

**Statement of Variances in Excess of \$100,000 by Nature and Type**  
**Financial Year-To-Date ending 31 May 2022**

This report provides commentary on the year to date variances identified in attachment 6002C – Rate Setting Statement by Nature and Type, for the period ended 31 May 2022.

In accordance with Regulation 34(5) of the Local Government (Financial Management) Regulations 1996, a local government is required each financial year, to adopt a percentage or value to be used in statements of financial activity for the reporting of material variances. The City's Accounting Policy CP-025, indicates that this will occur each year when adopting the annual budget. When adopting the 2021-2022 Annual Budget, a level of 10% or \$100,000 (whichever is the greater) was adopted for the reporting of material variances for the 2021-2022 financial year. Variances less than 10% or \$100,000 are not considered material and are not detailed in this report.

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 nature and type variance.

#### Operating Revenue

	YTD Budget \$	YTD Actual \$	YTD Budget Variance \$	Annual Revised Budget \$
Rates	91,758,691	92,115,345	356,654	91,775,357
Grants and Contributions	2,302,404	5,261,571	2,959,167	3,918,383
Fees and Charges	14,933,324	15,677,800	744,476	15,873,332
Other Revenue	2,411,239	1,912,621	(498,618)	2,479,972

Rates income shows a positive variance of \$356,654, represented by interim rate adjustments processed on various residential improved properties.

Grants and Contributions income shows a positive variance of \$2,959,167. This is represented by advanced payments of the 2022-2023 Financial Assistance Grant (Roads) of \$1,000,859 and the 2022-2023 Financial Assistance Grant (General) of \$1,813,224. A subsidy payment of \$113,769 was received from the Main Roads Department to contribute to the City's street lighting running costs. The remaining net positive variance of \$31,315 is made up of minor positive and negative variances.

Fees and Charges income shows a positive variance of \$744,476, due to the combined impact of higher than expected;

- Parking related fees and infringements (\$106,136),
- Building and Environmental Health Fees (\$81,355)
- Planning Fees (\$100,434),
- LeisureFit Fees (\$128,990),
- Reserve Ground hire fees (\$152,565) and
- Other non-material positive and negative amounts totaling \$174,996.

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**Operating Revenue (cont.)**

Other Revenue shows a net negative variance of \$498,618. A negative variance of \$728,778 in expected income from asset sales relates to delays in the disposal of fleet assets. A further negative variance of \$285,934 relates to the net book value of assets sold to date. These amounts are reversed separately in the rate setting statement and do not impact the City's financial position. These negative variances are partially offset by a positive variance of \$358,547 relating to the recoup of expenditure incurred on behalf of the South West Group. Other minor variances, made up mainly of expenditure recoup items, resulting in a net positive variance of \$157,547.

**Operating Expenditure**

	<b>YTD Budget \$</b>	<b>YTD Actual \$</b>	<b>YTD Budget Variance \$</b>	<b>Annual Revised Budget \$</b>
Employee Costs	(48,279,155)	(47,473,566)	805,589	(53,461,097)
Materials and Contracts	(30,354,358)	(27,522,158)	2,832,200	(35,547,401)
Other Expenditure	(2,708,859)	(3,037,286)	(328,427)	(3,626,307)

Employee Costs show a positive variance of \$805,589.

- Natural Areas and Parks shows a positive variance of \$262,110 relating to various staff vacancies.
- Building and Environmental Health Services shows a positive variance of \$293,003 relating mainly to staff vacancies.
- Resource Recovery and Waste shows a positive variance of \$170,092 due to staff vacancies.
- Chief Executive Officer shows a negative variance of \$169,044 relating mostly to expenditure of \$255,570 related to work undertaken for the South West Group. This expenditure is offset in the City's operating revenue accounts when recouped. The remaining net positive variance of \$86,526 is made up of minor positive and negative variances.
- Engineering shows a negative variance of \$100,934 relating mainly to labour hire costs incurred to employ an additional project manager.
- Other service areas show a net positive variance of \$350,363 made up of minor amounts.

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**Operating Expenditure (cont.)**

Materials and Contracts show a positive variance of \$2,832,200.

- Resource Recovery and Waste have a positive variance of \$977,645 relating mainly to underspends in waste recycling processing fees of \$390,011, and underspends in FOGO related stores and materials expenditure of \$419,017. The balance is made up of minor positive and negative variances amounting to a net positive variance of \$168,617.
- Natural Areas and Parks have a positive variance of \$528,870 relating by minor variances on contractors budgets across the City's various parks and reserves.
- Engineering has a positive variance of \$385,926 represented by variances on professional consultancies relating to asset condition surveys, and other minor variances across various maintenance programs.
- Healthy Melville has a positive variance of \$205,337 represented by variances related to Active Reserve Concept Plans (\$57,005), maintenance budgets at the City's LeisureFit facilities (\$128,185), and other minor variances amounting to \$20,147.
- City Buildings has a positive variance of \$195,986 represented by various positive and negative variances across the City's building maintenance budgets.
- Neighbourhood Development has a positive variance of \$119,606 relating to minor variances across the City's various community activities.
- Strategic Urban Planning has a positive variance of \$116,695 due mainly to underspends in professional consultancies relating to planning scheme reviews.
- Other service areas show a net positive variance of \$302,136 made up of various minor amounts.

Other Expenditure shows a net negative variance of \$328,427 represented by a positive variance of \$102,650 in Donations/Contributions/Sponsorships underspends, offset by a net negative variance of \$431,078 made up of positive and negative variances in fleet operating costs, and internally charged expenditure.

**Capital Income**

	<b>YTD Budget \$</b>	<b>YTD Actual \$</b>	<b>YTD Budget Variance \$</b>	<b>Annual Revised Budget \$</b>
Non-operating grants, subsidies and contributions	2,365,675	2,550,734	185,059	6,634,473
Proceeds from Disposal of Assets	1,096,240	367,462	<b>(728,778)</b>	1,977,410

Non-operating grants, subsidies and contributions

Grant income received over budget relates to the Safe Active Street Ardross (\$335,082) and Links Road (\$202,364) projects, offset by the reversal of accrued 2020-2021 grant income relating to Playground and Park Improvement projects and other minor variances, resulting in a net positive variance of \$185,059.

Proceeds from Disposal of Assets

A negative variance of \$630,324 exists due to timing variances in relation to the sale of vehicles, and various items of plant. This has arisen because supply chain issues have delayed the delivery of new vehicles and plant, in turn delaying the sale of existing assets.

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**Capital Expenditure**

	<b>YTD Budget \$</b>	<b>YTD Actual \$</b>	<b>YTD Budget Variance \$</b>	<b>Annual Revised Budget \$</b>
Purchase of Plant and Equipment	(5,751,998)	(3,041,101)	2,710,897	(7,944,753)
Purchase of Land and Buildings	(7,048,573)	(6,566,840)	481,733	(21,149,642)
Purchase of Infrastructure Assets	(24,264,824)	(23,313,768)	951,056	(40,859,612)

Purchase of Plant and Equipment

Positive variance of \$2,710,897

- Positive variance of \$2,427,011 exists in relation to the purchase of heavy vehicles because delivery has been delayed due to supply chain issues.
- Positive variance of \$203,319 exists in relation to the purchase of light vehicles because delivery has been delayed due to supply chain issues.
- Net positive variance of \$80,568 made up of minor positive and negative amounts.

Purchase of Land and Buildings

Minor positive and negative variances across several projects amounting to a net positive variance of \$481,733.

Purchase of Infrastructure Assets

- Roads - \$460,572 positive variance.
  - Engineering Design – WIP – positive variance of \$150,000 due to timing variances.
  - Net positive variance of \$310,572 made up of minor positive and negative amounts.
- Paths - \$148,682 net positive variance made up of minor positive and negative amounts.
- Park Streetscapes Structures - \$158,213 net positive variance made up of minor positive and negative amounts.
- Irrigation - \$62,151 net positive variance made up of minor positive and negative amounts.
- Drainage - \$49,386 net positive variance made up of minor positive and negative amounts.
- Lighting - \$47,866 net positive variance made up of minor positive and negative amounts.
- Foreshore Facilities - \$25,609 positive variance made up of minor positive and negative amounts.
- Environmental - \$6,611 positive variance made up of minor positive and negative amounts.
- Playgrounds - \$8,035 net negative variance made up of minor positive and negative amounts.