

# Reports/Recommendations

<b>Subject</b>	<b>Draft 2018/19 Budget and Fees &amp; Charges</b>
<b>TRIM Record No</b>	BP18/206:EF09/74
<b>Prepared by</b>	Manager - Finance
<b>Item Number</b>	6.6

## Overview of Report

The draft 2018/19 Budget and Fees & Charges have been prepared. It has been prepared based on 2017/18 service levels with any significant changes reported.

One significant change relates to the development of the Strategic Plan. For 2018/19, it is recommended that this one off cost be funded by a reduction in the funding for Library Resources (Books, DVD's & CD's) instead of increased Member Council contributions. The Library Resources funding is proposed to be fully reinstated in future years.

In accordance with the Deed of Agreement, the Senior Leadership Group has considered the member funding formula and draft 2018/19 Budget.

## Recommendation

That:

1. The RTRL's draft 2018/19 Budget and Fees & Charges be endorsed in principal;
2. The RTRL's draft 2018/19 Budget and Fees & Charges be circulated to Member Councils for their consideration; and
3. Any responses received be reported to the RTRL's May 2018 meeting for consideration and final endorsement of the 2018/19 Budget and Fees & Charges.

## DRAFT 2018/19 BUDGET

A draft 2018/19 Budget has been prepared and a full copy attached. It is based on 2017/18 service levels and where significant changes are recommended commentary is provided.

## Financial Results

The following table shows the budgeted financial results for 2018/19 and the 2017/18 comparison:

Key Financial Performance	2017/18 Original Budget	2017/18 Amended Budget	2018/19 Draft Budget
<b>Net Operating Result – Surplus/(Deficit)</b>	(\$308,900)	(\$58,500)	<b>\$43,700</b>
<b>Net Operating Result excluding Capital Revenues</b>	(\$308,900)	(\$233,500)	<b>\$43,700</b>

<b>Net Cash Position</b>	Balanced	Balanced	<b>Balanced</b>
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The **Net Operating Result** is anticipated to be a surplus of \$43,700.

The **Net Operating Result excluding Capital Revenues** is also anticipated to be a surplus of \$43,700.

The **Net Cash Position** is balanced. This simply means all cash expenditure is matched by a cash funding source.

Other key financial information includes:

- a) **Total Income** – \$6,999,500. This is an increase of \$126,500 or 1.84% compared to the 2017/18 Original Budget;
- b) **Total Expenditure** – \$7,561,900. This is a decrease of \$235,000 or 3.01% compared to the 2017/18 Original Budget; and
- c) **Asset Expenditure** – \$571,100. This is a decrease of \$55,600 or 8.87% compared to the 2017/18 Original Budget.

## Member Council Contributions

Each year the calculation of Member Council contributions is required to be reviewed. This was undertaken by the Senior Leadership Group. The following categories and contribution drivers are supported:

### Branch Costs

Each Member Council pays for all direct staffing costs associated with the provision of library services in its local government area.

### Mobile Library Costs

Each Member Council pays a percentage of all costs associated with the Mobile Library. The percentage is based on the number of Mobile Library opening hours in their local government area over the total number of Mobile Library opening hours in all Member Council local government areas.

### Library Resources Costs

Each Member Council pays a percentage of all costs associated with library resources. The percentage is based on the estimated population in their local government area over the total estimated population in all Member Council local government areas.

### Computer Systems Costs

Each Member Council pays a percentage of all costs associated with computer systems. The percentage is based on the number of PC equivalents in their local government area over the total number of PC equivalents in all Member Council local government areas.

### Headquarters Costs

Each Member Council pays a percentage of all net costs associated with Headquarters. The percentage is based on the estimated population in their local government area over the total estimated population in all Member Council local government areas.

### Executive Council Costs

Each Member Council pays a percentage of the costs incurred by the Executive Council in providing executive support and administrative services such as human resources, finance, administration, property and fleet to the RTRL. The percentage is based on the estimated population in their local government area over the total estimated population in all Member Council local government areas.

After applying the above categories and contribution drivers to the draft 2018/19 Budget, an overall increase in Member Council contributions of 2.95% is proposed. The following table shows individual Member Council contributions.

Council	2017/18	2018/19	Increase \$	Increase %
<b>Ballina</b>	\$1,337,200	\$1,387,300	\$50,100	3.75%
<b>Byron</b>	\$1,281,700	\$1,309,500	\$27,800	2.17%
<b>Lismore</b>	\$1,499,400	\$1,523,000	\$23,600	1.57%
<b>Tweed</b>	\$2,312,000	\$2,399,900	\$87,900	3.80%
<b>Totals</b>	<b>\$6,430,300</b>	<b>\$6,619,700</b>	<b>\$189,400</b>	<b>2.95%</b>

## Budget Commentary

The following commentary is provided on significant changes to the Budget:

### Overview

Service levels are proposed to be fundamentally unchanged from 2017/18 to 2018/19.

There are two changes in service levels highlighted being:

1. Strategic Plan – The development of the Strategic Plan in accordance with the Deed of Agreement is proposed for 2018/19. The estimated cost is \$45,000 and this will be partially funded (\$9,500) from recurrent budgets. The unfunded cost of \$36,500 is recommended to be funded by a reduction in the funding for Library Resources (Books, DVD's & CD's) instead of increased Member Council contributions. The Library Resources funding is proposed to be fully reinstated in future years.
2. Mobile Library – Due to the low utilisation, the Mobile Library stop at Fingal Heads for 30 minutes every second week is to be discontinued.

The major factor increasing overall Member Council contributions are staffing costs. In particular, the Local Government (State) Award 2017 provides for an indexation in pays of 2.5% from 1 July 2018. This increase is above the rate peg of 2.3% advised by IPART.

Another factor which influences Member Councils' share of net total costs is the change in the population in each local government area relative to the region from year to year. The Member Council contribution formula apportions the net Library Resources, Headquarters and Executive Council costs based on each Member Councils' population. Using the Australian Bureau of Statistics Regional Population Growth data the following table is provided to highlight the movement in each local government area's share of total population from 2017/18 to 2018/19:

Council	2017/18	2018/19
<b>Ballina</b>	19.40%	19.92%
<b>Byron</b>	15.84%	15.36%
<b>Lismore</b>	20.69%	20.24%
<b>Tweed</b>	44.08%	44.48%
<b>Total</b>	100.00%	100.00%

## Note 1 – Staff Salaries

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Staff Salaries are anticipated to increase by \$116,300 or 2.88%. This increase comprises anticipated Award indexation applicable from 1 July, salary progression as a result of annual staff reviews and regrading of positions as required.

Most staffing hours remain unchanged however there has been a reduction in total staffing hours at headquarters from 2017/18 to 2018/19. The following table shows the weekly staffing hours:

Location	2017/18	2018/19
Headquarters	471.50	462.00
Ballina	400.50	400.50
Byron	399.01	399.01
Lismore	463.50	463.50
Tweed	614.31	614.31
Mobile	51.38	51.38
Executive Council	161.00	161.00
<b>Totals</b>	<b>2,561.20</b>	<b>2,551.70</b>
<b>Full Time Equivalent</b>	<b>73.18</b>	<b>72.91</b>

### Note 2 – Employee Leave Entitlements

Employee Leave Entitlements will increase by \$22,600 or 3.14%. This increase is primarily driven by the same reasons as the increase in Staff Salaries.

### Note 3 – Superannuation

Superannuation will increase by \$12,200 or 2.24%. This increase is primarily driven by the same reasons as the increase in Staff Salaries.

### Note 4 – Workers Compensation Insurance

A cost of \$59,000 is anticipated for 2018/19. For 2017/18, the amount was reduced by a refund of approximately \$4,900 relating to 2016/17. A similar refund in 2018/19 for 2017/18 is not anticipated.

### Note 5 – Strategic Plan, Website/Style Manual, Periodicals, Licenses & Fees, eResources and Library Resources (Books, DVD's & CD's)

Strategic Plan – The development of the Strategic Plan in accordance with the Deed of Agreement is proposed for 2018/19. The estimated cost is \$45,000 and this will be partially funded (\$9,500) from recurrent budgets. The unfunded cost of \$36,500 is recommended to be funded by a reduction in the funding for Library Resources (Books, DVD's & CD's) instead of increased Member Council contributions.

Website Style Manual – To be used to partially fund the development of the Strategic Plan in 2018/19. To be reinstated in 2019/20.

Licenses and Fees – To better manage Library Resources, the Collection HQ software is being used. This is being funded from the Library Resources (Books DVD's & CD's) budget however needs to be correctly stated as an ongoing operating expense. The annual licensing costs of \$23,000 is partially offset by a 25% discount this year which is to be used for book purchases.

Periodicals, eResources and Library Resources (Books, DVD's & CD's) – The current practice is to increase the recurrent annual budgets for Periodicals, eResources and Library Resources (Books, DVD's & CD's) by rate pegging. For 2018/19, the rate peg is 2.3%.

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An ongoing reduction of \$23,000 for Collection HQ software and a one off reduction of \$36,500 for the development of the Strategic Plan in 2018/19 has been factored into the draft 2018/19 Budget.

The following table show the movement in the recurrent annual budgets for Periodicals, eResources and Library Resources (Books, DVD's & CD's) between 2017/18 and 2018/19:

Periodicals, eResources and Library Resources (Books, DVD's & CD's)				
Categories	2017/18 Recurrent Budget	2018/19 Recurrent Budget	2017/18 vs 2018/19	
Library Resources (Books, DVD's & CD's)	\$582,000	\$535,900	(\$46,100)	-7.92%
eResources	\$82,200	\$84,100	\$1,900	2.31%
Periodicals	\$46,100	\$47,200	\$1,100	2.39%
<b>Total</b>	<b>\$710,300</b>	<b>\$667,200</b>	<b>(\$43,000)</b>	<b>-6.07%</b>

As the movement in the recurrent budget for Library Resources (Books, DVD's & CD's) is impacted by changes for the Strategic Plan and Collection HQ software, the following table provides a reconciliation of the movement from 2017/18 and 2018/19:

Library Resources (Books, DVD's & CD's) – Reconciliation	
<b>2017/18 Amended Budget</b>	\$689,800
Less: 2016/17 Carried Forward Funds	(\$93,600)
Less: Book Club Membership	(\$3,200)
Less: Donations (Byron Bay FOL)	(\$11,000)
<b>2017/18 Recurrent Budget</b>	<b>\$582,000</b>
Plus: Rate Peg Increase	\$13,400
Plus: Book Club Membership	\$3,200
Less: Strategic Plan	(\$36,500)
Less: Collection HQ Software	(\$23,000)
<b>2018/19 Budget</b>	<b>\$539,100</b>
Less: Book Club Membership	(\$3,200)
<b>2018/19 Recurrent Budget</b>	<b>\$535,900</b>

### Note 6 – Vehicle Running

The budget has been increased above average to recognise that maintenance and servicing costs of the book mobile are increasing due to the vehicles age. The timing of the decision on the Mobile Library services delivery model will impact future budgets.

### DRAFT 2018/19 FEES & CHARGES

The Fees and Charges have been reviewed. Minor changes are proposed with little impact on overall revenues anticipated.

### Attachment/s

1. Draft 2018/19 Budget

2. Draft 2018/19 Member Council Contributions
3. Draft 2018/19 Fees & Charges