

COMPLIANCE WITH THE REVENUE AND FINANCING POLICY

Department: Civic

EXECUTIVE SUMMARY

- 1 A Revenue and Financing Policy (“the Policy”) is required by the Local Government Act. It sets out how Council’s operating and capital expenditure will be funded, and the sources of those funds.
- 2 This report presents the level of compliance that the 2025/26 year of the draft 9 year plan 2025-34 (“the 9 year plan”) has with the Policy, and makes some recommendations for change to the draft Policy.

RECOMMENDATIONS

That the Council:

- a) **Approves** the updates to the Revenue Policy, with any amendments, for the following activities:
 - Cemeteries,
 - Olveston,
 - Governance and Support Services,
 - Transport, and
 - Visitors Centre.
- b) **Notes** the Revenue Policy Compliance report.

BACKGROUND

- 3 Section 102 of the Local Government Act 2002 (LGA) requires all councils to prepare and adopt a Revenue and Financing Policy. The Policy sets out for each activity of Council, how operating and capital expenditure will be funded, and the sources of those funds.
- 4 A review was undertaken of the current Policy (10 year plan 2021-31) for each activity of Council, to determine if any changes were appropriate. A revised draft Policy was presented to Council at its meeting on 10 December 2024. Council approved the draft Policy, to be used in the preparation of the 9 year plan as follows:

Moved (Mayor Jules Radich/Cr Cherry Lucas):

That the Council:

- a) **Approves** the Revenue and Financing Policy to be used in the preparation of the 9 year plan 2025-34.
- b) **Notes** that a report on the level of compliance with the Revenue and Financing Policy would be presented to the January 2025 Council meeting.

Motion carried (CNL/2024/001)

DISCUSSION

- 5 A review has been undertaken of how the draft operating budgets for the 2025/26 year of the 9 year plan comply with the Policy, as shown in Table 1 below.
- 6 In any budget year, there is likely to be a level of variability between the Policy and the budget, but it would not be expected to be more than +/- 5%.

Table 1 – Revenue and Financing Policy and draft budget comparison

Activity	2025 - 34 Policy		Draft 2025/26 Budgets		Variance
	Rates Revenue %	Other Revenue %	Rates Revenue %	Other Revenue %	Within +/- 5%
City Properties					
Community Housing	10%	90%	11%	89%	✓ Note 1
Community, operational, holding properties and management	90%	10%	86%	14%	✓
Investment Property	0%	100%	0%	100%	✓
Parking Operations	0%	100%	0%	100%	✓
Community Recreation					
Aquatic Services	65%	35%	67%	33%	✓
Botanic Garden	98%	2%	99%	1%	✓
Cemeteries (parks and burials)	50%	50%	60%	40%	Note 2
Crematorium	0%	100%	0%	100%	✓
Parks and Reserves	96%	4%	95%	5%	✓ Note 3
Creative and cultural vibrancy					

Activity	2025 - 34 Policy		Draft 2025/26 Budgets		Variance
	Rates Revenue %	Other Revenue %	Rates Revenue %	Other Revenue %	Within +/- 5%
Creative partnerships (Ara Toi)	90%	10%	90%	10%	✓
Gallery, Garden and Museum	85%	15%	86%	14%	✓
Libraries and City of Literature	98%	2%	99%	1%	✓
Olveston	33%	67%	45%	55%	Note 4
Otago Museum levy	100%	0%	100%	0%	✓
Governance and Support Services					
Civic and governance, Corporate Support and Warm Dunedin	100%	0%	98%	2%	✓ Note 5
Regulatory Services					
Animal Services	10%	90%	13%	87%	✓
Alcohol Licensing	25%	75%	28%	72%	✓
Building Services	25%	75%	22%	78%	✓
Environmental Health	65%	35%	68%	32%	✓
Parking Enforcement	2%	98%	0%	100%	✓
Resource Consents	55%	45%	55%	45%	✓
Resilient City					
Community partnerships	95%	5%	98%	2%	✓
City Development	100%	0%	98%	2%	✓
City Growth	100%	0%	100%	0%	✓
Civil Defence	100%	0%	100%	0%	✓
Housing Policy	100%	0%	100%	0%	✓
South Dunedin Future	80%	20%	79%	21%	✓
Zero Carbon	100%	0%	100%	0%	✓
Three Waters					
Water Supply	80%	20%	83%	17%	✓
Wastewater	98%	2%	98%	2%	✓
Stormwater	99%	1%	99%	1%	✓
Transport					

Activity	2025 - 34 Policy		Draft 2025/26 Budgets		Variance
	Rates Revenue %	Other Revenue %	Rates Revenue %	Other Revenue %	Within +/- 5%
Transport	62%	38%	74%	26%	Note 6
Treaty Partnerships					
Māori Partnerships	100%	0%	100%	0%	✓
Vibrant Economy					
City Marketing	100%	0%	100%	1%	✓
Economic Development	95%	5%	99%	1%	✓
Events	95%	5%	94%	6%	✓
Visitors Centre	60%	40%	69%	31%	Note 7
Waste Minimisation					
Landfills	10%	90%	0%	100%	Note 8
Refuse, Recycling, Litter	98%	2%	98%	2%	✓
Waste Strategy (minimisation)	0%	100%	0%	100%	✓
Waste Support Services	100%	0%	100%	0%	✓

Note 1 – Community Housing

- 7 The draft budgets for community housing have been prepared with a 3.3% increase in community housing rental for the 2025/26 year. This proposed rental increase achieves compliance with the revenue policy.
- 8 A valuation of the Community housing portfolio is completed every three years. Over the past three years, this revenue policy has not been complied with because the revaluation of the housing portfolio undertaken in 2021 resulted in an increase in depreciation that was not funded by rental income.
- 9 The 2024 valuation has resulted in a reduction in depreciation for community housing, from \$3.9 million to \$2.7 million, being a decrease of \$1.2 million. This decrease in costs, along with the 3.3% increase in housing rental brings the revenue streams in line with the revenue policy.

Note 2 - Cemeteries

- 10 Council has 20 cemeteries that it administers, many closed but still maintained. Cemeteries has an operating budget of \$1.7 million, with \$984k funded from rates, and \$730k funded from other revenue. The budget covers the cost of burial services and the cost to maintain the green areas, i.e., plantings, lawns, and facilities.
- 11 Fees and charges for the cemeteries are proposed to increase by 5% for the 2025/26 year, however the budget proposes a reduction in external revenue to more accurately reflect the number of burials expected to be provided during the year.

- 12 The fees charged cover the cost of burial and a one-off cost for maintaining the green space. While the fees charged for burials are achieving the policy, the fees are not meeting the increase in costs for maintaining the green spaces, which are increasing.
- 13 To achieve the Revenue Policy, fees would need to increase by a further 21% (\$138k), taking the total fee increase to 26%. The fees are currently considered to be high, and this level of increase would be prohibitive. It is therefore recommended that the Revenue Policy is amended to 60% rates funding, 40% other revenue, to reflect more accurately our ability to recover costs through fees and charges.

Note 3 – Parks and Reserves

- 14 A review of Sports Fields Fees and Charges has been undertaken and is the subject of a separate report on the agenda.

Note 4 - Olveston

- 15 Since 2020, the Revenue Policy for Olveston has not been complied with. While the trend has been changing over the past three years, with external revenue increasing and the activity moving closer to compliance with the policy, the 2025/26 budget does not follow this trend.
- 16 Olveston has an operating budget of \$1,046k, with \$471k being funded from rates and \$575k funded from external revenue. The budget includes an increase in fees and charges, keeping Olveston's retail prices in line with market movements in the tourism sector.
- 17 However, the budget also accounts for a forecasted decline in the number of cruise ships expected to visit Dunedin over the next two years, more than offsetting the increase in fees and charges. It is recommended that the Revenue Policy be amended to 45% rates funding and 55% other revenue.

Note 5 – Governance and Support Services

- 18 The Governance and Support Services activity includes our civic, governance, and corporate support services. The Revenue Policy for this activity does not include investment income or income from the Waipori Fund but is focused on the operational activities only.
- 19 The operational activities have an operating budget of \$51.9 million, and of this, approximately \$950k is budgeted to be recovered through external recoveries such as fees for LIMs and election expenses recoveries. While the budget complies with the Revenue Policy within +/- 5%, it is recommended that the Revenue Policy be amended to 98% rates funding, and 2% other revenue, to recognise that some external revenue is generated from these activities.

Note 6 - Transport

- 20 The current policy provides for 62% general rates and 38% other revenue, which is primarily made up of Waka Kotahi NZ Transport Agency's Funding Assistance Rate subsidy. Subsidy rates are set by government and vary depending on the nature of the work being completed, and the current areas of government focus.
- 21 In addition, the operating budget for transport includes depreciation and interest expenses. These costs do not qualify for Waka Kotahi grant funding.

- 22 The costs not funded by grants provide a public benefit to the community and are funded through general rates.
- 23 It is recommended that the Revenue Policy be amended to 75% rates funding and 25% other revenue, to reflect the level of grants funding we are likely to receive for operating expenditure.

Note 7 – Visitors Centre

- 24 The Visitors Centre has an operating budget of \$1.3 million, of which \$924k is funded by rates and \$411k is funded by external revenue. The budget reflects the forecast decline in the number of cruise ships expected to visit Dunedin over the next two years.
- 25 It is recommended that the Revenue Policy be amended to 70% rates funding and 30% other revenue, to reflect the forecast decline in visitors to the city.

Note 8 - Landfill

- 26 The Landfill activity has an operating budget of \$17.4 million, and the total cost of this activity is budgeted to be funded from external revenue.
- 27 The Revenue Policy assumed that the environmental monitoring costs for Smooth Hill and the cost of maintain the city's closed landfills included in this activity would be funded from rates, as Smooth Hill does not generate any revenue at this time. The budgets however provide that the revenue generated from activities at the Green Island landfill, including an increase in material arriving at the landfill, following the closure of the Wickliffe Street Transfer Station will be sufficient to cover its costs along with the Smooth Hill costs.
- 28 It is recommended that no change be made to the Revenue Policy, as work towards our waste minimisation goals could reduce the amount of waste going to landfill.

OPTIONS

- 29 Council is required to have a Revenue and Financing Policy as part of the 9 year plan. Options have not been presented but Council is able to modify the Revenue and Financing Policy.

NEXT STEPS

- 30 If Council assesses for any activity that the revenue split be different to that proposed, amendments to the fees and charges schedule will be made to reflect those changes.
- 31 The approved Revenue and Financing Policy will form part of the supporting documentation for the 10 year plan consultation.

Signatories

Author:	Sharon Bodeker - Special Projects Manager
Authoriser:	Carolyn Allan - Chief Financial Officer

Attachments

There are no attachments for this report.

SUMMARY OF CONSIDERATIONS

Fit with purpose of Local Government

This decision enables democratic local decision making and action by, and on behalf of communities, and promotes the social, economic, environmental and cultural well-being of communities in the present and for the future.

Fit with strategic framework

	Contributes	Detracts	Not applicable
Social Wellbeing Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Economic Development Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Environment Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Arts and Culture Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
3 Waters Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Future Development Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Integrated Transport Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Parks and Recreation Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Other strategic projects/policies/plans	✓	<input type="checkbox"/>	<input type="checkbox"/>

The 9 year plan contributes to the objectives and priorities of the strategic framework as it describes the Council's activities, the community outcomes, and provides a long term focus for decision making and coordination of the Council's resources, as well as a basis for community accountability. The Revenue and Financing Policy is a key component of the development of the 9 year plan.

Māori Impact Statement

The adoption of the Māori Strategic Framework signals Council's commitment to mana whenua and to its obligations under the Treaty of Waitangi. Mana whenua and Māori have an opportunity to engage with the 9 year plan consultation process.

Sustainability

The Revenue and Financing Policy considers the overall impact of its funding requirements on the current and future social, economic, environmental and cultural wellbeing of the community, when setting the policy

Zero carbon

The Revenue and Financing Policy does not impact on zero carbon considerations but provides for how the activities of Council are funded.

LTP/Annual Plan / Financial Strategy /Infrastructure Strategy

The Revenue and Financing Policy does not impact on levels of service provided but provides for how the activities of Council are funded.

Financial considerations

The financial considerations are discussed in the report.

Significance

The Policy will be included in the supporting documentation for consultation on the 10 year plan.

SUMMARY OF CONSIDERATIONS***Engagement – external***

There has been no external engagement in the development of the Revenue and Financing Policy.

Engagement - internal

Staff and managers from across Council have been consulted in the review of the Revenue and Financing Policy.

Risks: Legal / Health and Safety etc.

There are no identified risks.

Conflict of Interest

There are no known conflicts of interest.

Community Boards

The Revenue and Financing Policy will be of interest to Community Boards.