

purpose of the funding policy

The purpose of this policy statement is to set out a rationale for the funding of the Council functions both now and in the future.

Background

The Funding Policy has been developed by the Council pursuant to the requirements of legislation and the financial management policies. It provides for each of the service delivery outputs to be grouped into like functions, to review the purpose, beneficiaries and the most appropriate funding source, predominantly either user charges or property based rates.

Typically each output has unique issues. However there has been an attempt to establish funding policies which are consistent, rational and fair given the various communities in the City. The individual Outputs are grouped, summarised and published as 'functions'. The full detail of the Output Statements is available on request.

There are approximately 285 outputs. While this review is based on these, the results have been summarised into 17 functions for the purpose of publication.

Legislative Requirements

The Funding Policy has been developed under the requirements of the Local Government Act. This Act describes in detail a process which is required to be followed to achieve a systematic review of the funding mechanisms for all activities or functions of the Council so that the funding is derived as closely as possible from the beneficiaries of those activities or functions.

The gross expenditure of a function is assumed to equate to the benefits derived and is then assigned to a benefit type.

The Act identifies three types of benefits / expenditure:

- That which is independent of the number of persons who benefit from the expenditure, or generates benefits which do not accrue to identifiable persons or groups of persons, or which generates benefits to the community generally (general benefits); and
- That which provides direct benefits to persons or categories of persons (direct benefits); and
- That which is needed to control negative effects caused by the action or inaction of persons or categories of persons (negative effects).

The Act then requires local authorities to identify how the costs of the above expenditure should be allocated to the persons or categories of persons to which it delivers services.

The Act then goes on to prescribe how each type of expenditure should be funded:

- Expenditure which gives rise to general benefits may be

funded from rates.

- Expenditure which gives rise to direct benefits generally should be funded by contributions from the persons or categories of persons who benefit from that expenditure either by user charges or targeted rates including uniform charges.
- Expenditure necessary to control negative effects should be funded by those whose action or inaction caused the negative effects to occur and failing recovery, rates.

The Act also identifies considerations which may, if the local authority so chooses, allow the local authority to modify the allocation of costs arrived at above:

- The obligation of the local authority to act in the interests of its residents and ratepayers.
- The fairness and equity arising from any allocation of costs.
- Any lawful policy of the local authority, to the extent that allocating costs may effectively promote that policy.
- Provide for transition from an existing funding regime to a new funding regime.

Finally, the Act allows the local authority to consider issues of practicability and efficiency when choosing funding mechanisms. Generally for many services the Council provides, charging the users is impracticable as the cost of monitoring use and collection would either defeat the purpose of the Service or not be possible.