

TO: The Council

FROM: General Manager Community Life

MEETING DATE: 1 February 2010

SUBJECT: **LIBRARY – RATE FUNDING REDUCTION OPTIONS**

SUMMARY

This report is in response to the Council's request from the 21 January 2010 Annual Plan meeting for rate funding reduction options of \$300,000 for the Libraries.

The normal budget review process undertaken by the Chief Executive and the Executive Management Team has reduced their rate requirement from the 3% reduction in the 2009 Long Term Council Community Plan for the 2010/11 year to 1.5% increase (\$171,000). This further reduction of \$300,000 has service level implications and reduces the Library rate input to \$9,473,000, which is \$128,000 below the previous year's rate input. The Library Services Manager has provided comment in respect to the effect on Library service to the public in respect to these reduction options.

IMPLICATIONS FOR:

- | | |
|--|---|
| (i) Policy: | Yes – for some options, eg opening hours and access to collections. |
| (ii) Approved Annual Budget: | No |
| (iii) LTCCP/Funding Policy: | Yes – if cost reductions are taken, the rate funding required will reduce and the funding policy for the Library will change. |
| (iv) Activity Management Plans: | Yes – if cost reduction options are taken, the Library will need to alter their service levels. |
| (v) Community Boards: | Yes – in respect to some Library cost saving options, which are related to community board areas. |

RECOMMENDATIONS

- 1 That this report be received.
- 2 That the Council consider the level of rate funding and service level for Library services to be included in the draft Annual Plan.

INTRODUCTION

The Council at the 21 January 2010 Annual Plan budget meeting, sought to implement options to reduce the 2010/11 Libraries budget, rates funding, by \$300,000.

BACKGROUND

The 2010/11 preliminary Library budget was prepared by the Library Services Manager and approved by the Chief Executive and the Executive Management Team. The rate funding requested for the 2010/11 departmental budget is \$9.733 million. This was an increase of \$171,100 (1.8%) on the previous year. The rates funding for 2009/10 year budget is \$9.602 million.

The draft 2010/11 Library budgets main components are:

| | \$ | % |
|--|-----------|-------|
| Salary and wages | 4,996,800 | 47.4% |
| Internal Charges | 2,622,300 | 24.9% |
| Including: | | |
| Building rental (included in Internal Charges) | 579,600 | 5.5% |
| BIS (Included in Internal Charges) | 810,100 | 7.7% |
| Corporate Management (Included in Internal Charges) | 465,400 | 4.4% |
| Finance (Included in Internal Charges) | 330,900 | 3.1% |
| Telecommunications (Included in Other Operating Costs) | 114,700 | 1.1% |
| Depreciation funding towards book purchase | 1,203,200 | 11.4% |
| Operational costs | 1,711,900 | 16.2% |

The expenditure, income and rate funding of the Library activity over the last three years and the budgeted amounts for the current year and as proposed prior to this report for the 2010/11 year are set out in the table below.

| | 06/07 Actual | 07/08 Actual | 08/09 Actual | 09/10 Budget | 10/11 Budget |
|--------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Rate Funding | 8515 | 8782 | 9178 | 9602 | 9706 |
| Income | 708 | 701 | 769 | 775 | 893 |
| Expenditure | 8815 | 9551 | 10067 | 10318 | 10494 |

DISCUSSION

The Dunedin Public Libraries has been built around signification collections with a history now over 100 years. The Library collections, services and facilities have been built up over many years and any changes in their service levels have always attracted interest from the community. However, it is the considerable funding of the Dunedin City Council that has enabled them to reach such levels. The continuing funding is needed to maintain such status.

The Council is correct to question the level of funding and to have options that reduce the funding so as to better debate the level that is both affordable for the community and provides the level of service that is sustainable.

Each year the Chief Executive and the Executive Management Team review all activity budgets including that of Library Services. This review is comprehensive and ensures that funding is related to accepted service levels. Any changes in service levels or significant funding increases are reported to the Council for consideration.

In undertaking this further review we (Library Services Manager and myself) were mindful that the Council sought first to gain reductions in rate funding that created minimum service level reductions with the lest potential effect on the community. Given the yearly budget critiquing by

senior management to keep increases to a minimum, this was extremely difficult. To gain the full reduction option of \$300,000 the result had to include some notable changes to service levels.

The table below details a range of options to reduce expenditure within the draft 2010/11 Libraries budget. The table also provides the estimated cost saving, staff and customer service impacts of these options as well as the anticipated impact of each option on Library service and performance levels. The anticipated changes to Performance Measures and Customer Satisfaction levels are projected on the basis of the isolated impact of the proposal, with an increased or cumulative effect the inevitable result of multiple or combined reductions. (We have not attempted to identify the cumulative impact of these multiple cost reduction options).

The options are in no particular order as all the options presented below will impact Library services and/or operation to varying degrees.

A number of cost saving options have already been implemented by the Library Services Manager and the Executive Management Team in preparing the draft 2010/11 Libraries budget. The effect of these cost savings options have already achieved a proposed increase of only 1.8% in rates funding in the Libraries budget for 2011/11, less than a third of the Council's projected rate increase at the commencement of the draft 2010/11 Annual Plan process.

This proposed 1.8% increase has been achieved with a 2.5% salary increase that the Council has already negotiated and agreed with the Southern Local Government Officers Union.

In addition, the Library has no capacity to vary or reduce the level of internal charges levied for other Council services or depreciation, with internal charges and depreciation collectively representing \$3,824,500 or 36.3% of the total operating expenditure.

| | Savings Title | Comment as to Effect | Estimated Saving* | Impact on Staffing | Projected Impact on Performance Levels |
|---|---|--|-------------------|---|--|
| 1 | Reduce Library security guards | The Library currently has a security guard service in the City Library from 5.00 pm to 8.15 pm on weekdays and from 11.00 am - 4.00 pm on weekends. | \$8,000 | Increase in the risk and difficulty of managing inappropriate behaviour in the City Library. | Reduction in customer satisfaction levels as per the annual Residents Opinion Survey due to reduced ability of staff to effectively manage customer behaviour. Possible increase in staff health and safety issues and reduction in staff satisfaction levels. |
| 2 | Reduce Library operational staff by 2 FTE | The approved permanent staff establishment for the Library is 95.2 FTE. The Library is currently operating at a level of 93.3 FTE resulting from previous EMT funding reductions and vacancies. If the Council wishes to further reduce the Library staffing by 2 FTE, this will inevitably impact service delivery and customer service in whichever area the reductions are made. If current levels of shelving staff are reduced, books will not be able to be reshelfed as quickly or effectively (current turnaround is max 24 hours), if Lending Services staff are reduced in the current context then customers will have to wait longer for service or assistance, if Collection Services staff are reduced, then there will be increased delays in selecting, ordering, cataloguing, processing new books, magazines and other collection items, if marketing staff are reduced then fewer public programmes can be conducted. | \$80,000 | Redundancy of 2 FTE, which could translate to full or partial redundancy of 2-8 staff, depending if full time or part time positions are disestablished, with corresponding service reductions depending on area. | Impact on Performance Measures will depend on area where redundancies are implemented. Anticipated reduction in ROS Customer Satisfaction level from 2008/09 93% to 90% (Target is 95%). |
| 3 | Reduce book/magazine budget by 10% | The total proposed capital budget for collection purchases for 2010/11 is \$1,105,200 (including \$10,000 from Trust Funds) and represents 10.3% of total operational expenditure. The Dunedin Public Libraries is already below the level of 20%, being the minimum recommended by the New Zealand Public Library Standards and below the per capita allocations of its peer libraries in New Zealand. Library customer surveying consistently confirms the top reason for visiting the library is to access new materials. Reduced collection allocations will inevitably reduce Library visitation and borrowing and undermine the longer term ability of the Library to meet customer information and recreation needs. | \$100,000 | No direct Library Acquisitions or Cataloguing staff impacts as expected that fewer copies of popular titles will be able to be purchased, but reduced volume new materials for processing will allow turnaround times to be reduced. No substantive reduction in Collection Services staff expected to result from 10% reduction in collection purchases budget | Anticipated reduction of Customer Satisfaction with Collection from current level of 90% to 85% (Target is 90%). Reduction of number of new library materials (non serial) acquired annually from 2008/08 performance of 277.3 to 250. (Target is 350). Target of percentage of annual operating budget allocated to collection purchases will decline |

| | Savings Title | Comment as to Effect | Estimated Saving* | Impact on Staffing | Projected Impact on Performance Levels |
|---|---|--|-------------------|--|--|
| | | | | | further from 10.5% in 2008/09 to 9.5% (Target is 20%). |
| 4 | Reduce Library events and promotional material | This will effect Library events which included children's' storytime sessions and holiday activities, summer reading programme, author talks and visits, library tours and instructional sessions, poetry readings, new book launches, Fortune Theatre readings, NHNZ film screenings, teen events, community group and cultural events, Reed Gallery exhibitions, community library book groups. Promotional materials include new membership packs for adults and children, NB magazine with articles and new book lists, event flyers, booklists, recycled black book bags, Books for Babies packs. A reduction of \$20,000 in the funding available for these events and materials would likely result in a curtailment of 35%-45% of the current level of programmes and/or publications. | \$20,000 | The focus of the reduction would be reduced printing, advertising, and minimising all costs related to activities. Promotional events and materials that require printing costs may be curtailed. No anticipated staff redundancies are associated with this option. | <p>Anticipated reduction in ROS Customer Satisfaction level from 2008/09 93% to 90% (Target is 95%).</p> <p>Anticipated reduction in number of physical visits to Libraries from 2008/09 level of 10.35 per capita to 10.0 per capita (Target 9.0 per capita).</p> <p>Anticipated reduction in number of participants in lifelong learning programmes from 43,670 (2008/09 measure) to 38,000 (Target 40,000).</p> |
| 5 | Discontinue Funding for Retrospective Cataloguing Project | With annual funding of \$31,400 in 2007/08, 2008/09 and 2009/10, the Library is progressively reducing a backlog of uncatalogued items from over 32,000 several years ago to 15,512 as at 31 December 2009. The discontinuation of the project funding will mean that the uncatalogued items will remain inaccessible to Library customers and also unvalued with respect to the collection valuation, representing a potential insurance risk if lost or damaged. (The majority of uncatalogued items are in the Heritage Collections area). | \$31,400 | There is no direct impact on current Library staffing levels as the retrospective cataloguing is undertaken by the fixed term secondment of a Library staff member, who would return to his substantive position if/when the Retrospective Cataloguing Project is completed or prematurely terminated. | The withdrawal of funding for the Retrospective cataloguing Project will make it unlikely that the Library will reach its Performance Target of 100% of the collection catalogued. As at December 2009, 97.9% of the total Library collection was catalogued. |
| 6 | <p>Reduce City Library opening hours to 10.00 am to 6.00 pm</p> <p>* Attachment One shows user numbers for the Library on an hourly basis through the week.</p> | <p>Based on a survey undertaken in May 2009, a reduction in opening hours of this magnitude would impact the average of 107 people who currently enter the City Library from 9.30 am and 10.00 am each weekday morning and the average of 275 people who enter from 6.00 pm to 8.00 pm each weekday evening. This would translate to over 1,375 people each week and approximately 71,500 people annually impacted by this reduction in opening hours.</p> <p>While the Dunedin Public Libraries currently meets</p> | \$90,000 | Full or partial redundancy of 11 staff representing 2.3 FTE. | <p>Anticipated reduction in ROS Customer Satisfaction level from 2008/09 93% to 80% (Target is 95%).</p> <p>Anticipated reduction in number of physical visits to Libraries from 2008/09 level of 10.35 per capita to 8.9 per capita (Target 9.0 per capita).</p> <p>Anticipated reduction in</p> |

| | Savings Title | Comment as to Effect | Estimated Saving* | Impact on Staffing | Projected Impact on Performance Levels |
|---|---|---|-------------------|---|---|
| | | <p>the New Zealand Public Library Standards for opening hours, being open each weekday, weekday evening and both weekend days, the proposed reduction would put the Dunedin Public Libraries below the minimum recommended standard and below the number of opening hours per week and per capita of all its peer libraries across New Zealand. This reduction in access would also be expected to impact borrowing, library usage and participation in library events.</p> <p>Reduction or discontinuation of this service would also result in a loss of up to \$10,000 in revenue.</p> | | | turnover of lending collection materials to 2.4 from 2008/09 measure 2.7 (Target is 5.0). |
| 7 | Reduce City Library opening hours to 10.00 am to 5.00 pm, with one late night (Thursday). | Similar to above but with less of an impact | \$85,000 | Full or partial redundancy of 10 staff representing 1.85 FTE. | Anticipated reduction in ROS Customer Satisfaction level from 2008/09 93% to 85% (Target is 95%). |

Total without item 6 (item 6 and 7 is an either/or saving) is \$324,440.

** Estimated savings are for a full year, but could be reduced by redundancy payments of approximately 30% in the first year if a staffing component is involved.*

Benchmarking with other New Zealand Libraries show that we are operating our facilities to the same or lower standards costs and our visitor/user numbers are the same or better. Attachment Two shows benchmarking data.

CONCLUSION

Any reduction in the budget will almost certainly result in a reduction in service levels. This report represents the information requested by the Council on the options to gain a reduction of \$300,000.

The savings options presented require a reduction in staff numbers as salary and wages costs are the greatest cost element of the Library (47%). Removal or reduction of other material and service costs have already been pruned back to achieve the 1.8% increase that was presented to the Council within the preliminary draft Annual Plan.

The Library buy its very nature works for and with each community and the changes as proposed will result in some reaction from the public.

There were other options investigated, such as closing on weekends, closing branch libraries or reduction of bookbus services but these were seen as having greater effects on our customers than those contained within this report.

Prepared by:

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General Manager Community Life

Date report prepared: 12 January 2010

Attachments

Attachment One – Dunedin Public Library Occupancy Survey 8 – 28 May 2009
Attachment Two – Benchmark Data on Dunedin and Comparable Libraries

ATTACHMENT ONE

Dunedin Public Library Occupancy Survey 8 – 28 May 2009

Average count of number of customers present in the City Library by Opening Hour

Average

| | Physical Visits | | | | | | | | |
|--------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Time | Weekend | Weekday | Monday | Tuesday | Wednesday | Thursday | Friday | Saturday | Sunday |
| 10.00am | 0 | 107 | 90 | 121 | 131 | 118 | 78 | 0 | 0 |
| 11.00am | 68 | 168 | 163 | 189 | 138 | 186 | 165 | 54 | 81 |
| 12.00pm | 222 | 192 | 183 | 214 | 172 | 185 | 205 | 257 | 188 |
| 1.00pm | 220 | 269 | 235 | 230 | 239 | 282 | 360 | 225 | 216 |
| 2.00pm | 246 | 232 | 226 | 204 | 233 | 228 | 268 | 255 | 237 |
| 3.00pm | 290 | 218 | 214 | 195 | 229 | 203 | 247 | 312 | 268 |
| 4.00pm | 226 | 227 | 237 | 238 | 245 | 221 | 194 | 237 | 216 |
| 5.00pm | 0 | 252 | 242 | 225 | 202 | 229 | 362 | 0 | 0 |
| 6.00pm | 0 | 161 | 160 | 153 | 168 | 182 | 140 | 0 | 0 |
| 7.00pm | 0 | 103 | 87 | 77 | 91 | 174 | 85 | 0 | 0 |
| 8.00pm | 0 | 65 | 53 | 72 | 66 | 87 | 48 | 0 | 0 |
| TOTAL | 1272 | 1993 | 1890 | 1918 | 1914 | 2092 | 2151 | 1339 | 1205 |

Benchmark Data on Dunedin and Comparable Libraries#

| Factors Compared | Dunedin Public Libraries | Wellington City Libraries | Christchurch City Libraries |
|--|---|--------------------------------------|--|
| Loans per capita | 13.9 | 17.2 | 16.5 |
| Loans per Library member | 27.3 | 23.5 | 22.2 |
| Expenditure per capita | \$90.23 | \$110.63 | \$92.28 |
| Expenditure on collection materials per capita | \$8.40 | \$11.58 | \$14.82 |
| Visits per capita | 10.3 | 14.0 | 11.1 |
| Enquiries per capita | 1.55 | 4.32 | 2.04 |
| Collection holdings per capita | 5.94 | 4.51 | 2.95 |
| Staff per 1,000 population | 0.77 | 0.83 | 0.75 |

Based on 2008/09 Public Library Statistics