

REVENUE AND FINANCING POLICY

Introduction

The Revenue and Financing Policy states Council's policies on the funding of its operating and capital expenditure and the sources of those funds.

The Local Government Act 2002 requires Council to manage its finances prudently and in a manner which promotes the current and future needs of the community. Council must ensure that each year's projected operating revenues are set at a level sufficient to meet the year's projected operating expenses.

General Principles

In considering the sources of its funding, consideration was given to the following in relation to each activity.

- The Community Outcome to which it primarily contributes.
- The distribution of benefits between the community as a whole, any identifiable part of the community, and individuals.
- The period in or over which those benefits are expected to occur.
- Identification of issues which would change demand for the activity.
- The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.
- The extent to which an individual's or group's action contributes to the need to undertake a service.

After giving consideration to the above the Council then considered "the overall impact of any allocation of liability for revenue needs on the community".

Invercargill City Council's funding policy is to treat both operating and capital expenditure in the same way. That is to say, the extent to which the provision of a service by the Council is a public or private good will largely determine the extent to which rates or fees and charges fund capital expenditure.

For example, the revenue funding policy for Parks and Reserves is 50-70% public good; 30-50% private benefit. Funding the capital expenditure would be proportioned the same way, ie 50-70% by rates and 30-50% by fees and charges.

Period of Benefit

Three periods of benefit have been identified:

1. Short term

- Activities which have an immediate, short term benefit/impact (1-5 years) on a client or organisation.

2. Medium term

- Activities undertaken to implement legislation which, if amended, may alter the activity's areas of responsibility and focus.
- Activities which contribute significantly to the needs of the community.

3. Long term

- Activities which rely on Council's strategic assets listed in the Significance and Engagement Policy.
- Activities which rely on structures/buildings having a lifespan of at least 25 years.

Identification of Who Benefits From the Activity

Consideration of who benefits is unique for each activity. Individuals, when they obtain a consent / registration / licence / certification which allows them to undertake an activity, receive a personal benefit. Applicants pay the full costs associated with processing applications, once lodged.

Public benefit is gained from having access to activities provided by Council and the opportunity to be involved in the development of policies which will guide their operation.

The public benefit by having confidence in Council implementing policy and standards fairly and efficiently. Complaints are investigated and resolved.

Funding Sources

The following sources of funding are used by Council:

General Rate

General rates are used to fund activities where it is not possible to clearly identify customers or users.

The general rate is also used to fund activities where, for reasons of fairness and equity, consideration of the wider community good indicates that this is the most appropriate way to fund an activity. Differentials detailed in the Funding Impact Statement are applied to this rate. Differentials have been applied to the residential rating unit base rate in order to maintain an equitable rating impact.

Targeted Rates

Targeted rates are used where an activity benefits an easily identifiable group of ratepayers and where it is appropriate that only this group be targeted to pay for some or all of a particular service, for example, water supply. Differentials detailed in the Funding Impact Statement are applied to this rate.

Differentials have been applied to the residential rating unit base rate in order to maintain an equitable rating impact.

Fees and Charges

These are direct charges to individuals or organisations who use certain activities such as pools and building consents.

Other Sources of Funding

Other sources of funding received by Council include dividends, interest, proceeds from asset sales and income from external agencies. These are used to support an activity e.g. government assistance such as the New Zealand Transport Agency for the roading activity.

Loans and Reserves

Activities which rely on assets to provide services use reserve funds for capital renewals and improvements as well as loans. Reserves are developed and reserves and loans repaid on the same proportion as the benefits received from the activity.

While borrowing may be used from time to time, usually to give effect to the principles of intergenerational equity, the repayment and servicing of the debt is funded by rates, fees and charges and other sources. In short, the actual borrowing is a mechanism only; the revenue

and financing policy applies to its repayment and servicing.

Rating Basis

Council has elected to use capital value as the basis for apportioning rates charges against the rating units where applicable. All fixed charges are based on rating units.

Demand Generators

The Long Term Plan is based on assumptions which identify potential growth/demand generators. Greater detail and explanation is provided in the Long Term Plan.

Community Outcomes to Which the Activity Significantly Contributes

The Community Outcomes are identified in this policy. Greater detail and explanation is provided in the Community Outcomes section of that Long Term Plan.

Infrastructural Services Groups of Activities

Roading

A diverse and growing economy	Long	Public: Ability to travel effectively, efficiently and safely through the district	Target rates 50-65%	Change in vehicle ownership and number of vehicle trips.
Health lifestyles in a healthy environment			Fees/Charges 0-15%	Change in the industrial activity.
A City that is a great place to live and visit			NZTA funding 30-40%	

Sewerage

A diverse and growing economy	Long	Consent holders: Council approved to discharge trade waste into Council's sewerage network	Uniform charge 83-93%	Change in strength and quantities of trade waste.
Health lifestyles in a healthy environment		Public: Sewage is collected, treated and appropriately disposed of	Fees/Charges 7-17%	Change in number of properties connected to sewerage networks.

Solid Waste Management

Health lifestyles in a healthy environment	Long	Collection service: Waste is regularly collected and disposed of.	Uniform charge 45-55%	Change in legislation.
Strong, innovative leadership		Public: Council Transfer Stations accept solid waste for disposal	Fees/Charges 45-55%	Change in number of properties receiving the collection service.
				Change in total tonnage and its components.

Stormwater

Health lifestyles in a healthy environment	Long	Public: Stormwater is collected and discharged to prevent flooding	Uniform charge 90-100%	Change in legislation.
			Fees/Charges 0-10%	Change in level of development.

Water Supply

A diverse and growing economy	Long	Reticulated service: A safe, reliable water supply is provided	Uniform charge 80-90%	Change in legislation.
Health lifestyles in a healthy environment		Public: Tankered water supply is available for sale	Fees/Charges 10-20%	Change in demand for water supply.

*Funding proportions may vary within set range on an annual basis.

Development and Regulatory Services Groups of Activities

Building Consents				
A City that is a great place to live and visit	Medium	<p>Consent holders / applicants:</p> <p>Council approval to build.</p> <p>Certification that building meets minimum standards.</p> <p>Public:</p> <p>Buildings are safe</p>	<p>General rates 20-30%</p> <p>Fees/Charges 70-80%</p>	<p>Change in legislation.</p> <p>Change in level of development.</p>
Civil Defence Emergency Management				
<p>Health lifestyles in a healthy environment</p> <p>Strong, innovative leadership</p>	Medium	<p>Public:</p> <p>Council is prepared to lead in an emergency.</p> <p>Community informed of their responsibilities.</p>	<p>General rates 90-100%</p> <p>Fees/Charges 0-10%</p>	<p>Change in legislation.</p> <p>Change in frequency of emergencies.</p>
Environmental Health and Compliance				
Environmental Health				
<p>A diverse and growing economy</p> <p>Health lifestyles in a healthy environment</p>	Medium	<p>Licence holders / applicants:</p> <p>Council approval to operate business within standards</p> <p>Public:</p> <p>Business premises operate safely</p>	<p>General rates 80-90%</p> <p>Fees/Charges 10-20%</p>	<p>Change in legislation.</p> <p>Change in level of development.</p>
Animal Services				
<p>Health lifestyles in a healthy environment</p> <p>A City that is a great place to live and visit</p>	Short	<p>Dog Owners:</p> <p>Permission to keep dogs.</p> <p>Ensures population of dogs remains well controlled.</p> <p>Impounded animals are well cared for.</p> <p>Public:</p> <p>Stray animals are controlled.</p>	<p>General rates 10-25%</p> <p>Fees/Charges 75-90%</p>	<p>Change in legislation.</p> <p>Change in level of animal husbandry.</p> <p>Shared services with the Pound facility.</p>
Compliance				
<p>A diverse and growing economy</p> <p>A City that is a great place to live and visit</p>	Short	<p>Public:</p> <p>Turnover of parking in Council provided spaces.</p> <p>Poor parking behaviour is discouraged</p>	<p>Fees/Charges 100%</p>	<p>Change in legislation.</p> <p>Change in vehicle usage and parking behaviour.</p>
Resource Management and District Licensing				

Resource Management				
A diverse and growing economy	Medium	Consent holders / applicants:	Targeted rates 80-90%	Change in legislation.
Health lifestyles in a healthy environment		Council approval to undertake activities subject to conditions.	Fees/Charges 10-20%	Change in level of development.
		Public:		
		Environment is protected.		
Alcohol Licensing				
	Medium	Licence holders / applicants:	Fees/Charges 100%	Changes in legislation.
		Council approval for the sale of alcohol.		Change in level of development.

**Funding proportions may vary within set range on an annual basis.*

Community Services Groups of Activities

Provision of Specialised Community Services

A City that is a great place to live and visit	Short	Public: Events and services provided for the well-being of the Community.	General rates 90-100% Other Sources 0-10%	Change in demand for specialised community services.
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Community Development

A City that is a great place to live and visit Strong, innovative leadership	Medium	Public: The provision of advice and information to strengthen community empowerment.	General rates 90-100% Fees/Charges 0-10%	Change in community demand for service.
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Housing Care Service

A City that is a great place to live and visit	Long	Tenants: The provision of affordable housing to people with limited means.	Fees/Charges 100%	Change in facilities within the units available for rental. Change in rental levels.
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Libraries and Archives

A diverse and growing economy A City that is a great place to live and visit Strong, innovative leadership	Long	Public: Access to quality and affordable library and archives services.	Uniform Charge 90-100% Fees/Charges 0-10%	Change in legislation. Change in services available for clients.
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Parks and Reserves

Healthy lifestyles in a healthy environment A City that is a great place to live and visit	Long	Sports clubs and organisations: Hire of grounds for sporting activities. Public: Safe, inviting and attractive parks and open spaces throughout the district. Burial and cremation services available.	Targeted rates 40-50% Uniform Charge 10-20% Fees/Charges 30-50%	Change in demand for open space. Change in level of development.
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Passenger Transport

A diverse and growing economy Healthy lifestyles in a healthy environment A City that is a great place to live and visit	Short	Public: Access to public bus and Total Mobility services.	Targeted rates 30-40% Fees/Charges 60-70%	Change in vehicle usage and running costs
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Pools

Healthy lifestyles in a healthy environment A City that is a great place to live and visit Strong, innovative leadership	Long	Sports clubs and organisations: Hire of grounds for sporting activities. Public: Provision of aquatic facilities.	Uniform Charge 10-20% Targeted rates 25-35% Fees/Charges 45-55%	Change in services available to clients
Public Toilets				
A City that is a great place to live and visit	Medium	Public: Provision of facilities in the main retain area and Stirling Point, Bluff.	General rates 95-100% Fees/Charges 0-5%	Change in population and visitor numbers.

**Funding proportions may vary within set range on an annual basis.*

Corporate Services Groups of Activities

Democratic Process

Strong, innovative leadership	Medium	Public: Local decision making about local issues.	General rates 95-100% Other Sources 0-5%	Change in legislation.
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Destinational Marketing

A City that is a great place to live and visit	Medium	Private enterprise: Businesses benefit from increasing visitor numbers to the district.	General rates 95-100% Fees/Charges 0-5%	Change in level of development and activity.
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Enterprise

A diverse and growing economy	Medium	Private enterprise: Businesses benefit from increasing visitor numbers to the district.	General rates 95-100% Fees/Charges 0-5%	Change in level of development and activity.
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Investment Property

A diverse and growing economy A City that is a great place to live and visit	Medium	Public: Net income used to offset rates.	Fees/Charges 100%	Changes in property values.
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