

Variances Report on Rate Setting Statement for the Financial Year Ending 30 June 2019

This report provides commentary on the variances identified for the year ended 30 June 2019.

In accordance with Council Accounting Policy CP-025, variances below \$50,000 are not considered material.

Variances are based on 'Actual' income raised and expenditure incurred compared to the adopted budget. The main reasons for the variances are outlined in the notes below.

Positive variances are shown in the tables below, in black coloured font, and negative variances are shown in parentheses and in red coloured font, i.e. (XXX.XX). The subsequent analysis of these variances references the applicable sub-program.

Operating Revenue

Program/Sub-Program	2018-2019 Actual \$	2018-2019 Budget \$	Budget Variance \$
General Purpose Funding			
Rates	9,318,408	10,568,752	(1,250,344)
Community Amenities			
Sanitation - Other	1,785,977	1,410,968	375,009
Protection of Environment	493,829	47,052	446,777
Recreation and Culture			
Heritage	183,633	125,090	58,543
Other Culture	219,530	84,780	134,750
Other Recreation and Sport	2,574,374	2,421,704	152,670
Transport			
Parking Facilities	1,138,532	1,030,000	108,532
Streets, Roads, Bridges, Depot	565,615	470,458	95,157
Economic Services			
Building Control	1,291,250	945,678	345,572
Tourism and Area Promotion	686,450	0	686,450
Public Utility Services incl. Underground Power	2,913,662	100,400	2,813,262
Other Property and Services			
General Administrative Overheads	273,166	186,347	86,819
Business Unit Operations	87,409	14,028	73,381

Rates

- A negative budget variance of (\$2,917,938) has resulted from the reclassification of underground power charges levied under this category. This is however, offset by a similar positive variance under program Economic Services and sub program Public Utility Services incl. Underground Power income.
- Late payment interest levied was \$225,050 over budget, and is a reflection of lower collection rates on outstanding rate debtors, particularly in underground power project areas.

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- Federal Assistance Grant (General Purpose) funding was **(\$55,752)** under budget due to changes in the timing of the payment received. This amount is offset by a corresponding adjustment to the Land and Property Reserve.
- Federal Assistance Grant (Roads) funding was \$83,837 over budget due to changes in the timing of the payment received. This amount is offset by a corresponding adjustment to the Infrastructure Asset Management Reserve.
- Investment earnings on municipal funds were **(\$105,163)** under budget due to reductions in market rates of investment interest.
- Investment earnings on reserve funds were \$1,546,296 over budget as significant project delays resulted higher than anticipated cash reserves.

Sanitation - Other

- Better Bins funding of \$350,000 received for the City's FOGO program.

Protection of Environment

- Grant funding of \$427,186 received for the Smart Cities Micro Grid project.

Heritage

- Commercial Lease and Room Hire income in the Heathcote precinct were higher than anticipated.

Other Culture

- Expense recoup income was \$180,819 for the City's Art Collection. A negative variance of **(\$50,000)** for Kid Sport grant funding not received due to a change in grant funding procedures for this program. This is offset by a similar positive variance in Other Culture expenditure.

Other Recreation and Sport

- Fee income for LeisureFit Melville, offset by a reduction in commercial lease income from Point Walter Golf Course.

Parking Facilities

- Fees and Charges income from parking facilities at Canning Bridge and Fiona Stanley was higher than budget due to greater than anticipated patronage of parking facilities in these areas, combined with higher than expected parking fines due to increased monitoring of parking compliance by the City.

Streets, Roads, Bridges Depot

- Urban Forest income was high due to unbudgeted tree vandalism fines.
- Various positive and negative variances in subsidies, contributions, fees and charges and recoverable works.

Building Control

- Building licence fee income was higher due to increased levels of building activity in the City.

Tourism and Area Promotion

- Expenditure recoup income for work undertaken on behalf of the Southern Metropolitan Regional Council. This is largely offset by the expenditure variance in this sub-program.

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Public Utility Services including Underground Power

- A positive budget variance of has resulted from the reclassification of underground power charges levied under this category. This is however, offset by a similar negative variance under program General Purpose Funding and sub program Rates income.

General Administrative Overheads

- Insurance contributions credits received from the City's insurer. This has been transferred to the Risk Management reserve, and has no impact the City's closing funds position.

Business Unit Operations

- Minor variances including interest received on self supporting loans, fuel rebates and expense recoups.

Operating Expenditure

Program/Sub-Program	2018-2019 Actual \$	2018-2019 Budget \$	Budget Variance \$
Governance			
Members of Council	(1,236,324)	(1,332,346)	96,022
Other Governance	(3,303,474)	(4,279,681)	976,207
General Purpose Funding			
Rates	(990,962)	(7,469,373)	6,478,411
Law, Order, Public Safety			
Other Public Order, Fire and Safety	(3,872,630)	(4,096,302)	223,672
Education and Welfare			
Aged and Disabled	(207,706)	(266,564)	58,858
Other Welfare	(349,961)	(276,983)	(72,978)
Community Amenities			
Sanitation - Other	(5,644,648)	(3,431,196)	(2,213,452)
Sanitation – Household Refuse	(13,967,713)	(14,621,180)	653,467
Urban Stormwater Drainage	(1,135,577)	(1,041,342)	(94,235)
Town Planning & Regional Development	(3,578,072)	(4,009,891)	431,819
Other Community Amenities	(26,619)	(84,440)	57,821
Protection of Environment	(2,625,442)	(2,419,410)	(206,032)
Recreation and Culture			
Heritage	(606,119)	(662,418)	56,299
Libraries	(5,206,222)	(5,103,419)	(102,803)
Other Culture	(1,645,122)	(1,730,071)	84,949
Public Halls, Civic Centres	(1,555,563)	(662,072)	(893,491)
Swimming Areas and Beaches	(6,496,744)	(5,998,755)	(497,989)
Other Recreation & Sport	(19,130,029)	(16,885,703)	(2,244,326)
Transport			
Streets, Roads, Bridges, Depot	(16,956,797)	(18,021,928)	1,065,131
Economic Services			
Building Control	(1,926,160)	(2,001,796)	75,636
Tourism and Area Promotion	(686,708)	(181,393)	(505,315)
Public Utility Services incl. Underground	(5,185,872)	(6,000)	(5,179,872)

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Power			
Other Property and Services			
Public Works Overheads	(1,461,588)	(925,653)	(535,935)
General Administrative Overheads	(3,602,560)	(1,292,494)	(2,310,066)
Business Unit Operations	(7,883,901)	(8,327,309)	443,408

Members of Council

- Savings in Elected Members expenditure, including training, advertising and allowances.

Other Governance

- Savings in employee costs, due to temporary staff vacancies and positions not being filled while staff are on leave or acting in other roles.
- Materials and Contracts savings in special project funding, professional consultancies, legal fees, printing and artwork.
- Other Expenditure saving on start up funding intended as temporary loans for the Tompkins Park Association Operations Club, and Melville Bowling Club relocation.

Rates

- A positive budget variance of has resulted mainly from the reclassification of underground power cash call to be paid under this category. This is however, offset by a similar negative variance under program Economic Services and sub program Public Utility Services incl. Underground Power expenditure.

Other Public Order, Fire and Safety

- Savings in employee costs, due to temporary staff vacancies and positions not being filled while staff are on leave or acting in other roles.

Aged and Disabled

- Savings mainly in operating costs for the Community Bus Service.

Other Welfare

- Depreciation expense higher than budget due to asset revaluations undertaken during the year. As depreciation is a non cash entry there is no impact on the City's closing funds position.

Sanitation – Other

- Variances in employee costs due to staff vacancies, and reduced disposal costs due to lower tonnages of commercial refuse and recycling collected.
- FOGO Materials and contract expenditure for the supply of bins for the rollout of the FOGO program. This is offset by funding from the Refuse Bins reserve.
- Share of the SMRC operating loss and asset revaluation adjustment for the 2018-2019 financial year.

Sanitation – Household Refuse

- Materials and contracts variances due to reduced tonnages of domestic waste and recyclables collected for disposal.
- Employee cost variances relating to the domestic waste and recycling collections due to staff vacancies.

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Urban Stormwater Drainage

- Overspends in materials and contracts, partly offset by savings in employee costs.

Town Planning & Regional Development

- Savings in employee costs, due to temporary staff vacancies and positions not being filled while staff are on leave or acting in other roles, offset to some extent by contract payment expenditure on Strategic Urban Planning projects.

Other Community Amenities

- Underspends relating mainly to materials and contracts in the Bus Shelters program.

Protection of Environment

- Overspend due to professional consultancy expenses relating to the NRM Strategy.

Heritage

- Underspends relating mainly to materials and contracts at Heathcote Murray House.

Libraries

- Depreciation expense higher than budget due to asset revaluations undertaken during the year, offset by savings in employee and utilities costs. As depreciation is a non cash entry there is no impact on the City's closing funds position.

Other Culture

- Underspend due to timing variances relating to materials and contracts in various Cultural Development programs and donations expenditure related to Community Partnership Funding.

Public Halls, Civic Centres

- Depreciation expense for Blue Gum Recreation Centre higher than budget due to asset revaluations undertaken during the year. As depreciation is a non cash entry there is no impact on the City's closing funds position.

Swimming Areas and Beaches

- Employee costs at LeisureFit Booragoon lower due to delays in the finalisation of Enterprise Bargaining Agreements.
- Negative depreciation variance of **(\$508,636)** due to asset revaluations undertaken during the year. As depreciation is a non cash entry there is no impact on the City's closing funds position.
- Savings in insurance premiums due to the City's good claims history.
- Various minor variances in Materials and Contracts.

Other Recreation & Sport

- Depreciation expense higher than budget due to asset revaluations undertaken during the year. As depreciation is a non cash entry there is no impact on the City's closing funds position.
- Underspends in employee costs due to staff vacancies.
- Savings in insurance premiums due to the City's good claims history
- Savings in operations overheads.
- Plant charges higher than budgeted.

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Streets, Roads, Bridges, Depot

- Materials and contracts non material variances in Engineering and Natural Areas and Parks across several maintenance programs.
- Positive variance for street lighting electricity costs.
- Depreciation expense higher than budget due to asset revaluations undertaken during the year. As depreciation is a non cash entry there is no impact on the City's closing funds position.

Building Control

- Employee cost variances in Swimming Pool Inspections due to staff vacancies.

Tourism and Area Promotion

- Expenditure relating to the South West Group, fully recouped as shown in the Operating Revenue section of this report.

Public Utility Services incl. Underground Power

- A negative budget variance of has resulted from the reclassification of underground power cash calls to be paid under this category. This is however, offset by a similar positive variance under program General Purpose Funding and sub program Rates expenditure.

Public Works Overheads

- Overspends in materials and contracts expenditure and internal cost allocations.

General Administrative Overheads

- Depreciation expense higher than budget due to asset revaluations undertaken during the year. As depreciation is a non cash entry there is no impact on the City's closing funds position.
- Savings in insurance premiums due to the City's good claims record.
- Positive and negative variances in materials and contracts across several service areas.
- Non cash entry to recognise the values of assets written off.

Business Unit Operations

- Savings in employee costs due to staff vacancies and secondments to other roles.
- Negative variance mainly in professional consultancy expenses in City Buildings.
- Negative variance on depreciation charged to IT equipment due to asset revaluations undertaken during the year. As depreciation is a non cash entry there is no impact on the City's closing funds position.
- Savings in insurance premiums due to the City's good claims record.

Capital Income

	2018-2019 Actual \$	2018-2019 Budget \$	Budget Variance \$
Non-operating grants, subsidies and contributions	4,143,782	4,963,126	(819,344)
Proceeds from disposal of assets	637,937	784,650	(146,713)

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Non-operating grants, subsidies and contributions

- Timing variances in relation grant income, the most significant being a grant of **(\$1,509,959)** not received for the proposed Shirley Strickland Reserve project. This amount has been included in the 2019-2020 budget.

Proceeds from disposal of assets

- Positive variance due to the unbudgeted sale of 7 Temby Court, Kardinya.
- Negative variances arising from the postponement of fleet asset disposals to the 2019-2020 financial year.

Capital Expenditure

	2018-2019 Actual \$	2018-2019 Budget \$	Budget Variance \$
Purchase of Property, Plant & Equipment	(8,184,543)	(15,866,990)	7,682,447
Purchase of Infrastructure Assets	(9,987,371)	(23,494,859)	13,507,488
Movement in Work in Progress	(7,193,078)	0	(7,193,078)

Purchase of Property, Plant & Equipment

- Positive variance due to delays in heavy vehicle purchases.
- Positive variance due to delays in light vehicle purchases.
- Land and Buildings
 - Positive variance due to project commencement delays for the Tompkins Park Redevelopment, and savings for the LeisureFit Melville/AH Bracks Library project.

Purchase of Infrastructure Assets

- Buildings
 - Underspends due to delays in the commencement of the New Library/Cultural Centre project.
- Environmental
 - Savings made in relation to the Foreshore Restoration Program.
- Foreshore Facilities
 - Savings of \$843,098 made in relation to the Deep Water Point and Point Walter Boat Ramp projects.
- Parks Streetscapes and Structures
 - Due to project commencement delays the Shirley Strickland Reserve upgrade was \$6,065,926 under budget.
- Paths
 - The Murdoch Drive Cycleway project was **(\$71,955)** over budget.
- Roads
 - Various over and under expenditures across several road maintenance projects.

Movement in Work in Progress

- Work in progress represents the transfer of capital projects that were not completed in 2018-2019 to work in progress, which will be completed in 2019-2020.
- The amount of \$7,193,078 represents the decrease in work in progress when compared to the 2017-2018 financial year.