

FUNDING POLICY	
Type	Governance
Category	Finance
Responsible Officer	Manager Corporate Services
First Issued / Adopted	Pre 2009
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Applicable Legislation	Local Government Act 1999 Local Government (Financial Management) Regulations 2011
Related Documents	Nil
Public Consultation Required	No
File Reference	9.63.1.4

1. PURPOSE

To set out the approach to the funding of services provided by Port Pirie Regional Council (Council).

The policy aims to assist Council to align the types and the sources of funding with the cost of providing services. Further to assist Council in its decision making of providing services (existing, expanded and new services) into the future that are funded through sources that are aligned in time and in quantum. Further, that the cost of service including the notion of the whole of life cost are considered in the decision making process.

The policy is based on an assessment of the beneficiaries of all of Council's services and how these are to be funded. It provides the framework within which Council will raise the income necessary to fund the delivery expenses of programs set out in its Community Plan and the supporting Long Term Financial Plan.

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2. SCOPE

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

- user-pays or beneficiary pays; and
- capacity to pay of different sections of the community; and
- costs of provision of services; and,
- where relevant, prices charged by others for provision of similar services; and
- maximising sourcing of external funding; and
- accommodating individual circumstances of financial hardship; and
- achieving and preserving reasonable inter-generational equity;

Whilst maintaining the Council's principle requirement of Financial Sustainability. To ensuring the long-term financial performance and position of the Council 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.

3. DEFINITIONS

Nil.

4. POLICY STATEMENT

4.1 Long Term Financial Plan

Council has adopted a 10 year Long Term Financial Plan (LTFP) that sets out the funding (revenue raising) requirements and the amount of any financing needed for services to be provided to equitably meet the goals of its (Strategic) Community Plan.

To guide future planning a target range is set in the LTFP for each of the financial sustainability indicators. The LTFP has been based on achievement of the targets and in particular for its operating surplus ratio.

The operating surplus ratio expresses the operating surplus/deficit (the difference between operating income and operating expenses for the year) as a percentage of operating income. A positive ratio will indicate that all operating expenses including depreciation are being fully funded and that assets are being replaced at their rate of consumption.

4.2 Budget Planning and Management

The development of each annual budget will be based on the relevant year in the 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.

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4. POLICY STATEMENTS (Cont'd)

4.3 Financial Assistance and Other Discretionary Grants

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

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.

4.4 Specific Purpose Grants

Opportunities that arise from time to time to secure grants or funding for specific projects or purposes will be pursued where the funding objectives support the directions of strategic planning and align with financial sustainability objectives.

The whole-of-life costs of a project will be assessed and considered for a specific purpose grant or funding application (including maintenance and other operating costs over the life of the project) and will consider the impact of these costs on the financial sustainability over the life of the project when considering a specific purpose grant or funding opportunity.

4.5 General and Other Rates

General and other rates are raised from the community in accordance with the Rating Policy which sets out the application of the following rating provisions contained in the Local Government Act 1999:

- Basis of valuation for rating purposes
- minimum rates or fixed charges;
- separate rates;
- service rates and charges;
- differential rates;
- rate rebates;
- postponement of rates.

The Rates Policy is reviewed annually to ensure it aligns with this Policy 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 groupings of service users and ratepayers.

Income from general rates helps meet a substantial part of the cost of service delivery and activities that are widely available to ratepayers.

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4. POLICY STATEMENTS (Cont'd)

4.6 User Charges

To reduce dependence on rate income user charges are applied to meet the cost of particular services where this is equitable, efficient and practical. Charges set have regard to the service costs, the benefits to direct users and others from the provision of the services and prices charged elsewhere for similar services. Typically, user charges include income from the sale or use of goods or services such as waste disposal fees, leases and rentals, aerodrome fees and cemetery fees.

All user charges are reviewed annually and recorded in the Fees and Charges Register.

4.7 Statutory Fees

Fees are recovered from regulatory services, usually in association with the granting of a permit or licence, the regulation of any activity or penalties for non-compliance with a regulatory requirement. Typically, statutory charges include Development Act fees, dog registrations and penalties, parking fines and expiations, health and septic fees and search fees.

4.8 Investments

Interest is received from investments and loan interest from community groups.

4.9 Reimbursements and Other Income

Amounts as payment for work done or reimbursements of costs incurred for various activities include private works recoveries, insurance rebates and Government contributions to services and other miscellaneous income from donations, various contributions and rebates.

4.10 Borrowings

Borrowings are recognised as likely to be required at times particularly as a result of decisions to add to or enhance the stock of assets. Income targets are set 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 services and activities.

All decisions about when to borrow and what type of borrowings to raise are made in accordance with the Treasury Management Policy.

4.11 Private Sector Contributions/Partnerships

Private sector funding for projects will be sought 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 consideration will include an assessment of the financial exposure through an analysis of the whole-of-life costs of the project.

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5. FINANCIAL SUSTAINABILITY

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

- Operating surplus ratio

The operating surplus ratio is the operating surplus (deficit) expressed as a percentage of operating income. A positive result on this ratio indicates the means current residents are able to fully fund the cost of services provided to them by Council. It also suggests the income available to fund capital or repay debt. A negative result indicates that Council is operating at a level beyond their means which will present long term financial issues.

- Net Financial Liabilities Ratio

The net financial liabilities ratio is calculated by expressing net financial liabilities at the end of a financial year as a percentage of operating income for the year. If the ratio falls, over time, this indicates that the Council's capacity to meet its financial obligations from operating income is strengthening.

6. FURTHER INFORMATION

This policy will be available to be downloaded, free of charge, from Council's internet site: www.pirie.sa.gov.au

Copies will be provided to interested parties upon request, and upon payment of a fee in accordance with Council's Schedule of Fees and Charges.

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