

**TOWN OF PORT HEDLAND**  
**NOTES TO THE STATEMENT OF FINANCIAL ACTIVITY**  
**For the Period Ended 30 September 2018**

**NOTE 12. 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). ▲▼

With regards to all other items excluding capital projects, a variance of 10% or \$50,000, whichever is greater, of the year to date budget, with Nature and Type as the level that requires explanation.  
 Expenditure classified as capital projects, a variance of 10% or \$10,000, whichever is greater, of the year to date budget.

Reporting Program	Variance \$	Variance %	Var. ▲▼	Timing/ Permanent	Explanation of Variance
<b>Revenue from operating activities</b>					
Rates	5,866,354	19%	▲		Interim rating post budget adoption resulted in an increase in revenue. To be adjusted at the mid-year budget review.
Operating grants, subsidies and contributions	308,334	49%	▲		Grants and contributions are received throughout the year. Budget profiling to be amended accordingly.
Fees and charges	2,987,312	113%	▲		Revenue in relation to waste collection is included on rates notices raised in September, reflecting the revenue for this area as above average for this time of year. This will balance as the year progresses. Budget profiling to be amended.
Interest earnings	(3,350,432)	-201%	▼		Interest earned on reserve accrual reversal showing here. This will be rectified as investments mature.
Other revenue	84,434	35%	▲		\$20k received for insurance reimbursements not budgeted. Overbudget variance in relation to Landfill internal recoup which have been charged across the organisation for internal use of the facility. Budget to be adjusted to correctly reflect the application of this internal charge at mid-year budget review. This is a nil impact to the closing surplus.
<b>Expenditure from operating activities</b>					
Employee costs	(731,562)	16%	▲		Labour overheads is currently overstated and is being reviewed. This will be amended for the October report.
Materials and contracts	2,653,670	-44%	▼		The under budget variance is mainly attributed to the expenditure for the Airport Project works to be completed as per the lease agreement. Budget profiling to be amended according to project timeframe.
Utility charges (electricity, gas, water etc.)	211,771	-31%	▼		Utilities are under budget due to the timing of billing for water and electricity accounts. Budget profiling to be amended accordingly.
Depreciation on non-current assets	3,564,870	-100%	▼		Depreciation is to be posted following the completion of the FY18 Annual Financial Statements in November.
Interest expense	240,400	-85%	▼		Interest expense payments are made in line with the borrowings schedule. Budget profiling to be amended accordingly.

Reporting Program	Variance	Variance	Var.	Timing/ Permanent	Explanation of Variance
Other expenditure	(186,700)	43%	▲		Overbudget variance in relation to Landfill internal charges which have been charged across the organisation for internal use of the facility. Budget to be adjusted to correctly reflect the application of this internal charge at mid-year budget review. This is a nil impact to the closing surplus.
<b>Investing activities</b>					
Proceeds from Disposal of Assets	(385,323)	-66%	▼		Proceeds will be received as sale of assets occur throughout the year.
<b>Infrastructure Projects</b>					
Bollard installation	(52,481)	-210%	▼		Works underway and project completion is at 80%. Draft 5 year strategy developed and currently being reviewed by ITS Director. Close out report required. This project is currently in the procurement phase. The responses are currently being reviewed and it is expected that a preferred Contractor identified by 12 November. It is expected that the project will commence in Q3.
South Hedland Landfill - Batters	54,999	100%	▲		
South Hedland Landfill - Fire suppression	15,000	100%	▲		This project is currently in the procurement phase. The RFQ will be posted to vendorpanel on the week commencing 6 November 2018. It is expected that the project will commence in Q3.
South Hedland Landfill - Transfer station	12,498	100%	▲		This project and its scope are still under discussion with the consultants engaged in the delivery of the conceptual design (Talis Consulting). It is expected that the project will seek to procure the services of an architect in Q3.
South Hedland Skate Park shade cover	99,999	100%	▲		RFF engaged (\$50k) to develop 3 concept designs to provide shade shelter to meet requirements of design elements and budget. Previous designs currently being utilised. Town is also in liaison with the construction contractors for the skate park.
Cassia Primary School footbridge	69,737	93%	▲		The RFT 2018-32 Replacement of Cassia Primary School Footbridges Port Hedland closed 02/11/18 (Vendor Panel). Evaluation panel to review submissions. Project Lead to liaise with Cassia Primary representative in regards to works once contract has been awarded. Geo report to be undertaken and an application for Building Permit - Uncertified BA2 to be completed by contractor.
Depot works	208,749	100%	▲		Depot Gate - Electrical Works completed. Remainder of scope of works to be red
Drainage Improvement Program	59,826	68%	▲		Drainage Improvement Program 18/19 will be covering the following items: Erosion control, headwall repairs, regrading of drainage and the reduction of vehicle access. RFQ for goods and services for erosion control products undertaken and completed. Draft 5 year strategy developed and currently being reviewed by ITS Director.
Intersection - Lukis & McGregor Streets	(128,756)	-452%	▼		Works are nearing completion. Asphalt works are scheduled to be undertaken in early November followed up with line marking works. Funding signages have already been erected. Project close out proposed for late November, early December. Once financials have been finalised, MRWA Completion Certificate for final 20% claim plus Blackspot Project Completion Report to be completed and processed by Project Support Officer.

Reporting Program	Variance	Variance	Var.	Timing/ Permanent	Explanation of Variance
Intersection – Murdoch Drive & Brolga Way	(53,175)	-304%	▼		Project completed and in close out phase. Completion Certificate for final 20% claim plus Blackspot Project Completion Report authorised by CEO and submitted to MRWA for processing.
Irrigation inground renewal	37,500	100%	▲		Scope and designs already completed. Current works are being undertaken in house with Sutherland Street nodes and Port Hedland Canine Club completed. Throssell Street roundabout to be undertaken late November. Proposing a portion of works to go out to contract.
Kerb and disability ramp improvements and renewal	37,500	100%	▲		The amount of \$100k will be allocated to Kerb works and \$50k to Ramp works. Project to be executed in quarter 3 and 4 subject to the award of Concrete Placement RFT. Project completion in line with requirements with Asphalt program. Currently at 35% project completion.
Marapikurrinya drainage and open area development	49,998	100%	▲		Project in development phase. Drawings to be undertaken in house. Procurement Plan to be completed. RFT to be drafted. Works proposed to commence in Q3.
Marquee Park pump replacement and repair	16,490	23%	▲		Rectification works for air compressor to be completed by week ending 09/11/18 with handover to Development, Sustainability & Lifestyle (Facilities) proposed for week commencing 12/11/18. Project sitting at 96% complete.
McGregor st Irrigation tank Replacement stage 1	62,499	100%	▲		Procurement Plan completed and approved. RFT currently in internal review prior to ITS Director review by week ending 09/11/18.
Playground softfall renewal program	18,750	100%	▲		In accordance with AS4422:2016 Playground Surfacing, Specifications, Requirements and Test Method, an independent inspection and report on 17 of the Towns playground softfall surfaces to be undertaken late November 2018. This will provide condition and renewal requirements as well as setting a foundation for a 5 year replacement program.
Playground renewal program	87,498	100%	▲		RFT evaluated and currently with Procurement team for award of contract. There is a 14 week lead time on the major interactive element of the park. Delivery to be completed by late February, early March 2019.
Port Hedland boat ramp sandblast and repaint	32,499	100%	▲		Scope in currently being developed. Pilbara Port Authority has been engaged to assist with the scope and requirements for the proposed works and costings to be incorporated into the RFT. Budget may require amendment or a staged approach.
Road Renewal Program - Cajarina Road	49,589	99%	▲		Design to be completed in house. Design is to be similar to the intersection of Steel Loop and Cajarina Road with additional bollarding around Horizon Substation. Bollard protection to be funded by Horizon. Timelines to be refined.
Road Renewal Program - Redbank Road	25,730	98%	▲		Road Safety Audit to be undertaken at Redbank Road. Design to be undertaken in house.
Road Renewal Program - Shoata Road	242,321	100%	▲		Procurement Plan plus briefing note to be completed and tabled at ELT on 19/11/18. To confirm advertising requirements with Procurement. RFT to be finalised by 07/12/18 for release on Vendor Panel 12/12/2018 with a closing date 23/01/19. Evaluation meeting scheduled for 06/02/19. Request for Special Council Meeting for award of tender 27/02/19.

Reporting Program	Variance	Variance	Var.	Timing/ Permanent	Explanation of Variance
Road Renewal Program - Yandeyarra Road	54,641	98%	▲		(18/19 Yandeyarra Road funding combined) Works in Delivery phase with full mobilisation of equipment and operators. Demolition works and detours have been completed and community has been advised of the works. Concrete works completed. Civil roadworks at 50% completion. Project on track for completion in week ending 18/11/18 with 12% of budget in reserve.
Shade structures	(76,307)	-198%	▼		Finalisation of all park furniture to Sutherland Street Beach Access Shelters and Spoilbank Shelters. Furniture being ordered and will be install mid December.
South Hedland Landfill - Asphalting	24,999	100%	▲		This project is being delivered as part of the ongoing Asphalt program for the Town. The Project team have advised that the delivery of the works at the landfill has been scheduled to early April at the conclusion of Cyclone season.
South Hedland Landfill - Fencing	34,998	100%	▲		This Tender has been awarded to Fencewright Pty. The contract was issued on 24 October 2018. Preparation works is ongoing in anticipation of the fencing installation which will commence 12 November 2018 and conclude in early Q3.
South Hedland Landfill - Road Resheeting	12,498	100%	▲		This project is yet to commence. A scope of works will be developed when the cyclone season has concluded and the scale of repairs can be judged. This project will not commence until early Q4.
WANDRRA project	(80,410)	-322%	▼		The WANDRRA works are completed. Pro Earth Civil (PEC) are currently collating and finalising the final recoup. Initial recoup amounted to \$524,677.35. Second recoup amounted to \$373,153.33 and is with MRWA for review.
Waste - Public place bin enclosures renewal project	30,000	100%	▲		Ongoing research is being conducted into various bin specifications suitable for the Pilbara environment. A selection of options will be presented to ELT for discussion prior to the procurement process commencing. The plan is to enter into a supply agreement with a suitable supplier over the next 4 years for the supply of upto 240 waste and recycling bin housings. The initial procurement and supply process is expected to be concluded at the end of Q3.
Intersection – Murdoch Drive & Masters Way	(61,132)	-301%	▼		Project completed and in close out phase. Completion Certificate for final 20% claim plus Blackspot Project Completion Report authorised by CEO and submitted to MRWA for processing.
Local Area Traffic Management	49,998	100%	▲		Procurement Plan plus draft RFT currently being finalised for review by Director by week ending 09/11/18. Delivery proposed for Q2 with 3 weeks of work.
Road Reseals Program	262,500	100%	▲		Program split into 2 packages. First package to be undertaken in October/November 2018 with the second package scheduled for Q4. Delivery of first package is currently underway and at 15% completion.
South Hedland Main street- Throssel Road Verge Upgrade	62,499	100%	▲		Scope in development stage. Procurement to be drafted. RFT to be release in Q3.
Sutherland street beach access improvement	15,000	100%	▲		Project completion is currently at 50%. Reformed access ramps and installation of erosion control to access points along Sutherland Street. Awaiting more products to continue with works. Project completion in Q3.
Traffic Calming- Sutherland Street	27,062	94%	▲		Project to be executed in quarter 3 and 4 subject to the award of Concrete Placement RFT.

Reporting Program	Variance	Variance	Var.	Timing/ Permanent	Explanation of Variance
Yandeyarra Formation Improvements	19,998	100%	▲		(18/19 Yandeyarra Road funding combined) Works in Delivery phase with full mobilisation of equipment and operators. Demolition works and detours have been completed and community has been advised of the works. Concrete works completed. Civil roadworks at 50% completion. Project on track for completion in week ending 18/11/18 with 12% of budget in reserve.
<b>Land &amp; Buildings</b>					
Staff housing construction	12,498	100%	▲		Review of scope requirements. Waiting for respondent to panel RFT for appropriate resources to assist with this scope development.
Civic Centre and Gratwick Hall refurbishment	172,224	100%	▲		RFT 2018-21 Port Hedland Civic Centre Upgrades awarded to TEC Services at October OCM. BA1 Building Permit approved 31/10/18. Kick off meeting scheduled 6/11/18. Commencement of project 14/11/18.
Commercial building renewal program	56,434	52%	▲		RFT 2018-16 - Roof replacement for Andrew McLaughlin Community Centre and Port Hedland Visitor's Centre to commence 8/11/18 and be completed 14/11/18. RFT 2018-19 was released but due to budget restraints has been pulled back and scope amended. Plan release is 15/11/18 for works to be awarded prior to Christmas. Contract commencement due 15/02/19. Review of budget in Q3 for final works that can be completed against budget and budgeted items. Project at 75% in Tenders & Contracts phase.
Housing renewal program	41,454	60%	▲		1. RFT for Wet Area Renewals - Works near 85% completed which is the majority of this project account. 14 Goode Street complete - new additional bathroom installed and upgrade to current bathroom. 57A Lukis Street bathroom and laundry upgrade complete. 1 Leake Street undergoing final works 2. Fence Renewal Leake Street - RFQ has been awarded 6/11/18. 3. Painting of 3/13 Wangara and 2/13 Wangara due to be completed week ending 16/11/18. 4. Full repaint of 4/52 Morgans complete. 5. External paint of fascia's and support beams at 14 Koolama complete. Review of budget in Q3 for final works that can be completed against budget and budgeted items. Project at 75% in Delivery phase.
JD Hardie expansion	35,958	100%	▲		Grant application under the Building Better Regions funds currently being prepare to be submitted in November.
Marapikurrinya Toilet re-vamp	37,500	100%	▲		RFT plan for release 15/11/18 with scope to be finalised by 7/11/18. Contract planned to commence 1/2/19. Project at 85% in Planning & Design phase.
Port Hedland Community Facilities (Turf club)	23,460	100%	▲		Architects have attended site meetings and are in initial stages of masterplan development. Community consultation to commence in December.
South Hedland Sports Precinct	91,249	100%	▲		Architects have attended site meetings and are in initial stages of masterplan development. Community consultation to commence in December.
<b>Furniture &amp; Equipment</b>					
CCTV - Safer Communities - CCTV network expansion	102,912	100%	▲		Procurement Plan completed and approved. Scope development underway with assistance from Avantgarde Technologies. Finalisation of RFT prior to end of December 2018.
Library software	22,500	100%	▲		Currently in finalisation of tender.
CCTV hardware refresh	62,499	100%	▲		To commence in 2019.
Firewalls refresh	18,750	100%	▲		To commence in 2019.

Reporting Program	Variance	Variance	Var.	Timing/ Permanent	Explanation of Variance
ICT Hardware and Renewal including windows 10 upgrade	14,524	73%	▲		Windows 10 upgrade to be rolled out by December.
Telecommunications renewal & upgrade project	124,998	100%	▲		Being investigated to ensure best solution is provided for the Town.
CCTV - Marquee Park federation into Town's CCTV network	15,000	100%	▲		Scoping and internal design drawings underway. Project to align with Safer Communities - CCTV Network Expansion works.
Desktop phone system	38,748	100%	▲		Project currently under review.
Server room refresh / Microwave link upgrade	62,499	100%	▲		Project currently under review.
<b>Plant &amp; Equipment</b>					
Large Plant Replacement program	99,999	100%	▲		Acquisition of plant items underway. Purchases for all large plant items for FY18/19 to be finalised by December 2018
Light Fleet Replacement Program	236,499	100%	▲		Procurement plan for light vehicles currently being reviewed. Purchases likely to commence from February 2019.
Phase 2 Digital Radio System	11,079	100%	▲		Project expected to commence in January. Budget profiling to be amended.
<b>Financing activities</b>					
Proceeds from self supporting loans	3,539	21%	▲		Proceeds on track. Profiling to be amended in line with loan repayment schedules.
<b>Further Comments</b>					
Note 2 - Net Current Assets					
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					