

Statement of Variances in Excess of \$50,000 by Program and Sub Program Financial Year-To-Date Ending 31 December 2019

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

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 will be reviewed formally through the mid year budget review process which will come to Council for adoption in March 2020.

Operating Revenue

	YTD Revised Budget \$	YTD Actual \$	YTD Budget Variance \$	Annual Revised Budget \$
General Purpose Funding				
Rates	89,045,956	89,465,004	419,049	89,200,956
Other General Purpose Funding	3,637,560	3,862,257	224,697	8,082,694
Law, Order, Public Safety				
Animal Control	61,507	190,069	128,562	75,650
Community Amenities				
Town Planning and Regional Development	966,583	1,062,216	95,633	1,414,000
Recreation and Culture				
Other Recreation & Sport	1,450,129	1,521,497	71,367	2,763,968
Swimming Areas and Beaches	2,595,875	2,706,073	110,198	5,324,742
Transport				
Parking Facilities	620,000	672,971	52,971	1,040,000
Streets, Roads, Bridges, Depot	246,671	190,409	(56,263)	473,343
Economic Services				
Tourism and Area Promotion	0	193,616	193,616	0
Other Property and Services				
Unclassified	312,447	(89,946)	(402,393)	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 transfers of budgeted project funding to reserve accounts pending the review of several major projects.

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- Reserve Interest earnings are over budget as delays in the commencement of major capital works projects have resulted in higher than anticipated reserve balances.

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 for the Carawatha Development project reflects expenditure to be recouped for the 2018-2019 and 2019-2020 financial years.
- Land Information Certificate income higher due to activity levels being greater than expected.

Other Recreation and Sport

- Reserve ground hire income shows a positive variance for Len Shearer Reserve due to an administrative error. This will be corrected in January 2020.

Swimming Areas and Beaches

- Swim School term fees are \$114,971 ahead of budget due to timing variances.

Parking Facilities

- Fees and Charges income from parking facilities at Canning Bridge continues to be higher than budgeted. Parking fines income is also higher than anticipated

Streets, Roads, Bridges, Depot

- Street lighting subsidy will not be received until May 2020.
- Income from Tree Vandalism recoups is less 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.

Unclassified

- Net variance to budget on proceeds from asset disposals.

Operating Expenditure

	Ytd Revised Budget \$	Ytd Actual \$	Ytd Budget Variance \$	Annual Revised Budget \$
Governance				
Members of Council	(994,598)	(926,687)	67,910	(1,840,170)
Other Governance	(2,011,842)	(1,866,831)	145,011	(5,480,238)
Law, Order, Public Safety				
Other Public Order, Fire & Safety	(1,978,862)	(1,897,734)	81,128	(3,938,492)
Education & Welfare				
Care of Families & Children	(759,003)	(693,304)	65,699	(1,523,833)
Community Amenities				

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	Ytd Revised Budget \$	Ytd Actual \$	Ytd Budget Variance \$	Annual Revised Budget \$
Sanitation - Other	(5,249,022)	(4,268,961)	980,061	(7,322,588)
Sanitation – Household Refuse	(5,776,375)	(5,866,911)	(90,535)	(11,160,582)
Town Planning & Regional Development	(1,877,304)	(1,803,121)	74,183	(4,118,463)
Protection of Environment	(1,315,733)	(1,101,291)	214,442	(3,311,589)
Recreation and Culture				
Libraries	(2,760,950)	(2,659,080)	101,870	(5,432,914)
Swimming Areas and Beaches	(3,352,989)	(3,242,038)	110,951	(6,608,660)
Other Recreation & Sport	(10,344,111)	(9,689,542)	654,569	(20,533,032)
Transport				
Streets, Roads, Bridges, Depot	(8,785,789)	(8,507,804)	277,985	(18,490,881)
Economic Services				
Building Control	(955,698)	(887,438)	68,260	(1,925,188)
Tourism and Area Promotion	(74,958)	(277,916)	(202,958)	(229,550)
Other Property and Services				
Public Works Overheads	(772,892)	(632,159)	140,732	(1,092,364)
General Administration Overheads	(1,411,356)	(1,510,164)	(98,808)	(2,918,866)
Business Unit Operations	(4,242,472)	(4,063,914)	178,557	(8,599,262)

Members of Council

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

Other Governance

- Minor savings in employee costs in the Financial Services and CEO service areas.
- Savings in Materials and Contracts in the Organisation Development, CEO and City Buildings service areas.

Other Public Order, Fire & Safety

- Underspends in employee costs in the Community Security Service due to staff vacancies, staff taking extended leave, and underspends in respect of budgeted salary increments.

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 \$142,978 due mainly to reduced tonnages of waste collected, and timing variances in relation to internally charged expenditure.
- Recycling Collection Commercial is underspent by \$61,485 due to savings in employee costs and internally charged expenditure.

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- FOGO is underspent by \$898,779 due to savings in bin purchases and timing variances in year to date waste disposal costs. The expected savings via a lower disposal rate per tonne have not been realised, and budget amendments will need to be made in the upcoming Mid Year Budget Review to meet the expenditure requirement for the remainder of the financial year.
- Southern Metropolitan Regional Council negative timing variance of \$86,418 in respect of the annual members contribution made by the City.

Sanitation – Household Refuse

- Domestic Refuse collection is underspent by \$454,749 due to fleet operating costs being less than budget, and savings in employee costs due to a staff vacancy. Waste disposal costs to date are underspent due to the early roll out of the FOGO program, the costs of which are identified in the “Sanitation – Other” section of this report.
- Bulk Verge collection is overspent by \$48,520, mainly due to the collection of an additional 280 tonnes more than anticipated.
- Recycling collection is overspent by \$498,424 due mainly to significant overspends in recyclables processing fees. The rate per tonne has increased significantly since the budget was adopted, and budget amendments will need to be made in the upcoming Mid Year Budget Review to address this.

Town Planning & Regional Development

- Savings in employee costs due to staff vacancies has resulted in an underspend of \$132,494.
- Materials and contracts are overspent by \$76,539, 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 in materials and contracts.

Libraries

- Variance represented mainly by underspends in materials and contracts and electricity expense.

Swimming Areas and Beaches

- Employee Costs underspent by \$82,886 due to budget timing variances.
- Materials and Contracts underspent by \$83,161 due to budget timing variances.
- Utility charges over budget by \$53,657 due to budget timing variances.

Other Recreation & Sport

- Variances in contractors expenditure relating to parks and building maintenance represent a positive variance of \$149,974.
- Stores and materials budgets across all parks maintenance accounts are underspent by \$84,518.
- Utilities costs across the City are underspent by \$58,170.
- Employee cost timing variances, relating mainly to employee costs incurred in maintaining the City's many parks and reserves, resulting in a total overspend by \$98,232.
- Timing variances in relation to internally charged expenditure resulted in an underspend of \$357,079.

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Streets, Roads, Bridges, Depot

- Non material timing variances in materials and contracts expenditure in the Engineering and Natural Areas and Parks service areas, across maintenance programs.
- Street lighting electricity costs reflect a positive variance of \$108,771.

Tourism and Area Promotion

- Expenditure relating to the South West Group. This is largely offset by the revenue variance recorded under the same sub-program in this report.

Public Works Overheads

- Savings in Employee Costs in Engineering and Natural Areas and Parks.

General Administration Overheads

- Overspends in employee costs, mainly in the Customer Service team doing additional work for the FOGO waste program.
- Underspends in materials and contracts across the organisation.
- Timing variances relating to the allocation of some internal charges to service areas within the organisation.

Business Unit Operations

- Timing variances in employee costs in the administrative functions spread across the organisation and 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	277,650	176,564	(101,086)	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 disposal of heavy vehicles.

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Capital Expenditure

	Ytd Revised Budget \$	Ytd Actual \$	Ytd Budget Variance \$	Annual Revised Budget \$
Purchase of Furniture & Equipment	(586,613)	(303,704)	282,910	(2,381,441)
Purchase of Land & Buildings	(2,680,942)	(2,194,256)	486,686	(16,386,271)
Purchase of Infrastructure Assets	(6,573,544)	(5,208,329)	1,365,215	(29,755,354)

Purchase of Furniture & Equipment

- Various minor variances in the IT area
- CSRFF funding shows a positive variance of \$48,473 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 \$144,908 relating to the allocation of Artwork Developer Contributions.

Purchase of Land & Buildings

- 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.
- Tompkins Park Redevelopment project has a positive variance of \$70,886 due to a re-evaluation of the project.
- LeisureFit Booragoon – 50M Pool repairs have been delayed, resulting in a positive variance of \$70,404.
- Other minor variances across several projects.

Purchase of Infrastructure Assets

- Foreshore Facilities
 - The Jetty Renewal program has been delayed pending the issue of permits by the Department of Biodiversity, Conservation and Attractions to commence works. This program has a positive variance of \$96,863.
- Irrigation
 - In Field Irrigation program positive variance of \$130,106.
- Parks Streetscapes Structures
 - Park Structures Renewal program positive variance of \$58,767.
 - Urban Forest programs positive variance of \$61,664. This program will commence in April 2020.
- Playgrounds
 - Mount Henry Reserve seniors equipment, positive variance of \$49,192. Construction is expected to commence in June 2020.
- Roads
 - Minor variances across several road maintenance and paths projects, total positive variance of \$369,518.