

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

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

The results for the first quarter of this financial year in some instances vary significantly from the year to date budget, which was prepared amid the uncertainty of Covid-19. The opening of the City's public facilities earlier than expected, plus better than expected activity levels in the Building and Planning areas, has meant that there are significant budget variances, particularly in the Recreation Services service area. 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".

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 \$
<b>Governance</b>				
Other Governance	(1,292,683)	(1,081)	1,291,602	(1,292,251)
<b>General Purpose Funding</b>				
Other General Purpose Funding	972,544	1,079,665	107,121	5,062,910
<b>Law, Order, Public Safety</b>				
Animal Control	20,650	83,793	63,143	82,600
<b>Recreation and Culture</b>				
Other Recreation & Sport	334,432	512,772	178,340	2,160,161
Swimming Areas & Beaches	916,147	1,218,560	302,413	4,378,506
<b>Economic Services</b>				
Tourism & Area Promotion	Nil	50,003	50,003	Nil

#### Other Governance

- Budget amendments made to reflect the increased operating revenue budget.
- Development application fee income is \$155,885 higher than expected, Building license fee income is \$50,694 higher than expected and other planning fees are \$30,295 higher than expected.
- LeisureFit Melville membership fee income is \$84,548 higher than budget, Hire fees are \$53,801 higher than budget, and casual fees are \$46,449 higher than budget.

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• **Operating Revenue (continued)**

Other Governance (continued)

- LeisureFit Booragoon membership fee income is \$645,833 higher than budget, casual fees are \$196,653 higher than budget, hire fees are \$17,349 higher than budget, and retail sales are \$11,176 higher than budget.

Other General Purpose Funding

- Investment earnings on the City's municipal account are \$54,985 higher than anticipated.
- Investment earnings on the City's reserve accounts are \$20,008 higher than anticipated as a result of delays in the commencement of potential Capital Projects, resulting in larger reserve balances than anticipated.
- Late payment interest income is \$32,618 higher than anticipated as a result of low rates collection rates.

Animal Control

- Dog registration fees are \$35,288 ahead of budget and Dog fines are \$17,305 higher than budget.

Other Recreation and Sport

- Fees and charges income is \$175,515 ahead of budget, with positive variances made up of Commercial lease income (\$121,712), expenditure recoup income (\$27,257) ahead of budget, mainly in regard to recoup of utilities costs associated with the lease of the City's community assets and Reserve hire income (\$18,145). At the time of preparing the 2020-2021 budget, it was anticipated that the City's recreational and sporting facilities would be closed until October 2020 due to Covid-19 concerns. The successful containment of Covid-19 community transmission in Western Australia to this point has meant that the City's recreational and sporting facilities were operational earlier than planned.

Swimming Areas and Beaches

- Fees and charges income is \$304,504 ahead of budget, this positive variance made up mainly of Term/Season fees of \$316,151. At the time of preparing the 2020-2021 budget, it was anticipated that LeisureFit Booragoon would be closed until October 2020 due to Covid-19 concerns. The successful containment of Covid-19 community transmission in Western Australia to this point has meant that LeisureFit Booragoon has been operational earlier than planned.

Tourism & Area Promotion

- Recoup income received to the end of September was \$50,003 and relates to the expenditure incurred on behalf of the South West Group as indicated in the Operating Expenditure section of this report.

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**Operating Expenditure**

	<b>YTD Revised Budget \$</b>	<b>YTD Actual \$</b>	<b>YTD Budget Variance \$</b>	<b>Annual Revised Budget \$</b>
<b>Governance</b>				
Other Governance	(807,063)	(1,025,774)	(218,711)	(4,452,793)
<b>General Purpose Funding</b>				
Other General Purpose Funding	(429,845)	(515,843)	(85,998)	(1,058,198)
<b>Law, Order, Public Safety</b>				
Other Public Order, Fire & Safety	(999,632)	(912,389)	87,243	(3,903,724)
<b>Community Amenities</b>				
Sanitation – Household Refuse	(4,179,273)	(3,983,483)	195,790	(16,911,629)
Town Planning & Regional Development	(1,159,911)	(905,886)	254,025	(4,262,045)
Protection of Environment	(604,056)	(545,333)	58,724	(2,746,432)
<b>Recreation and Culture</b>				
Libraries	(1,392,642)	(1,291,433)	101,209	(5,421,994)
Other Culture	(410,427)	(344,161)	66,266	(1,942,550)
Swimming Areas & Beaches	(1,539,445)	(1,412,323)	127,122	(6,369,733)
Other Recreation & Sport	(5,148,747)	(4,675,650)	473,097	(20,645,582)
<b>Transport</b>				
Streets, Roads, Bridges, Depot	(4,369,334)	(4,280,979)	88,355	(18,493,681)
<b>Economic Services</b>				
Tourism & Area Promotion	(60,508)	(150,628)	(90,120)	(140,033)
<b>Other Property and Services</b>				
Public Works Overheads	(461,912)	(372,120)	89,792	(1,401,938)
General Administration Overheads	(1,242,915)	(1,012,196)	230,719	(3,247,430)

**Other Governance**

- Budget amendments relating to the additional budget required to fund the operating expenses incurred as a result of the opening of the City's recreation facilities earlier than planned during the preparation of the 2020-2021 annual budget have resulted in a negative variance of \$320,273. This amount relates mainly to employee costs and utility charges.
- Special project funding underspent to the end of September has resulted in a positive variance of \$40,806.
- Various positive and negative minor variances amounting to a net positive variance of \$60,755.

**Rates & General Purpose Funding**

- Expenditure incurred in the course of administering the Rates income for the City is overspent by \$85,998. The main reasons for this negative variance are bank charges incurred for this time of year being \$50,853 more than expected, and valuation fees being \$23,964 more than expected.

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**• Operating Expenditure (continued)**

Other Public Order, Fire & Safety

- Community Security is underspent by \$90,942 due mainly to underspend in employee costs as a result of a staff vacancy and an employee currently on leave without pay.

Sanitation – Household Refuse

- Recycling Collection Domestic is underspent by \$73,887. Recycling processing fees are underspent by \$69,209 as tonnages collected were different to expected. Employee costs show a positive variance of \$11,313, and fleet operating costs are \$12,604 higher than expected.
- The FOGO program is underspent by \$56,457. Employee costs show a positive variance of \$40,157 and the balance of the variance is made up of various minor variances
- Bulk Verge Collection is underspent by \$41,596, made up of various minor variances.
- Refuse Collection Domestic is underspent by \$22,435, made up of various minor variances.

Town Planning and Regional Development

- Positive variance of \$254,025 represented mainly by underspends in professional consultancies relating to the Canning Bridge and Property Rationalisation Strategic Urban Planning projects.

Protection of Environment

- Positive variance of \$58,724 represented by minor under and overspends across the City's environmental activities.

Libraries

- Positive variance of \$101,209 represented mainly by underspends of \$62,180 in materials and contracts, and other positive and negative minor variances totaling \$39,030 across the City's libraries.

Other Culture

- Positive variance of \$66,266 represented by minor under and overspends across the City's planned cultural activities.

Swimming Areas and Beaches

- Positive variance of \$127,122, mainly in materials and contracts due to the reversal of 2019-2020 financial year accrual entries.

Other Recreation & Sport

- Positive variance of \$466,071 relating to Natural Areas and Parks (\$288,099) materials and contracts due to the reversal of 2019-2020 financial year accrual entries and employee costs due to staff vacancies, Healthy Melville (\$59,064) materials and contracts due to the reversal of 2019-2020 financial year accrual entries, and City Buildings (\$49,775) made up of various positive and negative minor variances.

Streets, Roads, Bridges, Depot

- Positive variance of \$88,355 is made up mainly of underspends in materials and contracts expenditure (\$47,773), and employee costs of \$27,090.

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**• Operating Expenditure (continued)**

Tourism & Area promotion

- Negative variance of \$90,120 relates to employee costs and other expenditure incurred in relation to the South West Group. This amount is partially offset by the positive variance shown in the Operating Revenue section of this report.

Public Works Overheads

- Positive variance of \$89,792 made up mainly of employee cost savings in the Natural Areas and Parks service area due to staff vacancies.

General Administration Overheads

- Information Technology is underspent by \$199,499, mainly due to timing variances in licensing costs. City Buildings is underspent by \$96,344, mainly in contractors – adhoc. Neighbourhood Development are underspent by \$55,959, mainly in employee costs.
- Engineering Services shows a negative variance of (\$115,822) in respect of labour hire costs which need to be allocated to the various maintenance works undertaken by the City.

**Capital Expenditure**

	<b>YTD Revised Budget \$</b>	<b>YTD Actual \$</b>	<b>YTD Budget Variance \$</b>	<b>Annual Revised Budget \$</b>
Purchase of Furniture & Equipment	(382,328)	(291,296)	91,032	(2,904,481)
Purchase of Land & Buildings	(2,946,589)	(2,476,427)	470,162	(19,684,511)
Purchase of Infrastructure Assets	(1,935,375)	(1,617,477)	317,898	(37,660,838)

Purchase of Furniture and Equipment

- Minor positive and negative variances across several projects amounting to a net positive variance of \$91,032.

Purchase of Land & Buildings

- Energy and Water Submetering project - \$160,000 positive variance due to the reversal of 2019-2020 financial year accrual entries.
- 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 \$200,162.

Purchase of Infrastructure Assets

- Drainage
  - Minor positive and negative variances across several projects amounting to a net positive variance of \$32,580.

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**• Capital Expenditure (continued)**

- Environmental
  - Minor negative variance of \$1,533.
- Foreshore Facilities
  - Minor positive variances across several projects amounting to a net positive variance of \$29,707.
- Irrigation
  - Minor positive and negative variances across several projects amounting to a net positive variance of \$19,954.
- Lighting
  - Minor positive and negative variance across several projects amounting to a net positive variance of \$22,570.
- Parks
  - Minor positive variance of \$9,644.
- Parks Streetscapes Structures
  - Minor positive and negative variances across several projects amounting to a net positive variance of \$58,911.
- Paths
  - Mullings Way (Cottrill St-Fenton PI) positive variance of \$68,887 due to the reversal of 2019-2020 financial year accrual entries.
  - Bicton Quarantine path repairs negative variance of \$54,094 due to unplanned but urgent works undertaken.
  - Minor positive and negative variances across several other projects amounting to a net positive variance of \$43,115.
- Playgrounds
  - Minor positive and negative variances across several projects amounting to a net positive variance of \$29,148.
- Roads
  - 2019-2020 Road sealing projects - positive variance of \$53,732 due to timing variances.
  - 2020-2021 Engineering Design WIP – positive variance of \$50,000 due to timing variances.
  - Other minor positive and negative variances across several other projects amounting to a net positive variance of \$55,633.

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**Financing Activities**

	<b>YTD Budget \$</b>	<b>YTD Actual \$</b>	<b>YTD Budget Variance \$</b>	<b>Annual Budget</b>
Self-Supporting Loan Principal Revenue	0	86,369	86,369	278,140

Self-Supporting Loan Principal Revenue

- Positive variance of \$86,369 relating to the receipt of loan principal repayments received from the Melville Glades Golf Club ahead of anticipated budget.