

Summary of the Funding Policy

Introduction

Under Section 122N of the Local Government Act, the Council is required every three years to prepare and adopt a funding policy. The Funding Policy was adopted in July 2001 and was published as part of the 2002 Financial Plan. (Copies can be obtained from the Civic Offices or at www.ccc.govt.nz.) A summary of the Policy is noted below. Also noted below are the adjustments which have been made as part of finalising this Plan.

Funding Policy Process

The Local Government Act describes in detail the process to determine the funding for all activities or function of the Council.

The Act identifies three types of expenditure and how each type of expenditure should be funded:

- (1) Expenditure which gives rise to general benefits may be funded from rates. General benefits do not accrue to identifiable persons or groups of persons but benefit the community generally.
- (2) Expenditure which gives rise to direct benefits should be funded by contributions from the persons or categories of persons who benefit from that expenditure.
- (3) Expenditure necessary to control negative effects should be funded by those whose action or inaction caused the negative effects to occur.

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.

Details of the Funding Policy

The Council plans to fund its services for the 2002/03 financial year as follows (2000/01 and 2000/02 are included for comparison purposes):

	2000/01	2001/02	2002/03
User Charges	35.22%	33.39%	33.50%
Grants and Subsidies	3.72%	4.20%	4.11%
Net Corporate Revenues	16.72%	17.56%	17.32%
Capital Value Rating	40.13%	40.88%	41.24%
Uniform Annual Charge	4.21%	3.97%	3.83%

In adopting the 2002 Funding Policy, the Council resolved to avoid significant difficulties for the residential and rural sectors by making the following modifications:

- transferring \$1.89M of costs to the commercial sector
- transferring (\$1.15M) of costs from the residential sector
- transferring (\$640,000) of costs from the rural sector
- transferring (\$100,000) of costs from institutions

The above modifications were to be phased out over three years subject to the impact of the next rating revaluation.

The impact of the revaluation (which will apply from 1 July 2002) would have resulted in a very significant rate increase (21.58%) for the Rural Sector. In order to mitigate this impact, the Council resolved to slightly increase the rural modifier over the previous year. The other modifiers, however, have been reduced and in the case of the institutions phased out altogether.

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The impact of the modifier changes are summarised below:

Rating Sectors	Rates Increase Without Modifier	Original Modifier	Rates Increase	Amended Modifier	Rates Increase
Commercial/Industrial	-0.09%	\$1,890,000	4.42%	\$841,667	1.92%
Residential	4.38%	(\$1,150,000)	3.35%	(\$196,667)	4.20%
Rural	40.77%	(\$640,000)	11.98%	(\$645,000)	11.76%
Institutions	3.43%	(\$100,000)	-3.63%	0	3.43%

The different sectors will experience changes to their rates over the 2001/02 rates as follows:

- Residential +4.20%
- Commercial/Industrial +1.92%
- Rural +11.76%
- Institutions +3.43%

The summary table on the next page shows how the costs and benefits and modifications to the cost of benefits have been calculated. Also included is the funding to be received from user charges, grants and subsidies, net corporate revenues, capital value rating and the uniform annual general charge.

The Council as part of finalising this Plan resolved to review the differentials relating to utilities. This review will be part of the Funding Policy review which take place in 2003/04 and will apply from 2004/05.



Skate facility at Linwood Park.



Natural play area, Heathcote Domain.

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The budgeted costs of the benefits the Council proposes to provide in 2002/03, and their proposed funding, are shown in the following table:

		Users \$	Residential \$	Commercial \$	Rural \$	Institutions \$	Totals \$
Costs and Modifications							
Costs							
48.99%	General Benefits	0	115,443,443	31,292,766	4,003,854	7,443,555	158,183,618
50.55%	Direct Benefits	130,340,052	11,828,210	20,727,549	258,056	50,555	163,204,421
0.46%	Negative Effects	1,496,124	0	0	0	0	1,496,124
		131,836,176	127,271,653	52,020,314	4,261,909	7,494,110	332,884,163
Modifications							
	Transfer User Costs to Rating	(23,685,000)	19,921,969	3,265,258	29,255	468,519	0
	Non-Rateable	0	5,045,691	1,375,892	185,080	(6,606,663)	0
	Avoiding Sudden Changes (Modifier)	0	(174,815)	748,148	(573,333)	0	0
		(23,685,000)	24,792,845	5,389,298	(358,999)	(6,138,144)	0
Total Costs and Modifications		108,151,176	152,064,498	57,409,612	3,902,911	1,355,965	322,884,163
Funded By							
33.50%	User Charges	108,151,176	0	0	0	0	108,151,176
4.11%	Grants and Subsidies	0	5,376,596	7,777,577	127,462	0	13,281,634
17.32%	Net Corporate Revenues	0	42,721,308	11,649,522	1,567,052	0	55,937,882
41.24%	Capital Value Rating	0	92,551,928	37,198,047	2,049,823	1,355,965	133,155,763
3.83%	Uniform Annual General Charge	0	11,414,667	784,467	158,573	0	12,357,707
Total Funding		108,151,176	152,064,498	57,409,612	3,902,911	1,355,965	322,884,163