

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

This report provides commentary on the variances identified in attachment 6002C – Rate Setting Statement by Program and Sub-Program, for the month of October 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. 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 \$
Rates				
Rates	80,278,268	80,151,170	(127,098)	80,655,524
Governance				
Other Governance	(1,508,834)	423	1,509,257	(1,508,402)
General Purpose Funding				
Other General Purpose Funding	1,109,245	1,258,568	149,323	5,062,910
Law, Order, Public Safety				
Animal Control	77,483	133,940	56,456	82,600
Community Amenities				
Sanitation - Other	1,291,774	1,232,709	(59,064)	1,487,576
Town Planning and Regional Development	430,758	551,907	121,149	767,758
Recreation and Culture				
Other Recreation & Sport	551,132	916,797	365,665	2,160,161
Swimming Areas & Beaches	1,519,842	1,667,155	147,313	4,594,657
Economic Services				
Tourism & Area Promotion	Nil	105,365	105,365	Nil

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• Operating Revenue (continued)

Rates

- Rates income is \$127,098 under budget at the end of October 2020. Interim rate adjustments generated to the end of August were \$17,254 over budget for residential properties, \$8,759 under budget for commercial properties, and rates concessions were \$135,593 over budget. Rates concessions, as part of the City's stimulus package, were greater than budget due to the impact of multi unit/single title properties that were not considered per individual unit when formulating the budget.

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.
- LeisureFit Booragoon membership fee income is \$645,833 higher than budget, Term/Season fees are \$216,151 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 \$80,904 higher than anticipated.
- Investment earnings on the City's reserve accounts are \$30,423 higher than anticipated as a result of delays in the commencement of some capital projects, resulting in larger reserve balances than anticipated.
- Late payment interest income is \$31,802 higher than anticipated as a result of low rates collection rates.

Animal Control

- Dog registration fees are \$32,959 ahead of budget and Dog fines are \$8,175 higher than budget.

Sanitation – Other

- Refuse Collection Commercial - Fees and charges income is under budget by \$37,144 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 \$21,921 due to a reduction in the number of services being delivered when compared to budget.

Town Planning and Regional Development

- Land Information Certificate - Fees and charges income is over budget by \$50,746 due to higher activity levels than expected.
- Development Applications - Fees and charges income is over budget by \$50,354 due to higher activity levels than expected.

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• Operating Revenue (continued)

Other Recreation and Sport

- Fees and charges income is \$384,475 ahead of budget, with positive variances made up of Reserve ground hire (\$218,813), Commercial lease income (\$126,919), Expenditure recoup income (\$35,973) ahead of budget, mainly in regard to recoup of utilities costs associated with the lease of the City's community assets. Fees and charges income from various programs at LeisureFit Melville have a net negative variance of \$21,609.

Swimming Areas and Beaches

- Fees and charges income is \$147,313 ahead of budget, this positive variance mainly made up of Membership fees of \$73,632, Term/Season fees of \$39,574 and Casual fees of \$26,987. The successful containment of Covid-19 community transmission in Western Australia to date has meant that LeisureFit Booragoon has been operational earlier than planned.

Tourism & Area Promotion

- Recoup income received to the end of September was \$105,365 and relates to the expenditure incurred on behalf of the South West Group as indicated in the Operating Expenditure section of this report.

Operating Expenditure

	YTD Revised Budget \$	YTD Actual \$	YTD Budget Variance \$	Annual Revised Budget \$
Governance				
Other Governance	(1,029,687)	(1,336,037)	(306,350)	(4,702,793)
General Purpose Funding				
Other General Purpose Funding	(540,880)	(609,282)	(68,402)	(1,058,198)
Law, Order, Public Safety				
Other Public Order, Fire & Safety	(1,325,162)	(1,209,107)	116,054	(3,903,724)
Community Amenities				
Sanitation – Other	(746,601)	(683,015)	63,587	(2,935,878)
Sanitation – Household Refuse	(5,745,861)	(5,405,670)	340,191	(16,911,629)
Recreation and Culture				
Libraries	(1,840,568)	(1,706,432)	134,137	(5,421,994)
Other Culture	(579,325)	(508,104)	71,221	(1,942,550)
Public Halls, Civic Centres	(364,032)	(312,786)	51,246	(926,957)
Swimming Areas & Beaches	(2,106,493)	(2,006,476)	100,017	(6,369,733)
Other Recreation & Sport	(7,101,100)	(6,911,857)	189,243	(20,645,582)
Transport				
Parking Facilities	(158,950)	(209,272)	(50,322)	(462,984)
Streets, Roads, Bridges, Depot	(5,845,425)	(5,768,605)	76,819	(18,493,681)
Economic Services				
Tourism & Area Promotion	(63,678)	(199,883)	(136,205)	(140,033)
Other Property and Services				
General Administration Overheads	(1,525,233)	(1,108,122)	417,112	(3,247,430)
Business Unit Operations	(2,611,912)	(2,667,531)	(55,619)	(7,849,979)

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• Operating Expenditure (continued)

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 \$402,656. This amount relates to employee costs (\$331,365), utility charges (\$52,550), and materials and contracts (\$18,741).
- Various positive and negative minor variances amounting to a net positive variance of \$96,306.

Other General Purpose Funding

- Expenditure incurred in the course of administering the Rates income for the City is overspent by \$68,402. The main reasons for this negative variance are timing variances related to bank charges (\$41,879), and postage and couriers (\$15,320).

Other Public Order, Fire & Safety

- Community Security is underspent by \$104,708 due mainly to underspends in employee costs as a result of a staff vacancy and an employee currently on leave without pay.

Sanitation – Other

- Refuse Collection Commercial is underspent by \$38,154. Employee costs show a positive variance of \$26,030, and fleet operating costs are \$12,716 lower than expected.
- Recycling Collection Commercial is underspent by \$24,620, made up of various minor variances.

Sanitation – Household Refuse

- Recycling Collection Domestic is underspent by \$123,335. Recycling processing fees are underspent by \$115,364 as tonnages collected to date are lower than expected.
- Refuse Collection Domestic is underspent by \$90,951. Waste disposal costs are underspent by \$69,513 as tonnages collected to date are lower than expected.
- The FOGO program is underspent by \$89,459. Employee costs show a positive variance of \$53,231 and the balance of the variance is made up of various minor variances
- Bulk Verge Collection is underspent by \$35,017, made up of savings in fleet operating costs.

Libraries

- Positive variance of \$134,137 represented mainly by underspends of \$79,087 in materials and contracts, \$59,543 in depreciation, and other net negative minor variances totaling \$4,493 across the City's libraries.

Other Culture

- Positive variance of \$71,221 represented by minor under and overspends across the City's planned cultural activities.

Public Halls, Civic Centres

- Positive variance of \$51,246 represented by minor under and overspends across the City's various public facilities.

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

Swimming Areas and Beaches

- Positive variance of \$100,017. Materials and contracts are underspent by \$206,402 due to the reversal of 2019-2020 financial year accrual entries. Discounts and concessions are higher than budget by \$55,105 due to the early reopening of LeisureFit Booragoon. Other minor negative variances amount to \$52,853.

Other Recreation & Sport

- Positive variance of \$189,243. Natural Areas and Parks (\$45,323) - positive variance in materials and contracts and utilities. Healthy Melville (\$56,868) - materials and contracts under budget by \$97,739 due mainly to the reversal of 2019-2020 financial year accrual entries, employee costs under budget by \$47,524, offset largely by a depreciation negative variance of \$68,403. City Buildings (\$50,057) made up of various positive and negative minor variances.

Parking Facilities

- Net negative variance of \$50,322 made up of various minor positive and negative variances.

Streets, Roads, Bridges, Depot

- Positive variance of \$76,819 is made up mainly of underspends in materials and contracts expenditure (\$110,834), and utilities costs of \$27,262, offset by a negative variance in employee costs of \$31,541 and other minor amounts with a net negative variance of \$29,737.

Tourism & Area promotion

- Negative variance of \$136,205 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.

General Administration Overheads

- Information Technology shows a positive variance of \$253,096, mainly due to timing variances in licensing costs.
- City Buildings is underspent by \$105,139, mainly in contractors – adhoc and utilities.
- Neighbourhood Development are underspent by \$68,306, mainly in Customer Services employee costs.
- Natural Areas and Parks shows a negative variance of (\$53,054), mainly in depreciation expense.

Business Unit Operations

- City Buildings shows a negative variance of \$75,126, mainly relating to internal charges.
- Information Technology shows a negative variance of \$55,391, mainly in depreciation expense.
- Director Corporate Services is underspent by \$48,324, mostly due to a staff vacancy.

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Capital Income

	YTD Revised Budget \$	YTD Actual \$	YTD Budget Variance \$	Annual Revised Budget \$
Non-operating grants, subsidies and contributions	1,209,954	1,277,927	67,972	4,683,742

Non-operating grants, subsidies and contributions

- Positive variance of \$67,972 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	(601,388)	(461,177)	140,211	(2,904,481)
Purchase of Land & Buildings	(3,412,671)	(3,105,170)	307,501	(19,729,511)
Purchase of Infrastructure Assets	(2,873,925)	(2,457,479)	416,446	(37,495,838)

Purchase of Furniture and Equipment

- Minor positive and negative variances across several projects amounting to a net positive variance of \$140,211.

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 \$197,501.

Purchase of Infrastructure Assets

- Drainage
 - Minor positive and negative variances across several projects amounting to a net positive variance of \$70,785.
- Environmental
 - Minor positive and negative variances across several projects amounting to a net negative variance of \$7,595.
- Foreshore Facilities
 - Minor positive and negative variances across several projects amounting to a net positive variance of \$64,330.
- Irrigation
 - Minor positive and negative variances across several projects amounting to a net positive variance of \$26,608.

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• Capital Expenditure (continued)

- Lighting
 - Minor positive and negative variance across several projects amounting to a net negative variance of \$8,425.
- Parks
 - Minor positive variance of \$2,725.
- 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 \$95,826.
- Paths
 - Mullings Way (Cottrill Street to Fenton Place) - positive variance of \$68,887 due to the reversal of 2019-2020 financial year accrual entries.
 - Bicton Quarantine path repairs - negative variance of \$54,398 due to unplanned but urgent works undertaken. The budget for this project will be addressed at the mid year budget review.
 - Minor positive and negative variances across several other projects amounting to a net positive variance of \$83,993.
- Playgrounds
 - Minor positive and negative variances across several projects amounting to a net negative variance of \$6,847.
- Roads
 - 2019-2020 and 2020-2021 Road sealing projects - positive variance of \$73,542 due to timing variances.
 - 2020-2021 Engineering Design WIP – positive variance of \$62,500 due to timing variances.
 - Other minor positive and negative variances across several other projects amounting to a net positive variance of \$29,327.

Financing Activities

	YTD Budget \$	YTD Actual \$	YTD Budget Variance \$	Annual Revised Budget \$
Self-Supporting Loan Principal Revenue	11,159	86,369	75,210	278,140

Self-Supporting Loan Principal Revenue

- Positive variance of \$75,210 relating to the receipt of loan principal repayments received from the Melville Glades Golf Club ahead of anticipated budget.