

Revenue - Strategy

Council LTP workshop

16 May 2023

Outcomes

Council's conversation: Opportunities to reduce reliance on rates in funding activities

- Overview of revenue sources and Revenue and Finance Policy
- Fees and charges
- Development contributions
- Commercial/ collaboration opportunities



Input into Financial Strategy and Revenue and Finance Policy

Input into Activity planning

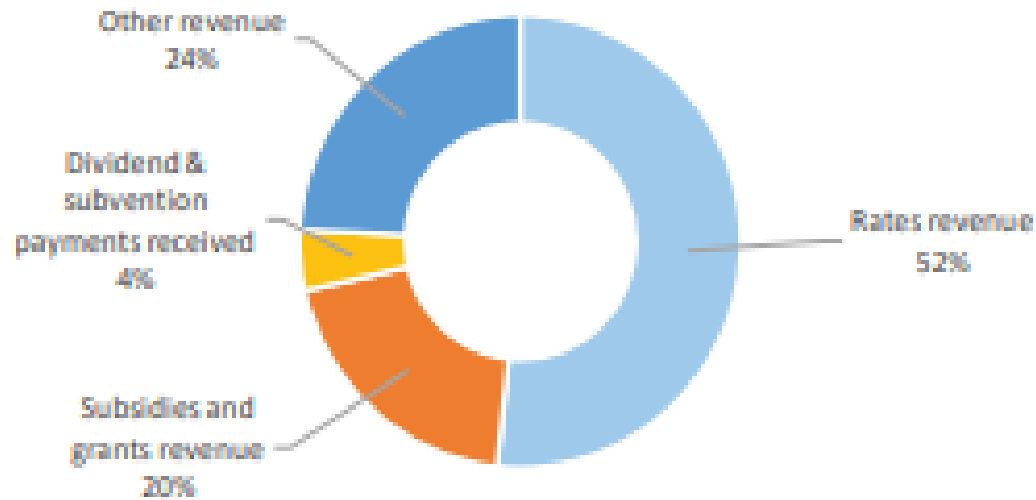
Agenda

- Overview of revenue
- Fees and Charges
- Development Contributions
- Commercial opportunities

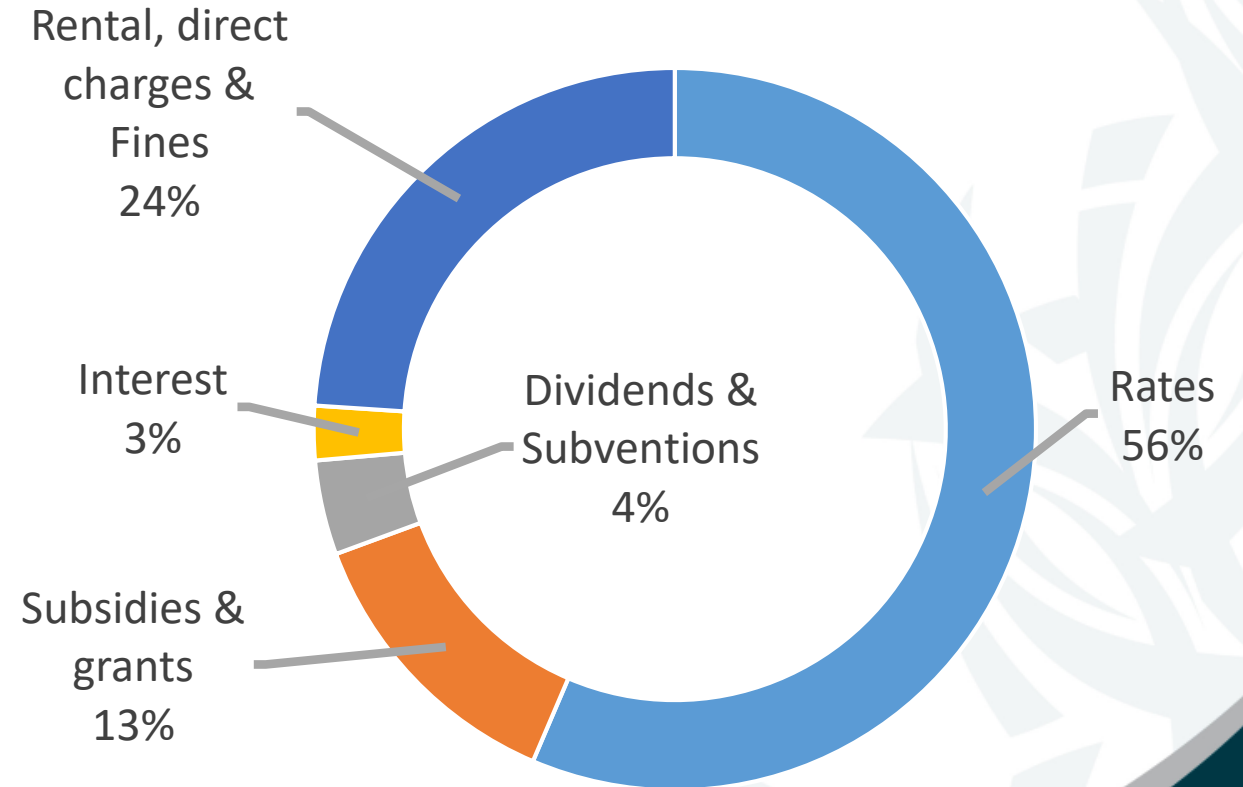
Current revenue breakdown

2021/22 Annual Report

Source of Revenue - 2021/22



Draft 2023/24 Annual Plan Revenue



Revenue and Financing policy

- Revenue and Finance Policy guides how Council will raise revenue and finance its work
- It sets out all sources of revenue and how Council determines which sources to use to fund which activities.
- Council must consider in agreeing its revenue sources:
 - Community outcomes of the activity
 - Distribution of benefits to the community, parts of the community and individuals
 - When the benefit occurs
 - The causes of the need for the activity
 - Costs and benefits, transparency requirements

A full copy of the policy is in your resource centre for reference and as a handout

Revenue and Financing policy

Activity	User fees	Subsidy/ Petrol tax	Investment income Dividends and Interest	General Rate	Targeted rate
Roading	Marginal	Marginal		Majority	
Sewerage	Marginal	Marginal			Majority
Solid Waste Management	Market			Residual*	Marginal
Stormwater				Majority	Marginal
Water Supply	Marginal	Residual			Majority
General Services (Listed below)					
Aquatic Services	Market	Residual		Residual	
Arts and Culture	Availability			Majority	
Corporate Services	Majority			Marginal	
Democratic Process		Residual		Majority	Residual
Housing care	Full				
Investments	Market		Majority		
Libraries	Availability	Residual		Majority	
Parks and Reserves	Availability			Majority	
Passenger transport	Market	Majority		Marginal	Marginal
Property				Full	
Public toilets				Full	
Regulatory Services	Majority			Marginal	
Venue Services	Market			Marginal	

Fees and charges

- **Currently fees and charges remain below where they should be in some areas**
- **Increasing fees and charges is one of the primary levers Council has to impact rates increases**
- **Does Council want to consider any changes to the breakdown in sources of funding prescribed in the policy?**

“Fees and charges are a preferred funding option for services where they are practicable. They reflect that a choice has been made to utilise community resources. That choice gives benefit to the individual and may impose costs on the wider community. Charges are set to recover the costs Council incurs in delivering that activity. Council recognises that some services it provides are for facilities which are available for community and private benefit. If that service attempted to recover full costs it is likely they would be too expensive for users. If the charges are set too high, it could lead to reducing use, and this may mean the net cost of the service increases. Council believes the community wishes these services to be made available so that individuals have the option to use them if they choose. There the general rate meets a level of cost to provide the option for the community use. In these cases, Council uses its judgement to set the fees at a level it believes is at an acceptable market level.”

- Revenue and Financing Policy

Fees and charges – Regulatory

- Consents, Registrations and Licences are generally user pays - current LTP allows for 10 – 50 % subsidisation - we aim for 20%
- Some services provided need to have fees set to enable cost recovery for the service – e.g. Food licencing, Dogs
- Some compliance activities have fees set by legislation that do not increase
- Compliance activities generally do not easily allow for a user pays approach
- **Would you like us to explore methods to achieve a greater contribution from users / those causing the need for the service?**

Fees and charges – Water

- **2023/24 Annual Plan has proposed an increase in the metered water rate to better reflect both the cost of delivery of Water but also a level that may be expected to be charged as a result of the Affordable Water reforms**

Development Contributions

- Council currently does not charge development (LGA) and financial (RMA) contributions
- Policy position was to promote development
- Cannot be applied retrospectively
- Time consuming to implement and other Councils' experiences have highlighted a need to plan and get it right in order to be effective.
- Option to introduce development contributions may be limited – not forecasting significant further development
- Management of development contributions brings administrative overheads
- If introduced, it needs to be clear what they would be spent on

“Development contributions/ Financial contributions - Invercargill is forecasting little if any growth. As Council desires growth, it considers that Development contributions are likely to be an impediment to growth. Also the asset base for service delivery is large enough to cope with some growth, without requiring significant growth related investment. Not applied.”

Revenue and Financing Policy

Generating revenue through community services

- One way to reduce the burden on rates is to increase revenue through commercial operations
- Whilst the Revenue and Finance policy does not limit Council activity previous opportunities have been limited through a desire not want to compete with the private sector
- Potential areas for development:
 - Café / Retail services
 - Sponsorships and naming rights
 - Product development and promotion

Next steps

- Managers will take Council guidance into consideration as they prepare asset and activity plans
- Updates will be made to the Revenue and Financing Policy as required