

<b>Policy Section:</b>	<b>6. Finance &amp; Corporate Services</b>
<b>Policy Name:</b>	<b>Funding Policy</b>
<b>Classification:</b>	<b>Public – Council Policy</b>
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<b>Responsible Officer(s):</b>	<b>Manager Finance and Corporate Services</b>
<b>Policy and Code of Practice Manual File Ref:</b>	<b>CC10/2601</b>
<b>Council File Reference:</b>	<b>CR21/52148</b>
<b>Legislation Authority:</b>	<b>Local Government Act 1999</b>
<b>Related Policies and Codes:</b>	<b>Section 6 Policy – Budget Management Section 6 Policy – Treasury Management Section 6 Policy – Strategic Rating</b>
<b>Related Procedures:</b>	<b>N/A</b>

## 1. INTRODUCTION

**1.1** An explicit set of policies and procedures is a necessary tool for sound financial management providing the following benefits:

- (a) **Public accountability and transparency** – Policies and procedures publicly document the Council's position on which it will base its decisions. They demonstrate the Council's commitment to sound financial management and establish transparency for audit purposes;
- (b) **Ensuring a considered approach** – The formal adoption of carefully documented policies and procedures helps ensure that the Council's position on each issue has been properly considered, having regard to alternative approaches and the wider policy and statutory context;
- (c) **Consistency of decision making** – By adopting clear Council policies and procedures a consistent basis for decision-making over time is established. While the Council can make a decision contrary to its adopted policy, it needs a deliberate decision to do so which helps to ensure that proper consideration has been applied;

- (d) **Clear guidance for staff** – Explicit policies and procedures set out the required approach, responsibilities and processes for staff to properly administer the financial business of the Council in accordance with its wishes and consistent with statutory requirements and sound financial management practices. This in turn protects staff from allegations of financial mismanagement as long as the policies and procedures are followed.

## 2. PURPOSE

- 2.1 This policy sets out Council's approach to the funding of services. The policy is based on an assessment of the beneficiaries of all of Council's services and how these should be funded. It provides the framework within which Council will raise the revenue necessary to fund expenses of services set out in its Service Range Policy.

### 2.2 Definitions

**Financial Sustainability:** A Council's long term financial performance and position is sustainable where planned long term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.

**Financing:** Financing describes how payment for an outlay is accommodated. This could be, for example, through a Council accessing its own funds (e.g. cash held in a bank account) or by an arrangement to use another entity's funds (e.g. by taking out a loan – also referred to as borrowing).

**Funding:** Funding refers to the raising of revenue; e.g. through rates, user charges, or the receipt of grants, subsidies and contributions.

**Inter-generational Equity (or fairness):** Involves the costs associated with expenditure being spread over time in accordance with the distribution of the benefits that are generated. Hence, an equitable tax system is one under which the taxes paid by each generation is in proportion to the benefits that generation receives from Government spending. It is commensurate with spreading costs in relation to the pattern of benefits over time so that one generation is not excessively subsidising another generation.

**Whole-life costs:** are the total expense of owning an asset over its entire life, from purchase to disposal, as determined by [financial analysis](#). It includes purchase and installation, design and building costs, operating costs, environmental/social impact factors, maintenance, associated financing costs, depreciation and disposal costs.

## 3. POLICY OBJECTIVES

- 3.1 The Funding Policy reflects Council's determined balance between the principles of:
- 3.1.1 User-pays or beneficiary pays;
  - 3.1.2 Capacity to pay for different sections of the community;
  - 3.1.3 Cost of provision of services;
  - 3.1.4 Where relevant, prices charged by others for provision of similar services;
  - 3.1.5 Maximising sourcing of external funding; and
  - 3.1.6 Achieving and preserving reasonable inter-generational equity.

### 4. POLICY STATEMENTS

#### 4.1 Long Term Financial Plan

- 4.1.1 Council's Long-term Financial Plan (LTFP) sets out the indicative funding (revenue raising) and financing (loan borrowing) required over the life of the Plan.

The LTFP has been based on achievement of the targets set by Council for each of its financial sustainability indicators and in particular those for its operating surplus ratio, as disclosed in the *Treasury Management Policy*.

#### 4.2 Budget Planning and Management

- 4.2.1 Council's annual budget will be based on the relevant year of its LTFP and in particular the financial strategy that will ensure attainment of specified financial indicator targets for the year.

Decisions regarding the range and level of services and infrastructure provided will take into account the need to maintain long-term financial sustainability without future unplanned increases in rates or disruptive cuts to services.

Principles relative to the preparation, consideration, adoption and review of the Annual Budget are disclosed in the *Budget Management Policy*.

#### 4.3 Operating Revenue

- 4.3.1 General / Other Rates, Service Charges

- 4.3.1.1 Council will raise general and other rates from its community in accordance with the *Strategic Rating Policy*.

Council's Strategic Rating Policy sets out its application of the following rating provisions contained in the *Local Government Act 1999*:

- General Rates
- Separate Rates
- Service Rates and Charges
- Rate rebates / capping

- 4.3.1.2 Council keeps its Strategic Rating Policy under review to ensure it has appropriate regard for Council's Funding Policy objectives (outlined in Clause 2 (Policy Objectives above) and in particular any material changes in:

- capacity to pay within sections of the community;
- the extent of opportunity of access to, use of, and benefit from, Council services by various groups of service users and ratepayers

- 4.3.1.3 Revenue from general rates subsidises the provision of services, excluding those which are self-funded from other revenue streams.

- 4.3.2 Statutory Charges

- 4.3.2.1 Council receives a component of its recurrent revenue from statutory charges independently set by State Government legislation. Examples of such revenue includes development

application fees, dog and parking expiation fees, and property search fees.

- 4.3.2.2 Council will review the revenue collected from Statutory Charges on an annual basis to ensure that appropriate cost recovery rates are maintained. Where it is identified that cost recovery rates are being incrementally eroded over time (subject to Council's own prior review of its associated service expenditures), Council will lobby for an increase in the relevant fee to restore appropriate recovery rates.

#### 4.3.3 User Charges

- 4.3.3.1 To reduce dependence on rate revenue, Council applies user charges to meet the cost of its services where this is equitable, efficient and practical. Charges set have regard to Council's costs, the benefits to direct users and others from the provision of the services and prices charged elsewhere for similar services.

Council's user charges are reviewed annually and are set out in the Fees and Charges Register.

- 4.3.3.2 Where the Council has a Service Level Policy relating to a particular service, the Service Level Policy will disclose whether a user charge applies to the service provided.

#### 4.3.4 Interest on Investments

- 4.3.4.1 In accordance with Council's Treasury Management Policy, any surplus cashflow funds will, in the first instance, be applied towards debt reduction, thereby minimising Council's net interest costs.

#### 4.3.5 Discretionary Grants (Untied Grants)

- 4.3.5.1 Council values the ongoing Commonwealth Financial Assistance Grants that it receives through the SA Local Government Grants Commission (LGGC). Similarly Roads to Recovery Grants from the Commonwealth are an important funding source.

- 4.3.5.2 Council will continue to provide timely and accurate information requested by the LGGC to ensure that it receives its appropriate funding allocation as determined by the LGGC's methodology for allocating Financial Assistance Grants. Timely and accurate information also will be provided to the Commonwealth in respect of Roads to Recovery Grants.

#### 4.3.6 Reimbursements

- 4.3.6.1 Where relevant and appropriate, Council will recover the cost of specific expenditure incurred on behalf of an individual/group/organisation. Examples of such costs include legal fees incurred as part of routine debt collection activities undertaken in accordance with *Debtor Management Policy* and recoverable costs incurred as part of lease / licence arrangements.

### 4.4 Capital Revenue

#### 4.4.1 Loan Borrowings

4.4.1.1 Council recognises that borrowings are not a recurrent funding source but are nevertheless likely to be required at times particularly as a result of decisions to add to or enhance Council's stock of assets. If Council sets revenue raising targets at levels that not only meet the full cost of existing services but also enable it to accumulate funds to finance net asset acquisition it could create significant inter-generational inequity between beneficiaries of Council's services. Council manages decisions about when to borrow and what type of borrowings to raise in accordance with the *Treasury Management Policy*.

#### 4.4.2 Equity Reserve Funds

4.4.2.1 Any internal funding sourced from Council's own Equity Reserves will be in accordance with the criteria disclosed in *Treasury Management Policy*.

4.4.2.2 Equity Reserve funds are not 'cash-backed', as the immediate utilisation of funds received will be informed by Council's financial position at the time of receipt and Council's Treasury Management Policy.

#### 4.4.3 Private Sector Contributions / Partnerships

4.4.3.1 Council will seek private sector funding for projects e.g. through joint venture, grants or provision of infrastructure, etc where this is considered beneficial to the community. In assessing the community benefit of such arrangements, Council will take account of its financial exposure through an analysis of the whole-of-life costs of the project.

#### 4.4.4 Specific Purpose Grants (Tied Grants)

4.4.4.1 Council recognises that opportunities arise from time to time to secure grants for specific projects or purposes. Council will pursue such opportunities where the funding objectives support the directions of its Community Plan and its financial sustainability objectives.

4.4.4.2 Council will assess the whole-of-life costs of a project considered for a specific purpose grant (including maintenance and other operating costs over the life of the project) and will consider the impact of these costs on Council's financial sustainability indicators over the life of the project when considering a specific purpose grant opportunity.

## 5. REFERENCES AND RELEVANT LEGISLATION

### *Local Government Act 1999*

- Section 133 – Sources of Funds
- Section 188 – Fees & Charges

### **6. REVIEW AND EVALUATION**

The effectiveness of this Policy will be reviewed on a biennial basis.

The Chief Executive Officer will report to Council on the outcome of the evaluation and if relevant make recommendations for amendments, alterations or substitution of a new Policy.

The Policy will not be altered or substituted so as to affect a process already commenced.

### **7. FURTHER INFORMATION**

Further information about this Policy can be obtained by:-

Telephone: 8522 9211

Email: [council@gawler.sa.gov.au](mailto:council@gawler.sa.gov.au)

Appointment: Town of Gawler Administration Centre, 43 High Street, Gawler East.

Letter: PO Box 130, Gawler SA 5118

### **8. AVAILABILITY OF POLICY**

The Policy is available for inspection during ordinary business hours at the Council principal office, Town of Gawler Administration Centre 43 High Street, Gawler East or is available on the Council website at [www.gawler.sa.gov.au](http://www.gawler.sa.gov.au).

A copy of this Policy will be provided to interested parties upon request, for a fee as contained in the Register of Fees and Charges.