

## REVENUE POLICY COMPLIANCE

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 draft 2023/24 Annual Plan budget has with the Policy.

### RECOMMENDATIONS

That the Council:

- a) **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 The Policy is reviewed every three years but can be amended earlier if required. No amendments are proposed at this time.

### DISCUSSION

- 5 A review has been undertaken of how the draft operating budgets for the 2023/24 Annual 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%.
- 7 A full review of the policy will occur as part of the development of the next 10 year plan.

**Table 1 – Draft policy and draft budgets comparison**

	2021-2031 Policy		2023/24 Budgets			Variance
Activity	Rates Revenue %	Other Revenue %	Rates Revenue %	Other Revenue %	Unfunded deprec.	Within +/- 5%
<b>Community and planning group</b>						
Community development and events	95%	5%	96%	4%		✓
City development	100%	0%	100%	0%		✓
Resource consent management	60%	40%	62%	38%		✓
<b>Economic development group</b>						
Economic development and marketing	90%	10%	90%	10%		✓
Visitor centre (i-Site)	60%	40%	66%	34%		Note 1
<b>Galleries, libraries and museums group</b>						
Ara Toi services	100%	0%	100%	0%		✓
Dunedin Public Art Gallery	85%	15%	89%	11%		✓
Dunedin Public Libraries	98%	2%	99%	1%		✓
Lan Yuan Chinese Garden	75%	25%	53%	47%		Note 2
Olveston	33%	67%	47%	53%		Note 1
Otago Museum levy	100%	0%	100%	0%		✓
Toitū Otago Settlers Museum	92%	8%	89%	11%		✓
<b>Governance and support services group</b>						
Civic & governance support services	100%	0%	100%	0%		✓
Corporate support services	90%	10%	90%	10%		✓
Warm Dunedin	100%	0%	100%	0%		✓

	2021-2031 Policy		2023/24 Budgets			Variance
Activity	Rates Revenue %	Other Revenue %	Rates Revenue %	Other Revenue %	Unfunded deprec.	Within +/- 5%
<b>Property group</b>						
Community housing	10%	90%	10%	76%	14%	Note 3
Other property	45%	55%	47%	53%		✓
<b>Regulatory services group</b>						
Animal Services	10%	90%	14%	86%		✓
Building Services	25%	75%	22%	78%		✓
Environmental Health	65%	35%	72%	28%		Note 4
Liquor Licensing	10%	90%	16%	84%		Note 5
Parking Operations	0%	100%	0%	100%		✓
Parking services (enforcement)	2%	98%	3%	97%		✓
<b>Reserves and recreational facilities group</b>						
Aquatic services	55%	45%	66%	34%		Note 6
Cemeteries (parks and burials)	50%	50%	41%	59%		Note 7
Crematorium	0%	100%	0%	100%		✓
Dunedin Botanic Garden	98%	2%	99%	1%		✓
Parks and reserves	96%	4%	93%	7%		✓
<b>Roading and footpaths group</b>						
Transport	62%	38%	69%	31%		Note 8
<b>Three Waters</b>						
Water supply	80%	20%	55%	15%	30%	Note 9
Wastewater	98%	2%	65%	5%	30%	Note 9
Stormwater	99%	1%	58%	5%	37%	Note 9

	2021-2031 Policy		2023/24 Budgets			Variance
Activity	Rates Revenue %	Other Revenue %	Rates Revenue %	Other Revenue %	Unfunded deprec.	Within +/- 5%
<b>Waste management group</b>						
Landfills	0%	100%	1%	99%		✓
Refuse/recycling collection and clean ups days	75%	25%	77%	23%		✓
Waste minimisation	0%	100%	0%	100%		✓

- 8 **Note 1** – The budget recognises that external revenue is recovering from the impacts of COVID with an increase in visitors to city. External revenue is budgeted to increase from that provide for in the 2022/23 Annual Plan. No increase in fees have been provided for in the budget.
- 9 **Note 2** – The budgeted external revenue of \$252,000 for Lan Yuan Dunedin Chinese Garden recognises an increase in admissions revenue, increased shop sales, and functions and facilities hire. No increase in fees has been provided for in the budget.
- 10 **Note 3** – The budget for Community Housing rentals has been based on an average rental increase for the 2023/24 year of 5% (\$6 - \$12 per week). This option provides for User Pays 76%, Rates Revenue of 10% and Unfunded Depreciation 14%.
- 11 To comply with the Revenue Policy to fund 90% of the operating cost of community housing from rental income, rates revenue 10% and unfunded depreciation of 0%, rents would need to increase by an average of 24% (\$29 - \$52 per week). This level of rent increase would be considered of high significance in terms of the Council's Significance and Engagement Policy, and formal consultation with the tenants would be required. This policy will be reviewed as part of our next 10 year plan.
- 12 The table below shows the proposed budgeted rent increase:

Fees & Charges	Current Rent	<b>Budget 23/24</b>		
		Proposed Rent	Increase (\$)	Increase (%)
				User Fees & Charges 76% General Rates Revenue 10% Unfunded Depreciation 14%
Bedsit	\$122.00	\$128.00	\$6	4.92%
Single (partitioned)	\$125.00	\$131.00	\$6	4.80%
Single (separate)	\$130.00	\$136.00	\$6	5.38%
Double (partitioned)	\$171.00	\$179.00	\$8	5.26%
Double (separate)	\$176.00	\$185.00	\$9	5.11%
1 Bedroom	\$185.00	\$195.00	\$10	4.86%
2 Bedroom	\$216.00	\$228.00	\$12	5.09%

- 13 **Note 4** – The budget for Environmental Health recognises that businesses are recovering from the impacts of COVID and as such, no increases in fees have been proposed. Some of the fees are also legislatively set.
- 14 **Note 5** – the fees and charges for Liquor Licensing are set by legislation. The policy will be reviewed as part of the next 10 year plan to align with legislation.
- 15 **Note 6** – An increase of around 3% in fees and charges for aquatics has been budgeted, and other revenue also includes budgeted fees from Te Puna O Whakaehu which will open prior to the start of the 2023/24 year.
- 16 To comply with the Revenue Policy to recover 45% of operating costs from fees and charges, aquatics fees would need to increase by an estimated \$1.5 million. This level of increase may be considered significance in terms of the Council's Significance and Engagement Policy, and formal consultation would be required. A review of this policy will be undertaken as part of the next 10 year plan.
- 17 The table below provides examples of the proposed budgeted aquatic fees.

Fee or charge (incl. GST)	2022/23 Fees	Proposed fees	\$ change	% change
Adult Swim	\$7.40	\$7.60	\$0.20	2.7%
Concession Swim	\$4.30	\$4.40	\$0.10	2.3%
Child Swim	\$3.40	\$3.50	\$0.10	2.9%
Family Swim	\$15.90	\$16.40	\$0.50	3.1%
Family Swim and Slide	\$33.50	\$34.50	\$1.00	3.0%
Adult Swim and Slide	\$13.20	\$13.60	\$0.40	3.0%
Concession Swim and Slide	\$9.10	\$9.40	\$0.30	3.3%
Child Swim and Slide	\$7.40	\$7.60	\$0.20	2.7%

- 18 **Note 7** – the Cemeteries budget reflects the actual results from 2021/22. The budget provides for a 3% increase in fees, which equates to an additional \$22,000.
- 19 **Note 8** – The operating budget for roading includes increases in depreciation and interest expense. These costs do not qualify for Waka Kotahi grant funding, and so the level of external revenue does not comply with the Revenue Policy.
- 20 **Note 9** – The budget for 3 waters does not comply with the Revenue Policy due to the non funding of depreciation. The budget provides for depreciation increasing by an estimated \$32.630 million, which is based on the latest asset revaluation (subject to confirmation).

## OPTIONS AND NEXT STEPS

- 21 There are no options or next steps.

## Signatories

Author:	Sharon Bodeker - Manager Governance
Authoriser:	Sandy Graham - Chief Executive 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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Economic Development Strategy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environment Strategy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Arts and Culture Strategy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Waters Strategy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Spatial Plan	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Integrated Transport Strategy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Parks and Recreation Strategy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other strategic projects/policies/plans	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Annual Plan contributes to the objectives and priorities of the strategic framework. The Revenue and Financing Policy is a key component of the development of the Annual Plan.

### ***Māori Impact Statement***

The Annual Plan 2023/24 provides a mechanism for Māori to contribute to local decision-making. The Council's engagement with Mana Whenua and Mātāwaka is an ongoing and continuous 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.

### ***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 impacts are discussed in the report.

### ***Significance***

This report is considered to be of low significance in terms of the Council's Significance and Engagement Policy.

### ***Engagement – external***

There has been no external engagement.

### ***Engagement - internal***

Staff and managers from across Council have been involved in the development of the draft budgets.

### ***Risks: Legal / Health and Safety etc.***

There are no identified risks.

**SUMMARY OF CONSIDERATIONS**

***Conflict of Interest***

There are no known conflicts of interest.

***Community Boards***

There are no implications for Community Boards.