

6.1: 2011-12 BUDGET ADOPTION

Proponent : City of Albany
Attachment : 2011/2012 Budget documents
Item 4.3 OCM 19 July 2011
Responsible Officer : Chief Executive Officer (Faileen James)

IN BRIEF

- The City Executive has worked with Council Members through workshops in preparing the 2011-12 draft Budget for adoption.
- At the OCM on 19 July 2011, Council did not adopt the 2011-12 Budget.
- The 2011-12 Budget is again presented for adoption.
- The City is required by law to adopt the 2011-12 Budget by 31 August 2011.

ITEM 6.1: ALTERNATE MOTION BY COUNCILLOR D BOSTOCK

MOVED: COUNCILLOR D BOSTOCK
SECONDED: COUNCILLOR HAMMOND

THAT the 2011-12 Budget be Adopted with the following condition:

That staff and all related costs be no greater than that for 2010-11, but only increase in line with CPI

LOST 2-6

Record of Vote

For the Motion: Councillor D Bostock and Councillor Hammond

ITEM 6.1: MOTION BY COUNCILLOR DUFTY

THAT Standing Order 5.10, Limitation on Members speaking, be SUSPENDED in order to allow further discussion.

CARRIED 8-0

ITEM 6.1: RESPONSIBLE OFFICER RECOMMENDATION 1
VOTING REQUIREMENT: ABSOLUTE MAJORITY

THAT Council ADOPT the 2011-12 Budget.

ITEM 6.1: RESOLUTION (Responsible Officer Recommendation)

MOVED: COUNCILLOR DUFTY
SECONDED: COUNCILLOR WELLINGTON

THAT the Responsible Officer Recommendation be ADOPTED.

CARRIED 7-1
ABSOLUTE MAJORITY

Record of Vote

Against the Motion: Councillor D Bostock

BACKGROUND

1. The CEO advised Council of the line items in the Budget over three workshops, with further discussions at two Audit Committee meetings.
2. Individual items of revenue and expenditure were discussed with the intention of providing Councillors with an understanding of the content of the Budget and the risks/implications of major components of the Budget.
3. After those workshops, staff compiled the Budget document, which presents the line item expenditure and revenue (along with additional information) in a format required by legislation. The first draft of the Budget document was made available to Councillors on 4 July 2011.
4. The second and final draft of the proposed Budget was made available to Councillors on 13 July 2011 some six days prior to the Ordinary Council Meeting on 19 July 2011. In that final draft, staff acknowledged comment made by Councillors at the Agenda Briefing on 5 July 2011 and Councillors were provided with a listing of changes made between the first draft and the final draft of the proposed Budget.
5. A number of alternate motions were put forward when Budget Item 4.3 was considered at the Ordinary Council Meeting on 19 July 2011. Those motions were debated at length but none were endorsed.
6. The 2011-12 Budget was not adopted on the 19 July 2011.
7. The Mayor requested the CEO to arrange a Special Council Meeting.

DISCUSSION

8. Councillors have articulated that the job of Council is to set direction for the budget. Ample opportunity was given to Councillors through workshops to give such direction to staff.
9. At the Ordinary Council Meeting on 19 July 2011, in an alternate motion, Councillor Leavesley recommended quarantining varying amounts of salaries costs. Such quarantining would inhibit the ability of the CEO to implement HR efficiencies and practices commenced soon after the CEO's employment. In addition, such "quarantining" or any reduction in salary costs, would result in probable staff terminations. Such "quarantining" or any reduction in salary costs would also prevent the CEO from building a positive staff team culture. Staff are the City's most valuable asset and staff need to feel valued by Council.
10. "Quarantining" or any reduction in salary costs is not operationally feasible or in line with societal expectations of occupation health and safety and pay equity.
11. Councillor Leavesley also tabled two graphs in support of his alternate motion at the Ordinary Council Meeting 19 July 2011. The first demonstrated that employee costs are accelerating at a faster rate than the number of ratepayers. There is not direct causal relationship between employee costs and the number of ratepayers. For example, in 2008-09 there was an increase in the number of employees (and associated costs) resulting from the upgrade to the Albany Leisure and Aquatic Centre. This was a function of provision of additional services rather than any association to an increase in the number of ratepayers. The additional four Full Time Equivalent employees proposed in this Budget are similarly largely associated with supporting and managing staff to provide better service to the ratepayers.

12. The other graph presented by Councillor Leavesley compared percentage increases in operational employee costs, the number of ratepayers and total rates revenue. In particular the graph showed that the increase in employee costs in 2011-12 is greater than the rates increase, a position which Councillor Leavesley stated to be unsustainable.
13. Revenue is sourced from rates, but also from fees and charges applied to the service provision. Employee costs will always be significant in a service organisation. The City must balance **all** of the revenue it receives with all of the costs of providing services. Whilst some rates revenue is applied to employee costs, it is not correct to say that there is a direct relationship between rates revenue and employee costs, or that a rates increase of less than employee costs is unsustainable. Unsustainability would result from **total** costs (including employee costs) increasing at a higher rate than **all revenue** over several years.
14. Councillor Leavesley also stated that that there has been a 24.75% increase in rates revenue over the time he has been a Councillor. The year on year increase in actual rates revenue from 2009-10 actual to budgeted 2011-12 rates revenue is in fact >30.3%.
15. There has been an average increase in asset management expenditure (including roads, road safety, road maintenance, paths, drainage and parks and reserves maintenance) over three years of 21% when compared to the base year of 2008-09. This is compared to an average increase of 13% in employee costs over the same period when compared to the base year of 2008-09. (The CPI, All Groups Perth has moved from an index of 166.0 in March 2009 to 176.1 in March 2011, an overall increase of 6%). The other contributing factor to this increase is the EBA negotiations.
16. The Executive and Inside Staff have been unable to agree on the terms of a new Collective Agreement. The budget allowance for general workers salary cost increases is therefore in excess of the allowance that will actually be required, that is CPI of 2.6%. It is recommended that this adjustment be made at the first quarterly review and savings be directed to priority projects decided by Council.
17. The City will have additionally paid a net amount of \$3.5 million in principal debt repayments in the three years from 2009-10 to the end of the 2011-12 Budget period, moving the Gross Debt to Revenue Ratio from 63.2% in June 2009 to a projected 36.8% in June 2012. Approximately two thirds of the debt repayments for the 2011-12 year are dependent on successful sales of Cull Road lots at "The Ridge".
18. The City of Albany and the Jack Family Trust have committed to a five year agreement (with 2012 as the final year) to hold the Albany Art Prize, with the Trust contributing \$25,000 in prize money. Additional costs for administering and running the prize are provided by the City of Albany. On 15 June 2011, Councillor Holden and staff from the City met with the Jack Family Trust trustees. The discussions were very constructive and centred on strategies to increase attendance, improve efficiencies and create synergies with other art and cultural activities across the City, so as to make this and other cultural activities more broadly accessible and cost effective.
19. At the July Ordinary Council Meeting Councillor D Bostock confirmed that Councillors looked very thoroughly at each line item in the Budget, but that they did not look at the overall future plan.
20. At the request of Council, the CEO has recently completed a Strategic Planning Process which should guide the City's long term financial plans. Putting annual budgets into the context of long term financial plans and strategies will enable a broader view of the City's financial position.

21. Regulation 9 of the *Local Government (Rules of Conduct) Regulations 2007* prohibits **Council Members** from undertaking any task which contributes to the administration of local government unless authorised to do so by the Council. Councillor D Bostock stated at the 19 July 2011 OCM that it was not his intention as a Councillor to direct the CEO, but that Regulation 9 empowers Council to so direct the CEO. Councillor Bostock is mistaken-this regulation allows undertaking of **a task by a Council Member** who is authorised by Council to do so.
22. The fundamental role of Council as defined in section 2.7 of the *Local Government Act 1995* is governance and overseeing of the allocation of financial resources. The CEO is fulfilling her legislative role by proposing a responsible budget which combines equity for staff whilst efficiently managing the delivery of services to ratepayers within good stewardship of City assets.
23. It is recognised that considerable work is required on Asset Management Plans. The outcome of this work will be the compilation of whole of life costs for City assets, identification of funding gaps etc. This work, to be carried out over the next twelve months, together with the implementation of the Strategic Plan, and the development of a long term financially sustainable operational plan, will provide clarity and direction going forward.

GOVERNMENT CONSULTATION

24. Nil.

PUBLIC CONSULTATION / ENGAGEMENT

20. Members of the public contacted City staff on the day after the July Ordinary Council Meeting, requesting feedback be provided to Council of the unsatisfactory position of not having an endorsed budget.

STATUTORY IMPLICATIONS

21. Section 2.7 (2) (a) of the *Local Government Act 1995* refers to the role of Council:

2.7. Role of Council

(1) *The Council –*

- (a) **Governs** the local government's affairs; and
- (b) is responsible for the performance of the local government's functions.

(2) *Without limiting subsection (1), the Council is to ... (a) **oversee** the allocation of the local government's finances and resources.*

Section 5.41 (d) of the *Local Government Act 1995* details the functions of the CEO:

5.41. Functions of CEO

The CEO's functions are to -

- (a) Advise the council in relation to the functions of local government under this Act and other written laws;*
- (b) Ensure that advice and information is available to the council so that informed decisions can be made;*
- (c) Cause council decisions to be implemented;*
- (d) Manage the day to day operations of the local government;*
- (e) Liaise with the mayor or president on the local government's affairs and the performance of the local government's functions;*
- (f) Speak on behalf of the local government if the mayor or president agrees;*
- (g) Be responsible for the employment, management supervision, direction and dismissal of other employees (subject to section 5.37 (2) in relation to senior employees);*
- (h) Ensure that records and documents of the local government are properly kept for the purposes of this Act and any other written law; and*
- (i) Perform any other function specified or delegated by the local government or imposed under this Act or any other written law as a function to be performed by the CEO.*

Regulation 9 of the *Local Government (Rules of Conduct) Regulations 2007* state that:

9. Prohibition against involvement in administration

- (1) A person who is a council member must not undertake a task that contributes to the administration of the local government unless authorised by the council or by the CEO to undertake that task.*

Section 2.7 (2) (a) of the *Local Government Act 1995* refers to the role of Council:

6.2. Local government to prepare annual budget

- (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.*

**Absolute majority required.*

STRATEGIC IMPLICATIONS

- 27. 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

28. Nil.

RISK IDENTIFICATION & MITIGATION

29. The risk identification and categorisation relies on the City’s Risk Management Framework.

Risk	Likelihood	Consequence	Risk Rating	Mitigation
Council does not endorse the 2011-12 Budget causing significant cash flow issues for the City	Possible.	Severe.	Extreme	A further Council meeting will be required to adopt the Budget before 31 August 2011 as required by legislation

FINANCIAL IMPLICATIONS

30. The 2011-12 Budget sets the parameters for expenditure of City resources.

LEGAL IMPLICATIONS

31. The City must meet its legislative and debt obligations through endorsement of a budget. Failure to do so incurs considerable risks to the City.

ALTERNATE OPTIONS

32. Council could refuse to endorse the budget, 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

33. Endorsement of the budget provides delegated authority to the CEO to incur expenditure from 1 July 2011 until 30 June 2012.

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

ITEM 7.0: RESOLUTION

**MOVED: COUNCILLOR SUTTON
SECONDED: COUNCILLOR HOLDEN**

THAT Standing Orders be RESUMED.

CARRIED 8-0

There being no further business the Presiding Member declared the meeting closed at

(Unconfirmed Minutes)

Mayor Milton J Evans, JP
MAYOR

TABLED ADDRESS BY COUNCILLOR D DUFTY

Mayor and Councillors

I am extremely disappointed that we have to meet here tonight to do what sensibly we should have done a fortnight ago.

We had five meetings and discussed many aspects at length and the budget as presented should have passed at the meeting in July.

While Councillors have the right to raise amendments at any time it should be obvious that the type of amendments tabled were out of order. I won't repeat the reasoning, it is clearly stated in the agenda.

The amendments proposed were debated and all were lost. From the discussion in the previous budget sessions it should have been plainly obvious to the three proponents of the proposed amendments that the budget would pass when Councillors who were unavoidably absent were present.

The actions of the three Councillors in that situation was, in my opinion and the opinion of many ratepayers, irresponsible.

Why irresponsible?

Because having lost their amendments that were predicated on saving money and knowing that with a full council the budget would pass, they should have had the common sense to pass the budget.

By voting against it and denying the absolute majority of seven it has cost this Council \$5,409.00 and hours of lost time. I believe this action was an insult to the management staff and the immense amount of work done by our financial staff headed up by Pam Wignall. Her dedication and hard work has been outstanding and I thank her for that.

Having said that, I defend the right of Councillors to raise amendments at any time-but I hope in future we will look at the big picture.

I commend the budget to you for approval.

Councillor D Dufty.

TABLED ADDRESS BY COUNCILLOR D BOSTOCK

Speech in support of amended motion for SCM on 9th August, 2011.

It has been stated that many opportunities were presented to councillors to input their ideas before this budget was finalised, which is correct. In fact I have been banging on about the need for us to monitor and curb our expenditure for almost a year, and make no apology for taking another opportunity to repeat the message.

One does not need to be John Maynard Keynes to realise that we cannot continue to increase rates by significantly more than inflation, year after year, without causing an unacceptable burden on ratepayers, and the only remedy, if such increases are deemed necessary, is to examine our expenditure. Since staff costs account for the greater part of rates revenue it is inevitable that they must be subjected to scrutiny, which is the purpose of my amendment.

As I stated at the July OCM, I see no problem with salary awards which exceed the CPI but, if that is the case, they should be matched by an equivalent increase in productivity, or a reduction in the services which are offered by the City. These comments were taken by some to indicate that I did not value our current staff, which was certainly not my intention and my sympathies have always been with them, as illustrated by my support of the ALAC workers.

However, while my sympathies lie with staff, my duty and responsibility must be with the ratepayers of Albany and I make no apology for being faithful to my election promise in endeavouring to keep rate increases to no more than CPI on an ongoing basis.

I would therefore, ask my fellow councillors to reject the budget until such time as it contains a binding commitment to control excessive rate inflation.

Won't bring the Council down.

Councillor David Bostock