

# THE BAROSSA COUNCIL

## FUNDING POLICY



<b>Strategic Plan Outcome:</b>	4.1 Governance and Organisation - Responsibility	<b>Document Code:</b>	TBCPOC4200
<b>Policy Owner:</b>	Director – Corporate and Community Services	<b>Last Revised Date:</b>	20/10/2009
<b>Document Control:</b>	Manager Financial Services	<b>TRIM Reference:</b>	15/28475
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### 1. Purpose

- 1.1 This Policy sets out Council's approach to the funding of services.
- 1.2 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 programs set out in its Long Term Financial Plan and the Annual Budget and Business Plan.

### 2. Scope

This policy covers the following:

- Long Term Financial Plan
- Annual Budget and Business Plan
- Grants
- General and Other Rates
- User Charges
- Borrowings
- Private Sector Contributions and Partnerships.

3.	Definitions
Asset Sustainability Ratio	The Asset Sustainability Ratio indicates the extent to which existing non-financial assets are being renewed and replaced, compared with the asset renewal and replacement expenditure identified as warranted in Council's Infrastructure and Asset Management Plan's (IAMP). Council's Infrastructure and Asset Management Plan (IAMP). It is calculated by measuring capital expenditure on renewal or replacement of assets for a period, divided by the optimal level of such expenditure proposed in a Council's IAMP. Council's IAMP.
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 a borrowing)

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.
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.
Key Performance Indicators	Key Performance Indicators also known as Financial Indicators and associated targets have been developed both in the public and private sectors to assist organisations and others who are interested in an entity's financial performance, to understand the messages that its financial statements contain and help guide revenue and expenditure decisions and overall budget strategies.

<b>4.</b>	<b>Policy Statement</b>
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The Funding Policy reflects Council's determined balance between the principles of:

- user or beneficiary pays and capacity to pay of different sections of the community;
- costs of provision of services and, where relevant, prices charged by others for provision of similar services;
- maximising sourcing of external Funding;
- accommodating circumstances of financial hardship; and
- achieving and preserving reasonable Inter-Generational Equity.

#### **4.1 Long Term Financial Plan**

4.1.1 Council has a 10 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 identified community needs and preferences as documented in the strategic management plans .

4.1.2 The LTFP has also been based on achievement of the targets set by Council for its Key Performance Indicators, as follows:

To ensure Inter-Generational Equity and Financial Sustainability in the long term, Council will plan to budget for long term sustainability as outlined in the key performance indicators within adopted target values and/or ranges and recorded in the Annual Budget and Business Plan. The LTFP will ensure that annual capital expenditure programs for renewal and replacement of assets closely match related amounts included in Council's Infrastructure & Asset Management Plans and reviewed annually for current information.

#### **4.2 Annual Budget and Business Plan**

The Annual Budget and Business Plan (AB&BP) is based on the first year of the LTFP. Council will manage its AB&BP's financial strategy for funding to 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 and other funding or disruptive cuts to services.

## 4.3 Grants

### 4.3.1 Financial Assistance and Other Discretionary Grants

Council will continue to deliver on projects and provide timely and accurate information as requested by the relevant grant funding bodies to ensure that it receives its appropriate Funding allocation. Grant funding includes but is not limited to Financial Assistance Grants and Roads to Recovery Grants.

### 4.3.2 Special Purpose Grants

- 4.3.2.1 Council recognises that opportunities arise from time to time to secure grants or Funding for specific projects or purposes.
- 4.3.2.2 Council will pursue such opportunities where the Funding objectives support the directions of its strategic management plans and its Financial Sustainability objectives (in line with the Budget and Business Plan and Review Policy - Council Reports for Additional Expenditure).
- 4.3.2.3 Council will assess the Whole-Of-Life Costs using the Due Diligence Report (as referred to in the Prudential Management Policy) of a project considered for a special purpose grant or Funding application (including maintenance and other operating costs over the life of the project). Council will consider the impact of these costs on the Financial Sustainability indicators over the life of the project when considering a special purpose grant or Funding opportunity.

### 4.3.3 Grant Funding Register

Council maintains a Grant Funding Register that includes relevant information (including income and expenditure) of each grant received during the financial year.

## 4.4 General and Other Rates

- 4.4.1 Council will raise general and other rates from its community in accordance with its Rating Policy.
- 4.4.2 The Rating Policy sets out its application of the following rating provisions contained in the Local Government Act, 1999:
  - General differential rates and fixed charges
  - Separate rates
  - Service rates and charges
  - Residential rate capping
  - Mandatory and Discretionary rate rebates
  - Remission and postponement of rates.
- 4.4.3 Council ensures that revenue from rates funds a substantial part of the cost of Council services and activities that are widely available to ratepayers.

## 4.5 User Charges

- 4.5.1 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 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.
- 4.5.2 Council's user charges are reviewed and set annually as part of the adopted Fees and Charges Register for the ensuing year.
- 4.5.3 Where fees and charges are not required to be paid at the time of receipt of a good or service, a sundry debtor invoice is raised. The payment of the debtors invoice to collect any overdue debt is managed through the Debt Recovery Policy.

## 4.6 Borrowings

- 4.6.1 Council recognises that borrowings are a source of financing.
- 4.6.2 Council manages decisions about when to borrow and what type of borrowings to raise in accordance with its Treasury Management Policy.

## 4.7 Private Sector Contributions/Partnerships

Council will seek private sector funding for projects e.g. through joint venture, contributions towards infrastructure or other assets, where this is considered attainable, practical and beneficial to the community. In assessing the community benefit of such arrangements, Council will take account of its financial exposure through the Due Diligence Report processes.

<b>5.</b>	<b>Supporting Documentation</b>
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- TBCREG4201 Grant Funding Register
- TBCPRO4409 Budget & Business Plan and Review Process
- Infrastructure & Asset Management Plans
- Fees & Charges Register
- Long Term Financial Plan – Annual update flowchart
- Due Diligence Report Process
- Sundry Debtor guidelines

<b>6.</b>	<b>Related Policies</b>
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- TBCPOC4400 Budget & Business Plan and Review Policy
- TBCPOC4150 Treasury Management Policy
- TBCPOC4550 Rating Policy
- TBCPOC4050 Prudential Management Policy

**7. References**

Local Government Act 1999:

- Section 122
- Section 123
- Section 133
- Sections 146-166
- Sections 182 and 182A

Local Government (Financial Management) Regulations 20112011

- Part 2

**8. Review**

This Policy shall be reviewed by the Council in consultation with the relevant stakeholders, within four years or more frequently if legislation or Council needs change.

**9. Further Information**

This policy is available on Council’s website [www.barossa.sa.gov.au](http://www.barossa.sa.gov.au). It can also be viewed electronically at Council’s principal office at 43-51 Tanunda Road, Nuriootpa and all Council branches, during ordinary business hours. A copy of this Policy can be obtained at those venues upon a payment of a fixed fee.

Any complaint in relation to this policy or its application should be forwarded in writing addressed to the Chief Executive Officer, PO Box 867, Nuriootpa SA 5355.

SIGNED:	.....
	Mayor
DATED:	___/___/___