

Statement of Variances in Excess of \$50,000 by Program and Sub Program Financial Year-To-Date Ending 29 February 2020

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

Since these February financial statements have been prepared Covid-19 has started to have an impact on the services provided by the City. The financial surplus of \$734,397 from the mid-year review process is likely to be impacted following changes to the Council services and likely reduced fees and charges income arising from Covid-19. The financial impact of Covid-19 is also being factored into the City's financial plan for the preparation of the 2021-2022 budget.

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.

Whilst budget adjustments are done monthly, the financial results and variances that are considered permanent were addressed formally through the mid year budget review process, which was approved by Council on 17 March 2020.

This report addresses variance as known prior to any changes adopted as part of the mid year budget review. In future months, any variances reported will be the result of factors not known at the time of the mid year budget review.

Operating Revenue

	YTD Revised Budget \$	YTD Actual \$	YTD Budget Variance \$	Annual Revised Budget \$
General Purpose Funding				
Rates	89,097,622	89,612,535	514,913	89,200,956
Other General Purpose Funding	4,730,105	5,017,746	287,641	8,082,694
Law, Order, Public Safety				
Animal Control	68,767	228,019	159,252	75,650
Community Amenities				
Town Planning and Regional Development	1,203,333	1,264,230	60,897	1,414,000
Recreation and Culture				
Swimming Areas and Beaches	3,482,601	3,568,063	85,462	5,324,742
Transport				
Parking Facilities	750,000	856,615	106,615	1,040,000
Economic Services				
Tourism and Area Promotion	0	315,242	315,242	0
Public Utility Services incl. Underground Power	3,331,450	3,272,860	(58,590)	3,378,117

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Other Property and Services				
General Administrative Overheads	180,246	514,997	334,752	193,579
Unclassified	588,667	(167,133)	(755,800)	936,374

Rates

- Residential rates are higher than budget due to the completion of the properties at 63 Kishorn Road, Mount Pleasant which were not included in the original budget.

Other General Purpose Funding

- Municipal Interest earnings are under budget due to reductions in market interest rates, and lower than budgeted average balance in the Municipal fund.
- Reserve Interest earnings are over budget as a result of planned Capital Projects being deferred, resulting in larger average reserve balances than anticipated.

Animal Control

- Dog and Cat registrations received are substantially higher than anticipated. A review of the various registration payment options taken up by animal owners will be undertaken to provide more clarity for future budget planning.

Town Planning and Regional Development

- Expense recoup income and recoverable works income for the Carawatha Development project reflects expenditure recouped for the 2018-2019 and 2019-2020 financial years.

Swimming Areas and Beaches

- Casual fee income is under budget by \$54,828, and Membership and Term Fee income is over budget by \$66,983 and \$55,518 respectively.

Parking Facilities

- Parking fines income is higher than anticipated. Fees and Charges income from parking facilities in the Fiona Stanley Murdoch Precinct, and at Canning Bridge continues to be higher than budgeted.

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 yet to be claimed.

General Administrative Overheads

- Variance to budget mainly due to receipt of LGIS Surplus Distributions of \$233,110, Scheme Contributions Credits totaling \$107,397 and Good Driver rebate of \$11,717. These amounts will be transferred to the Risk Management Reserve.

Unclassified

- Net variance to budget on proceeds from asset disposals.

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Operating Expenditure				
	Ytd Revised Budget \$	Ytd Actual \$	Ytd Budget Variance \$	Annual Revised Budget \$
Governance				
Members of Council	(1,234,243)	(1,144,150)	90,094	(1,840,170)
Other Governance	(2,617,867)	(2,358,804)	259,064	(5,480,238)
Law, Order, Public Safety				
Other Public Order, Fire & Safety	(2,584,501)	(2,528,379)	56,122	(3,938,492)
Health				
Preventive Services - Admin/Inspection	(599,266)	(548,225)	51,040	(921,237)
Education & Welfare				
Care of Families & Children	(1,001,053)	(939,901)	61,152	(1,523,833)
Community Amenities				
Sanitation - Other	(5,712,830)	(5,910,908)	(198,078)	(7,322,588)
Sanitation – Household Refuse	(7,585,092)	(7,852,419)	(267,327)	(11,160,582)
Urban Stormwater Drainage	(805,241)	(749,337)	55,904	(1,134,903)
Town Planning & Regional Development	(2,410,714)	(2,327,951)	82,763	(4,118,463)
Protection of Environment	(1,688,102)	(1,616,433)	71,669	(3,311,589)
Recreation and Culture				
Libraries	(3,592,876)	(3,500,917)	91,959	(5,432,914)
Other Culture	(1,244,234)	(1,174,451)	69,783	(1,924,174)
Public Halls, Civic Centres	(648,930)	(591,702)	57,229	(934,364)
Other Recreation & Sport	(13,509,139)	(12,727,689)	781,449	(20,533,032)
Transport				
Streets, Roads, Bridges, Depot	(11,746,664)	(11,551,892)	194,771	(18,490,881)
Economic Services				
Building Control	(1,259,656)	(1,169,562)	90,094	(1,925,188)
Tourism and Area Promotion	(166,800)	(391,389)	(224,590)	(229,550)
Other Property and Services				
Plant Operations	441,515	376,622	(64,894)	677,764
Public Works Overheads	(1,175,069)	(1,107,197)	67,872	(1,092,364)
General Administration Overheads	(1,801,907)	(1,916,500)	(114,593)	(2,918,866)
Business Unit Operations	(5,548,942)	(5,355,040)	193,901	(8,599,262)

Members of Council

- Minor underspends, mainly in Elected Member Conference Attendance expenses and Elected Member allowances.

Other Governance

- Savings in employee costs in the CEO area due to a staff vacancy, and minor savings arising from a staff restructure in Financial Services.
- Savings in materials and contracts in the Organisation Development and CEO service areas due to underspends in Communications Projects and Local Government Inquiry expenditure.

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Other Public Order, Fire & Safety

- Underspends mainly in employee costs for the Community Security program.

Preventive Services - Admin/Inspection

- Underspends in employee costs in the Environmental Health team due to a staff vacancy which has now been filled.

Care of Families & Children

- Underspends in employee costs in Community Services due to a temporary staff vacancy.

Sanitation – Other

- Refuse Collection Commercial is underspent by \$163,359 due mainly to timing variances in relation to internally charged expenditure, reduced tonnages of waste collected, and lower than expected fleet running costs.
- Recycling Collection Commercial is underspent by \$68,749 due to savings in employee costs and internally charged expenditure.
- FOGO negative variance of \$409,874 due mainly to anticipated savings in processing and disposal costs not being realised. This is a significant variance that was addressed in the Mid Year Budget Review.

Sanitation – Household Refuse

- Domestic Recycling collection is overspent by \$278,858 due mainly to significant overspends in recyclables processing fees. The processing rate per tonne has increased significantly since the budget was adopted, and budget amendments have been made in the Mid Year Budget Review to address this.
- Bulk Verge collection is overspent by \$53,951, mainly due to the collection of an additional 280 tonnes more of verge waste than was anticipated.
- Domestic Refuse collection is underspent by \$63,411. Savings have been made in lower than expected fleet running costs of \$130,207, and in employee costs of \$71,089 due to a staff vacancy. These savings have been offset to some extent by higher than expected waste disposal costs of \$143,207.

Urban Stormwater Drainage

- Underspends in this area are made up by several non material variances across drainage and flood pump maintenance.

Town Planning & Regional Development

- Savings in employee costs due to staff vacancies has resulted in an underspend of \$160,952.
- Materials and contracts are overspent by \$88,389, mainly in contract payments for the Carawatha Redevelopment project. This has been offset to a large extent by recoup income in the revenue section of this report under the same sub program heading.

Protection of Environment

- Variance represented mainly by underspends and timing variances in materials and contracts and underspends in litter collection and fleet running costs.

Libraries

- Variance represented mainly by underspends in materials and contracts and electricity expense, largely offset by negative variance in depreciation.

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Other Culture

- Variance represented mainly by underspends and timing variances in materials and contracts and employee costs.

Public Halls, Civic Centres

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

Other Recreation & Sport

- Timing variances in relation to internally charged expenditure resulted in an underspend of \$507,579.
- Variances in contractors expenditure relating to Natural Areas and Parks and City Buildings maintenance accounts represent a positive variance of \$194,213.
- Employee cost overspends of \$94,272, incurred in maintaining the City's many parks and reserves.
- Stores and materials budgets mainly across Natural Areas and Parks maintenance accounts are underspent by \$72,094.

Streets, Roads, Bridges, Depot

- Non material timing variances in materials and contracts expenditure in the Natural Areas and Parks and Engineering service areas, across several maintenance programs.

Building Control

- Positive variances in employee costs in Building Services and Private Swimming Pool Inspections due to staff vacancies.

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

- Savings in depreciation on plant and equipment, and additional fuel rebate income received.

Public Works Overheads

- Underspends in professional consultancies, mainly in Engineering Design Services

General Administration Overheads

- Civic Centre Occupancy costs - \$207,288 negative timing variance relating to the internal allocation of Civic Centre operating costs.
- Customer Service program – overspends of \$156,264 in employee costs. This was addressed in the Mid Year Budget Review.
- Finance Clearing account – \$127,828 negative timing variance in relation to the allocation of employee costs.
- Learning Management System – \$95,000 timing variance relating to licencing costs.
- Operation Centre – underspends of \$66,629 mainly in materials and contracts and utilities.
- System Maintenance and Support – underspends of \$63,887 in materials and contracts

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Business Unit Operations

- Positive variances in employee costs in the Information Services, City Buildings and Information Technology services areas.
- Savings in materials and contracts mainly in the City Buildings service area.

Capital Income

	Ytd Revised Budget \$	Ytd Actual \$	Ytd Budget Variance \$	Annual Revised Budget \$
Non-operating Grants, Subsidies and Contributions	1,844,566	1,985,635	141,069	4,226,085
Proceeds from Disposal of Assets	555,300	272,573	(282,727)	914,700

Non-operating Grants, Subsidies and Contributions

- Positive variance on the Roads to Recovery grant received from the Department of Infrastructure.

Proceeds from Disposal of Assets

- Budget variance due to delays in the replacement and disposal of heavy and light vehicles.

Capital Expenditure

	Ytd Revised Budget \$	Ytd Actual \$	Ytd Budget Variance \$	Annual Revised Budget \$
Purchase of Furniture & Equipment	(924,430)	(495,793)	428,637	(2,381,441)
Purchase of Plant and Equipment	(2,758,590)	(1,211,386)	1,547,204	(3,516,811)
Purchase of Land & Buildings	(3,492,071)	(2,937,012)	555,059	(16,386,271)
Purchase of Infrastructure Assets	(9,185,608)	(8,097,909)	1,087,699	(29,755,354)

Purchase of Furniture & Equipment

- Positive timing variance of \$63,030 relating to the purchase of Photocopiers and Multi function devices.
- CSRFF funding shows a positive variance of \$55,805 due to delays in the commencement of cricket training net works at Troy Park. This project is expected to commence in April 2020.
- Timing variance of \$168,375 relating to the allocation of Artwork Developer Contributions.
- Negative variance of \$75,303 relating to the replacement of Recreation Equipment.
- Positive variance of \$57,900 relating to the purchase of new Software applications.
- Positive variance of \$67,075 relating to the purchase of mobile garbage bins. This budget was reduced during the mid year budget review.

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Purchase of Plant & Equipment

- Delay in the replacement of Heavy Vehicles, in particular Waste and Parks trucks. This has resulted in a positive variance of \$1,497,975.
- Delay in the replacement of light fleet and a reduction in the number of light vehicles replaced. New contract arrangements come into play for staff employed under fixed term contract, who will no longer be supplied with a council vehicle for private use. This has resulted in a positive variance of \$138,356.
- Heavy plant negative timing variance of \$73,128.

Purchase of Land & Buildings

- Leisure Fit Booragoon Pool Plant replacement positive variance of \$63,967.
- 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.
- Exhaust Fan Replacement Program – positive timing variance of \$58,415 with work currently underway.
- Bert Jeffery amenities building – positive variance of \$58,514.
- Civic Centre Fire Services Renewal project - positive timing variance of \$63,920 with project commencement in February 2020.
- Other minor variances across several projects.

Purchase of Infrastructure Assets

- Drainage
 - The Pipe Relining program has a positive variance of \$91,683.
- Parks Streetscapes Structures
 - Heathcote Vision signage project positive timing variance of \$113,500.
 - Urban Forest programs positive variance of \$87,320.
- Paths
 - Somerville Boulevard project negative timing variance of \$72,958.
 - Engineering Design projects positive variance of \$50,000.
 - Other minor positive and negative variances across several projects.
- Roads
 - Macleod Road (Kintail Rd - Macrae Rd) road resurfacing project overspent by \$53,849.
 - Road Sealing project for 2019-2020 is underspent by \$64,704.
 - Engineering Design - Roads 2019-2020 program is underspent by \$73,247.
 - Other minor positive and negative variances across several projects.