

**Statement of Variances in Excess of \$50,000 by Program and Sub
Program Financial Year-To-Date Ending 28 February 2021**

This report provides commentary on the variances identified in attachment 6002C – Rate Setting Statement by Program and Sub-Program, for the month of February 2021.

The financial results to date for this financial year in some instances vary significantly from the year to date budget, which was prepared amid the uncertainty of Covid-19. Operating budgets have been amended to reflect this, where applicable, with budget variances shown in the Operating Revenue and Operating Expenditure sections under “Other Governance”.

The mid-year budget review has been undertaken by officers, with proposed budget amendments to be considered by elected members. The budget review will address many of the variances detailed in this report. At the time of writing this report, the budget review has yet to be considered by Council.

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 Year to Date Revised Budget and are shown in the Year to Date Budget Variance column in the tables below. The main reasons for the variances are outlined in this report.

In the tables below, 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). These tables refer to the applicable sub-program variance.

Operating Revenue

	YTD Revised Budget \$	YTD Actual \$	YTD Budget Variance \$	Annual Revised Budget \$
General Purpose Funding				
General Rates	80,466,896	81,240,283	773,387	80,655,524
Governance				
Other Governance	(1,489,079)	5,871	1,494,950	(1,488,652)
General Purpose Funding				
Other General Purpose Funding	2,458,108	2,613,948	155,840	5,062,910
Law, Order, Public Safety				
Animal Control	80,633	243,683	163,050	82,600
Community Amenities				
Sanitation - Other	1,389,648	1,310,049	(79,598)	1,487,576
Town Planning and Regional Development	764,425	1,117,988	353,563	767,758
Recreation and Culture				
Other Recreation & Sport	1,343,009	1,557,768	214,759	2,160,161
Swimming Areas & Beaches	3,340,421	3,257,754	(82,668)	4,594,657
Economic Services				
Tourism & Area Promotion	Nil	322,002	322,002	Nil
Economic Development	1,062,748	975,931	(86,816)	1,583,605
Other Property and Services				
General Administration Overheads	255,408	446,365	190,957	276,043
Unclassified	269,188	(19,743)	(288,931)	732,320

**Statement of Variances in Excess of \$50,000 by Program and Sub
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Operating Revenue (continued)

General Rates

- General rates show a positive variance of \$1,017,143, due to higher than anticipated levels of interim rates raised. 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.
- Rate concessions were \$243,756 greater than budget due largely to the impact of multi unit/single title properties that were not considered per individual unit when formulating the budget. In addition, the levy of increased levels of interim rates as described above has also meant a corresponding increase in the number of rate concessions raised.

Other Governance

- Budget amendments have been made to reflect an expected increase in operating revenue in the following areas as a result of opening the City's facilities earlier than expected this year.
- Development application fee budget has been increased by \$155,885. Building license fee budget has been increased by \$50,694 and other planning fee budgets have been increased by \$30,295.
- LeisureFit membership fee budget has been increased by \$730,381, hire fee budgets have been increased by \$71,150, and casual fee budgets have been increased by \$243,102.
- Term/Season fee budgets have been increased by \$216,151, and retail sales budgets have been increased by \$11,176.

Other General Purpose Funding

- Investment earnings on Municipal and Trust Funds were \$223,770 against a year to date budget of \$50,000 representing a positive variance of \$173,770. An adjustment to the annual budget of \$75,000 for Investment earnings on Municipal and Trust will be made following the mid-year budget review. The weighted average interest rate for Municipal and Trust Fund investments as at 28 February 2021 was 0.68% which compares favourably to the benchmark three month bank bill swap (BBSW) reference rate of 0.01%.
- Investment earnings on Reserve accounts were \$899,598 against a year to date budget of \$950,000 representing a negative variance of \$50,402. The weighted average interest rate for Reserve account investments as at 28 February 2021 was 0.79% which compares favourably to the benchmark three month bank bill swap (BBSW) reference rate of 0.01%.

Animal Control

- Dog registration fees are \$114,793 ahead of budget and dog fines are \$17,289 higher than budget.
- Cat registration fees are \$23,759 higher than budget.

Sanitation – Other

- Refuse Collection Commercial - Fees and charges income is under budget by \$40,526 due to a reduction in the number of services being delivered when compared to budget. Recycling Collection Commercial – Fees and charges income is under budget by \$39,072 due to a reduction in the number of services being delivered when compared to budget.

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Operating Revenue (continued)

Town Planning and Regional Development

- Development Applications - Fees and charges income is over budget by \$209,027 due to higher activity levels than expected.
- Land Information Certificate - Fees and charges income is over budget by \$104,626 due to higher activity levels than expected.

Other Recreation and Sport

- Fees and charges income is \$131,867 ahead of budget, due mainly to positive variances in Reserve ground hire (\$198,417).
- Other Revenue is \$82,844 ahead of budget, due to Interest on Self Supporting Loans being received ahead of budget (\$40,996) and recoup income of (\$41,070).

Swimming Areas and Beaches

- Fees and charges income is \$81,058 below budget, this amount made up of negative variances in Membership Fees of \$83,513 and Casual fees of \$29,651, offset by positive variances in Lease/Hire Fees of (\$17,186) and Retails Sales of (\$12,320).

Tourism & Area Promotion

- Recoup income received to the end of February was \$322,002 and relates to the expenditure incurred on behalf of the South West Group as indicated in the Operating Expenditure section of this report.

Economic Development

- Commercial lease income for the City's leasehold properties received to the end of February was \$76,147 under budget, due mainly to the City's stimulus concessions.
- Expenditure recoup income relating to the City's leasehold properties received to the end of February was \$10,670 under budget.

General Administration Overheads

- Unbudgeted recoup income received for the secondment of the Executive Manager of Organisational Development to the City of Perth was \$120,000.

Unclassified

- A negative timing variance on the net book value of assets disposed to the end of February was \$288,931.

**Statement of Variances in Excess of \$50,000 by Program and Sub
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Operating Expenditure				
	YTD Revised Budget \$	YTD Actual \$	YTD Budget Variance \$	Annual Revised Budget \$
Governance				
Members of Council	(1,054,211)	(836,614)	217,597	(1,623,854)
Other Governance	(2,506,426)	(2,418,046)	88,379	(4,743,977)
Law, Order, Public Safety				
Other Public Order, Fire & Safety	(2,536,810)	(2,394,142)	142,668	(3,904,874)
Health				
Preventive Services – Admin/Inspection	(639,194)	(566,471)	72,722	(990,327)
Education and Welfare				
Aged & Disabled	(153,590)	(76,442)	77,148	(238,653)
Community Amenities				
Sanitation – Household Refuse	(11,239,249)	(10,598,300)	640,949	(16,911,629)
Urban Stormwater Drainage	(944,428)	(863,660)	80,768	(1,468,830)
Town Planning & Regional Development	(2,403,134)	(2,454,557)	(51,423)	(4,273,777)
Protection of Environment	(1,678,875)	(1,555,940)	122,935	(2,762,136)
Recreation and Culture				
Libraries	(3,561,320)	(3,463,818)	97,502	(5,436,125)
Other Culture	(1,192,459)	(1,003,413)	189,046	(1,942,550)
Public Halls, Civic Centres	(647,896)	(551,831)	96,065	(926,899)
Swimming Areas and Beaches	(4,107,686)	(4,046,288)	61,398	(6,369,733)
Other Recreation & Sport	(13,493,481)	(12,707,282)	786,199	(20,711,844)
Transport				
Streets, Roads, Bridges, Depot	(11,969,024)	(11,578,217)	390,807	(18,648,199)
Economic Services				
Building Control	(1,336,748)	(1,243,690)	93,058	(2,049,353)
Tourism & Area Promotion	(128,472)	(388,396)	(259,924)	(141,708)
Public Utility Services incl. Underground Power	(104,673)	24,074	128,747	(105,673)
Other Property and Services				
Public Works Overheads	(549,127)	(766,133)	(217,007)	(1,378,523)
General Administration Overheads	(2,446,099)	(2,261,426)	184,674	(3,673,438)
Business Unit Operations	(5,156,062)	(5,000,465)	155,597	(8,036,173)

Members of Council

- Elected member conference attendance expenses are \$122,137 underspent. Other various elected member expenses show a net positive variance of \$95,460.

Other Governance

- Budget amendments have been made to reflect an expected \$402,656 decrease in operating expenditure as a result of opening the City's facilities earlier than expected this year. For clarity, these budget adjustments were consolidated under "Other Governance" in order to reflect the total impact of these amendments.

Employee cost budgets have been reduced by \$331,365, utility charges budgets have been reduced by \$52,550, and materials and contracts budgets have been reduced by \$18,741.

**Statement of Variances in Excess of \$50,000 by Program and Sub
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Operating Expenditure (continued)

Other Governance (continued)

- This has been offset by various other positive and negative budget variances amounting to a net positive variance of \$491,035, made up mainly of \$424,211 in materials and contracts and \$54,660 in employee costs.

Other Public Order, Fire & Safety

- Community Security is underspent by \$121,272 due mainly to savings in employee costs as a result of a staff vacancy and an employee on leave without pay.

Preventive Services – Admin/Inspection

- Inspection and administrative costs are \$72,722 under budget, mainly in employee costs due to a staff vacancy.

Aged & Disabled

- Net positive variance of \$77,148 made up mainly of underspends in Donations/Contributions/Sponsorships (\$52,095) and a net positive variance of \$25,053 made up of minor positive and negative amounts.

Sanitation – Household Refuse

- Recycling Collection Domestic is underspent by \$331,029. Recycling processing fees are underspent by \$323,525 as tonnages collected to date are lower than expected.
- The FOGO program is underspent by \$210,914. Waste disposal costs are underspent by \$58,876 as tonnages collected to date are lower than expected. Employee costs show a positive variance of \$99,266 and the balance of the variance is made up of minor amounts.
- Bulk Verge Collection is underspent by \$27,150. Recyclables Processing Fees are underspent by \$88,986 as tonnages collected to date are lower than expected and the balance of the variance is made up of various minor amounts.
- Refuse Collection Domestic is underspent by \$70,072. Waste disposal costs are underspent by \$60,797 as tonnages collected to date are lower than expected.

Urban Stormwater

- Positive variance of \$80,768 represented mainly by underspends in Materials & Contracts of \$52,023.

Town Planning & Regional Development

- Negative variance of \$51,423 represented mainly by net overspends of \$81,718 in Materials & Contracts (mainly legal fees of \$143,000), a positive variance of \$64,116 in Employee Costs and other net negative variances totaling \$33,820 made up of minor positive and negative amounts.

Protection of Environment

- Positive variance of \$122,935 represented mainly by underspends of \$121,251 in Contractors – Adhoc, overspends of \$67,090 in Professional Consultancies, and other net positive variances totaling \$51,364 made up of minor positive and negative amounts.

Libraries

- Positive variance of \$97,502 represented mainly by underspends of \$89,788 in materials and contracts, and other net positive minor variances totaling \$7,714 across the City's libraries.

**Statement of Variances in Excess of \$50,000 by Program and Sub
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Operating Expenditure (continued)

Other Culture

- Positive variance of \$189,046. Donations/Contributions/Sponsorships are underspent by \$66,170, materials and contracts are underspent by \$90,752 (mainly performance/artist fees of \$58,131), employee costs are underspent by \$47,292, and a net negative variance of \$15,359 made up of minor under and overspends across the City's planned cultural activities.

Public Halls, Civic Centres

- Positive variance of \$96,065 represented by minor under and overspends across the City's various public facilities.

Swimming Areas and Beaches

- Positive variance of \$61,398. Materials and Contracts are underspent by \$221,994 due to timing variances. This is largely offset by a negative variance in employee costs of \$158,578.

Other Recreation & Sport

- Positive variance of \$787,780.
 - Natural Areas and Parks (\$457,051) - positive variance in materials and contracts of \$339,716, a net positive variance of \$202,754 made up of internally allocated expenditure items, a negative variance in employee costs of \$68,456, and a net negative balance of \$16,963 made up of minor amounts.
 - Healthy Melville (\$161,944) - materials and contracts under budget by \$95,830 due mainly to the reversal of 2019-2020 financial year accrual entries, employee costs under budget by \$103,884, partially offset by various minor variances contributing to a net negative variance of \$37,770.
 - Chief Executive Officer (\$115,673) - positive variance in donations/contributions and sponsorships.
 - Various positive and negative minor variances amounting to a net positive variance of \$53,112.

Streets, Roads, Bridges, Depot

- Positive variance of \$390,807 is made up mainly of underspends in materials and contracts expenditure of \$91,511, project management costs of \$135,036 and utilities costs of \$50,823, offset by a negative variance in employee costs of \$29,295 and other minor amounts with a net positive variance of \$84,142.

Building Control

- Positive variance of \$93,058 made up of savings of \$100,134 in employee costs due to a staff vacancy in Building Services, offset by minor negative variances of \$7,076.

Tourism & Area Promotion

- Negative variance of \$259,924 relates to employee costs and other expenditure incurred in relation to the South West Group. This amount is offset by the positive variance shown in the Operating Revenue section of this report.

Public Utility Services inc. Underground Power

- Positive variance of \$128,747 relating mainly to the receipt of surplus funds from Western Power for the Bicton North and Melville South underground power projects.

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Operating Expenditure (continued)

Public Works Overheads

- City Buildings shows a negative variance of \$139,469 in the recovery of staff time to various projects.
- Engineering shows a negative variance of \$72,432 made up of a negative variance of \$116,650 in the recovery of staff time to various projects offset mostly by underspends in Employee costs of \$48,466.
- Various positive and negative minor variances amounting to a net positive variance of \$5,105.

General Administration Overheads

- Neighbourhood Development is underspent by \$95,335, mainly in Customer Services employee costs.
- Chief Executive Officer shows a positive variance of \$66,159 relating mostly to special training projects.
- City Buildings shows a positive variance of \$81,448 made up of various positive and negative minor amounts.
- Natural Areas & Parks shows a negative variance of \$60,802 relating to the recovery of internally charged expenditure.
- Various positive and negative minor variances amounting to a net negative variance of \$2,533.

Business Unit Operations

- Neighbourhood Development shows a positive variance of \$101,191, mainly relating to minor variances in employee costs and materials and contracts.
- Director Corporate Services is underspent by \$91,232, mostly due to a staff vacancy.
- Information Technology shows a negative variance of \$78,474, made up of various minor positive and negative variances, mainly in employee costs and depreciation expense.
- City Buildings shows a negative variance of \$64,469, mainly relating to the recovery of internally charged expenditure.
- Various positive and negative minor variances amounting to a net positive variance of \$105,417.

Capital Income

	YTD Revised Budget \$	YTD Actual \$	YTD Budget Variance \$	Annual Revised Budget \$
Non-operating grants, subsidies and contributions	1,269,454	1,370,374	100,919	4,683,742

Non-operating grants, subsidies and contributions

- Positive variance of \$100,919 relates mainly to a Main Roads direct grant payment being \$72,900 higher than budgeted, and the unbudgeted receipt of a Sports Lighting grant of \$43,743 being received to upgrade floodlighting at Tompkins Park.

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Capital Expenditure

	YTD Revised Budget \$	YTD Actual \$	YTD Budget Variance \$	Annual Revised Budget \$
Purchase of Furniture & Equipment	(1,293,079)	(975,536)	317,542	(2,929,479)
Purchase of Land & Buildings	(6,433,203)	(5,830,319)	602,884	(19,974,511)
Purchase of Infrastructure Assets	(9,734,175)	(8,987,093)	747,082	(37,502,338)

Purchase of Furniture and Equipment

- Positive variance of \$151,968 relating to the replacement of Photocopiers and Multi-Function devices.
- Positive variance of \$55,595 relating to the replacement of mobile garbage bins.
- Positive variance of \$50,395 relating to the replacement of Notebooks/Laptop computers.
- Positive variance of \$65,051 made up of minor positive and negative variances relating to various software and hardware projects.
- Minor positive and negative variances across several projects amounting to a net negative variance of \$5,466.

Purchase of Land & Buildings

- Wireless Hill - Staff Toilet/Entrance - \$75,924 positive variance due to delays in the commencement of the project.
- Bert Jeffery - Amenities Building - \$73,304 positive variance due to delays in the commencement of the project.
- LeisureFit Booragoon Spa plant – \$60,000 positive variance due to delays in the commencement of the project.
- Change Room Upgrades - Infra Strategy – negative variance of \$56,327.
- LeisureFit Melville Voltage Optimisation project – \$50,000 positive variance due to delays in the commencement of the project.
- Pop Up Library - \$50,000 positive variance due to delays in the commencement of the project.
- Other minor positive and negative variances across several projects resulting in a net positive variance of \$356,604.

Purchase of Infrastructure Assets

- Drainage
 - Minor positive and negative variances across several projects amounting to a net positive variance of \$121,096.
- Environmental
 - Minor positive and negative variances across several projects amounting to a net positive variance of \$13,140.
- Foreshore Facilities
 - Minor positive and negative variances across several projects amounting to a net positive variance of \$118,168, mostly relating to the Jetty Renewal program.

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Capital Expenditure (continued)

- Irrigation
 - Minor positive and negative variances across several projects amounting to a net positive variance of \$72,925.
- Lighting
 - Minor positive and negative variance across several projects amounting to a net positive variance of \$41,662.
- Parks Streetscapes Structures
 - Point Walter Mini Golf capital contribution - \$100,000 negative variance as the remaining project budget was not carried forward to 2020-2021.
 - Urban Forest programs – positive variance of \$73,243 due to project delays.
 - Minor positive and negative variances across several projects amounting to a net positive variance of \$119,031.
- Paths
 - Davies Crescent (34 Davies - 30 Bellairs) – negative variance of \$96,244 due to a change in the scope of works required.
 - Bicton Quarantine path repairs - negative variance of \$76,427 due to unplanned but urgent works undertaken.
 - Engineering Design WIP projects – positive variance of \$49,400 due to delays in the commencement of these projects.
 - Minor positive and negative variances across several other projects amounting to a net positive variance of \$46,468.
- Playgrounds
 - Minor positive and negative variances across several projects amounting to a net positive variance of \$17,718.
- Roads
 - Farrington Road (Murdoch Dr-Freeway) – positive variance of \$182,759.
 - Stock Road (Canning Hwy-Leach Hwy) – negative variance of \$141,288.
 - 2020-2021 Engineering Design WIP – positive variance of \$111,789 due to timing variances.
 - Safe Active Street projects – Ardross – negative variance of \$67,287.
 - Norma Road/Canning Highway – positive variance of \$63,192.
 - Bateman Road Traffic Calming project – positive variance of \$61,834.
 - Intermediate Road Remediation projects - positive variance of \$54,427.
 - Other minor positive and negative variances across several other projects amounting to a net positive variance of \$81,476.

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Financing Activities

	YTD Budget \$	YTD Actual \$	YTD Budget Variance \$	Annual Revised Budget \$
Self-Supporting Loan Principal Revenue	250,909	337,276	86,367	278,140

Self-Supporting Loan Principal Revenue

- Positive variance of \$86,368 relating to the receipt of loan principal repayments received from the Melville Glades Golf Club ahead of anticipated budget.