

Synopsis

Financial Sustainability in New Zealand Local Government

Revenue and Financing Policies

Since 1996 New Zealand local authorities have sought to answer the question of who should pay, and how, by reference to an analysis of the public and private benefits accruing from council services. Does a council-owned swimming pool provide purely private benefits, purely public benefits or a mixture of both? In seeking the answer we ask what values private individuals and the community place on the availability of the pool. Is the community happy to contribute to the cost of the facility, even though many do not use it? Are private individuals prepared to pay a share? If so, how much?

New Zealand legislation provides a framework for asking the questions and even though there may be no "right" answers, it provides, for each activity of Council, a structured, robust basis for determining who benefits, who should pay and how they should pay. The result is a Funding Policy for both operating and capital expenditure. The basis is reviewed at least triennially and has to be approved by the local authority. New Zealand local authorities, generally, like the process and use it whenever circumstances call for it.

By itself the Funding Policy is not the answer to financial sustainability. The New Zealand legislation also calls for a balanced budget, prepared under generally accepted accounting practice. The presentation will endeavour to show that the combination of the Funding Policy, the Balanced Budget and GAAP, overlaid with a fundamentally prudent approach, has the potential to create a virtuous circle of financial sustainability.

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