



Waitakere City Council
Te Taiao o Waitakere

Cost allocation and cost recovery methodology: Leisure and community services

This document supports the draft development contributions and financial contributions policy
April 2009
Supporting information: Document B01

Summary

Waitakere City Council uses development contributions and financial contributions to fund some of the costs it incurs because of growth. This document is part of the supporting information behind the development contributions and financial contributions policy.

This document is the cost allocation and cost recovery methodology for the leisure and community services activity. It sets out:

- The approach to cost allocation (identifying the cost of growth);
- The approach to cost recovery (identifying how the cost of growth should best be shared);
- The way that the guidelines identified in the framework have been reflected in decisions about cost allocation and cost recovery, and included in this methodology.

The guidelines in the framework document come from the key factors to be considered as part of putting a development contributions policy in place, including elements of the legislative framework; growth; economic efficiency; asset management; equity; operations; and risk management.

For leisure and community services, these factors have generated a methodology in which:

- Growth related projects are individually analysed under relevant programmes;
- The base cost allocation methodology is used, taking demand as arising from population and defining capacity in terms of square metres of a type of facility, consistent with the level of service statements.

As set out in this document, the methodology complies with the requirements of the Local Government Act 2002.

This document should be read in conjunction with the other documents in the supporting information pack.

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1.0 Introduction

1.1 Use of development contributions

Development contributions are a funding tool provided to the council under the Local Government Act 2002 (LGA 2002). They allow the council to recover some of the capital costs it faces arising in connection with growth of the city. Development contributions can be charged when the council grants resource consents and building consents.

1.2 Purpose of this document

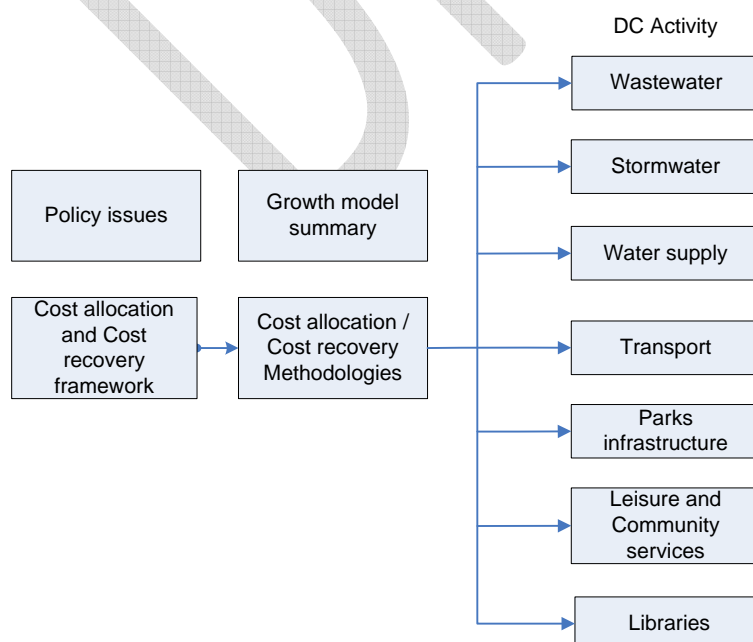
This document sets out the approach the council has taken to cost allocation and cost recovery for leisure and community services. It therefore:

- Describes this activity;
- Sets out the way in which the cost of growth was arrived at;
- Explains why the chosen units of demand were selected;
- Shows how these decisions comply with the requirements for a development contributions policy;
- Fulfils part of the council's obligation to make the development contributions methodology available publicly.

1.3 Supporting information

A set of other documents also helps support the development contributions and financial contributions policy. The relationship of these to this methodology document is illustrated in Figure 1 below.

Figure 1: Outline of supporting document set



2.0 The Leisure and Community Services activity

2.1 Definition of the activity and its assets

This activity has two main components.

Recreation/leisure (including the majority of this activity's capital expenditure)

- Planning for and providing recreation, leisure and community facilities.
- Customer services and management of activities at six community centres.
- Grants processing, management and delivery.
- Contracts management with service and community providers.
- Coordination of programmed activities for the community via other service providers such as YMCA, Sport Waitakere and grants funding.
- Supporting physical activity initiatives via contracts and partnerships, Push Play funding and Active Waitakere.

Community Development

- Working directly with and supporting various community groups and organisations to help build their intellectual capital, community capabilities and community empowerment.
- Supporting community aspirations through quality support and advice.
- Provision of professional, expert advice, information and input to community groups, sporting clubs and not for profit organisations.
- Development and maintenance of partnerships with community and collaboration with organisations.
- Leisure, recreation and community planning interfaced with strategy and policy writing.

Overall, this activity is for the provision of an accessible recreation, leisure, community facilities and community development network. This includes management of the capital works programme and a range of services and facilities which are primarily provided for the leisure, recreational and community needs of the residents of Waitakere City.

The main assets for this activity are:

- The 6 Council provided community centres;
- The 7 Council provided Community Houses;
- A Recreation centre located in Massey
- A 50% contribution to the Trusts Stadium Henderson¹;
- A youth facility located in Henderson;
- An Aquatics facility located in Henderson²;

¹ The Stadium is not managed by Council, 50% of the floor area of the Stadium is used to calculate m²/1000 for recreation centres.

² This is managed outside of Leisure Services.

- The 19 community halls (of which 9 are Council owned halls with the balance being in community ownership).

The above facilities are either owned by the council or, in the case of some community halls are in community ownership. They are either managed directly by Council or under management contracts. In addition, the council also provides or facilitates access to such facilities through a range of partnerships with other organisations.

2.2 Purpose and Community outcomes

The purposes of this activity include:

- To support and contribute to the social and physical wellbeing of the residents of Waitakere;
- To work directly and collaboratively with a range of community groups and organisations in order to provide a range of leisure, recreation and community facilities services and supporting community development processes within Waitakere.

This activity primarily contributes to the following community outcomes:

- Green Network - He tuituitanga kakariki;
- Mauri Ora – Access to Maori Resources;
- Strong Communities - He iwi kaha;
- Strong Economy - He tupuranga kaha ihi wana;
- Sustainable and Integrated Transport - Kauneke Tauwhiro me te Whakaurunga Waka;
- Sustainable Environment - Kauneke Tauwhiro Taiao;
- Toiora - Healthy Lifestyles;
- Urban and Rural Villages - Nga kainga taone, tuawhenua;
- Whaiora - Participation in Society;
- Working Together - Te Mahi Tahi.

2.3 Activity plan and level of service

The 2009 development contributions and financial contributions policy is based on the draft 2009 activity plan, “Leisure services / Community Services 2009-2019”. It is anticipated that this activity plan will be finalised and adopted towards the middle of calendar 2009. The plan provides for a “new builds” programme, while some completed projects are also considered to have delivered capacity for growth.

Planning is based on a goal of equal access across the city. Analysis of this takes account of population distribution, new growth areas, growth nodes and accessibility. This allows approaches to be tested and provides a method to distribute the location of facilities and services across the city.

Waitakere City Council promotes a network approach to the provision of Council funded community facilities. This recognises that collectively these facilities provide for a diversity of opportunities across the city, while also responding to the needs of the local

community they are individually situated in. Taking a network approach provides a view of issues such as level of service and the quality and distribution of facilities. Where there is any reference to “catchment areas” for Council provided community facilities, this is used to describe a process for enabling an understanding of the area that each community facility mainly provides for.

Current Leisure Services Levels of Service (LOS) for the City provide a variety of leisure, recreation and community baseline indicators which allow for growth of the facilities and services as growth occurs across the city. These target levels of service are used to help prioritise the need for individual types of facility and services throughout the City so that the City’s resources can be appropriately focused.

Under the outcome of “accessibility”, a key LOS is “Provision of sufficient facilities to meet need”. Leisure Services LOS planning has identified that the current facility provision, in most cases, is adequate and that future planning for growth should keep pace with population growth and therefore largely seeks to maintain the existing m²/population LOS. Some facilities such as community halls, will see a decline in LOS as it is not proposed that new halls be built as they typically serve rural areas which will not experience substantial growth therefore the status quo is considered adequate .

The table below provides the current citywide LOS for each facility or service based on a population of 195,300. These figures guide the analysis of the current situation, cost allocation for proposed projects, and planning for the future.

It must be recognised however that this is a simple methodology and it is important to recognise its limitations and weigh this analysis against other factors. It looks at service provision from a citywide viewpoint however it is prudent to analyse facility accessibility and provision at a localised level whilst still maintaining a citywide LOS ratio. Three key methods have been employed to do this. Firstly, the city is divided into four geographical areas to enable local analysis. Secondly, facilities are mapped spatially and gaps in the community relating to equity of provision issues are identified. Finally, “other drivers” relevant to service provision are also considered. Those analyses are included with the activity plan itself.

Table 1: Summary of service attributes and Levels of service

Service Attributes	Current LOS (Per 2006 census data)
Community Centres	30.50 m ² /1000 pop
Recreation Centres	58.30 m ² /1000 pop
Community Houses	9.10 m ² /1000 pop
Community Halls	11.60 m ² /1000 pop
Aquatic Facilities	42.50 m ² /1000 pop
Youth Facilities	36.70 m ² /1000 pop

3.0 Outline of Cost allocation approach

3.1 Outline of methodology

This activity uses the base cost allocation process, as set out in the framework document (A01). This methodology takes the planned cost of a proposed project and assigns it to various cost components including Renewal, Backlog, Growth and Unallocated.

The methodology is applied recognising:

- Different facility types (eg. Youth facilities, Community halls);
- Capacity defined in terms of square metres of facility area;
- Levels of service defined in terms of square metres per person;
- A citywide catchment (as these facilities together form a network across the city);
- Population figures and projections, and level of service statements, to determine backlog components and the time when design capacities are reached.

The cost allocation approach leads to leisure, recreation and community buildings/facilities and other related assets and services being funded from a mix of rates, loans and development contributions. This distribution of funding sources is considered to appropriately provide for the wellbeing of the current and future community. In particular, use of development contributions provides a funding source that will explicitly assist the council in continuing to provide these assets and services as the city grows.

4.0 Outline of cost recovery approach

4.1 Basis of demand

Capacity is the key driver to assess demand for the majority of community and recreation provision and associated assets. Noting the definition of the LOS in terms of “per person”, the costs of growth for this activity are recovered only from residential developments.

4.2 Use of information from the growth model

A citywide approach is used, with charges based on the number of Household Units (HHU) across the city. This information is readily available from the growth model.

5.0 Evaluation in terms of the Cost allocation and Cost recovery guidelines

	Guideline	Comments
1	General and activity-specific information regarding all aspects of cost allocation and cost recovery for development contributions should be	This methodology, the LTCCP and the activity plan make this information available.

	publicly accessible.	
2	The cost of growth to be recovered by development contributions may only include capital costs that the council expects to incur. Operating costs, such as maintenance, must be excluded.	The methodology provides that only capital costs are included in the cost of growth.
3	The cost of growth to be recovered by development contributions may only include expenditure to meet demand created by future growth.	The methodology excludes costs associated with past development from the cost of growth to be recovered through development contributions.
4	The cost of growth may not include costs that have been or will be funded from other sources.	Other funding sources are rare for this activity, however these are excluded as part of the methodology.
5	The unit of demand must reasonably relate to demand.	Household units are considered to reasonably relate to demand.
6	The cost of growth attributed to each unit of demand must be representative of the cost of meeting the demand that the unit generates.	Each household unit shares in the cost of growth.
7	The proposed approach should consider the overall impact on the well-being of the current and future community.	The overall impact of the proposed cost allocation is considered appropriate. This achieves a balance between the costs met by the existing community and the growth community.
8	The growth community should pay the full cost of a project that only meets an expected increase in demand driven by growth, and that delivers no material net benefits to the existing community.	Growth-only projects are rare for this activity, however for such projects the methodology would determine a high growth fraction.
9	The minimum cost of a multi-product project that should be allocated to growth is the incremental cost of growth.	The methodology does not deliver an estimate of the incremental cost, so compliance with this guideline can not be confirmed precisely. However, it is believed that this guideline will be met in most cases.
10	The maximum cost of a multi-product project that should be allocated to growth is the stand-alone cost of growth.	The methodology provides for this to be explicitly confirmed.
11	The cost of carrying additional capacity for growth (usually in the form of interest costs on borrowing) is considered part of the growth costs.	The cost of finance approach delivers this outcome. The activity plan process, and public consultation on proposed facilities and planned expenditure, ensure that asset planning is sound.
12	The methodology chosen for calculating the cost of growth should reflect asset planning, including the network nature of assets and services and the project, programme and catchment-based nature of planning for that activity. Development in a	A citywide catchment is adopted, consistent with planning for and use of the underlying assets and services. The project based nature of planning is also recognised in the methodology.

	catchment should pay only for costs related to that catchment or to the city as a whole.	
13	When determining allocation of the costs of growth, due consideration must be given to both those who cause the costs of growth and those who will benefit from increased infrastructure capacity.	The provision of new and upgraded facilities is driven by growth, while other factors such as improving access and useability for existing users are also important. New and upgraded facilities will also usually provide benefits to the existing community (at least temporarily) as well as the growth community. Accordingly, costs should be shared by both of these groups. The methodology delivers this outcome.
14	The unit of demand for those activities that are charged on non-residential as well as residential developments must apply equally to both types of development.	This activity is currently charged only on residential developments.
15	The cost of growth should be apportioned across the years over which capacity generated by the investment is used up.	The methodology takes account of the appropriate recovery period for each project.
16	The cost of growth and cost recovery approaches must be clear, fair, meet activity specific requirements and reflect a cost effective use of resources.	The methodology is described in detail in the framework document, and takes account of the nature of this activity as described in this document. This activity typically has a small number of large projects, so each of those projects can be (and are) evaluated individually.
17	The unit of demand should be simple to apply and able to be consistently applied to the various stages of both actual and proposed developments using readily available information and requiring minimal subjectivity.	Household units are a classic measure of the size or scale of a given development, and so can be readily determined.
18	The cost of growth methodology should take a prudent approach to estimating the cost of growth. A conservative approach, such as aggregating or averaging, may be necessary in allocating costs, whether between the existing community and the growth community or between sectors of the growth community.	The methodology is largely based on quantifiable information. Together with the use of a citywide catchment approach, this is considered to provide an appropriate outcome.
19	Development contributions methodologies should avoid incentives that may inadvertently affect development trends in an inappropriate way.	The methodology is not considered to introduce any inappropriate incentives for particular types of developments or development patterns.