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**PORIRUA CITY COUNCIL**

**SUBMISSION TO**

**WELLINGTON REGIONAL**

**COUNCIL**

ON

**Draft Annual Plan 2000/2001**

**Draft Long-Term Financial Strategy 2000/2010**

**Draft Funding Policy 2000/2003**

**Special Order – Regional Transport Rate**

**22 MAY 2000**

- 5.8 It is noted that the present format of **your** Long-term Financial Strategy contains the effect of assumptions to each activity. With something as major as a changed structure for the delivery of water, our Council would expect that the impact on the Regional Council was so great that it may well have an impact on the financial cost of delivering other regional services if water supply were to be transferred to some new regional entity.

6. **FUNDING POLICY REVIEW:**

- 6.1 While our Council's main concern is with the continued redistribution of the regional transport rate, we believe that needs to be seen in a context of the Regional Council's overall funding policies. We also wish to comment on the matter of funding of flood protection works.
- 6.2 In looking at the funding policies in an overall sense, we would have expected to see a broadly consistent political philosophy between the various services provided by the Council on the question of user pays. Instead, what we **find** is that each service has a funding policy that appears to have been developed within the respective departments of the regional council without any regard to the integration and overall effect of the policies across the region. The most obvious place where this is highlighted is in the comparison between the approach to funding flood protection works and transport.
- 6.3 In the case of flood protection, the WRC has been able to identify issues relating to ability to pay and equity; valuing safety and security; environmental and amenity benefits; and sense of community sufficient to persuade it that it is appropriate to shift up to 40% of the cost of flood protection work from the direct and indirect beneficiaries of the work on to the regional community.
- 6.4 In the case of regional transport, the Council is only able to attribute 5% of the cost of regional transport to the regional community. In our view this is an absurd conclusion to reach. Transport is a total pre-requisite for a sense of community – without transport there is no community and yet in the proposed funding policy for a work such as flood protection, the overall regional community is expected to make a contribution 8 times greater than it is required to make to transport.
- 6.5 **Our** Council is convinced that a more logical solution is required. It is our view that **either** a greater proportion of the cost of providing transport should be funded across the whole region on a capital value basis, **or** the regional general rate contribution to flood protection work should be treated in the same way as transport and reduced from the present 50% to the same 5% figure used in **the** transport function.

**Review Process**

- 6.6 We have some concern with the apparent manner in which the WRC is going about the review of its funding policy. We note in the report to the Special Meeting of the WRC held on 26 April 2000 (Report No 00.270) that it was stated by Council officers:

*“It should be noted that Council has resolved to review the Funding Policies related to Regional transport in 2000101.”*

- 6.7 We note also that when **the** Chairman of your Transport Committee attended a meeting of our Services **Committee** to discuss transport matters, he **was** clearly of the view that the transport funding policy **was** not under review at this time.
- 6.8 Our view is that the Local Government Act does not permit this fragmented approach to the formulation of funding policies, and even if it did, we would regard this as a poor governance process. The conflicts between the WRC funding policy on flood protection and transport illustrate what happens when policy is formed in a fragmentary fashion and without regard to the total picture.
- 6.9 Returning to the legality of a fragmentary approach, we note that the process for review of a funding policy is set out in section 122N of the Local Government Act. It makes no provision for part of a funding policy to be reviewed. It simply requires a Council to review its funding policy once every three years. We also note sections 122O(2) of the Act, which deals with the content of the funding policy. It requires the Funding Policy to show,

*“for the district as a whole, the mix of funding mechanisms (being funding mechanisms described in subsection (3) of this section) required to meet the total funding requirements of the local authority for that year, and shall explain how those funding mechanisms will achieve the allocations of costs described under subsection (1)(a) of this section.”*

- 6.10 It is clear that the legislative intent is that the funding policy not only disclose information to ratepayers about the funding of individual functions, but that the funding policy should also take a holistic approach and look at total funding impacts on the District. It is notable that the funding policy published appears to be deficient in that it contains no such information.
- 6.11 It is our view that the legislators had a specific intent that the funding policy should be reviewed in totality. We believe that intent was to assist in achieving one of the purposes of Part VIIA of the Act:

*“By providing an effective and appropriate avenue for public participation in local authority financial policies and funding decisions;”*

- 6.12 If indeed, Council has failed to carry out a full review of its regional transport funding structure at this time, then we believe that is a serious omission in its process. In our view the only way that omission can be dealt with is to leave the transport rating structure entirely unchanged at this time and abandon the Special Order presently being considered by Council, until such time as a full review can be done. Council will have to accept that that would also require a full review (again) of its total funding policy, and that would give your Council the opportunity to properly examine issues of consistency and overall equity in its funding policy.
- 6.13 Alternatively, Council can consider the detailed submissions we (and no doubt others) wish to make and adjust its policy and the Special Order currently in train.