

4.5: AUTHORITY TO INCUR EXPENDITURE UNTIL 2011-12 BUDGET ADOPTION

Land Description	: FM.BUG.2 - All Wards
Proponent	: City of Albany
Responsible Officer	: Chief Executive Officer (Faileen James)

IN BRIEF

- The *Local Government Act 1995* permits a local government to incur expenditure in a financial year prior to the adoption of the annual budget, providing that the budget is adopted prior to 31 August in that financial year.
- Under the *Local Government (Financial Management) Regulations 1996*, a payment may only be made from the municipal or trust fund if the CEO has delegated authority to do so or if the payment is authorised in advance by resolution of Council (which includes an endorsed annual budget).
- Further, merely for good governance, Council should ensure there is appropriate delegated authority to the CEO to incur expenditure from 1 July 2011 until the 2011-12 Budget is adopted.
- The City anticipates adoption of the 2011-12 Budget at a Special Council Meeting on 19 July 2011.

ITEM 4.5: RESPONSIBLE OFFICER RECOMMENDATION VOTING REQUIREMENT: ABSOLUTE MAJORITY

THAT Council delegates to the CEO the authority to incur expenditure from 1 July 2011, up to an amount of \$1.25 million per week, until the 2011-12 Budget is adopted by Council

ITEM 4.5: RESOLUTION (Responsible Officer Recommendation)

**MOVED: COUNCILLOR MATLA
SECONDED: COUNCILLOR HAMMOND**

THAT the Responsible Officer Recommendation be ADOPTED.

**CARRIED 11-0
ABSOLUTE MAJORITY**

BACKGROUND

1. City executive staff have spent considerable time in the last six weeks preparing a draft 2011/12 budget for consideration by Council. Given the work done to date, staff had anticipated adoption of the 2011-12 budget prior to 30 June 2011.
2. However, staff have only recently received (in the past two weeks) final revised valuations for Gross Rental Value (GRV) for properties from the Valuer General.

3. As the GRV amounts have, in some instances, significantly changed, with a resultant potential impact on Rates revenue, staff require additional time to analysis and undertake scenario modelling on Rates information for inclusion in the budget. The last GRV revaluation was undertaken four years ago.
4. Under section 6.36 of the *Local Government Act 1995*, the City is required to advertise the proposed differential rates amounts for the 2011/12 financial year. Those proposed amounts require advertising for a period of 21 days.

DISCUSSION

5. The executive staff have prepared a draft budget, and held consultations with Council members as a group on three different occasions / separate forums regarding the proposed budget.
6. As a result of those discussions, Council members have considered various factors in developing a financially responsible budget while ensuring compliance with occupational staffing requirements, continuation of the various services provided by Council, cost-saving initiatives and new capital projects that are “project ready”.
7. Particularly, the Council considered issues relating to:
 - a. New Capital Works projects;
 - b. Employee costs, balanced against the need for sufficient staff resources to undertake current and planned projects, initiatives and current service provision
 - c. Rate amount increases, and in particular the impact the GRV changes will have on families and land owners.
 - d. Mayoral Allowance, including changes to legislation regarding provision of a Mayoral Vehicle for use.
8. A further consultation session is planned in the near future with Council members to finalise the budget.
9. As part of that consultation, and given the proposed differential rate advertising period of 21 days, the budget cannot be endorsed by 30 June 2011.
10. Accordingly, under *Local Government (Financial Management) Regulations 1996*, the CEO seeks delegated authority from the Council to make payments from the municipal fund post 1 July 2011.
11. Based on the draft budget prepared by executive staff for consideration by Council, the CEO believes that an amount of \$1.25 million should be allocated as a possible expenditure amount each week from 1 July 2011 to ensure the City’s operations continue and the City meets its liabilities (including staff expenses)

GOVERNMENT CONSULTATION

12. Nil.

PUBLIC CONSULTATION / ENGAGEMENT

13. Nil.

STATUTORY IMPLICATIONS

14. Local Government Act 1995, s 6.2(1) states that:

- (1) *During the period from 1 June in a financial year to 31 August in the next financial year, or such extended time as the Minister allows, each local government is to prepare and adopt*, in the form and manner prescribed, a budget for its municipal fund for the financial year ending on the 30 June next following that 31 August.*

Local Government Act 1995, s 6.8(1) states that:

- (1) *A local government is not to incur expenditure from its municipal fund for an additional purpose except where the expenditure —*
- (a) *is incurred in a financial year before the adoption of the annual budget by the local government;*
 - (b) *is authorised in advance by resolution*;* or
 - (c) *is authorised in advance by the mayor or president in an emergency.*

15. Local Government (Financial Management) Regulations 1996 state that:

- (1) *A payment may only be made from the municipal fund or the trust fund –*
- (a) *if the local government has delegated has delegated to the CEO the exercise of its power to make payments from those funds – by the CEO; or*
 - (b) *otherwise, if the payment is authorised in advance by a resolution of the council*

STRATEGIC IMPLICATIONS

6. This item directly relates to the following elements from the Albany Insight ~ Beyond 2020 Corporate Plan...

Priority Goals and Objectives:

Goal 4: Governance..... The City of Albany will be an industry leader in good governance and service delivery.

Objective 4.1: The City of Albany will be a cohesive Council delivering ethical and responsible government committed to excellence in board governance.

City of Albany Mission and Values Statement:

At the City of Albany we apply Council funds carefully.

POLICY IMPLICATIONS

7. Nil.

RISK IDENTIFICATION & MITIGATION

8. The risk identification and categorisation relies on the City's Risk Management Framework.

Risk	Likelihood	Consequence	Risk Rating	Mitigation
Council does not delegate authority to the CEO to incur expenditure from 1 July 2011 until the 2011-12 Budget is adopted.	Unlikely	Extreme	Extreme	Delegated authority to the CEO to incur expenditure under the <i>Local Government Act 1995</i>

FINANCIAL IMPLICATIONS

9. Based on expenditure proposed in the current draft 2011/12 budget (still to be further considered by Council members at workshops), it is anticipated that expenditure incurred each month from 1 July 2011 in meeting City financial commitments will be approximately \$1.25 million.

LEGAL IMPLICATIONS

10. The City must meet its debt obligations, including staff salary expenses and supplier accounts. Failure to do so incurs considerable legal and other risks to the City.

ALTERNATE OPTIONS

11. Council could refuse to so delegate authority to the CEO, but this would mean that the "business" of the City will be significantly impacted, and the City and Council will incur considerable risk in doing so.

SUMMARY CONCLUSION

12. Delegated authority is required for the CEO to incur expenditure from 1 July 2011 until the 2011-12 Budget is adopted.

Consulted References	Local Government Act 1995 Local Government (Financial Management) Regulations 1996.
File Number (Name of Ward)	FM.BUG.2
Previous Reference	