

Variances Report on Rate Setting Statement for the Financial Year Ending 30 June 2020

This report provides commentary on the variances identified for the year ended 30 June 2020.

In accordance with Council Accounting Policy CP-025, variances below \$50,000 are not considered material.

Variances are based on 'Actual' income raised and expenditure incurred compared to the adopted budget. The main reasons for the variances are outlined in the notes below.

Positive variances are shown in the tables below, in black coloured font, and negative variances are shown in parentheses and in red coloured font, i.e. (XXX.XX). The subsequent analysis of these variances references the applicable program.

Operating Revenue

Program	2019-2020 Actual \$	2019-2020 Budget \$	Budget Variance \$
Rates	90,792,911	89,200,956	1,591,955
Law, Order, Public Safety	2,781,373	2,549,172	232,201
Community Amenities	4,817,680	3,957,404	860,276
Recreation and Culture	7,007,533	8,755,894	(1,748,361)
Transport	1,659,429	1,599,343	60,086
Economic Services	7,210,042	6,276,583	933,459
Other Property and Services	728,870	321,201	407,669

Rates

- A positive budget variance due to the application of AASB1058 - Income for Not For Profit Entities amounting to \$954,335 and additional interim rates.

Law, Order, Public Safety

- A positive budget variance of \$204,732 resulted from higher income earned from animal control licensing, dog fines and registrations.
- A positive budget variance of \$27,468 resulted from higher income earned from Property Surveillance and Security Services Charges.

Community Amenities

- A positive variance of \$427,186 resulted from the application of AASB15 to the grant income received for the Smart Cities Micro Grid project.
- A positive variance of \$456,687 resulted from recoveries in relation to the Carawatha Development Project.
- A positive variance of \$239,736 resulted from higher income earned from Development Application Fees, Land information Certification Fees and Planning Fees.
- A negative variance of (\$282,160) in Sanitation – Household Refuse sub program due to a delay in the receipt of milestone payments from the Better Bins Grant Income for FOGO and lower income from non rateable properties for refuse collection services.

Variances Report on Rate Setting Statement for the Financial Year Ending 30 June 2020

Recreation and Culture

- Negative variance of **(\$1,562,049)** mainly due to lower income earned from Leisurefit Booragoon swimming pool fees, as a result of COVID19.
- Negative variance of **(\$405,162)** mainly due to lower income from fees related to other recreation and sport at Leisurefit Melville, as a result of COVID19.
- Negative variance of **(\$73,550)** mainly due to lower income from venue hire, as a result of COVID19.
- Positive variance of \$259,451 mainly due to the receipt of income from developers for Public Art.

Transport

- Positive variance of \$60,086 as a result of combined variances due to higher income for recoverable works, subsidies from Main Roads and parking fines offset by lower income received in the form of tree vandalism fines.

Economic Services

- \$721,295 of the positive variance relates to income in relation to South West Group which is offset by negative variances in operating expenditure for South West Group.
- Positive variance of \$148,669 due to higher income from Building Fees.
- Positive variance of \$92,300 relating to higher expense recoups in relation to Melville North and Alfred Cove Under Ground Power projects.

Other Property and Services

- Positive variance of \$372,748 in relation to contribution credits and surplus distributions received from LGIS.

Operating Expenditure

Program	2019-2020 Actual \$	2019-2020 Budget \$	Budget Variance \$
Governance	(5,223,408)	(6,152,018)	928,610
Health	(1,045,857)	(1,128,413)	82,556
Education and Welfare	(2,883,194)	(3,067,314)	184,120
Community Amenities	(27,817,583)	(26,222,531)	(1,595,052)
Recreation and Culture	(35,882,230)	(36,049,663)	167,433
Transport	(18,716,889)	(17,962,135)	(754,754)
Economic Services	(6,433,479)	(6,615,035)	181,556
Other Property and Services	(14,357,324)	(13,471,984)	(885,340)

Variance Report on Rate Setting Statement for the Financial Year Ending 30 June 2020

Governance

- Savings of \$208,623 in Elected Members expenditure for training and development, advertising, catering and allowances, mainly due to COVID19.
- Positive variance of \$334,223 as a result of unspent special projects funding and vacant positions in CEOs office and lower material and contracts expenditure for strategic communications
- Positive variance of \$168,866 mainly due to savings from a restructure in Financial Services.
- Positive variance of \$105,823 mainly due to lower expenses on citizenship ceremonies, civic ceremonies, council functions and internal meetings due to COVID19.
- Positive variance of \$73,138 in relation to lower materials and contractors expenditure on communications and community surveys in Organisational Development.
- Positive variance of \$35,837 in relation to lower expenditure on the Operational and Strategic Waste Review.

Health

- Savings of \$67,251 in employee costs in health inspection and administration due to vacant positions.
- Lower expenses in relation to Healthy Melville resulting in a positive variance of \$16,874.

Education and Welfare

- Savings of \$98,184 in the Care of Families and Children sub program and \$111,119 in Aged and Disabled sub program combined with overspend of **(\$28,348)** in the Other Welfare subprogram.

Community Amenities

- **(\$1,525,657)** of the variance relates to higher expenditure on waste disposal costs.

Recreation and Culture

- Savings of \$304,484 Leisurefit Booragoon employment and material and contracts expenditure as a result of COVID19.
- Negative variance in libraries of **(\$116,497)** as a result of depreciation for AH Bracks Library being higher than budgeted which are partly offset by savings in utilities and material and contracts expenditure as a result of COVID19.

Transport

- Depreciation expense higher than budget by **(\$1,025,879)** due to asset revaluations undertaken during the year. As depreciation is a non cash entry there is no impact on the City's closing surplus position.
- Positive variances of \$214,997 in relation to street lighting, \$80,000 in relation to bike plan expenses, \$198,395 in relation to footpath maintenance and \$45,155 in relation to Fiona Stanley irrigation maintenance.

Variances Report on Rate Setting Statement for the Financial Year Ending 30 June 2020

Economic Services

- Positive variances of \$129,342 mainly in employee costs due to staff vacancies in Building Services.
- Negative variance of **(\$604,415)** in relation to expenditure for South West Group which is offset by operating income variances for South West Group.
- Positive variance due to the cash call of \$600,000 relating to Melville North underground power project that was expected to occur in 2019-2020 being made at the end of the 2018-2019 financial year after the budget for 2019-2020 was adopted.

Other Property and Services

- Positive variance of \$576,796 in Civic Facilities in relation to civic occupancy allocation as a result of a correction to depreciation budgets made subsequent to budget adoption.
- Negative variance for profit/loss on asset disposals of **(\$1,208,224)**.

Investing Activities

	2019-2020 Actual \$	2019-2020 Budget \$	Budget Variance \$
Non-operating grants, subsidies and contributions	2,405,809	18,305,085	(15,899,276)
Proceeds from disposal of assets	6,820,949	435,500	6,385,449
Purchase of Property, Plant & Equipment	(5,738,411)	(59,174,570)	53,436,159
Purchase of Infrastructure Assets	(9,464,121)	(31,028,602)	21,564,481
Movement in Work in Progress	(6,942,688)	0	(6,942,688)
Purchase for Satterley Carawatha Redevelopment Project	(6,500,000)	0	(6,500,000)

Non-operating grants, subsidies and contributions

- \$14m contribution that was budgeted for the New Library and Cultural Centre not received due to this project being placed on hold.

Proceeds from disposal of assets

- \$6.5m inflow relating to the initial recognition of the City of Melville's share of investment in the Satterley Carawatha Redevelopment Project. This was not budgeted for.

Purchase of Property, Plant and Equipment

- \$50m capital expenditure that was budgeted for the New Library and Cultural Centre was not spent due to this project being placed on hold.

Purchase of Infrastructure Assets

- Lower actual expenditure when compared to adopted budget as a result of projects being carried forward to the next financial year combined with actual expenditure savings. Significant carry forwards were in the parks and streetscapes program due to the Shirley Strickland Reserve Upgrade project carry forward and in the Roads and Paths programs.

Variances Report on Rate Setting Statement for the Financial Year Ending 30 June 2020

Movement in Work in Progress

- Work in progress represents the transfer of capital projects that were not completed in 2019-2020 to work in progress, which will be completed in 2020-2021. The amount of \$6,942,688 represents the decrease in work in progress when compared to the 2018-2019 financial year.

Purchase of Satterley Carawatha Redevelopment Project

- \$6.5m outflow relating to the initial recognition of the City of Melville's share of investment in the Satterley Carawatha Redevelopment Project. This was not budgeted for.

Financing Activities

	2019-2020 Actual \$	2019-2020 Budget \$	Budget Variance \$
Proceeds from self supporting loans	242,900	313,593	(70,693)
Share of Net Profit/Loss of Investment in Associates and Joint Arrangements	88,700	0	88,700
Net reserve transfers	(10,718,056)	43,028,106	(53,746,162)

Proceeds from self supporting loans

- Negative variance due to waivers offered during COVID19.

Share of Net Profit/Loss of Investment in Associates and Joint Arrangements

- Loss of \$57,764 from share of investment in South Metropolitan Regional Council.
- Profit from joint arrangements in the Carawatha Redevelopment Project.

Net reserve transfers

- Total funds set aside to reserves were higher by \$6.8m due to
 - Actual adjusted surplus for 2018-2019 being \$1.9m higher than expected and therefore set aside to the Rates Equalisation Reserve.
 - Grant funds received for the New Library and Cultural Centre of \$558k being set aside in the Land and Property Reserve.
 - Setting aside the surplus of 734k identified at the Mid Year Review of 2019-2020 to the Rates Equalisation Reserve
 - Additional refunds and surplus distributions received from LGIS amounting to \$362 being set aside to the Risk Management and Insurance Equalisation Reserve.
 - Interest income earned for reserves funds being higher by \$387k.
- Total funds used from reserves was \$47m lower than budget due to
 - \$19m net capital works carried forward to the next financial year.
 - Budgets for several significant projects such as the New Library and Cultural Centre (\$20m) and Tompkins Park Redevelopment project (\$8.6m) not being used due to projects being placed on hold.