412	28,700
NON-CURRENT LIABILITIES			
Employee Benefits	119,700	100,000	(19,700)
TOTAL NON CURRENT LIABILITIES	119,700	100,000	(19,700)
TOTAL LIABILITIES	2,021,412	2,030,412	9,000
NET ASSETS	5,849,803	5,853,121	3,318
REPRESENTED BY:			
Members' Equity	3,689,000	3,689,000	-
Accumulated Surplus	2,160,803	2,164,121	3,318
EQUITY	5,849,803	5,853,121	3,318

7.1.1 Current Assets (\$102,682 decrease)

The decrease in current assets is due to expending more than the total funds available from Net Cash Inflows and revenue from Investing Activities.

7.1.2 Current liabilities (\$28,700 increase)

There is an increase in current liabilities (obligations the Corporation may have to pay within the next year). Annual leave entitlements for staff are expected to increase by \$40,500.

7.1.3 Non current assets (\$115,000 increase)

The increase in non-current assets is the net result of the capital works program (\$1.7 million of new assets), the depreciation of non-current assets (\$1.55 million) and the disposal through sale of property, plant and equipment (\$70,100).

7.1.4 Non current liabilities (\$19,700 decrease)

The decrease in non current liabilities (obligations the Corporation must pay beyond the next year) is in respect of long service leave entitlements of staff.

7.1.5 Equity (\$3,318 increase)

The net increase in equity (or net assets) of \$3,318 results directly from the operating surplus.

7.2 Key assumptions

In preparing the Budgeted Standard Balance Sheet for the year ended 30 June 2010 it was necessary to make a number of assumptions about assets, liabilities and equity balances. The key assumptions are as follows:

- All Council contributions and State Government Grants will be received.
- Other debtors and creditors to remain consistent with previous years' levels.
- Employee entitlements to be increased by the terms of the Collective Agreement only.
- No increase in the average rate of leave taken.

8. Impact of current year on 2009/2010 budget

This section of the report analyses the variances from the current budget year and assesses whether there will be any significant impacts on the 2009/2010 budget.

Item	2008/2009
	\$
Revenues from Ordinary Activities	
Grants	2,179,002
Premier's	
Contributions	7,596,491
User Charges & Fees	410,550
Interest	125,000
Proceeds from the Disposal of Property, Plant & Equipment	70,100
Total Revenues	10,381,143
Expenses from Ordinary Activities	
Employee Expenses	6,865,364
Contract Payments, Materials and Services	1,965,141
Written Down Value of Assets Sold	45,000
Depreciation	1,500,000
Total Operating Expenses	10,375,505
Surplus/(Deficit) for the year	5,638

8.1 Operating Performance

The forecast Operating Surplus for the year ending 30 June 2009 remains on target to be in the range of \$5,000.

8.2 Cash Performance

The end of year cash position (\$1,949,000) is estimated to be better because the budgeted opening cash of \$1,904,000 will be adjusted to reflect the cash as per the Statement of Financial Position as at 30 June 2008 (\$2,615,000).

8.3 Capital Performance

The forecast capital performance for the year ending 30 June 2009 indicates at the time of this budget preparation that the budgeted capital works program for the 2008/2009 year will be achieved apart from the acquisition of the new regional outreach vehicle.

8.4 Matters Significant to the 2009/2010 budget

There would appear not to be any significant variances between the forecast actual and budgeted results for the 2008/2009 year at the time the 2009/2010 Budget was prepared.

9. Strategic resource plan & key financial indicators

The Corporation is required by the Act to prepare a Strategic Resource Plan (SRP) covering both financial and non-financial resources, and including key financial indicators for at least the next four financial years to support the Library Plan

9.1 Plan Development

The Corporation has prepared a Strategic Resource Plan for the four years 2009/2010 to 2012/2013 as part of its ongoing financial planning to assist in adopting a budget within a longer term framework. The Plan takes the strategic objectives and strategies as specified in the Library Plan and expresses them in financial terms for the next four years.

The key objective, which underlines the development of the Plan, is financial sustainability in the medium to long term, whilst still achieving the Corporation's strategic objectives as specified in the Library Plan. The key financial objectives, which underpin the Long Term Financial Plan, are:

- Maintain existing service levels, some of which will be in new programs.
- Achieve a surplus each year.
- Maintain a capital expenditure program on library materials of at least \$1.2 million per annum.
- Achieve a balanced budget on a cash basis.

In preparing the SRP, the Corporation has also been mindful of the need to comply with the following Principles of Sound Financial Management as contained in the Act:

- Prudently manage financial risks relating to debt, assets and liabilities.
- Consider the financial effects of Corporation's decisions on future generations.
- Provide full, accurate and timely disclosure of financial information.

9.2 Financial Resources

The following table summaries the key financial results for the next four years as set out in the Plan for years 2009/2010 to 2012/2013. Appendix A includes a more detailed analysis of the financial resources to be used over the four year period.

Indicator	Forecast	Budget	Strategic Resource Plan			Trend
	Actual		Projections			
	2008/09		2010/11	2011/12	2012/13	
	\$'000	\$'000	\$'000	\$'000	\$'000	+ / o / -
Operating result	5	3	18	30	38	o
Cash and investments	1,949	1,838	1,827	1,877	1,988	o
Cash flow from operations	1,480	1,528	1,529	1,589	1,647	o
Capital works	1,505	1,710	1,610	1,610	1,610	o

Key to Forecast Trend:

- + Forecast improvement in the Corporation's financial performance/financial position indicator
- o Forecasts that the Corporation's financial performance/financial position indicator will be steady
- Forecasts deterioration in the Corporation's financial performance/financial position indicator

The key outcomes of the Plan are as follows:

- **Financial Sustainability**

Cash and investments is forecast to maintain constant over the four year period, which indicates a finely tuned balanced budget on a cash basis in each of the years.

- **Contributions Strategy (section 10.1)**

Council contribution increases are forecast for 2010/2011 and following years at a rate of 5%.

- **Capital Works Strategy (section 10.2)**

Capital expenditure over the four year period will total \$6.5 m at an average of \$1.63 m. This does not allow for any growth in collection size.

- **Service Delivery Strategy (section 10.3)**

Services levels by way of opening hours, events, etc have been maintained throughout the four year period on the assumption that Council contributions will be at least 5% for 2010/2011 and following years, self checkout is introduced in larger branches and there is no increase in staffing numbers.

9.3 Non-financial resources

In addition to the financial resources to be consumed over the planning period, the Corporation will also consume non-financial resources, in particular human resources. The following table summarizes the non-financial resources for the next four years.

Indicator	Forecast		Strategic Resource Plan		
	Actual	Budget	Projections		
	2008/09	2009/10	2010/11	2011/12	2012/13
	\$'000	\$'000	\$'000	\$'000	\$'000
Employee costs	6,865	7,067	7,406	7,766	8,149
Employee numbers	181	178	178	178	178

Overall increases in employees' costs have been capped for 2010/2011 and following at 5.5% which will only be achievable through limiting the casual budget and overall staff numbers with the proposed introduction of self service technology in branches with loans of at least 250,000 per annum.

10. FUNDING STRATEGIES

In developing the Strategic Resource Plan, strategies have been developed for revenue, infrastructure and service delivery.

10.1 Revenue

The 2009/2010 Budget has been developed using preliminary advice from Council Officers as to the estimated Council contributions for this year. Council increases in total contributions are forecast for the year from 2010/2011 and following at a rate of 5% per annum. User Charges and Fees to rise where appropriate by at least 3% per annum or market rate for the service provided.

10.2 Capital Works

A key objective will be to try and maintain or preserve the Corporation’s existing assets at desired condition levels. If sufficient funds are not allocated to asset preservation then the Corporation’s investment in those assets will reduce, along with the capacity to deliver services to the community.

The following influences had a significant impact on Capital Works for the 2009/2010 and following years:

- The budgeted Councils’ contributions.
- State Government Grants increase of only 2.75%.
- The level of cash and investment reserves to fund future capital expenditure programs.

10.3 Service delivery

The key objectives included in the Corporation’s Strategic Resource Plan (referred to in Section 9) which directly impact the future service delivery strategy are to maintain existing service levels and to achieve a reasonable operating result over the four years. The Revenue Strategy refers to contributions increases into the future, approximating 5% per annum for Member Councils for 2010/2011 and following.

With these key objectives as a basis, a number of internal and external influences have been identified through discussions with Knox City Council management which will have a significant impact on the scope and level of services to be provided over the next four years.

The service delivery outcomes measured in financial terms are shown in the following table.

Year	Net Surplus (Deficit) \$'000
2008	5638
2009	3,318
2010	18,364
2011	30,324
2012	38,790

Services levels have been maintained throughout the four year period with operating surpluses forecast the years 2009/2010 to 2012/2013, subject to overall increases in employees' costs being capped for 2009/2010 and following at 5.5% which will only be achievable through limiting the casual budget and overall staff numbers with the proposed introduction of self service technology in branches with loans of at least 250,000 per annum.

10.4 Matters that Impact on the Strategies

The general influences affecting all operating revenue and expenditure include the following:

	2009/10	2010/11	2011/12	2012/13
	%	%	%	%
Contribution increases	4.0	5.0	5.0	5.0
Government funding	2.75	2.5	2.5	2.5
Wages growth	5.5	5.5	5.5	5.5
Fees & Charges	3.0	3.0	3.0	3.0
Investment return	4.0	4.0	4.0	4.0

Appendices

The following appendices include voluntary and statutory disclosures of information which provide support for the analysis contained in sections 1 to 11 of this report.

This information has not been included in the main body of the budget report in the interests of clarity and conciseness. The Corporation has decided that whilst the budget report needs to focus on the important elements of the budget and provide appropriate analysis, the detail upon which the annual budget is based should be provided in the interests of open and transparent local government.

The contents of the appendices are summarised below:

Appendix	Nature of information
A	Budgeted standard statements
B	Statutory disclosures
C	Capital works program
D	Key strategic activities

Appendix A

Budgeted Standard Statements

This appendix presents information in regard to the Budgeted Standard Statements. The budget information for the years 2009/10 to 2012/13 has been extracted from the Strategic Resource Plan.

The appendix includes the following budgeted information:

- Budgeted Standard Income Statement
- Budgeted Standard Balance Sheet
- Budgeted Standard Cash Flow Statement
- Budgeted Standard Capital Works Statement

Budgeted Standard Income Statement
For the four years ending 30 June 2013

Item	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
	\$	\$	\$	\$	\$
Revenues from Ordinary Activities					
Grants	2,179,002	2,208,808	2,264,028	2,320,629	2,378,645
Premier's Reading Challenge		60,000	60,000	60,000	60,000
Contributions	7,596,491	7,923,028	8,319,179	8,735,138	9,171,895
User Charges & Fees	410,550	410,550	422,867	435,552	448,619
Interest	125,000	100,000	100,000	100,000	100,000
Proceeds from the Disposal of Property, Plant & Equipment	70,100	70,100	70,100	70,100	70,100
Total Revenues	10,381,143	10,772,486	11,236,174	11,721,420	12,229,259
Expenses from Ordinary Activities					
Employee Expenses	6,865,364	7,067,173	7,406,105	7,766,390	8,149,372
Contract Payments, Materials and Services	1,965,141	2,106,995	2,170,205	2,235,311	2,302,370
Written Down Value of Assets Sold	45,000	45,000	45,000	45,000	45,000
Depreciation	1,500,000	1,550,000	1,596,500	1,644,395	1,693,727
Total Operating Expenses	10,375,505	10,769,168	11,217,810	11,691,096	12,190,469
Surplus/(Deficit) for the year	5,638	3,318	18,364	30,324	38,790

Budgeted Standard Balance Sheet
For the four years ending 30 June 2013

	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
	\$	\$	\$	\$	\$
CURRENT ASSETS					
Cash Assets	1,949,770	1,838,088	1,827,952	1,877,672	1,985,188
Prepayments		40,000	40,000	40,000	40,000
Receivables	71,000	40,000	40,000	40,000	40,000
TOTAL CURRENT ASSETS	2,020,770	1,918,088	1,907,952	1,957,672	2,065,188
NON-CURRENT ASSETS					
Property, Plant and Equipment	5,850,445	5,965,445	5,933,945	5,854,550	5,725,823
TOTAL NON-CURRENT ASSETS	5,850,445	5,965,445	5,933,945	5,854,550	5,725,823
TOTAL ASSETS	7,871,215	7,883,533	7,841,897	7,812,222	7,791,011
CURRENT LIABILITIES					
Payables	442,212	430,412	305,412	177,762	47,354
Employee Benefits	1,459,500	1,500,000	1,560,000	1,622,400	1,687,296
TOTAL CURRENT LIABILITIES	1,901,712	1,930,412	1,865,412	1,800,162	1,734,650
NON-CURRENT LIABILITIES					
Employee Benefits	119,700	100,000	105,000	110,250	115,763
TOTAL NON CURRENT LIABILITIES	119,700	100,000	105,000	110,250	115,763
TOTAL LIABILITIES	2,021,412	2,030,412	1,970,412	1,910,412	1,850,412
NET ASSETS	5,849,803	5,853,121	5,871,485	5,901,810	5,940,599
REPRESENTED BY:					
Members' Equity	3,689,000	3,689,000	3,689,000	3,689,000	3,689,000
Accumulated Surplus	2,160,803	2,164,121	2,182,485	2,212,810	2,251,599
EQUITY	5,849,803	5,853,121	5,871,485	5,901,810	5,940,599

Budgeted Standard Cash Flow Statement

For the four years ending 30 June 2013

Item	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
	\$	\$	\$	\$	\$
	Receipts				
Grants	2,179,002	2,268,808	2,264,028	2,320,629	2,378,645
Contributions	7,596,491	7,923,028	8,319,179	8,735,138	9,171,895
User Charges & Fees	410,550	410,550	422,867	435,552	448,619
Interest	125,000	100,000	100,000	100,000	100,000
	10,311,043	10,702,386	11,106,074	11,591,320	12,099,159
Payments					
Employee Expenses	6,865,364	7,067,173	7,406,105	7,766,390	8,149,372
Contract Payments, Materials and Services	1,965,141	2,106,995	2,170,205	2,235,311	2,302,370
	8,830,505	9,174,168	9,576,310	10,001,701	10,451,742
Net Cash provided by Operating Activities	1,480,538	1,528,218	1,529,764	1,589,619	1,647,417
Proceeds					
Proceeds from the Disposal of Property, Plant & Equipment	70,100	70,100	70,100	70,100	70,100
	70,100	70,100	70,100	70,100	70,100
Expenses					
Purchase of Property, Plant & Equipment	140,000	140,000	140,000	140,000	140,000
Library Materials	1,100,000	1,150,000	1,200,000	1,250,000	1,250,000
Avs	115,000	120,000	120,000	120,000	120,000
IT&C Developments	100,000	250,000	100,000	100,000	100,000
Outreach Vehicle	50,000	50,000	50,000		
	1,505,000	1,710,000	1,610,000	1,610,000	1,610,000
Net Cash provided in Investing Activities	-1,434,900	-1,639,900	-1,539,900	-1,539,900	-1,539,900
Net Increase/(Decrease) in Cash	45,638	-111,682	-10,136	49,719	107,517
Cash at beginning of the Financial Year	1,904,132	1,949,770	1,838,088	1,827,952	1,877,672
Cash at end of the Financial Year	1,949,770	1,838,088	1,827,952	1,877,672	1,985,188

Budgeted Standard Capital Works Statement

For the four years ending 30 June 2013

	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
	\$	\$	\$	\$	\$
Capital Works Areas					
Books	1,100,000	1,150,000	1,200,000	1,250,000	1,250,000
Audiovisual Materials	115,000	120,000	120,000	120,000	120,000
Motor Vehicles	90,000	90,000	90,000	90,000	90,000
Equipment	50,000	50,000	50,000	50,000	50,000
IT&C Developments	100,000	250,000	100,000	100,000	100,000
New Regional Outreach Vehicle	50,000	50,000	50,000		
Total Capital Works	1,505,000	1,710,000	1,610,000	1,610,000	1,610,000

Reconciliation of net movement in property, plant and equipment

	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
	\$	\$	\$	\$	\$
Total Capital Works	1,505,000	1,710,000	1,610,000	1,610,000	1,610,000
Depreciation	1,500,000	1,550,000	1,596,500	1,644,395	1,693,727
Written Down Value of Assets Sold	45,000	45,000	45,000	45,000	45,000
Net Movement in PP&E	-40,000	115,000	-31,500	-79,395	-128,727

Appendix B

Statutory disclosures

This appendix presents information required pursuant to the Act and the Regulations to be disclosed in the Council's annual budget.

The appendix includes the following budgeted information:

- Borrowings
- Fees and Charges

Statutory disclosures

1. Borrowings

	2008/09	2009/10
	\$	\$
New borrowings (other than refinancing)	0	0
Debt redemption	0	0

2. Fees and Charges

2.1 The proposed Fees and Charges to be levied:

Products and Services	2009/ 2010
Overdue Material Per Item Per Day Up to a maximum of \$10 – Adult Up to a maximum of \$ 5 – Child	\$0.30
Lost items	System Cost & Processing Fee
Replacement cards	\$3.00
Printing per page	\$0.20
Photocopying - Colour (A4) and (A3) - B&W (A4) and (A3)	\$0.60 and \$1.40 \$0.20 and \$0.40
Inter Library Loan (per item) – non public library	\$15.00
Book sale - adult fiction (Minimum)	\$1.00
- junior material (Minimum)	\$1.00
- paperbacks (Minimum)	\$0.50
Book clubs per annum	\$195.00
Library bags	\$1.50
Faxing	
Victoria - per fax (includes multiple pages)	\$2.30
Australia - per minute	\$3.40
Overseas - per minute	\$5.60
Receiving - per page printing	\$0.20
Training Internet & Genealogy (each)	\$30.00
Activities - adult	Variable
- junior	Variable
Meeting Room - Boronia - Rowville - Belgrave - Mt Evelyn - Yarra Junction	As per Councils' Fees and Charges

Notes: Fees and Charges inclusive of GST, as it applies.

Appendix C

Capital Works Program

This appendix presents a listing of the capital works projects that will be undertaken for the 2009/10 and following years.

	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
	\$	\$	\$	\$	\$
Capital Works Areas					
Books	1,100,000	1,150,000	1,200,000	1,250,000	1,250,000
Audiovisual Materials	115,000	120,000	120,000	120,000	120,000
Motor Vehicles	90,000	90,000	90,000	90,000	90,000
Equipment	50,000	50,000	50,000	50,000	50,000
IT&C Developments	100,000	250,000	100,000	100,000	100,000
New Regional Outreach Vehicle	50,000	50,000	50,000		
Total Capital Works	1,505,000	1,710,000	1,610,000	1,610,000	1,610,000
Sources of Funds					
Proceeds from the Disposals	70,100	70,100	70,100	70,100	70,100
External	1,480,538	1,528,218	1,529,764	1,589,619	1,647,417
Total Sources of Funds	1,550,638	1,598,318	1,599,864	1,659,719	1,717,517
Net Movement Cash Flows	45,638	-111,682	-10,136	49,719	107,517

Appendix D

Key strategic activities

This appendix presents a number of key strategic activities to be undertaken during the 2009/10 year and performance targets and measures in relation to these.

REFER PROPOSED LIBRARY PLAN 2009 - 2013