

Variances Report on Rate Setting Statement for the Financial Year Ending 30 June 2021

This report provides commentary on the variances identified for the year ended 30 June 2021.

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

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. A number of the variances relate to the impact of COVID-19. The City made assumptions in the budget regarding the impact of lockdowns on services. The largest impact was in the revenue in the Leisurefit facilities. The State and Federal stimulus packages also resulted in higher planning and building applications fees to the City.

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	2020-2021 Actual \$	2020-2021 Budget \$	Budget Variance \$
Rates	81,392,990	80,655,524	737,466
General Purpose Funding	5,169,078	5,063,342	105,736
Law, Order, Public Safety	2,443,694	2,142,974	300,720
Community Amenities	4,828,334	3,044,191	1,784,143
Recreation and Culture	8,975,832	6,099,924	2,875,908
Transport	1,383,313	1,274,490	108,823
Economic Services	3,651,550	2,698,866	952,684
Other Property and Services	789,554	269,424	520,130

Rates

- A positive budget variance of \$737,466 resulted from additional interim rates. Of particular note, the development of properties at 908 Canning Highway, Applecross, 893 Canning Highway, Mount Pleasant, and 36 Kintail Road Applecross have contributed to the majority of this amount.

General Purpose Funding

- A positive budget variance of \$62,430 resulted from higher income from General and Roads Federal Assistance grants being received.
- A positive budget variance of \$44,139 from higher rates search fees.

Law, Order, Public Safety

- A positive budget variance of \$235,319 resulted from higher income earned from animal control licensing, dog fines and registrations.
- A positive budget variance of \$65,401 resulted from higher income earned from Property Surveillance and Security Services Charges and State Emergency Services Grant Funding.

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Community Amenities

- A positive budget variance of \$1,011,940 resulted from higher income earned from Development Application Fees, Land Information Certification Fees, Planning Fees and Subdivision Fees due to higher activity levels than expected leading from the State and Federal stimulus packages.
- A positive budget variance of \$765,214 resulted due to grant income for FOGO from the Better Bins Grants Program being received earlier than expected and grant income received for the Smart Cities Micro Grid Project from Department of Industry, Science, Energy and Resources.

Recreation and Culture

- Positive budget variance of \$1,476,144 mainly due to higher income earned from Leisurefit Booragoon, as a result of facilities reopening earlier and activity levels increasing more than expected post COVID19 impacts.
- Positive budget variance of \$879,115 due to Carawatha Equity Share adjustment.
- Positive budget variance from higher parks and reserve hire fee income of \$184,357.
- Positive budget variance from higher community building hire fee income of \$179,959.

Transport

- Positive net budget variance of \$76,348 as a result of higher income for recoverable works and verge bonds offset by lower infringement penalties and contribution income relating to Natural Areas and Parks.
- Positive budget variance of \$55,487 from higher boat ramp parking fee income.

Economic Services

- \$631,154 of the positive budget variance relates to income in South West Group which is offset by negative variances in operating expenditure for South West Group.
- Positive budget variance of \$611,073 due to higher income from Building Fees due to higher activity levels than expected.
- Negative budget variance of **(\$123,375)** relating to the refund to ratepayers of surplus project funds received from Western Power in relation to several completed Under Ground Power projects.
- Negative budget variance of **(\$162,954)** due to lower income from several commercial properties mainly due to application of City of Melville Stimulus Package waivers.

Other Property and Services

- Positive budget variance of \$199,960 resulting from reimbursements received for staff on extended secondment.
- Positive budget variance of \$154,434 in relation to contribution credits and surplus distributions received from Local Government Insurance Scheme.
- Positive budget variance of \$28,030 due to higher fuel tax rebates.

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Operating Expenditure

Program	2020-2021 Actual \$	2020-2021 Budget \$	Budget Variance \$
Governance	(5,309,534)	(5,432,408)	122,874
General Purpose Funding	(1,188,006)	(1,058,198)	(129,808)
Law, Order, Public Safety	(3,927,927)	(4,054,759)	126,832
Health	(1,020,247)	(1,110,563)	90,316
Education and Welfare	(1,738,443)	(2,044,462)	306,019
Community Amenities	(26,723,470)	(27,612,913)	889,443
Recreation and Culture	(35,300,889)	(35,537,428)	236,539
Transport	(19,163,767)	(18,911,822)	(251,945)
Economic Services	(3,367,423)	(2,260,434)	(1,106,989)
Other Property and Services	(13,123,438)	(12,199,733)	(923,705)

Governance

- Positive budget variance of \$250,000 due to unspent CEO Special Project funds.
- Positive budget variance of \$89,111 due to unspent Communications Project funds in Organisational Development.
- Positive budget variance of \$68,339 in Elected Members conference expenses.
- Negative budget variance of **(\$254,755)** for professional consultancies for the LG Inquiry, Independent Review and Attadale-Alfred Cove Masterplan.

General Purpose Funding

- Negative budget variance of **(\$43,008)** in employee costs for the Revenue team due to labour hire and additional hours to manage peak workloads.
- Negative budget variance of **(\$67,602)** due to higher costs relating to valuations, bank fees and charges related to rates.

Law, Order, Public Safety

- Positive budget variance of \$140,272 mainly due to vacant positions in Community Security Services.

Health

- Positive budget variance of \$77,472 in employee costs in Health Inspection and Administration due to vacant positions.
- Positive budget variance of \$15,712 due to lower analytical fees in Environmental Health.

Education and Welfare

- Positive budget variance of \$135,626 in employee costs in Customer Relations and Director Community Development due to vacant positions.
- Positive budget variance of \$99,108 due to unspent budgets for Pensioner and Disability Concessions in Recreation Centres.
- Positive budget variance of \$50,757 in marketing and advertising costs mainly in Neighbourhood Development, Healthy Melville and Cultural Development.

Variations Report on Rate Setting Statement for the Financial Year Ending 30 June 2021

Community Amenities

- Positive budget variance of \$1,187,007 due to lower expenditure on waste disposal.
- Positive budget variance of \$313,398 due to lower expenditure on contractor costs mainly in Engineering for drainage maintenance, refuse collection and bus shelters and in Organisational Development for Corporate Emissions Monitoring and Management and Sustainability Initiatives.

Recreation and Culture

- Positive budget variance of \$317,117 due to unspent budgets for Financial Grant Support to Clubs and Associations, Community Partnership Funding and Cultural Development Sponsorships.
- Positive budget variance of \$300,835 due to lower contractor costs mainly in Natural Areas and Parks, Healthy Melville and Neighbourhood Development service areas.
- Positive budget variance of \$112,554 due to lower professional consultancy costs mainly in Aboriginal Cultural Learning Strategy project and Leisure Planning.
- Negative budget variance of **(\$470,196)** for employee costs mainly in Natural Areas and Parks and Healthy Melville due to labour hire and payments during COVID19 lockdown periods.

Transport

- Depreciation expense higher than budget by **(\$202,204)** mainly in relation to infrastructure assets. As depreciation is a non cash entry there is no impact on the City's closing funds position.
- Negative budget variance of \$380,338 in relation to contractor costs in the Engineering service area for verge repairs, traffic management, street cleaning and footpath maintenance.
- Positive budget variance of \$112,284 for stores and materials in Engineering and Natural Areas and Parks service areas.
- Positive budget variance of \$76,153 mainly from Street Lighting utility costs.

Economic Services

- Negative budget variances of **(\$522,509)** mainly relates to Western Power cash call cost for the Kardinya South underground power project.
- Negative budget variance of **(\$519,881)** in relation to expenditure for the South West Group which is offset by operating income variances for the South West Group.

Other Property and Services

- Negative budget variance of **(\$621,470)** mainly in relation to depreciation for plant and equipment. As depreciation is a non cash entry there is no impact on the City's closing funds position.
- Positive budget variance of \$233,920 from lower professional consultancy costs in Engineering Design and various Organisational Development projects.
- Positive budget variance for plant and vehicle costs of \$230,827 mainly due to lower fuel and lubricant costs.
- Negative budget variance of **(\$488,710)** for net internal allocations.
- Negative budget variance of **(\$196,283)** for employee costs mainly due to higher workers compensation insurance costs.

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Investing Activities

	2020-2021 Actual \$	2020-2021 Budget \$	Budget Variance \$
Non-operating grants, subsidies and contributions	5,062,630	2,703,751	2,358,879
Proceeds from disposal of assets	439,406	783,319	(343,913)
Purchase of Property, Plant & Equipment	(13,663,004)	(18,513,163)	4,850,159
Purchase of Infrastructure Assets	(15,846,499)	(22,095,061)	6,248,562
Movement in Work in Progress	(3,842,559)	0	(3,482,559)

Non-operating grants, subsidies and contributions

- Positive budget variance of \$2,358,879 is the net result of additional grant funding mainly due to the second round of funding from the Local Roads and Community Infrastructure Program from Department of Infrastructure, Transport, Regional Development and Communications for Streetscapes, Irrigation Playgrounds Landscaping, Park Improvements, Sports Lighting, City Buildings, combined with \$700,743 of funding received for the Shirley Strickland Redevelopment from Lotterywest and Department of Local Government, Sport and Cultural Industries.

Proceeds from disposal of assets

- Lower sales proceeds from sale of heavy vehicles due to delays in their replacement.

Purchase of Property, Plant and Equipment

- Positive budget variance of \$4.6m in Land and Buildings as a result of projects being carried forward to the next financial year, deferred to future years, combined with actual expenditure savings.
- Positive budget variance of \$789,018 due to delays on fleet replacements.

Purchase of Infrastructure Assets

- Positive budget variances across mainly Roads, Parks and Foreshores and Reticulation capital works, due to 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.

Movement in Work in Progress

- Work in progress represents the transfer of capital projects that were not completed in 2020-2021 to work in progress, which will be completed in 2021-2022. The amount of \$3,842,559 represents the decrease in work in progress when compared to the 2019-2020 financial year.

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for the Financial Year Ending 30 June 2021**

Financing Activities

	2020-2021 Actual \$	2020-2021 Budget \$	Budget Variance \$
Recoup from Self Supporting Loans	364,508	278,140	86,368
Net reserve transfers	7,380,841	23,423,051	(16,042,210)

Proceeds from self supporting loans

- Positive budget variance relates to amounts recouped from Melville Glades Golf Club.

Net reserve transfers

- Total funds set aside to reserves were higher by \$9.8m due to
 - Actual adjusted surplus for 2019-2020 being \$1.9m higher than expected and therefore set aside to the Rates Equalisation Reserve.
 - The General Federal Assistance Grant funds received of \$2.1m being set aside to the Community Facilities Reserve.
 - An additional \$500k being set aside to the Fleet Service Vehicles, Plant and Equipment Replacement reserve.
 - Additional income from rates growth of \$1m being set aside to the New/Upgrade Works Reserve.
 - Surplus generated from domestic waste operations of \$1.7m being set aside to the Refuse Facilities Reserve.
 - Interest income earned for reserves funds being higher by \$658k.
- Total funds used from reserves was \$6.27m lower than budget due to
 - Capital works carried forward to the next financial year and deferrals to future years resulting in lower funds drawn mainly from the New/Upgrade Works Reserve, Infrastructure Asset Management Reserve, Land and Property Reserve and Public Open Space reserve.

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