

5.5.1 LATE ITEM: Review of City of Vincent Membership of the WA Local Government Association (WALGA)

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| Ward: | Both | Date: | 13 May 2016 |
| Precinct: | All | File Ref: | SC2048 |
| Attachments: | 1 – WALGA 2014/15 Expenditure & Savings | | |
| Tabled Items: | Nil | | |
| Reporting Officer: | Tim Evans, Manager Governance & Risk Len Kosova, Chief Executive Officer | | |
| Responsible Officer: | Len Kosova, Chief Executive Officer | | |

RECOMMENDATION:

That Council **RECEIVES** this report relating to Administration’s review of the City’s Membership of the Western Australian Local Government Association (WALGA), in response to Council’s decision at the Ordinary Council Meeting held on 9 February 2016 (Item 10.3).

PURPOSE OF REPORT:

To consider the review undertaken by the Administration of the costs, benefits, advantages and disadvantages of the City of Vincent continuing to be a member of the Western Australian Local Government Association (WALGA).

BACKGROUND:

At the Council Meeting held on 9 February 2016, Council considered a Notice of Motion from the Mayor John Carey relating to WALGA membership and resolved as follows:

“That Council REQUESTS the Chief Executive Officer to provide a report to Council by May 2016 reviewing the costs, benefits, advantages and disadvantages of the City of Vincent continuing to be a member of the Western Australian Local Government Association (WALGA).”

DETAILS:

WALGA is the peak organisation representing local government in Western Australia, representing 139 out of 140 WA local governments. WALGA’s core aim is to lobby and negotiate on behalf of WA local governments and to have a strong influence on how policy decisions are made that affect the sector. The City of Vincent has been a member since WALGA’s inception in December 2001.

In 2015/16 the City of Vincent has spent \$51,956 on WALGA subscriptions. This amount is made up of an annual subscription and a number of optional subscriptions that the City currently subscribes to, which are shown in the table below:

| Subscription | 2015/16 Expenditure |
|---|----------------------------|
| Annual Membership | \$25,147 |
| Employee Relations subscription | \$13,124 |
| ROMANII (Asset Management) subscription | \$8,670 |
| Procurement subscription | \$2,300 |
| Tax Service subscription | \$1,965 |
| Local Government Act subscription | \$750 |

Annual Subscription

In addition to the advocacy and policy development role that WALGA plays on behalf of its members, the City's annual subscription entitles it to access a range of services including preferred supply arrangements, WALGA professional networks and working groups, support, advice and resources such as model policies, guidance notes, legal opinion and newsletters.

The City has frequently accessed the preferred supply panel arrangements which are intended to use the buying power of the Local Government sector to secure savings on goods and services. The City spends approximately \$2.3 million per year through WALGA preferred supply contracts. WALGA has estimated that the use of these contracts has saved the City more than \$450,000 per year when compared to market rates that would have applied for the same goods or services if sourced outside the WALGA contract. **Attachment 1** details this expenditure and estimated savings in the 2014/15 financial year.

Verifying the claimed \$450,000 savings is difficult, because it is likely that the City, as a government entity, would be able to secure rates that are better than market rates. However, it is certainly reasonable to assume that in general WALGA would be able to utilise sector-wide economies of scale to secure better prices than the City would be able to if it were acting alone.

Based on the discount off market rates that the City is ordinarily able to negotiate, it is estimated that savings the City has actually realised would more realistically be in the order of 20% - 40% of the \$450,000 claimed by WALGA. Even so, this would represent \$90,000 - \$180,000 per year, which is a range substantially higher than the annual subscription fee.

Through the annual subscription, the City is a member of a number of working groups that have been convened by WALGA, such as the *West Australian Government Cycling Reference Group* and the *Bus Stop Infrastructure Partnership Agreement Working Group*.

Employee Relations subscription

The WALGA Employee Relations subscription service provides the City with human resources (HR) and industrial relations (IR) support. The City's HR team has made extensive use of this service in the past twelve months. Through this service the City has: received industrial relations support and advice; facilitated policy reviews; obtained best practice notes and model procedures in a range of areas; and received numerous responses to general queries. As the City only has a small HR team, the ability to readily access advice from HR and IR specialists has proved valuable.

ROMANII Asset Management subscription

ROMANII was designed to be a standard road and pavement asset management solution across WA Local Governments. However, in future years this service will no longer be offered as a subscription through WALGA. In the absence of ROMANII, the City would need to implement a similar system to effectively report to State Government on its road network.

Other subscriptions

The City subscribes to the Tax, Procurement and Local Government Act services which provide resources, guides, support and advice in each of these areas. While the City does not keep statistics on the extent of use of these services, feedback from across Administration has indicated that these services are used frequently at officer level and represent fair value for money.

Local Government Insurance Scheme (LGIS) WA

While LGIS is not strictly a part of WALGA, withdrawing from WALGA would have potentially major insurance implications for the City, as WALGA members receive a 25% discount on LGIS Scheme contributions.

The City's Scheme contributions amount to just over \$450,000 and therefore a 25% increase would represent an additional \$150,000 in contributions if the City were to remain in the LGIS group. Furthermore, as LGIS is a self-insurance scheme that is jointly owned by participating local governments, any surplus contributions are re-distributed to its members annually. In the previous two years, the City has received payments of around \$60,000 each year.

The City of Nedlands is the only WA local government currently not a member of WALGA. The minutes of that City's Council Meeting of October 2014 (Item 13.6) show that other options for insurance are available at a cost of approximately 13% more than that City was paying through LGIS. If this was also the case for the City of Vincent, it would represent an additional insurance cost of around \$60,000 per year, which is greater than the cost of the City's annual WALGA subscriptions.

CONSULTATION/ADVERTISING:

In compiling this report, the CEO has met with and obtained information from WALGA and LGIS.

LEGAL/POLICY:

The City's Purchasing Policy exempts the City from calling tenders or obtaining quotations from WALGA preferred suppliers, as WALGA has already tendered for those services on behalf of the local government sector as a whole.

A major principle underpinning Council's decision of 9 February 2016 (to review and report back on the City's membership to WALGA) was the perceived or occasional misalignment between the positions held and espoused by the City of Vincent Council and those promoted by WALGA, either through its State Council decision-making forum or by its Members individually or collectively (as in the case of WALGA's Annual General Meeting).

In Administration's view, this occasional misalignment of values and beliefs between the City of Vincent and WALGA State Council or other WALGA Members:

- In no way detracts from the City forming and championing its own position on issues relevant to the City. The City has done this with success in recent times and has been able to express its position as a point of difference from many other local governments;
- Is typical of any large member-based industry association, which attempts to cater for and represent the divergent interests of a multitude of members, each operating in the same sector, but often in different ways and each experiencing different issues, priorities and challenges.

RISK MANAGEMENT IMPLICATIONS:

Low/Medium: There are little to no risks associated with the City remaining as a WALGA member. However, there is both risk and cost involved in the City withdrawing from WALGA. Time and resources would be required to withdraw from WALGA and to put alternative arrangements in place. And, even when those arrangements are in place, the City will risk losing its voice in the State's peak body for local government and this, in turn, could impact the City's ability to continue to effect positive change in the sector.

STRATEGIC IMPLICATIONS:

This is in keeping with the City's Strategic Plan 2013-2023:

"4.1 *Provide good strategic decision-making, governance, leadership and professional management;*" and in particular;

4.1.2 *Manage the organisation in a responsible, efficient and accountable manner;...*

SUSTAINABILITY IMPLICATIONS:

Nil.

FINANCIAL/BUDGET IMPLICATIONS:

The City has budgeted \$50,000 for WALGA subscription fees for 2016/17.

Any decision to withdraw from WALGA would result in:

- An increase in insurance costs in the order of \$60,000.
- An estimated increase in procurement costs of between \$90,000 to \$180,000, due to the City's inability to access WALGA's preferred supplier arrangements.

COMMENTS:

Major WALGA policy, strategy and advocacy positions are determined through two distinct member-driven forums – the first is the Zone and State Council Meeting process and the second is the Annual General Meeting (AGM).

For the purpose of decision-making through WALGA, Western Australia is divided into a number Zones; the City of Vincent is part of the Central Metropolitan Zone. All Member Councils can submit reports and recommendations to their respective Zone Meetings and the decisions of each Zone Meeting from across the State are then submitted to WALGA's State Council for determination, with the State Council being equally represented by Council Members from within and beyond the Perth metropolitan area. This ensures, as far as practicable, that there is no rural/urban bias in State Council decisions. Decisions adopted by the State Council then become the positions taken by WALGA, in the same way that Council decisions become the position taken by the City of Vincent's Administration.

Separately, WALGA Members have the opportunity to submit reports and recommendations directly to WALGA's AGM. As with any AGM, those reports and recommendations are then subject to a vote by all attending delegates and any recommendations adopted by the AGM are then presented to State Council to consider. The City of Vincent's own experience (from the 2015 WALGA AGM – where the City's transparency and accountability recommendation was presented and was rejected) is that the AGM does not readily serve as a constructive discussion and decision-making forum for important or new sector-wide initiatives.

Despite the fact that the City's own position and principles may not always align with those adopted by WALGA's State Council, there is clear financial value in the City remaining as a WALGA member. By remaining as a WALGA member the City can also continue to advocate for and influence change from within the sector, using its voice and its vote through the Zone Meetings and by championing the causes that important to the City, rather than attempting to influence change from beyond the association's membership base.
