

Statement of Variances in Excess of \$50,000 by Program and Sub Program Financial Year-To-Date Ending 31 December 2020

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

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 the budget variances shown in the Operating Revenue and Operating Expenditure sections under the heading “Other Governance”.

The mid-year budget review will address these issues and will be presented to Council for approval once complete.

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	80,372,582	81,169,004	796,421	80,655,524
Governance				
Other Governance	(1,507,829)	(13,654)	1,494,175	(1,488,652)
General Purpose Funding				
Other General Purpose Funding	1,765,089	1,971,557	206,469	5,062,910
Law, Order, Public Safety				
Animal Control	79,800	212,159	132,359	82,600
Community Amenities				
Sanitation - Other	1,340,711	1,270,613	(70,098)	1,487,576
Town Planning and Regional Development	527,508	832,213	304,704	767,758
Recreation and Culture				
Other Recreation & Sport	865,356	1,087,287	221,931	2,160,161
Swimming Areas & Beaches	2,263,095	2,570,232	307,137	4,594,657
Economic Services				
Building Control	814,055	890,255	76,200	1,049,955
Tourism & Area Promotion	Nil	177,955	177,955	Nil
Economic Development	752,334	609,929	(142,405)	1,583,605
Other Property and Services				
General Administration Overheads	246,186	389,072	142,886	276,043
Unclassified	268,114	(10,089)	(278,203)	734,560

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Operating Revenue (continued)

General Rates

- General rates show a positive variance of \$1,023,333, 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 \$226,911 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 that a corresponding increase in the number of rate concessions have been 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 the City's municipal account are \$122,731 higher than anticipated. The budget was conservative and the additional revenue is the result of higher account balances than expected.
- Investment earnings on the City's reserve accounts are \$25,754 higher than anticipated due to larger reserve balances than expected for this time of year.
- Late payment interest income is \$37,693 higher than anticipated as a result of lower than expected rates collection rates.

Animal Control

- Dog registration fees are \$92,718 ahead of budget and dog fines are \$14,188 higher than budget.
- Cat registration fees are \$19,157 higher than budget.

Sanitation – Other

- Refuse Collection Commercial - Fees and charges income is under budget by \$40,249 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 \$29,859 due to a reduction in the number of services being delivered when compared to budget.

Town Planning and Regional Development

- Development Applications - Fees and charges income is over budget by \$182,731 due to higher activity levels than expected.
- Land Information Certificate - Fees and charges income is over budget by \$95,582 due to higher activity levels than expected.

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Operating Revenue (continued)

Other Recreation and Sport

- Fees and charges income is \$208,596 ahead of budget, due mainly to positive variances in Reserve ground hire (\$203,678).

Swimming Areas and Beaches

- Fees and charges income is \$309,700 ahead of budget, this positive variance mainly made up of Membership fees of \$111,830, Term/Season fees of \$104,799 and Casual fees of \$79,799.

Building Control

- Fees and charges income higher than budget received to the end of December was \$76,200 and relates mainly to license fee income.

Tourism & Area Promotion

- Recoup income received to the end of December was \$177,955 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 December was \$131,410 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 December was \$10,995 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

- Net book value of assets disposed for the period ended 31 December was \$278,203.

Operating Expenditure

	YTD Revised Budget \$	YTD Actual \$	YTD Budget Variance \$	Annual Revised Budget \$
Governance				
Members of Council	(791,084)	(640,409)	150,675	(1,623,854)
Other Governance	(1,753,077)	(1,888,847)	(135,770)	(4,743,977)
Law, Order, Public Safety				
Other Public Order, Fire & Safety	(1,927,541)	(1,784,771)	142,771	(3,904,874)
Health				
Preventive Services – Admin/Inspection	(485,309)	(431,755)	53,554	(990,327)
Education and Welfare				
Aged & Disabled	(118,846)	(54,690)	64,156	(238,653)
Community Amenities				
Sanitation – Other	(1,460,584)	(1,358,263)	102,321	(2,935,878)
Sanitation – Household Refuse	(8,607,056)	(7,869,997)	737,059	(16,911,629)

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Protection of Environment	(1,291,271)	(1,169,162)	122,109	(2,762,136)
Recreation and Culture				
Libraries	(2,700,144)	(2,633,253)	66,890	(5,436,125)
Other Culture	(920,739)	(730,600)	190,139	(1,942,550)
Public Halls, Civic Centres	(501,888)	(428,937)	72,952	(926,899)
Other Recreation & Sport	(10,320,699)	(9,738,167)	582,532	(20,711,844)
Transport				
Streets, Roads, Bridges, Depot	(8,905,374)	(8,719,241)	186,133	(18,648,199)
Economic Services				
Building Control	(1,016,219)	(959,796)	56,423	(2,049,353)
Tourism & Area Promotion	(70,854)	(261,119)	(190,266)	(141,708)
Other Property and Services				
General Administration Overheads	(1,999,771)	(1,771,332)	228,439	(3,673,438)

Operating Expenditure (continued)

Members of Council

- Elected member conference attendance expenses are \$96,441 underspent. Other various elected member expenses show a net positive variance of \$54,234.

Other Governance

- Budget amendments have been made to reflect an expected decrease in operating expenditure as a result of opening the City's facilities earlier than expected this year. 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.
- Various positive and negative minor variances amounting to a net positive variance of \$266,886, mainly in materials and contracts.

Other Public Order, Fire & Safety

- Community Security is underspent by \$128,808 due mainly to underspends in employee costs as a result of a staff vacancy and an employee currently on leave without pay.

Preventive Services – Admin/Inspection

- Inspection and administrative costs are \$51,477 under budget, mainly in employee costs due to a staff vacancy.

Aged & Disabled

- Net positive variance made up mainly of underspends in Donations/Contributions/Sponsorships (\$41,124) and a net positive variance of \$22,954 made up of minor positive and negative amounts.

Sanitation – Other

- Refuse Collection Commercial is underspent by \$59,923. Employee costs show a positive variance of \$18,525, materials and contracts are underspent by \$18,733, and fleet operating costs are \$20,790 lower than expected.
- Recycling Collection Commercial is underspent by \$40,763, made up of various minor variances.

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Operating Expenditure (continued)

Sanitation – Household Refuse

- Recycling Collection Domestic is underspent by \$257,324. Recycling processing fees are underspent by \$239,503 as tonnages collected to date are lower than expected.
- The FOGO program is underspent by \$243,963. Waste disposal costs are underspent by \$131,754 as tonnages collected to date are lower than expected, Employee costs show a positive variance of \$76,688 and the balance of the variance is made up of various minor amounts.
- Bulk Verge Collection is underspent by \$140,680. Waste disposal costs are underspent by \$62,946, and Recyclables Processing Fees are underspent by \$46,512 as tonnages collected to date are lower than expected also.
- Refuse Collection Domestic is underspent by \$93,309. Waste disposal costs are underspent by \$65,047 as tonnages collected to date are lower than expected.

Protection of Environment

- Positive variance of \$122,109 represented mainly by underspends of \$105,462 in Contractors – Adhoc., and other net positive variances totaling \$16,648 made up of minor positive and negative amounts .

Libraries

- Positive variance of \$66,890 represented mainly by underspends of \$83,472 in materials and contracts, and other net negative minor variances totaling \$16,582 across the City's libraries.

Other Culture

- Positive variance of \$190,139. Donations/Contributions/Sponsorships are underspent by \$84,541, materials and contracts are underspent by \$61,068 and employee costs are underspent by \$54,916, and a net negative variance of \$10,386 mate up of minor under and overspends across the City's planned cultural activities.

Public Halls, Civic Centres

- Positive variance of \$72,952 represented by minor under and overspends across the City's various public facilities.

Other Recreation & Sport

- Positive variance of \$582,532.
 - Natural Areas and Parks (\$244,467) - positive variance in materials and contracts of \$197,212, negative variance in employee costs of \$102,856, and a net positive variance of \$150,111 made up of internally allocated expenditure items.
 - Healthy Melville (\$152,397) - materials and contracts under budget by \$110,452 due mainly to the reversal of 2019-2020 financial year accrual entries, employee costs under budget by \$68,814, partially offset by various minor variances contributing to a net negative variance of \$26,869.
 - Chief Executive Officer (\$119,523) - positive variance in donations/contributions and sponsorships.
 - Various positive and negative minor variances amounting to a net positive variance of \$66,145.

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Operating Expenditure (continued)

Streets, Roads, Bridges, Depot

- Positive variance of \$186,133 is made up mainly of underspends in materials and contracts expenditure (\$102,402), project management costs of \$77,583 and utilities costs of \$42,960, offset by a negative variance in employee costs of \$59,979 and other minor amounts with a net positive variance of \$23,168

Building Control

- Positive variance of \$56,423 made up of savings of \$61,089 in employee costs, offset by minor negative variances of \$4,666.

Tourism & Area Promotion

- Negative variance of \$190,266 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.

General Administration Overheads

- Information Technology shows a positive variance of \$96,240, made up of various positive and negative minor amounts.
- Neighbourhood Development is underspent by \$89,495, mainly in Customer Services employee costs.
- Chief Executive Officer shows a positive variance of \$68,679 relating to special training projects.
- Various positive and negative minor variances amounting to a net negative variance of \$25,974.

Capital Income

	YTD Revised Budget \$	YTD Actual \$	YTD Budget Variance \$	Annual Revised Budget \$
Non-operating grants, subsidies and contributions	1,253,454	1,326,631	73,176	4,683,742

Non-operating grants, subsidies and contributions

- Positive variance of \$73,176 relates mainly to a Main Roads direct grant payment being higher than budgeted.

Capital Expenditure

	YTD Revised Budget \$	YTD Actual \$	YTD Budget Variance \$	Annual Revised Budget \$
Purchase of Furniture & Equipment	(1,180,754)	(744,952)	435,803	(2,929,479)
Purchase of Land & Buildings	(5,361,885)	(5,011,701)	350,184	(19,974,511)
Purchase of Infrastructure Assets	(6,440,078)	(6,080,018)	360,060	(37,502,338)

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Capital Expenditure (continued)

Purchase of Furniture and Equipment

- Positive variance of \$355,025 relating to the planned replacement of computer hardware.
- Minor positive and negative variances across several projects amounting to a net positive variance of \$80,778.

Purchase of Land & Buildings

- LeisureFit Booragoon Spa plant – \$60,000 positive variance due to delays in the commencement of the project.
- LeisureFit Melville Voltage Optimisation project – \$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 \$240,184.

Purchase of Infrastructure Assets

- Drainage
 - Minor positive and negative variances across several projects amounting to a net positive variance of \$102,472.
- Environmental
 - Minor positive and negative variances across several projects amounting to a net positive variance of \$3,581.
- Foreshore Facilities
 - Minor positive and negative variances across several projects amounting to a net positive variance of \$11,195.
- Irrigation
 - Minor positive and negative variances across several projects amounting to a net positive variance of \$53,575.
- Lighting
 - Minor positive and negative variance across several projects amounting to a net positive variance of \$16,540.
- 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. This will be addressed at the Mid Year Budget Review.
 - Minor positive and negative variances across several projects amounting to a net positive variance of \$128,013.

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Capital Expenditure (continued)

- Paths
 - Bicton Quarantine path repairs - negative variance of \$76,427 due to unplanned but urgent works undertaken. The budget for this project will be addressed at the mid year budget review.
 - Davies Crescent (34 Davies - 30 Bellairs) – negative variance of \$96,244 due to a change in the scope of works required.
 - Engineering Design WIP projects – positive variance of \$50,000 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 \$92,059.

- Playgrounds
 - Minor positive and negative variances across several projects amounting to a net positive variance of \$19,034.

- Roads
 - 2020-2021 Engineering Design WIP – positive variance of \$86,868 due to timing variances.
 - Other minor positive and negative variances across several other projects amounting to a net positive variance of \$69,395.

Financing Activities

	YTD Budget \$	YTD Actual \$	YTD Budget Variance \$	Annual Revised Budget \$
Self-Supporting Loan Principal Revenue	26,725	98,910	72,185	278,140

Self-Supporting Loan Principal Revenue

- Positive variance of \$72,185 relating to the receipt of loan principal repayments received from the Melville Glades Golf Club ahead of anticipated budget.