



Budget Report - 2017/18

Background

The Eastern Regional Libraries Corporation (the Corporation) 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 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 and can in the absence of Councillors act as a substitute member. The Corporation's Chief Executive reports to the Board and is responsible for the management of the organization.

Funding

Funding is provided by way of: contributions from the Member Councils; grants from the State Government; and User Charges, Fees and Fines, Investment Income and Asset Sales.

Source	Amount	Percentage of Total Corporation Revenues	Comments
Councils' Contributions	\$10,068,934	75.4%	Member Councils continue to bear the substantive costs associated with running a highly regarded public library service. These contributions do not include any indirect costs borne by our Member Councils [e.g. leasing premises, cleaning and maintenance]. These indirect costs further increase the percentage of the total costs borne by our Member Councils.
Corporation Income	\$659,827.5	4.9%	User Charges, Fees & Fines; Sale of Assets; and Investment Income
State Government Contribution	\$2,632,848	19.7%	In the 70s, State Government for a period contributed 50%

Growth Factors for Member Councils' Contributions & State Government Grants

Based on feedback from our Member Councils, the estimated 2017/18 increase/decrease in contributions is as follows:

- Knox City Council estimated contribution is a decrease of .5% compared to 2016/17. Council's reduced annual contribution can be sustained due to a change in the Corporation's staffing levels at Knox Libraries. The reduction in staffing numbers was achieved through redundancies undertaken in 2016/17.
- Maroondah City Council's contribution capped at an increase of 2%.
- Yarra Ranges Council's contribution capped at an increase of 2%.

These increases/decreases in contributions are subject to final ratification after our Member Councils have adopted their 2017/18 budgets.

For 2018/19 and following years a growth factor of 2% for contributions has been allowed. This growth factor is subject to the level of rate capping imposed for 2018/19 and following years and its impact on our Member Councils' budgets.

Based on the State Government Grant for 2016/17, a conservative approach has been taken in relation to the expected increase for 2017/18 and following years (1.35%).

Adoption of Annual Budget

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 revenues, operating results, service levels, cash and investments, capital works, and financial sustainability.

Budget Process

The budget process begins with officers preparing a proposed 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 28 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. A person may request to be heard by the Board in support of his/her written submission. Oral submissions will be heard by the Board at its Ordinary Meeting on 25 May 2017.

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 30 June each year.

The key dates for the budget process are summarised below:

Budget Process	Date
1. Public notice advising intention to adopt budget	20 March
2. Budget available for public inspection & comment until	5 May
3. Submissions together with budget referred to the Board	19 May
4. Budget presented to the Board for amendment/adoption	25 May
5. Copy of adopted budget submitted to the Minister	By 30 June

1. Linkage to the Corporate Plan and other Reviews

This section describes how the Annual Budget links to the achievement of the Corporate Plan and Member Councils' reviews in relation to library services and infrastructure within an overall planning framework.

1.1 Strategic Planning Framework

In accordance with the Local Government Act 1989 (the LGA), the Board must approve a Corporate Plan within the period of 6 months after each general election or by the next 30 June, whichever is later.

The Corporation has developed a four-year Corporate Plan and Strategic Resource Plan (SRP). The Plans play a vital role in shaping library services to the communities served by the Corporation.

The Board develops the Corporate Plan and SRP: by identifying community needs and aspirations through an annual survey; through advice from its officers on broader library services and infrastructure trends; and taking into account the reviews undertaken by its Member Councils in relation to their individual library services and infrastructure.

1.2 Member Councils' Reviews of Library Services and Infrastructure

Knox City Council undertook an internal service plan review of its library services in 2015/16 and this may impact on future service delivery. There are 26 'actions' to be undertaken as an outcome of the service review. Major infrastructure projects that will impact on the library service include the relocation of Knox City Shopping Centre branch (including colocation with Council's Youth Services) and reviews of Boronia and Ferntree Gully Community Libraries.

Maroondah City Council relocated the Ringwood branch library in 2015 to form part of the fantastic Realm development. This significant development provided an opportunity to review the Corporation's staffing levels through utilising returns handling RFID infrastructure, and importantly the colocation with Council's customer services which now handles initial customer contact through its 'concierge' model. These changes have improved the types and levels of services offered to Maroondah residents. A major review of the Croydon Civic Precinct is underway and this may also impact on the type and level of services that are delivered on behalf of Council.

Yarra Ranges Council has undertaken a review of its library services, both static branches and mobile libraries, and this may also have an impact on the type and level of services to be delivered to its residents. Major infrastructure projects that may impact on the library service include the relocation of Lilydale branch to the Box Hill Institute Campus, and the opening of the refurbished Montrose Town Centre where ERLC will be playing a greater management role.

1.3 Priorities Action Plan

Given the depth of these reviews, Priorities Action Plans will be developed in consultation with each of the Member Councils for the upcoming 12 months. This will ensure that the strategies developed as part of these reviews will be undertaken in conjunction with the Objectives of the Corporate Plan

2. Corporation Objectives and Priority Actions

Implementation of Objectives and Strategies within the Corporate Plan and Priorities Action Plans agreed with Member Councils will be achieved within the context of annual adopted budgets and the SRP.

The Board will monitor its achievements and outcomes and holds itself accountable through quarterly reports (financial and performance), the Annual Report and Audited Statements.

The Board will review its Corporate Plan and SRP every financial year to consider whether the current Plan requires any adjustment in respect of the remaining period of the Plan and the Priorities Action Plans developed with the Member Councils.

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 Long Term Financial Guidelines (where relevant) have been used in preparing this budget.

3.1 External Influences

In preparing the 2017/18 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:

- The Member Councils have informed the Corporation of their likely contributions for 2017/18. These contributions are subject to final ratification after our Member Councils have adopted their 2017/18 budgets.
- For 2018/19 and following years a growth factor of 2% for contributions has been allowed. These contributions are subject to the level of rate capping imposed for 2018/19 and following years and the impact on our Member Councils' budgets.
- Increase in the State Government grant of 1.3 5% for 2017/18 and later years based on prior year experiences.
- The State Government paying the full grant for 2017/18 upfront, which will generate additional investment income for the Corporation.
- Investments continuing to return at least 3.0% per annum for 2017/18.
- Escalation factor of a maximum of 2% in Employee Costs (including Oncosts) for 2017/18, including movements within band levels, etc.

3.2 Internal Influences

In order to achieve a balanced budget for 2017/18 the Corporation is proposing to:

- To increase its Employee Costs by no more than 2%, including Oncosts.
- Where it controls the level of its expenditure, to freeze the level of expenditure.
- Where it has external leases/contractors/suppliers, to endeavour to restrict any increase to 2%, or less.

There are also a number of other internal influences arising from the 2016/17 year which have an impact on the setting of the budget for 2017/18:

- The end of year cash position is estimated to be better than budgeted to reflect the cash flow year to date for the year ended 30 June 2017.
- The forecast capital performance for the year ending 30 June 2017 indicates that the budgeted capital works program for the 2016/17 year will be achieved.
- There are no significant matters for the 2016/17 year at the time the 2017/18 Budget was prepared based on the year to date position as at 31 January 2017 and projected income and expenses until 30 June 2017.

3.3 Budget Principles

The principles include:

- Contributions are based on initial advice from Member Councils.
- Existing fees and charges where appropriate to be increased.
- Service levels to be maintained at 2016/17 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 2016/17.
- Casual labour to be minimised.
- New initiatives or new employee proposals to be cost neutral where practicable through the utilisation of current, and the introduction of further, technology, such as Cloud computing.

3.4 Legislative Requirements

Under the Local Government Act 1989 (the Act), the Corporation 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 the Corporation intends to levy as well as a range of other information required by the Local Government (Planning and Reporting) Regulations 2014 (the Regulations) which support the Act.

The 2017/18 budget, which is included in this report, is for the year 1 July 2017 to 30 June 2018 and is prepared in accordance with the Act and Regulations.

The budget includes standard statements being a Budgeted Comprehensive Income Statement, Budgeted Balance Sheet, Budgeted Statement of Cash Flows and Budgeted Statement of Capital Works.

These statements have been prepared for the year ended 30 June 2018 in accordance with Accounting Standards and other mandatory professional reporting requirements and in accordance with the Act and Regulations.

The budget includes detailed information about the fees and charges to be levied, the capital works program to be undertaken and other financial information, which the Corporation 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 the Corporation in considering the Budget in a proper financial management context. These include a Strategic Resource Plan for the four years 2017/18 to 2020/21 (section 9) and Funding Strategies (section 10), including infrastructure and service delivery.

4. Analysis of Budgeted Comprehensive Income Statement

This section of the report analyses the expected income and expenses of the Corporation for the 2017/18 year.

4.1 Income

	2016/17	2017/18	Variance
	\$	\$	\$
Grants (Operating): State Government	2,597,778	2,632,848	35,070
Contributions (Monetary): Member Councils	9,974,661	10,068,934	94,272
User Charges, Fees & Fines	419,328	419,328	
Proceeds on disposal of Fixed assets	45,500	15,500	-30,000
Other Income (Interest)	225,000	225,000	

4.1.1 State Government Grants (+ \$35,070)

The estimated State Government's Grant represents an increase to the Corporation of \$35,070 on the 2016/17 grant. With no indication of a significant increase in population for the region it has been decided to estimate the increase the State Government grant at 1.35% for 2017/18, based on the increase for 2016/17.

The Corporation has not been advised of the amount to be received at the time the report was written, nor has a funding agreement been received. However, there is a commitment in the State Budget in respect of funding for 2017/18 and later years.

4.1.2 Member Councils' Contributions (+ \$94,438)

Based on the advice received, the Member Council contributions show an increase of \$94,272 over 2016/17.

Estimated contributions from our Member Councils based on initial feedback are as follows:

- Knox City Council estimated contribution is a decrease of .5% compared to 2016/17. Council's reduced annual contribution can be sustained due to a change in the Corporation's staffing levels at Knox Libraries. The reduction in staffing numbers was achieved through redundancies undertaken in 2016/17.
- Maroondah City Council's contribution capped at an increase of 2%
- Yarra Ranges Council's contribution capped at an increase of 2%.

These contributions are subject to final ratification after our Member Councils have adopted their 2017/18 budgets.

4.1.3 User Charges, Fees and Fines (No change)

User Charges, Fees and Fines have been estimated to remain the same based on previous years' experiences and the likely outcome for 2016/17.

4.1.5 Sale of Fixed Assets (- \$30,000)

Sale of Fixed assets estimated to reduce by \$30,000 due to the sale of one of three fleet cars.

4.1.4 Other Income (No change)

Interest on investments has been estimated to remain the same based on: previous years' experiences; the likely outcome for 2016/17; and investments continuing to return at least 3.0% per annum for 2017/18.

4.2 Expenses

	2016/2017	2017/18	Variance
	\$	\$	\$
Employee Costs	8,947,136	8,942,022	-5,114
Materials and Services	2,465,131	2,518,748	53,617
Written Down Value of Assets Disposed	200,000	200,000	
Depreciation	1,650,000	1,700,000	50,000

4.2.1 Employee Costs (- \$5,114)

Employee Costs comprise approximately 67% of the Corporation's expenditure budget.

Salaries for 2017/18 will decrease by \$5,114. In order to achieve a balanced budget for 2016/17 the Corporation had to achieve savings of approximately \$200,000 in its Employee Costs. The Corporation has managed to sustain these savings in 2017/18.

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.

Employee Costs also include increases in salaries for employees' movements through salary scales due to length of service.

4.2.2 Materials and Services (+ \$53,617)

Materials and Services include the purchases of consumables, payments to contractors for the provision of services and utility costs. Materials and Services are forecast to increase by \$53,617 (or approximately 2% overall) compared to 2016/17.

These savings have been achieved by: restricting where possible expenditure increases to 2%; not increasing expenditure in some areas such as the events budget, minor furniture repairs; and taking into account expenditure areas that cannot be restricted to an increase of 2% because they are based on agreements, leases, or contracts. For example: Admin Lease 4%.

4.2.3 Written Down Value of Assets disposed (No change)

Written Down Value of Assets Sold has been estimated to remain the same based on previous years' experiences and the likely outcome for 2016/17.

4.2.4 Depreciation and Amortisation (+ \$50,000)

Depreciation is an accounting measure which attempts to measure the usage of the Corporation's property, plant and equipment (including motor vehicles) and library materials. The budgeted amount is based on the experience of 2016/17 and estimated growth in assets for 2017/18.

Refer to section 6. "Analysis of Capital Budget" for a more detailed analysis of the Corporation's capital works program for the 2017/18 year.

5. Analysis of Budgeted Statement of Cash Flows

This section of the report analyses the expected cash flows from the operating, investing and financing activities of the Corporation for the 2017/18 year i.e. the budgeted cash flow position. Budgeting cash flows for the Corporation is a key factor in ensuring it can meet its strategic and financial commitments and providing a guide to the level of capital expenditure that can be sustained with or without using existing cash reserves.

5.1 Budgeted Statement of Cash Flows

	2016/17 \$	2017/18 \$	Variance \$
Receipts			
Grants (Operating): State Government	2,597,778	2,632,848	
	9,974,661	10,068,934	
Contributions (Monetary): Member Councils			
	419,328	419,328	
User Charges, Fees & Fines			
Proceeds on disposal of Fixed assets	45,500	15,500	
Other Income (Interest)	225,000	225,000	
	13,262,267	13,361,609	99,342
Payments			
Payments to Employees	8,947,136	8,942,022	
Payments to Suppliers	2,465,131	2,518,748	
	11,412,267	11,460,770	48,504
Net Cash provided by Operating Activities	1,850,000	1,900,839	50,839
Cash flows from investing activities			
Payments for Plant & Equipment	(1,900,000)	(1,900,000)	
Net Cash used in Investing Activities	(1,900,000)	(1,900,000)	-
Net Increase/(Decrease) in Cash and Cash Equivalents	(50,000)	839	
Cash and Cash Equivalents at beginning of the Financial Year	6,629,000	6,579,000	
Cash and Cash Equivalents at end of the Financial Year	6,579,000	6,579,839	839

5.1.1 Receipts from Operating Activities (+ \$99,342)

Receipts or payments from operating activities refer to the cash generated or used in the normal service delivery functions of the Corporation.

Based on the advice received, the Member Council's contributions show an increase of \$94,272 over 2016/17 to \$10.06m.

The estimated State Government's Grant represents an increase to the Corporation of \$35,070 (1.35%) on the 2016/17 grant.

Receipts from the disposal of Fixed assets estimated to reduce by \$30,000 due to the sale of one of three fleet cars.

Overall, the increase in Cash Flows from Operating Activities is \$99,342.

5.1.2 Payments from Operating Activities (+ \$48,504)

Salaries for 2017/18 will decrease by \$5,114. In order to achieve a balanced budget for 2016/17 the Corporation had to achieve savings of approximately \$200,000 in its Employee Costs. The Corporation has managed to sustain these savings in 2017/18.

Materials and Services include the purchases of consumables, payments to contractors for the provision of services and utility costs. Materials and Services are forecast to increase by \$53,617 (or approximately 2% overall) compared to 2016/17.

These factors combined give the net increase of \$48,504 in Payments.

5.1.3 Net Cash Flows provided by Operating Activities (+ \$50,839)

Cash flows from Operating Activities for capital works is expected to increase by \$50,839 to \$1.9 m during the 2017/18 year.

5.1.4 Net Cash used in Investing Activities (No Change)

Net Cash used in Investing Activities will remain the same. This level of expenditure (\$1.9m) reflects the usage (depreciation) of the Corporation's property, plant and equipment (including motor vehicles) and library materials at \$1.7m.

Item	2016/17	2017/18
	\$	\$
Books	850,000	850,000
Audio Visual	600,000	600,000
eBooks	200,000	200,000
Motor Vehicles	100,000	100,000
Capital Projects	150,000	150,000

Refer to section 6.1.1 for further information.

5.1.5 Cash at End of the Financial Year (+ \$839)

Overall, total cash is forecast to increase by \$839 to \$6,579,838 as at 30 June 2018.

5.1.6 Restricted Funds and Working Capital

The cash flow statement indicates that the Corporation is estimating at 30 June, 2017 it will have cash and investments of \$6.5m which has been restricted as follows:

- **Employee Costs (Current) (\$2.2m)**

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 generally available for other purposes.

- **Employee Costs (Non-current) (\$0.16m)**

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.

6. Analysis of Budgeted Statement of Capital Works

This section of the report analyses the planned capital expenditure budget for the 2017/18 year and the sources of funding for the capital budget.

6.1 Budgeted Standard Capital Works Statement

	2016/2017 \$	2017/18 \$	Variance \$
Capital Works Areas			
Library Materials			
Books	850,000	850,000	-
Audio-visual Materials	600,000	600,000	-
e books	200,000	200,000	-
Plant & Equipment			
Motor Vehicles	100,000	100,000	-
Equipment	150,000	150,000	-
Total Capital Works	1,900,000	1,900,000	

6.1.1 Capital Works Areas (No Change)

This level of expenditure (\$1.9m) reflects the usage (depreciation) of the Corporation's property, plant and equipment (including motor vehicles) and library materials at \$1.7m.

For future years the average annual investment in capital works of \$1.85m will endeavour to maintain the current level of the Corporation's assets.

	2017/18 \$	2018/19 \$	2019/20 \$	2020 /21 \$
Total Capital Works	1,900,000	1,800,000	1,900,000	1,800,000
Depreciation	1,700,000	1,700,000	1,700,000	1,700,000
Net Movement in Property, Plant & Equipment	200,000	100,000	200,000	100,000

6.1.2 Cash Reserves (\$6.5m at the beginning of the financial year)

Net cash flows from Operating Activities for capital works is expected to increase by \$50,839 to \$1.9 m during the 2017/18 year. \$50,000 will be required for Capital Works, which means the nett cash reserves will remain unchanged at \$6.5m.

7. Analysis of Budgeted Balance Sheet

This section of the budget report analyses the movements in assets, liabilities and equity between 2016/17 and 2017/18.

7.1 Budgeted Balance Sheet

	2016/17 \$	2017/18 \$	Variance \$
CURRENT ASSETS			
Cash and Cash Equivalents	6,579,000	6,579,839	
Prepayments	70,000	70,000	
Receivables	40,000	40,000	
TOTAL CURRENT ASSETS	6,689,000	6,689,839	839
NON-CURRENT ASSETS			
Trade and other receivables			
Property, Plant and Equipment	6,897,000	6,897,000	
Intangible assets	17,000	17,000	
TOTAL NON-CURRENT ASSETS	6,914,000	6,914,000	
TOTAL ASSETS	13,603,000	13,603,839	838
CURRENT LIABILITIES			
Payables	309,199	270,965	
Employee Benefits	2,169,001	2,206,958	
Superannuation			
TOTAL CURRENT LIABILITIES	2,478,199	2,477,923	-277
NON-CURRENT LIABILITIES			
Employee Benefits	15,802	16,078	
Superannuation			
TOTAL NON CURRENT LIABILITIES	15,802	16,078	277
TOTAL LIABILITIES	2,494,001	2,494,000	
NET ASSETS	11,108,999	11,109,839	838
REPRESENTED BY:			
Members' Equity based on Initial Contributions	3,689,000	3,689,000	
Accumulated Surplus	7,419,999	7,420,839	
EQUITY	11,108,999	11,109,839	

7.1.1 Current Assets (+ \$839)

The increase in current assets is due to expending less on capital projects than the total funds available from Net Cash Inflows and Proceeds from Investing Activities.

7.1.2 Non-current assets (No Change)

The no change in non-current assets due to the net result of the capital works program (\$1.9 m of new assets), the depreciation of non-current assets (\$1.7 m) and the write down on assets sold (\$0.2 m).

7.1.3 Equity (+ \$839)

There is a small change in equity (or net assets) as there is a surplus of \$839 projected for 2017/18.

7.2 Key assumptions

In preparing the Budgeted Balance Sheet for the year ended 30 June 2018 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 are based on previous year's experiences.
- Employee entitlements to be increased by the terms of the Enterprise Agreement only.
- No increase in the average rate of leave taken.

8. Impact of current year on 2017/18 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 2017/18 budget.

Budgeted Comprehensive Income Statement	2016/17
	\$
Income	
Grants (Operating): State Government	2,597,778
Contributions (Monetary): Member Councils	9,974,661
User Charges, Fees & Fines	419,328
Proceeds on disposal of Fixed assets	45,500
Other Income (Interest)	225,000
Total Income	13,262,267
Expenses	
Employee Benefits	8,947,136
Materials and Services	2,465,131
Depreciation and Amortisation	1,650,000
Written Down Value of Assets disposed	200,000
Total Expenses	13,262,267
Surplus/(Deficit) for the year	0

8.1 Operating Performance

All grants and contributions have been received to date. The last quarter Member Councils' contributions will be received on or about 1 April 2017 which will be the last major income source for 2016/17.

8.2 Cash Performance

There are no significant matters that will reduce the estimated end of year cash position (\$6.5m).

8.3 Capital Performance

The forecast capital performance for the year ending 30 June 2017 shows that the budgeted capital works program for the 2016/17 year will be achieved.

8.4 Matters Significant to the 2016/17 budget

There are no significant matters for the 2016/17 year at the time the 2017/18 Budget was prepared based on the year to date position as at 31 January 2017, and projected Income and Expenses until 30 June 2017.

9. Strategic Resource Plan

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

9.1 Plan Development

The SRP takes the Objectives and Strategies as specified in the Corporate Plan and expresses them in financial terms for the next four years.

The key objective, which underlines the development of the SRP, is financial sustainability in the medium to long term, whilst still achieving the Corporation's Objectives as specified in the Corporate Plan.

The key financial objectives, which underpin the SRP, are:

- Achieve a surplus for 2017/18 and following years.
- Maintain a capital expenditure program greater than Depreciation in 2017/18 and strive to improve, circumstances permitting, on the average annual investment in capital works of \$1.85m for 2018/19 and following years.
- 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.

The key points from the SRP are as follows:

Revenue Strategy (section 10.1)

Member Councils' contributions for 2017/18 and following years are based on advice from the Member Councils. These contributions are subject to Member Councils' adopted budgets for 2017/18 and the level of rate capping imposed for 2017/18 and following years and the impact on our Member Councils' budgets.

Capital Works Strategy (section 10.2)

Capital expenditure over the four-year period will total \$7.4m at an average of \$1.85m spent on library materials and technology. The amount invested of \$1.9m for 2017/18 maintains the current level of the Corporation's assets for 2017/18. The average annual investment in capital works of \$1.85m for 2017/18 and following years should maintain the current level of the Corporation's assets in the longer term.

Service Delivery Strategy (section 10.3)

The key objectives included in the Corporation's SRP which directly impact the future service delivery strategy are to strive to maintain existing service levels and to achieve a reasonable operating result over the four years.

Services levels by way of opening hours will be maintained based the following: the discussions with Member Councils in relation to contributions 2017/18 and following years; self-service is maintained in all branches; and there is no increase in staffing numbers.

9.2 Financial Resources

The following table summarises the key financial results for the next four years as set out in the SRP for years 2017/18 to 2020/21. Appendix A includes a more detailed analysis of the financial resources to be used over the four-year period.

Indicator	Resource	Plan	Projections		Indicator
	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020 /21 \$'000	+ / o / -
Operating result	0.839	0.478	7	19	o
Cash and investments	6,579	6,680	6,687	6,806	+
Cash flow from operations	1,900	1,900	1,907	1,919	+
Capital works	1,900	1,800	1,900	1,800	o

Key to Forecast Trend:

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

9.3 Non-financial resources

In addition to the financial resources to be consumed over the planning period, the Corporation will also strive to fund staffing levels sufficient to maintain its service levels. The following table summarizes the non-financial resources for the next four years.

Indicator	Resource	Plan	Projections		Indicator
	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020 /21 \$'000	+ / o / -
Employee Costs	8,942	9,120	9,303	9,489	o
Employee numbers (EFT)	89	89	89	89	o

Key to Forecast Trend:

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

Employee numbers have been capped at 89 for the period of the SRP.

Overall increases in Employees' Costs have been capped for 2017/18 at 2% and a maximum increase of 2% (including Oncosts) for the three years 2018/19 to 2020/21.

The percentage increase in Employee Costs for the four years will be influenced by the outcomes of our Member Councils': EBAs; Service Reviews; and development outcomes.

10. FUNDING STRATEGIES

In developing the SRP, funding strategies have been developed for revenue, infrastructure and service delivery.

10.1 Revenue

The 2017/18 Budget has been developed using advice from Member Councils as to their contributions for this year and 2018/19 to 2020/21. These contributions are subject to Member Councils' adopted budgets for 2017/18 and the level of rate capping imposed for 2017/18 and following years and the impact on our Member Councils' budgets.

Given the issues in relation to the State government Grant for prior years, a conservative approach has been taken in relation to the expected increase for 2017/18 and following years (1.35% pa).

Interest on investments has been estimated to remain the same based on: previous years' experiences; the likely outcome for 2016/17; and investments continuing to return at least 3.0% per annum for 2017/18 and following years.

User Charges, Fees and Fines will rise where appropriate 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 amount invested of \$1.9m maintains the current level of the Corporation's assets for 2017/18.

The average annual investment in capital works of \$1.85m for 2017/18 and following years will maintain the current level of the Corporation's assets.

	2017/18	2018/19	2019/20	2020 /21
	\$	\$	\$	\$
Total Capital Works	1,900,000	1,800,000	1,900,000	1,800,000
Depreciation	1,700,000	1,700,000	1,700,000	1,700,000
Net Movement in Property, Plant & Equipment	200,000	100,000	200,000	100,000

The following influences had a significant impact on Capital Works for the 2017/18 and following years:

- Projected Member Councils' contributions.
- Estimated State Government Grant for 2017/18 and later years.
- 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 SRP (referred to in Section 9) are to strive to maintain existing service levels while achieving a reasonable operating result over the four years.

Overall service delivery will be dependent on: Member Councils' contributions, grants from the State Government; and the income generated by the Corporation from charges, fees fines and investment income.

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

Indicator	Resource	Plan	Projections	
	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020 /21 \$'000
Operating result	0.839	0.478	7	19
Cash and investments	6,579	6,680	6,687	6,806
Cash flow from operations	1,900	1,900	1,907	1,919
Capital works	1,900	1,800	1,900	1,800
Employee Costs	8,942	9,120	9,303	9,489
Employee numbers (EFT)	89	89	89	89

10.4 Matters that Impact on the Funding Strategies

Financial sustainability will be maintained if:

- Member Councils' contributions and State Government grants are as projected.
- Wages growth is 2% (including Oncosts) for 2017/18 and following years.
- Cost increases can be capped at 2% (or no increase) for all expenses other than those determined by agreements, contracts or leases.
- Cash and investments remain constant as forecasted over the four-year period.

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

Indicator	Resource	Plan	Projections	
	2017/18	2018/19	2019/20	2020 /21
	%	%	%	%
Council contribution increases	Various	2	2	2
Government funding	1.35	1.35	1.35	1.35
Wages growth	2	2	2	2
Cost Escalation Factor*	2	2	2	2
Investment Return	3	3	3	3

*Increases restricted to 2% unless otherwise determined by agreement, lease or contract.

Appendices

The following appendices include voluntary and statutory disclosures of information which provide support for the analysis contained in sections 1 to 10 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 Statements
B	Statutory Disclosures
C	Capital Works Program
D	Key Directions

Appendix A

Budgeted Standard Statements

This appendix presents information in regard to the Budgeted Standard Statements. The budget information for the years 2017/18 to 2020/21 has been extracted from the Strategic Resource Plan.

The appendix includes the following budgeted information:

- Budgeted Comprehensive Income Statement
- Budgeted Balance Sheet
- Budgeted Statement of Cash Flows
- Budgeted Statement of Capital Works

Budgeted Comprehensive Income Statement

For the four years ending 30 June 2021.

	2017/18	2018/19	2019/20	2020 /21
	\$	\$	\$	\$
Income				
Grants (Operating): State Government	2,632,848	2,668,391	2,704,415	2,740,924
Contributions (Monetary): Member Councils	10,068,934	10,270,312	10,475,719	10,685,233
User Charges, Fees & Fines	419,328	423,078	423,078	423,078
Proceeds on disposal of Fixed assets	15,500	500	500	500
Other Income (Interest)	225,000	215,000	205,000	200,000
Total Income	13,361,609	13,577,281	13,808,711	14,049,735
Expenses				
Employee Benefits	8,942,022	9,120,862	9,303,280	9,489,345
Contract Payments, Materials and Services	2,518,748	2,555,941	2,598,103	2,641,327
Depreciation and Amortisation	1,700,000	1,700,000	1,700,000	1,700,000
Written Down Value of Assets Disposed	200,000	200,000	200,000	200,000
Total Expenses	13,360,770	13,576,803	13,801,382	14,030,672
Surplus/(Deficit) for the year	839	478	7,328	19,062

Budgeted Balance Sheet

For the four years ending 30 June 2021.

	2017/18	2018/19	2019/20	2020 /21
	\$	\$	\$	\$
CURRENT ASSETS				
Cash and Cash Equivalents	6,579,839	6,680,316	6,687,645	6,806,707
Prepayments	70,000	70,000	70,000	70,000
Receivables	40,000	40,000	40,000	40,000
TOTAL CURRENT ASSETS	6,689,839	6,790,316	6,797,645	6,916,707
NON-CURRENT ASSETS				
Trade and other receivables				
Property, Plant and Equipment	6,897,000	6,797,000	6,797,000	6,697,000
Intangible assets	17,000	17,000	17,000	17,000
TOTAL NON-CURRENT ASSETS	6,914,000	6,814,000	6,814,000	6,714,000
TOTAL ASSETS	13,603,839	13,604,316	13,611,645	13,630,707
CURRENT LIABILITIES				
Payables	270,965	232,061	192,477	152,201
Employee Benefits	2,206,958	2,245,580	2,284,878	2,324,863
Superannuation				
TOTAL CURRENT LIABILITIES	2,477,923	2,477,641	2,477,355	2,477,064
NON-CURRENT LIABILITIES				
Employee Benefits	16,078	16,360	16,646	16,937
Superannuation				
TOTAL NON CURRENT LIABILITIES	16,078	16,360	16,646	16,937
TOTAL LIABILITIES	2,494,001	2,494,001	2,494,001	2,494,001
NET ASSETS	11,109,837	11,110,315	11,117,644	11,136,706
REPRESENTED BY:				
Members' Equity based on Initial Contributions	3,689,000	3,689,000	3,689,000	3,689,000
Accumulated Surplus	7,420,839	7,421,315	7,428,644	7,447,706
EQUITY	11,109,839	11,110,315	11,117,644	11,136,706

Budgeted Statement of Cash Flows

For the four years ending 30 June 2021.

	2017/18	2018/19	2019/20	2020 /21
	\$	\$	\$	\$
Receipts				
Grants	2,632,848	2,668,391	2,704,415	2,740,924
Contributions	10,068,934	10,270,312	10,475,719	10,685,233
User Charges, fees and fines	419,328	423,078	423,078	423,078
Proceeds from Fixed Assets	15,500	500	500	500
Interest	225,000	215,000	205,000	200,000
	13,361,609	13,577,281	13,808,711	14,049,735
Payments				
Payments to Employees	8,942,022	9,120,862	9,303,280	9,489,345
Payments to Suppliers	2,518,748	2,555,941	2,598,103	2,641,327
	11,460,770	11,676,803	11,901,382	12,130,672
Net Cash provided by Operating Activities	1,900,839	1,900,478	1,907,328	1,919,062
Cash flows from investing activities				
Payments for Plant & Equipment	(1,900,000)	(1,800,000)	(1,900,000)	(1,800,000)
Net Cash used in Investing Activities	(1,900,000)	(1,800,000)	(1,900,000)	(1,800,000)
Net Increase/(Decrease) in Cash and Cash Equivalents	839	100,478	7,328	119,062
Cash and Cash Equivalents at beginning of the Financial Year	6,579,000	6,579,838	6,680,316	6,687,645
Cash and Cash Equivalents at end of the Financial Year	6,579,839	6,680,316	6,687,645	6,806,707

Budgeted Statement of Capital Works

For the four years ending 30 June 2021.

	2017/18	2018/19	2019/20	2020 /21
	\$	\$	\$	\$
Capital Works Areas				
Library Materials				
Books	850,000	850,000	850,000	850,000
Audio-visual Materials	600,000	600,000	600,000	600,000
e books	200,000	200,000	200,000	200,000
Plant & Equipment				
Motor Vehicles	100,000		100,000	
Capital Projects	150,000	150,000	150,000	150,000
Total Capital Works	1,900,000	1,800,000	1,900,000	1,800,000

Reconciliation of Net Movement in Property, Plant and Equipment

For the four years ending 30 June 2021.

	2017/18	2018/19	2019/20	2020 /21
	\$	\$	\$	\$
Total Capital Works	1,900,000	1,800,000	1,900,000	1,800,000
Depreciation	1,700,000	1,700,000	1,700,000	1,700,000
Written Down Value of Assets Sold	200,000	200,000	200,000	200,000
Net Movement in Property, Plant & Equipment	0	-100,000	0	-100,000

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

1. Borrowings

	2016/17	2017/18
	\$	\$
New borrowings (other than refinancing)	0	0
Debt redemption	0	0

2. Charges, Fees and Fines

2.1 The Charges, Fees and Fines to be levied:

Fees & Charges	2017/ 18
Overdue Material Per Item Per Day	
- Adult Materials (Up to a maximum of \$12 per item)	\$0.30
- Child Materials (Up to a maximum of \$5 per item)	\$0.30
- Debt Collection Agency Fee	As per agency agreement
Lost items	System Cost & Processing Fee
Replacement cards	\$3.00
Printing / Photocopying	
- Colour (A4) and (A3)	\$0.90 and \$1.75
- B&W (A4) and (A3)	\$0.20 and \$0.40
Library reservations (per item)	\$2.00
Inter Library Loan (per item)	
- other public library services	\$2.00
- 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	\$350.00
Library bags	
- large	\$1.00
- small	\$2.00
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 e.g. Internet & Genealogy	Variable
Activities - adult	Variable
- junior	Variable
Meeting Room	As per Councils' Fees and Charges
- Boronia	
- Rowville	
- Belgrave	
- Mt Evelyn	
- Yarra Junction	

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

Appendix C

Capital Works Program

For the four years ending 30 June 2021.

	2017/18	2018/19	2019/20	2020 /21
	\$	\$	\$	\$
Capital Works Areas				
Library Materials				
Books	850,000	850,000	850,000	850,000
Audio-visual Materials	600,000	600,000	600,000	600,000
e books	200,000	200,000	200,000	200,000
Plant & Equipment				
Motor Vehicles	100,000		100,000	
Capital Projects	150,000	150,000	150,000	150,000
Total Capital Works	1,900,000	1,800,000	1,900,000	1,800,000

Appendix D

Key Direction 1 ~ Library Services

Objective

To ensure the scope, delivery and management of our library service responds to and meets local community needs and interests and contributes to achievement of meaningful outcomes for library users and the community.

Strategies

Affordable, trusted and accessible public and online services

- Provide affordable membership and access to our range of services and resources which are provided through our branches, community and outreach service points (including mobile libraries) and online.
- Offer services that will be inclusive to all members of the community, including customers with special needs and those from Indigenous, culturally and linguistically diverse backgrounds.
- Provide access to library services structured in a way that maximizes accessibility and convenience to potential users, both when they use library branches and access our services remotely.

Community needs and service provision gaps & improvements

- Gather formal and informal community-related information (particularly from our Member Councils) that allows programs and services to be identified and developed from the customer's perspective and to meet community needs.

Create partnerships to build community and individual resilience and capacity

- Work, and form partnerships (where appropriate) with: local community service, education and learning providers providing support to our communities; and the networks and committees that exist to coordinate service provision across these providers.

Key Direction 2 ~ Content and Collections

Objective

To ensure development and management of our library content and collections to: meet the information, education, recreation and cultural needs of the community; support the development of lifelong learning; and foster a love of reading.

Strategies

Delivering content and collections

- Plan, develop and deliver content and collections to meet the recreational, educational, social, information and employment-related needs of members of the community across all life stages, demographic groups and interests.

Accessible formats

- Provide access to resources in a variety of formats including print, audio and digital.
- Ensure appropriate and efficient access for all members of the community to the continuously developing library collection.

Championing cultural identity

- Where appropriate, and in partnership with other organisations:
 - provide access to, and maintain, a collection that relates to the history and development of the local community.
 - document, preserve and present the historical and contemporary development of the local community.

Key Direction 3 ~ Information and Reference Services

Objective

To offer comprehensive and authoritative information, reference and readers' advisory services to all library customers.

Strategies

Information and reference service provision

- Provide customers with the information and/or reading materials (including audio books, eBooks, CDs and DVDs) that suit their needs in an appropriate timeframe.

Access to information and reference services

- Provide information, reference and readers' advisory services to library customers on site, online and by phone.

Training in information and digital skills

- Support library users to develop their information and digital literacy skills and to facilitate their effective use of library resources and facilities.

Key Direction 4 ~ Programs

Objective

To provide targeted activities and events that use library resources and collections to:

- enrich the lives of community members.
- build literacy, language and learning skills.
- engage, connect, inform and inspire.
- improve personal development and wellbeing.

Strategies

Program offering

- Offer a wide range of programs, wherever practical and subject to funding, to encourage and enhance effective and productive use of the library, collections and services.

Targeting of programs

- Target and design programs to respond to identified needs and interests in the local community based on an understanding of the demographic composition of our community and the reading, literacy, social and learning needs and interests of specific groups within the community.
- Design, develop and deliver library programs that recognise the special needs, interests and capabilities of participants and different target groups (e.g. people with low literacy, people with disabilities, indigenous Australians, CALD communities).
- Ensure, where possible, programs, exhibitions and displays intersect with and encourage use of library collections and other library services or programs.

Inter-generational activities

- Design programs designed where practicable to generate and maximize inter-generational activities.

Involvement of stakeholders

- Ensure partner organisations, in particular our Member Councils, are involved, as relevant and appropriate, in the planning, design, development, promotion, delivery and evaluation of programs.

Key Direction 5 ~ Technology

Objective

To provide affordable use of computers, the internet and other technology and applications to allow users to access library and public information and resources.

Strategies

Equipment and services

- Plan for the provision, regular updating, and use of computers, the internet, peripherals (including printers, scanners and copiers) and other technology for library users to occur within the Corporation's: broader policy framework; planning; and budget for technology management.

New technology is available and accessible

- Subject to funding, be widely recognised as a place where mainstream and new technology is available and accessible to all members of the community.

Broadband speed

- Ensure bandwidth (where available) is sufficient for consistent good quality access to digital print, image and sound resources throughout the library service.

Access to specialist technologies

- Provide access to:
 - Adaptive technologies for library users with vision or hearing disabilities.
 - Multilingual electronic resources for customers wishing to access CALD materials.

Key Direction 6 ~ Places (physical and digital)

Objective

To provide accessible physical and digital places and spaces that meet the recreational, educational, social, information and employment-related needs of library users.

Strategies

Building Design

- Work with our Member Councils to develop library building designs that recognise the multiple, complementary and sometimes competing interests of library users in their demands of library spaces, and provide a high degree of adaptability for new or varied purposes.

Dedicated spaces

- Provide, as far as possible and at appropriate times, dedicated spaces to complement library programs and services (e.g. children's spaces, youth spaces, event spaces, display areas, community meeting rooms).

Use of library spaces

- Encourage library users and community groups to use library places and spaces in ways that improve their personal or collective outcomes.
- Support and facilitate different and concurrent use of library places and spaces by different library users.

User training and support

- Support library users to build their confidence and skills in efficiently using digital technology and effectively using digital information and tools by:
 - providing support and training to assist people in becoming more confident in using computers.
 - developing people's skills in the use of computers and the internet.
 - building digital and information literacy among people who have access to digital information
 - Provide affordable basic training programs in accessing the information resources provided at the library, including regular internet and technology training sessions.

Library website

- Design, and regularly review, the library website to ensure:
 - Users can quickly navigate, find and access online library resources and services.
 - The website supports collaboration and creative development of new library content.

Key Direction 7 ~ Staffing

Objective

To ensure all library staff (including casual and relief staff) have sufficient knowledge and skills to undertake the requirements of their roles with a minimum of supervision.

Strategies

Staffing requirements

- Employ suitably qualified and/or experienced managers and staff, appropriately trained to discharge their particular job responsibilities.
- Facilitate a planned induction and orientation program for all new staff and staff who have changed positions.

Staffing mix

- Employ, in addition, to appropriately qualified staff for core library services (such as reference services, collection development and technical services) specialist staff with non-library related qualifications to enrich and support library programs or functions (e.g. information technology, youth work, education, marketing and administration, community liaison).
- Provide, where practicable, eLearning/ Tech Officers in every branch.

Professional development

- Maintain a process of continuing professional education on a formal basis, which is augmented by informal skills transfer, mentoring and information sessions for staff.
- Provide initial and 'refreshed' customer service training for all staff.
- Provide diversity and ability awareness training for communicating with their colleagues and with library customers, including persons with physical and mental disabilities, those from diverse cultural backgrounds, adult new readers and individuals speaking languages other than English.
- Encourage staff to expand their library and cross-sectoral networks, and further their professional development by reading, online exchange of ideas, and by attending courses, conferences, and meetings.
- Encourage job rotation and staff exchanges as a means of ensuring adequate training and development, especially for more isolated staff such as those in small branch libraries.

Key Direction 8 ~ Promoting, Measuring & Evaluating

Objective

To demonstrate the differences that our services, programs and places make in the lives of individuals and the wellbeing of the community and monitor and evaluate the impact on participants and the community, and the influence on library usage.

Strategies

Reports

- Provide quarterly Board Reports that demonstrate the outputs and outcomes from the services delivered, including:
 - number of programs delivered.
 - number of participants in programs, activities and events.
 - number of participants trained.
 - impact on loans, visits and membership.
 - participant satisfaction and anticipated (or actual) impact on knowledge, skills, learning and employment outcomes or personal development and wellbeing.
- Publish an Annual Report of the activities undertaken.

Feedback

- Provide opportunities to measure our performance and outcomes through:
 - Online feedback page on our website.
 - Hard copy feedback forms in every branch.

Evaluation

- Short targeted surveys to assess the impact of the service delivered e.g. after a program or activity.
- A biennial omnibus survey to capture feedback on all the services offered by the Corporation.

Create awareness of library services and activities

- Promote our many programs and services though using different hard and soft media (incl. virtual networks and social media).
- Participate in: various community events and gatherings; partnerships and networks.

