

ADOPTION OF 2023/2024 FEES AND CHARGES FOR CONSULTATION

To: Council

Meeting Date: Tuesday 28 February 2023

From: Rhiannon Suter, Manager – Strategy and Policy

Approved: Michael Day - Group Manager - Finance and Assurance

Approved Date: Thursday 23 February 2023

Open Agenda: Yes

Purpose and Summary

This report provides the proposed 2023/2024 Fees and Charges Schedule for adoption for consultation in March 2023.

Recommendations

That Council:

1. Receive the report "Adoption of 2023/2024 Fees and Charges for Consultation"
2. Note the estimated impact on rates of proposed changes in fees and charges
3. Adopt the Fees and Charges Schedule for consultation (A4410390).

Background

One of the mechanisms by which Council raises revenue to enable delivery of services is fees and charges. The Revenue and Finance Policy states:

"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. A3275564 Funding Sources per Section 103(2). Application by Invercargill City Council 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."

Fees and charges make up approximately a quarter of revenue.

Each year, as part of the Annual Plan, Council sets the fees and charges for the forthcoming year and consults on these with the community.

The report to Council on the 2022/2023 Annual Plan noted: The Council's financial strategy notes the importance of increasing fees and charges further as one mechanism to achieve this (increased revenue) and this will be a continued focus in 2023/2024.

Fees and charges have been reviewed by managers to consider whether costs are being covered and whether they are in line with market rates. The draft fees and charges schedule is provided for consultation on this basis.

A summary of all changes is provided below along with more in-depth description of proposed changes which may either to have an impact on specific ratepayer groups or which will have a greater impact on revenue.

The proposed increases in fees and charges are estimated to result in \$1.7 million additional revenue (including inflation increases), equating to approximately a 1% offset to required rates increases.

It is important to note that revenue estimates will always be subject to a level of uncertainty given the impact changes in fee levels can have on demand, in combination with a range of other market factors. They are provided here for illustration purposes.

Issues and Options

The table below provides Councillors a summarised overview of the proposed changes to fees and charges for 2023/2024. Also attached is the full Fees and Charges Schedule which provides every fee.

Fees have been increased to cover inflation where appropriate.

ACTIVITY AREA	PROPOSED CHANGES TO FEES AND CHARGES
Corporate Fees	Following an increase over the last three years to bring rates up into line, inflation adjustment only
Alcohol licencing	No changes – these are set by legislation
Animal services	Many are set by legislation – no change. Majority of others no change is proposed after being assessed for covering costs. This includes dog registration and other related dog control fees, following an assessment of the cost of providing the service for the next year which shows that no increase was required. Inflation adjustments where appropriate.
Building control	Many are set by legislation – no change. Building control have been required to make adjustments to their fees in an attempt to ensure that accurate cost recovery is in place.

ACTIVITY AREA	PROPOSED CHANGES TO FEES AND CHARGES
	New charges have been brought in to more appropriately cover the cost of providing these services. These are: • Resource Management Act Check – residential and commercial rate: a new charge has been introduced to ensure that an appropriate level of service is being provided to applicants. Whereas there was previously difficulties when applicants did not apply for a PIM check, this will now be captured by this fee. This work has been required to be undertaken by staff, and cost recovery is necessary. • Annual building Warrant of Fitness – A Compliance Office hourly rate has been introduced to ensure adequate cost recovery. This is allowed for under the Building Act. • Code Compliance review and sign off – a new fee has been introduced as required to cover the cost being absorbed by Council and is aligned with corporate fee. Elsewhere there have been adjustments to bring charges in line with the corporate fee, or to adjust according to inflation. There have been a number of fees set to be removed, these will allow for a more streamlined set of fees and charges as these fees will be absorbed elsewhere.
Compliance	No changes – set by legislation
Environmental Health	Majority of fees adjusted by inflation to cover costs. Change in structure of fee for untidy buildings, sections and abandoned vehicles – from hourly to set fee \$530. This is an administrative change and in most circumstances will not result in significantly different costs.
Housing care	Rental costs have been increased by inflation. This will result in an increase of rents of between \$7 and \$9 a week.
Venue services	Inflation adjustments on most costs. New fees for theatrical services in the Victoria room introduced to increase flexibility of use.
Libraries and archives	Increases in some service fees (interloans, book bags etc) to cover increased supply costs. Majority of fees unchanged.
Parks and Reserves	All fees inflation adjusted Fee to hire Sandy Point Oreti Sands Golf Club Building increased to reflect investment in heatpumps

ACTIVITY AREA	PROPOSED CHANGES TO FEES AND CHARGES
Passenger Transport	No increase in response to low useage
Aquatic services	No increases in order to not reduce useage
Public toilets	Increase in costs for Wachner Place to cover costs for consumables
Resource management	Some fees are set by legislation and these have not been adjusted. There have been larger increases in the application fees for a number of resource consents, this is an increase in the deposit to bring it more in line with average actual charge, and where this charge is not used in full a refund will be given. This increase in the deposit can also be seen in the hearing fees. There have been increases on the charges of the lodgement of engineering plans and specifications of subdivision, as well as the fee for hold point inspections and signoff of engineering works in order to appropriately recover costs. Inflation adjustments where appropriate.
Rooding	Increase in annual charges for use of footpath for retail displays, seating areas, events etc to cover administrative costs. Increase in minimum cost for some corridor access requests and inspections and permits No change to on-street parking costs. Some increases to off-street parking.
Sewerage	Inflation increases as appropriate.
Solid waste	Increase in some fees in line with ETS and Waste Levy increases Increase in some fees to cover costs Minimum payments at the Waste Transfer Station are proposed to double although it should be noted this is from a low base and will still not cover costs. It is proposed to review the impact on transfer station with a view to increasing this further in future years.
Arts and culture	The fee for photo digitisation has been reduced in line with reduced costs. No changes to other fees
Water	Sale of water fees proposed have proposed increases – see discussion under Analysis below. Fees which are no longer applied have been removed. Connection charges will increase in line with inflation. Charges will increase to cover new backflow prevention required by legislation.

Analysis

Housing care rental fees

In 2021 Housing tenants were consulted on proposed rental fee increases. Following feedback from tenants, the proposed increase was reduced by 50% to be spread across two years. For 2022/2023 the fee was increased by the remaining 50% as agreed. This increase has allowed Council to make improvements as per the Healthy Home Standard and commence the strategy for upgrading existing units and provision of new units as per the Housing Care Activity Management Plan.

It is proposed to increase the fee by inflation in 2023/2024 in order to cover costs. This will result in weekly increases in rental fees of between \$7 and \$9. The rental fees will increase from 2022/2023 fees of between \$162 and \$217 a week to between \$169 and \$207 a week for 2023/2024 (noting that the most expensive type of unit no longer exists).

For reference the mean weekly rent in Invercargill in 2022 was \$351¹.

Coopers Creek Leases

Council are awaiting the advice back from the Ombudsman in regards to the Coopers Creek crib site owners request to review the consultation related to the increase in licence to occupy fees. Until this is resolved any increases are paused. Following completion of this process, if in line with the Ombudsman findings, it is intended to continue to implement market appraised rents on an annual basis these will be included in fees and charges consultation each year.

For reference at the time of completion of the last market appraisal the average licence to occupy cost was \$1300 per annum. Following completion of legal processes, a further updated market appraisal will be completed.

Funeral Directors Discount

Since 2011, an agreement has been in place with Funeral Directors whereby they receive an 8% prompt payment discount on cemetery and crematorium fees.

This results in an average reduction in possible revenue of \$100,000 annually, equating to 0.15% of rates.

Funeral Directors have been made aware of this potential change and they have indicated to staff that this historic agreement was put in place to offset their risk of taking on the potential of bad debt through non-payment of the council fees and charges which are included in their bills to families.

It is proposed to remove this discount with a resulting forecast 0.15% reduction in the rates increase required, which is included within the attached schedule.

If Council preferred to consult on an alternative option to reduce this discount to 4%, this would result in an offset of 0.075% of rates.

¹ MBIE rental bond statistics, 2022

Waste Transfer Station Minimum Fees

It is proposed to double the minimum fees at the Waste Transfer Station in order to move closer towards a situation where transaction costs are being covered. For comparison, most other regions have higher costs and Invercargill's costs are being increased from a low base.

It is the assessment of the manager that this fee increase is at an appropriate level to balance Council's requirements to manage costs with increasing the uptake of appropriate waste management by the community and reductions in volumes entering landfill. The risk of increased flytipping will be managed through monitoring.

At present, of approximately 50,800 charged for movements at the Waste Transfer Station, 17% of these (approximately 8,400) are charged the minimum fee. If the proposed increase is implemented this would rise to 28% (approximately 14,000). The increase in minimum fees would result in a forecast increase in revenue of \$61,000, offsetting a required rates increase of 0.09%.²

Water

Invercargill's water sales fees are set significantly lower than most other regions fees. The NZ average for metered consumers in 20/21 was \$1.54 and Invercargill's cost to deliver the service is \$1.57. Historically Invercargill has not included the cost of depreciation in setting the fee. Limited increases over many years have resulted in a situation where a higher proportion of costs are met through rates rather than fees. While still in line with the Revenue and Finance Policy, there is significant room to increase fees within the perimeters of the policy.

An increase of fees from 76c to \$1 per cubic metre is proposed. This will result in a forecast increase of \$480,000 in revenue and a commensurate proposed reduction in the required rates increase of 0.72%.

There are a number of large volume commercial customers who would be significantly impacted. While few in number they would see an annual increase in water cost of between \$20,000 and \$200,000.

Council may wish to consider the benefit of increased revenue against the financial impact on its large consumers.

Councillors may wish to consider that following the three waters transition it is expected that fees of this type will be equalised in some manner which will mean water rates will need to rise at that point.

Significance

This issue is significant and requires consultation as part of the Annual Plan process.

² This increase is made up of the difference between what the weight charge would have been and the minimum fee.

Community Views

Consultation on fees and charges will take place between 6 March and 5 April 2023. The schedule will be available online, at the Civic building, at the Bluff Service centre, at the library and at Splash Palace. The consultation will be promoted via traditional and social media. The Public will be able to submit online or in person at the locations above.

In addition communications will be sent to members of the following groups to alert them to the consultation and how to submit:

- Housing care tenants
- Coopers Creek tenants
- Funeral directors
- Large volume water customers

Implications and Risks

Strategic Consistency

These proposed changes are line with the strategic direction set in the Financial Strategy and the perimeters set in the Revenue and Finance Policy.

Financial Implications

The proposed changes to fees and charges are forecast to result in revenue from fees and charges to approximately 21.4% of all revenue for 2023/2024. The combined impact of the proposed fee increases will result in a reduction to the required rates increase for 2023/2024 of approximately 1%.

Legal Implications

The fees and charges are required to be set in line with the Revenue and Financing Policy. All the changes proposed are in line with the policy. For reference here are the activity breakdown of revenue sources from the 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	

Climate Change

There are significant increases to waste fees required as a result of the Emissions Trading Scheme Levy. The 9% increase as a result of ETS, is included in the relevant fees as noted in the Fees and Charges schedule.

Risk

RISK	MITIGATION/ MANAGEMENT
Fees are not set in line with the Revenue and Finance Policy	The fees have been reviewed and are assessed as in line with the Revenue and Finance Policy
Increases in fees cause a reduction of use of services with associated reduction in revenue and/ or uptake of services which support community wellbeing.	This issue has been considered by managers in setting the proposed fees for Council's consideration. For some services (e.g pools and passenger transport) no increases are proposed for this reason. Impact on services where fees are increased will be monitored and findings utilised for recommendations in future years.
Fees are not increased appropriately, resulting in an increased proportion to be raised through rates	All fees are assessed with a view as to whether costs are being appropriately covered. Some increases may be recommended to take place over a number of years to reduce the impact on users and/or to reduce impact of demand declining in response.
Fees set by legislation do not increase in line with costs.	This is a risk in a number of areas and has been raised with Local Government New Zealand in 2022/2023 with a request that they continue to advocate for Councils in this area.

Next Steps

Consultation on the Fees and Charges Schedule will take place through March 2023. The feedback from the public will be brought to Council for consideration in April 2023 with hearings organised if required. The Fees and Charges Schedule must be adopted by end of June 2023.

Attachments

Fees and Charges Schedule (A4410390)