Funding policy

Classification	Policy
Strategic reference	Goal 4: Governance and organisational culture
Relevant legislation	Local Government Act 1999 Local Government (Financial management) Regulations 2011
Relevant documents	LGA 'Financial Stability' Information Paper no. 20: Rating and Other Funding Policy Options (revised May 2015) Annual budget policy Rating Policy Service Range Policy
Responsible officer	Manager Corporate Services
Date adopted	April 2022
Next review date	April 2025

1 Purpose

This policy sets out Southern Mallee District Council's approach to the funding of its services. 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 programs set out in its Strategic Management Plan, Long Term Financial Plan and Annual Business Plan and Budget.

Under Chapter 9 – Finances and Chapter 10 – Rates and charges of the Local Government Act 1999 the Elected Council must:

1.1 Set the rate in the dollar for general, differential, separate and service rates

1.2 Set the fees to be charged for the use of Council properties and facilities, including separate and service charges (some fee-setting can be delegated to the CEO)

1.3 Resolve to borrow appropriate funds

1.4 Ensure that it receives regular reports that permit it to monitor the inflow of funds compared with the budgeted cash outflows

Council also has an Annual Rating Policy that addresses legislative requirements, the growth/decline in rates from changing demographics, targeted rate relief, service charges and rate capping options.

The Funding Policy reflects Council's determined balance between the principles of:

1.5 user or beneficiary pays

1.6 capacity to pay of different sections of the community

1.7 costs of provision of services and, where relevant, prices charged by others for provision of similar services

1.8 maximising sourcing of external funding including commercial activities

1.9 accommodating individual circumstances of financial hardship

1.10 achieving and preserving reasonable inter-generational funding equity

1.11 charging the maximum statutory fees permitted by legislation

2. Application

As part of the annual budgeting process Council considers the impact on rates of changes in user charges. Many of the services provided by Councils are provided to specific individuals rather than the community as a whole. This is recognised in the Local Government Act 1999 which permits Councils to raise separate rates and service rates and charges for specific projects or services and allows Council to set a range of fees and charges for other services provided; e.g. water supply, waste management, recreation services. The charging of fees (including concession arrangements) for some of the services provided by Councils has two major benefits –it reduces the need to rely on general tax revenue and it provides equity in that only those who use such services pay for them.
The intent of this policy is to ensure that Council supplements its rates revenue by considering:

2.1 Council's annual projected budget result for the year

2.2 Grants and subsidies from other governments or organisations

2.3 Imposing statutory fees and penalties as provided in a number of Acts, e.g. dog fees, development fees

2.4 The sale of surplus property or assets and by

2.5 Charging fees (user pays) for a range of activities, facilities and functions provided, e.g. sporting venues, hall hire

2.6 Carrying out commercial activities, e.g. caravan parks

2.7 Investing surplus funds

2.8 Borrowing funds

3. Definitions

"Asset Renewal Funding Ratio (previously referred to as 'Asset Sustainability Ratio')" Net capital outlays on renewing/replacing existing assets as a percentage of the annual depreciation expense allocated against such assets

"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 and maintained without unplanned increases in rates or disruptive cuts to services

"Fully Attributed Costs": A system under which all costs, including indirect and overhead costs, are allocated to a function, activity, good or service on a reliable and consistent basis

"Inter-generational Equity": Involves the costs associated with expenditure on services/assets 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 Council 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.

4. Policy statement

4.1 Long term financial plan: Council has a ten year Long Term Financial Plan (LTFP) that sets out the funding (revenue raising) and financing (paying for outlays) requirements for services to be provided to equitably meet its Strategic Management Plan's identified community needs and preferences.

4.2 Annual budget/business plan: Council will manage its Long-term Financial Plan in accordance with its Annual Business Plan and Budget to ensure that its planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services

4.3 Grants

4.3.1 Financial assistance and other discretionary grants: Council values the ongoing Commonwealth Financial Assistance Grants that it receives through the SA Local Government Grants Commission (SALGGC). Similarly Roads to Recovery Grants from the Commonwealth are an important funding source.

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

4.3.2 Special purpose grants

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

Council will assess the whole-of-life costs of a project considered for a special purpose grant or funding application and will consider the impact of these costs on Council's financial sustainability indicators over the life of the project when considering a special purpose grant or funding opportunity.

4.4 General and other rates

Council will raise general and other rates from its community in accordance with its Annual Rating Policy. Council keeps its Strategic Rating Policy under review to ensure it has appropriate regard for Council's Funding Policy objectives (outlined in clause 1. above) and in particular any material changes in:

4.4.1 capacity to pay within sections of the community

4.4.2 the extent of opportunity of access to, use of, and benefit from, Council services by

4.4.3 various groupings of service users and ratepayers

4.5 User charges

To reduce dependence on rate revenue Council may apply user charges to meet the cost of its services where this is equitable and efficient. Charges set have regard to Council's fully attributed costs for each service, 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 adopted as Fees & Charges for the ensuing financial year.

4.6 Borrowings

Council recognises that borrowings are not a funding source but are nevertheless likely to be required at times to fund initiatives to add to, or enhance Council's stock of assets. Decisions about when to borrow and what type of borrowings to raise are made in accordance with Councils Treasury Management policy.

4.7 Private sector contributions/partnerships

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 and relative risks of the project.

5. Council sustainability

Council is required to report the following sustainability indicators in its Annual Budget, Financial Statements and the Long Term Financial Plan:

5.1 Operating surplus / (deficit)

The difference between income and expenses for the period, calculated as:

Operating surplus / (deficit) before capital amounts (as shown on the Income Statement)

Council's target is to make a small surplus of rate revenue excluding the Natural Resource Management (NRM) levy each year.

5.2 Operating surplus ratio

The percentage by which the major controllable income source varies from day to day expenses, calculated as:

Operating surplus (as above) Divided by:
Rates revenues
Less; NRM levy raised

Council's target is nil or a small surplus annually.

5.3 Annual review

Each year a report must be prepared by the Chief Executive Officer on the sustainability of Council's long term financial performance and position, taking into account the provisions of Council's Annual Business Plan and Strategic Management Plans.

6 Policy review

The effectiveness of this policy will be reviewed every three years or as necessary.

7 Further information

This document is available on Council's website www.southernmallee.sa.gov.au and at the principal office of the Southern Mallee District Council at Day Street, Pinnaroo SA 5304.

A copy of this document may be purchased from Council.