

Statement of Variances in Excess of \$50,000 by Program and Sub Program Financial Year-To-Date Ending 30 April 2020

This report provides commentary on the variances identified in attachment 6002C – Rate Setting Statement by Program and Sub-Program, for the month of April 2020.

During April, a number of budget amendments have been made to estimated income and expenditure to reflect the changes to the City's operations resulting from COVID19. As a result the estimated surplus from the mid-year review process of \$734,397 has been reduced to \$257,430.

The draft 2020-2021 budget reflects the initiatives outlined in the Melville Community Stimulus Package adopted by Council at its Special Meeting held 9 April 2020, and the possible impacts of COVID-19 on the City's operations over the next financial year.

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

Variances are based on 'Actual' income raised and expenditure incurred, compared to the revised budget and are shown in the YTD Budget Variance column in the tables below. The main reasons for the variances are outlined in this report.

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

Operating Revenue

	YTD Revised Budget \$	YTD Actual \$	YTD Budget Variance \$	Annual Revised Budget \$
General Purpose Funding				
Rates	89,548,730	89,792,353	243,623	89,567,063
Other General Purpose Funding	5,755,233	5,591,123	(164,110)	8,664,300
Community Amenities				
Town Planning and Regional Development	1,387,383	1,454,609	67,226	1,482,716
Economic Services				
Tourism and Area Promotion	0	399,769	399,769	0
Public Utility Services incl. Underground Power	3,358,117	3,499,709	141,593	3,378,117
Other Property and Services				
Unclassified	339,182	(976,657)	(1,315,839)	1,084,242

Rates

- Residential rates are higher than revised budget due to additional interim rates income generated subsequent to the Mid Year Budget review from various properties including the Woolworths property at 39 Reynolds Road, Mount Pleasant.

Other General Purpose Funding

- Investment earnings on the City's reserve accounts are under budget by \$269,886 following two reductions in the cash rate by the Reserve Bank in March 2020.

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- Investment earnings on the City's municipal/trust accounts are \$94,308 above budget.

Town Planning and Regional Development

- Fees and Charges income is over budget by \$48,769, mainly in respect of land information certificate fees.
- Expenditure recoup income is over budget by \$18,457 relating mainly to work on the Carawatha Development project.

Tourism and Area Promotion

- Expenditure recoup income for work undertaken on behalf of the South West Group. This largely offsets the expenditure variance recorded under the same sub-program in this report.

Public Utility Services incl. Underground Power

- Expenditure recoup income for the Melville North and Alfred Cove East underground power projects is \$112,300 higher than budget due to prior year income claims being made.
- Service charge income is \$29,293 higher than budget due to adjustments made to properties included in underground project areas.

Unclassified

- Net variance to budget on disposal of variance classes of assets. The net result includes losses from the write down or sale of assets totalling \$0.987m mainly relating to the demolition of three properties and losses recorded on sale of fleet assets.

Operating Expenditure

	Ytd Revised Budget \$	Ytd Actual \$	Ytd Budget Variance \$	Annual Revised Budget \$
Governance				
Members of Council	(1,505,062)	(1,359,762)	146,212	(1,884,420)
Other Governance	(3,230,673)	(2,967,096)	263,577	(4,726,341)
Law, Order and Public Safety				
Other Public Order, Fire & Safety	(3,316,698)	(3,224,232)	92,466	(4,010,546)
Community Amenities				
Sanitation - Other	(7,730,482)	(7,596,690)	133,792	(10,777,406)
Town Planning and Regional Development	(3,147,344)	(3,029,267)	118,077	(4,007,003)
Protection of Environment	(2,389,688)	(2,250,537)	139,152	(3,080,030)
Recreation and Culture				
Libraries	(4,680,908)	(4,446,048)	234,860	(5,607,433)
Other Culture	(1,539,510)	(1,470,461)	69,049	(1,872,935)
Public Halls, Civic Centres	(791,497)	(716,926)	74,571	(933,105)
Other Recreation & Sport	(16,673,391)	(15,911,902)	761,490	(19,926,167)
Transport				
Streets, Roads, Bridges, Depot	(14,584,034)	(14,428,904)	155,130	(18,229,244)
	Ytd	Ytd Actual \$	Ytd Budget	Annual

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	Revised Budget \$		Variance \$	Revised Budget \$
Economic Services				
Building Control	(1,572,233)	(1,518,797)	53,437	(1,882,408)
Tourism and Area Promotion	(173,175)	(598,859)	(425,684)	(229,550)
Other Property and Services				
Plant Operations	559,640	420,233	(139,406)	677,764
General Administration Overheads	(2,426,356)	(2,172,428)	253,928	(2,975,840)
Business Unit Operations	(7,204,243)	(7,024,185)	180,058	(8,621,347)

Members of Council

- Minor underspends, mainly in Elected Member administrative support \$52,023, Elected Member Conference Attendance expenses \$44,817 and Elected Member expenses of \$34,277.

Other Governance

- Minor savings totaling to \$117,440 in materials and contracts across several service areas.
- Minor savings totaling to \$140,902 in employee costs mainly in the Financial Services and Chief Executive Officer service areas.

Other Public Order, Fire and Safety

- Savings in employee costs, mostly in the Community Security area of \$55,243.
- Minor underspends in materials and contracts in the Neighbourhood Amenity service area.

Sanitation – Other

- Refuse Collection Commercial is underspent by \$140,100 in relation to internally charged expenditure, and lower than expected fleet running costs. This has been partly offset by overspends in employee costs of \$50,953.
- Recycling Collection Commercial is underspent by \$51,977 due to minor underspends in materials and contracts, employee costs, internally charged expenditure and fleet running costs.

Town Planning and Regional Development

- Employee costs are underspent by \$77,046, mainly in the Planning Administration service area due to a staff vacancy
- Minor underspends in materials and contracts

Protection of Environment

- Variance represented mainly by underspends and timing variances in materials and contracts in Natural Areas and Parks.
- Savings in litter collection of \$60,781 and in fleet running costs of \$46,628.

Libraries

- Variance represented mainly by underspends in materials and contracts of \$123,056, electricity expense of \$53,663, and \$59,036 in employee costs.

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Other Culture

- Variance represented by net underspends in Materials and contracts and minor savings in employee costs.

Public Halls, Civic Centres

- Variance represented mainly by underspends in materials and contracts and utilities across several facilities.

Other Recreation & Sport

- Timing variances in relation to internally charged expenditure resulted in an underspend of \$716,810.
- Underspends in materials and contracts expenditure relating to City Buildings \$98,656, Engineering \$35,740 and Natural Areas and Parks \$23,536 maintenance accounts.
- Employee cost overspends of \$49,503 incurred in maintaining the City's many parks and reserves.
- Overspends of \$54,116 in utilities, mainly electricity, relating to the City's many parks and reserves.

Streets, Roads, Bridges, Depot

- Underspends in utilities expense of \$77,462
- Employee costs are underspent by \$50,797 in the Natural Areas and Parks, and Engineering Service areas.

Building Control

- Underspends in employee costs of \$40,119, mainly in the Swimming Pools inspection program due to a staff vacancy.

Tourism and Area Promotion

- Overspends in expenditure relating mainly to the South West Group. This is largely offset by the revenue variance recorded under the same sub-program in this report.

Plant Operations

- Negative variance relating mainly to the reversal of depreciation on fleet assets as a non cash item.

General Administration Overheads

- Positive variance in materials and contracts of \$363,283. Information Technology Services has a timing variance of \$147,342 mainly relating to software licensing and maintenance, City Buildings \$106,905, and Organisational Development of \$68,967.
- Utilities are underspent by \$59,683
- Underspends in internal charges of \$52,776
- Employee costs are overspent by \$265,155, with \$102,013 relating to the Customer Service program, \$87,082 relating to Organisational Development, and \$48,312 in Engineering Services.

Business Unit Operations

- Positive variances in employee costs \$131,342, mainly in the Information Technology and Information Services service areas.
- Savings in materials and contracts made up of several minor variances, mainly in the City Buildings service area.

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Capital Expenditure				
	Ytd Revised Budget \$	Ytd Actual \$	Ytd Budget Variance \$	Annual Revised Budget \$
Purchase of Furniture & Equipment	(963,538)	(783,458)	180,080	(2,076,310)
Purchase of Land & Buildings	(4,221,271)	(3,849,410)	371,861	(12,956,888)
Purchase of Infrastructure Assets	(11,395,515)	(10,228,670)	1,166,845	(30,168,904)

Purchase of Furniture & Equipment

- Positive timing variance of \$168,375 relating to the allocation of Artwork Developer Contributions.
- Negative variance of \$82,509 relating to the replacement of Recreation Equipment.

Purchase of Land & Buildings

- Delay in the commencement of the Energy and Water sub metering project which is estimated to be completed by June 2020. The project has a positive variance of \$160,000.
- Voltage Optimisation project at LeisureFit Melville - positive timing variance of \$50,000.
- Other minor variances across several projects.

Purchase of Infrastructure Assets

- Foreshore Facilities
 - Minor positive and negative variances across several projects.
- Parks Streetscapes Structures
 - Park Furniture Renewal program positive timing variance of \$56,000.
 - Heathcote Vision signage project positive timing variance of \$113,500.
 - Urban Forest programs combined net positive variance of \$102,906.
- Paths
 - Minor positive and negative variances across several projects.
- Roads
 - Road Sealing project for 2019-2020 is underspent by \$53,140.
 - Engineering Design - Roads 2019-2020 program is underspent by \$125,000.
 - Other minor positive and negative variances across several projects.

Financing Activities

	Ytd Revised Budget \$	Ytd Actual \$	Ytd Budget Variance \$	Annual Revised Budget \$
Funds to be used	25,608,053	25,736,178	128,125	59,306,479

Funds to be used

- Positive variance of \$125,621 relating to a drawdown on the Refuse Bins Reserve to fund purchases made under the FOGO contract. An adjustment will be made by the end of the year to offset this against the total FOGO grant income received for the year, reducing this variance.