

TOWN OF PORT HEDLAND
NOTES TO THE STATEMENT OF FINANCIAL ACTIVITY
For the Period Ended 31 October 2017

NOTE 13. EXPLANATION OF MATERIAL VARIANCES

Details and explanations of the material variances reflected on the Statement of Financial Activity are provided below as required by Local Government (Financial Management) Regulation 34(1) (d). ▲▼

Operating expenditure 10% or \$10,000 by Reporting Program

Income \$100,000 or 10% by Nature or Type

Capital expenditure \$10,000 or 10% by project

All other items \$10,000 or 10% by Nature or Type

Reporting Program	Variance	Variance	Var.	Timing/ Permanent	Explanation of Variance
Revenue from operating activities					
Operating grants, subsidies and contributions	355,427	24%	▲	Timing	Grant income received in advance for Local Road Grants; Grant income received in advance for 2017/2018 Advance Direct Grant
Fees and charges	(566,758)	(10)%	▼	Permanent	Animal Control and Airport parking fines are down due to an educational enforcement strategy, rather than a punitive (fine) approach being taken. The budget has been amended during the budget review process.
Interest earnings	(1,724,074)	(81)%	▼	Timing	Interest recognised upon maturity of investments has not been accrued; Investments have differing maturity dates therefore full amount of interest has not yet been recognised.
Other revenue	(197,403)	(44)%	▼	Timing	Variations due to the timing of invoices raised for reimbursements for utilities for staff housing, Wanagkura stadium, Len Taplin, GP Housing, Gratwick Aquatic Centre and SHAC.
Expenditure from operating activities					
Governance	202,197	19%	▼		Employee related expense less than expected due to vacancies in positions and re-structure (\$35K); October election expenses have not been billed by WA Electoral Commission to date (\$13K), this also requires budget to be altered to match expenditure timing; Other Materials & Contracts (\$52k); Other Expenditure under budget (Includes elected member allowances and training (\$81K)
Law, Order, Public Safety	255,636	35%	▼		Use of internal resources has reduced costs, salaries and wages under budget due to vacancies (\$36k); reduction in Finance Enforcement Registry costs due to Ranger educational approach to compliance; fire fighting expense likely to increase over hotter summer period; Other expenditure budgeted depends upon receiving grant funding (CCTV Maintenance -\$50K) and commencement of committee (Community Safety and Crime Prevention -\$10K)

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Health	148,613	19%	▼		Salaries and wages under budget due to vacancy in positions (\$57k), Materials & Contracts under budget but expected to be used heavily post cyclone season (\$8k); Plant overhead cost recoveries to be investigated (\$30k)
Community Amenities	366,012	17%	▼		Tyre management project to be spent in 3rd and 4th quarter (\$520K); Landfill internal disposal charges to be invoiced (\$133K); Town Planning projects to commence in new year (\$115K); Salaries & Wages less than budget (\$24k)
Transport	4,052,805	57%	▼		Employee related costs over budget as Salaries & Wages are yet to be journalled to capital projects \$135; Utilities under budget (\$56k) mainly due to staff relocation and number of staff employed; Depreciation on Road Infrastructure less than expected YTD (\$85k); Airport project expenditure not expected until later in financial year(\$3,610k); Plant overhead recoveries need to be investigated (\$182k); lease expense to be confirmed in negotiation(\$10); Landfill internal disposal charges requires investigation (\$36k)
Other Property and Services Operating activities excluded from budget	943,344	79%	▼		Plant overhead recoveries over budget \$461K to be investigated - allocations to b reviewed across the organisation (this is an internal charge and does not affect the bottom line); Employee related costs under budget (\$200K) due to re-structure and vacancies and timing of expense (LSL);
Adjust (Profit)/Loss on Disposal Investing activities	(170,486)	100%	▲	Timing	Additional blocks of land sold from the Kingsford Smith Business Park. Disposals have not been processed at the time of this report. To be amended in future reports.

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Grants, Subsidies and Contributions	(954,414)	(87)%	▼	Timing	Payments from grant providers are received quarterly or upon completion and or full acquittal of the project, therefore a timing difference occurs between expenses occurring and receipt of the grant income.
Proceeds from Disposal of Assets Land & Buildings	(129,514)	(43)%	▼	Timing	YTD budget reflects sale of KSBP lots to have occurred, however final receipt of proceeds it yet to be recognised. Contracts are in place with settlement to occur in the new year.
Building Renewal and Upgrade program	(292,812)	(100)%	▼	Timing	Work on this project will occur throughout the 2017/2018 financial year. Len Taplin wet area refurbishment completed, invoice received. Roof sheeting to Marie Marland Oval, work completed. PO raised for Courthouse Gallery Ablution addition, work not yet commenced, estimated completion October 2017. PO raised for LED lamps in Courthouse gallery, work completed.
Civic Centre: Asset Management Plan Critical Obligations and OHS	95,677	273%	▲	Timing	Project completed. Financials to be finalised through budget review due to carry forward funds not included in the original budget development.
Commercial Building Renewal Program	(237,492)	(81)%	▼	Timing	Work on this project will occur throughout the 2017/2018 financial year. PO raised for Aluminium stair nosing JD Hardie stadium floor, work completed, awaiting invoice. PO raised for upgrade to Wedge st Exeloo, work not yet commenced, estimated completion October 2017. PO raised for installation of light operation box for the hockey courts, work not yet commenced, estimated financial completion November 2017.
Council Records Storage	(19,160)	(96)%	▼	Timing	Active records to be located in Garage shed, next to civic centre. Long term storage to be located at Depot (NOT funded from this project).
Depot Office Building	(83,238)	(100)%	▼	Permanent	Return remaining funds back to Reserve. To request operational budget of \$30k to cover lease costs until June 2018.

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Faye Gladstone Netball Courts Clubroom Upgrade	(768,847)	(56)%	▼	Timing	Project in execution phase. Expected completion date in November 2017. Project is at planning and scoping stage. Will be ongoing through out the year
Housing Renewal Program	(66,777)	(58)%	▼	Timing	with completion expected June 2018
JD Hardie Expansion	(50,000)	(100)%	▼	Timing	Project to be defined in 3rd quarter.
Matt Dann Theatre & Cinema: Venue Improvement	43,436	74%	▲	Timing	Installation works proposed for mid to late December 2017. Project managers appointed to complete stakeholder engagement, scoping and master planning. Due Q1 2018.
Port Hedland Community Facilities (Turf club)	(33,332)	(100)%	▼	Timing	
South Hedland Aquatic Centre: Install accessibility toilets and change room	(38,837)	(90)%	▼	Timing	Additional grant funding sought from WALGA Changing Places Program. Grant funding acquittal process for 16/17 funding in progress to release the remaining funds for 17/18. Awaiting confirmation of funding and willingness to progress from Department of Housing to determine whether to proceed to design phase.
South Hedland Civic Facilities business and concept design	(133,332)	(100)%	▼	Timing	
South Hedland Sports Precinct	(98,587)	(74)%	▼	Timing	Tender is in market, due to December OCM.
Workshop upgrades	(19,429)	(97)%	▼	Timing	Project planning and scoping underway
Furniture & Equipment					
ICT Hardware and Renewal	(33,332)	(100)%	▼	Timing	Expenditure occurs as per Warranty expiry dates. Project therefore ongoing throughout 2017/18
ICT Software Landfill	13,882	139%	▲	Timing	Project completed. Financials to be finalised.
ITC Strategy & Outcomes	(33,332)	(100)%	▼	Timing	Project to commence in December.
Phase 2 Digital - Complete installation of ToPH digital radio system in vehicles and heavy equipment.	(14,772)	(100)%	▼	Timing	Waiting pending light fleet audit
Printer Replacement	(20,976)	(100)%	▼	Timing	PO issued - printers ordered - completed by December or early January
Plant & Equipment					

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Civic Centre HVAC System and Ducting Renewal Diesel Generators for Civic Centre, Depot, Landfill and Evacuation Centre	234,504	280%	▲	Timing	Project completed. Financials to be finalised.
Portable Lighting Towers	(60,000)	(100)%	▼	Permanent	Opting for leasing of diesel generators. Budget to be returned at budget review
	(6,664)	(100)%	▼	Timing	Project to commence in 2018.
South Hedland Water Treatment Plant	(103,733)	(86)%	▼	Timing	Construction complete. Project in Defects Liability phase. Financial completion to be completed by December
Infrastructure					
Carparks Renewal Program	(88,325)	(98)%	▼	Timing	Execution works proposed for 3rd quarter.
Community Chest Fund 2016: Tourism Signage	(27,332)	(100)%	▼	Timing	Works are being completed by Karratha - funds to be transferred.
Drainage Construction Wanangkura Stadium & Faye Gladstone Netball Courts	(132,627)	(97)%	▼	Timing	Designs works awarded. Estimated to take 3 months.
Drainage Renewal Program	48,515	49%	▼	Permanent	Request additional \$150k at budget review for the continuation of Drainage Renewal Program and installation of batter stabilisation products. Project planning and scoping underway. Propose commencement in 3rd/4th quarter.
Gratwick Aquatic Centre - Remedial Works	(100,000)	(100)%	▼	Timing	
Installation of a new store, storage bins, fencing and tank.	(190,031)	(95)%	▼	Timing	Fencing contract awarded.
Irrigation Inground renewal - Port Hedland	(15,000)	(100)%	▼	Timing	Project ready for award.
Irrigation Inground renewal - South Hedland	(29,704)	(81)%	▼	Timing	Project ready for award.
Kerbing Renewal Program	(33,332)	(100)%	▼	Timing	Execution of works in association with reseals works.
Line marking & Traffic Calming	(33,332)	(100)%	▼	Timing	Execution of works proposed for end of November/early December.
Marina boating facility location options investigation	(948,512)	(95)%	▼	Timing	Awaiting results of community consultation process and government response (due February 2018)
Marrapikarinya park handrail replacement	(21,174)	(99)%	▼	Timing	Project to be completed end of November 2017. Financials to be finalised.

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McGregor, Athol, Cooke Point Roundabout Rehabilitation	(38,917)	(71)%	▼	Permanent	Project closed out. Return remaining funds back to PHIA Long Term Lease Proceeds Reserve.
Pinga Street - Rehabilitation of Existing Pavement	(535,493)	(24)%	▼	Timing	Project completed. Financials to be finalised.
Pipingarra	(25,421)	(85)%	▼	Timing	Project to be scoped in line with WANDRRA works.
Port Hedland standpipe swipe card activation	(22,192)	(55)%	▼	Timing	Project completed. Financials to be finalised. First round reseals being executed. Second round works proposed for 4th quarter after cyclone season.
Sealed Roads Renewal Program	(317,925)	(89)%	▼	Timing	
South Hedland Aquatic Centre - Work to renew and upgrade to working condition	(130,846)	(79)%	▼	Timing	Project in execution and tracking. To be completed in January 2018.
Styles Road Roundabout	(11,332)	(100)%	▼	Permanent	Project closed out. Return remaining funds.
Unsealed Road Resheeting Program	(79,050)	(38)%	▼	Timing	Works currently being undertaken. Remaining works awaiting outcome of RFT.
Upgrades to staff welfare facilities - Landfill	240,312	81%	▲	Permanent	Project complete. Budget to be amended at budget review Budget correction required to match approved funding. Execution works to commence in December 2017.
WANDRRA project	(551,764)	(99)%	▼	Timing	
Yandeyarra	(15,000)	(100)%	▼	Timing	Project to be scoped in line with WANDRRA works.
Financing activities					Reserve transfers occur as projects are complete, and as such no projects have been completed that warrant a transfer. Large transfers such as Waste and Plant occur at year end.
Transfer from Reserves	(2,123,250)	(100)%	▼	Timing	
Repayment of Debentures	(432,176)	100%	▲	Timing	Budget profiling to be amended to reflect loan payment timing. Transfers for interest received occur half yearly when such interest is received from financial institutions is reconciled and audited, therefore no transfers for interest have yet occurred.
Transfer to Reserves	651,842	100%	▼	Timing	
Further Comments					
Note 2 - Net Current Assets					

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Reporting Program	Variance	Variance	Var.	Timing/ Permanent	Explanation of Variance
Note 3 - Capital					
Note 4 - Cash					
Note 5 - Receivables					
Note 6 - Payables					
Note 7 - Reserves					
Note 8 - Rates					
Note 9 - Borrowings					
Note 10 - Grants					
Note 11 - Budget Amendments					
Note 12 - Trust					