



**Waitakere City Council**  
*Te Taiao o Waitakere*

## Cost allocation and cost recovery methodology: Libraries

This document supports the draft development contributions and financial contributions policy  
April 2009  
Supporting information: Document B02

## 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 Libraries 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 libraries, these factors have generated a methodology in which:

- Relevant growth related projects are individually analysed, under the key programme of New Library Builds;
- 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.

# Contents

<i>Summary</i>	2
<i>Contents</i>	3
<b>1.0 Introduction</b>	4
1.1 Use of development contributions	4
1.2 Purpose of this document	4
1.3 Supporting information	4
<b>2.0 The Libraries activity</b>	5
2.1 Definition of the activity and its assets	5
2.2 Purpose and Community outcomes	5
2.3 Activity plan and level of service	6
<b>3.0 Outline of Cost allocation approach</b>	7
3.1 Outline of methodology	7
<b>4.0 Outline of cost recovery approach</b>	8
4.1 Basis of demand	8
4.2 Use of information from the growth model	8
<b>5.0 Evaluation in terms of the Cost allocation and Cost recovery guidelines</b>	8

# 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

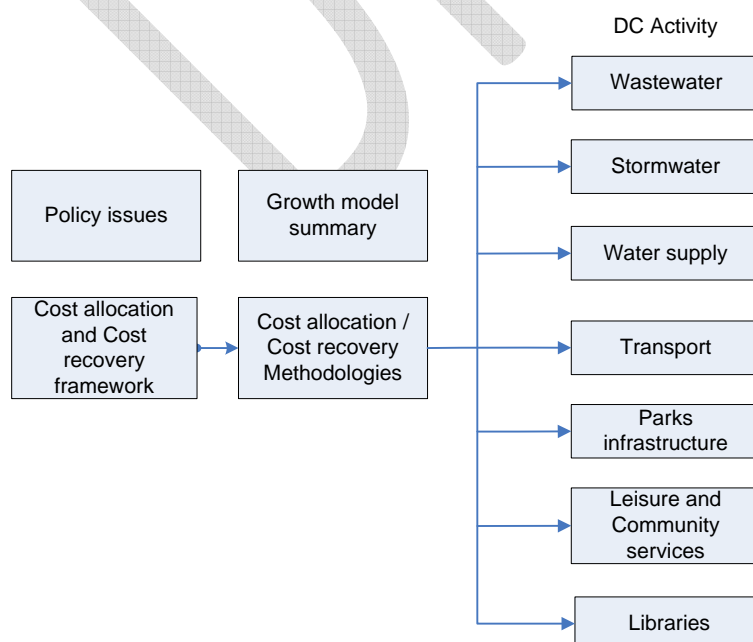
This document sets out the approach the council has taken to cost allocation and cost recovery for libraries. It therefore:

- 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 Libraries activity

### **2.1 Definition of the activity and its assets**

This activity provides an accessible public library service network. Provision of this activity includes facility management, the capital works programme and a range of services and facilities. These facilities are primarily provided for the residents of Waitakere City.

Key assets that support the delivery of library services are:

- The library buildings (which are identified as an asset of the Property Asset department);
- Items within the book and non-book collections including heritage items;
- Furniture and fittings;
- Movable plant and equipment.

Waitakere City Libraries include:

- Glen Eden library and Learning Centre;
- Massey library and Learning Centre;
- Ranui library and Learning Centre;
- Titirangi Library and Learning Centre;
- Waitakere Central (Henderson) library and Learning Centre;
- Te Atatu Peninsula library and Learning Centre;
- New Lynn War Memorial library and Learning Centre;
- Sturges West Learning Centre;
- Mobile library vehicle.

### **2.2 Purpose and Community outcomes**

This purpose of this activity is to collect and make accessible a range of literary and other information materials for public use. Aside from the primary purpose, the libraries activity also:

- Provides a community focal point and space to encourage social interaction and community cohesion;
- Supports lifelong learning and the gaining of information technology skills through learning centres;
- Provides community based access to Council information services and for making payment (eg. for rates, parking infringements and dog licensing).

The libraries activity contributes to the following community outcomes:

- Strong Communities - He iwi kaha;
- Strong Economy - He tupuranga kaha ihi wana;
- Healthy Lifestyles - Toiora;

- Urban and Rural Villages - Nga kainga taone, tuawhenua;
- Participation in Society - Whaiora;
- Working Together - Te Mahi Tahī;
- Sustainable and Integrated Transport – Kauneke Tauwhiro me te Whakaurunga Waka;
- Vibrant Arts and Culture – Toi me nga Tikanga Taketake.

## **2.3 Activity plan and level of service**

### **2.3.1 The activity plan and planning approach**

The 2009 development contributions and financial contributions policy is based on the draft 2009 activity plan, “Libraries and Information Services 2009-2019”. It is anticipated that this activity plan will be finalised and adopted in calendar 2009.

Waitakere City Council promotes a network approach to the provision of Council funded libraries, and other 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 each one is located in. Taking a network approach enables 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 libraries or other Council provided community facilities, this is used to describe a process for enabling an initial understanding of the area that each community facility provides for (accepting that not everyone within a “catchment” will necessarily use their local facility). By taking a network approach, the council can plan to ensure that there is a good distribution of facilities available across the city.

### **2.3.2 Levels of service**

A key element of library provision is for the council to provide “Sufficient library space which is accessible and available to the public”.

Relating to building provision in particular (which is an important area for development contributions), it is appropriate to make reference to the “Standards for Public Library Service”, published by LIANZA (2004), and benchmarks published for the other 18 metropolitan libraries in New Zealand. Waitakere Library floor space is evaluated as being at 40 m<sup>2</sup> / 1000 population as at 2006.

Annual surveys identify that a high proportion of the community indicates a general level of satisfaction with library services. Surveys and customer feedback through other mechanisms have also indicated areas where customers indicate improvement is required, e.g. library charges and the number of books available (especially in particular collections). The activity plan is expected to signal changes in these areas, as Council funding permits.

### 2.3.3 Demand factors and responses

As well as the demand escalations which result from population increases there are several other factors which are considered likely to increase demand for library services:

- Significant increases in information flows, with more channels and a widening range of sources. This includes growing digital delivery, and more books being printed now than at any time in the past;
- Increasing customer expectations (service and technological);
- Increasingly become a 'libraries without walls' community based service delivery. Waitakere has been a pioneer in this area with libraries around the country adopting Waitakere's models of library service especially in the area of children's services and the migrant and multicultural service models;
- In an economic downturn where unemployment increases and there is less disposable income use of libraries increases.

The council is planning to meet these with a range of projects and programmes.

## 3.0 Outline of Cost allocation approach

### 3.1 Outline of methodology

The Libraries activity uses the 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:

- Capacity defined as square metres of facility area;
- Levels of service defined as square metres per person;
- A citywide catchment (as the sites together with their supporting systems, such as IT or Logistics, 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 Library buildings, and related assets and services being funded from a mix of rates, loans and development contributions. Libraries make no charges to the public for the use of the library network.

This distribution of funding sources is considered to appropriately provide for the wellbeing of the current and future community, and to be consistent with the libraries' roles (s101 (3)(a) LGA 2002). The Library service activities support a connected community, contributing to current and future social and economic wellbeing (s101 (3)(b) LGA 2002). 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 library services 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 publicly accessible.	This methodology, the LTCCP and the activity plan make this information available.
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	Growth-only projects are rare for this activity, however, for such projects the

	expected increase in demand driven by growth, and that delivers no material net benefits to the existing community.	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 cannot 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 catchment should pay only for costs related to that catchment or to the city as a whole.	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.
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 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	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

	resources.	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.