

Statement of Variances in Excess of \$100,000 by Nature and Type
Financial Year-To-Date ending 31 December 2021

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 December 2021.

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.

It should be noted that the Mid Year Budget Review is underway at the time of preparation of this report. The review will address many of the variances detailed below, and will be presented to Council upon completion.

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	91,675,357	92,058,205	382,848	91,775,357
Fees and Charges	9,001,432	9,945,297	943,865	14,423,761
Interest Earnings	1,040,207	748,044	(292,163)	1,834,750

Rates income shows a positive variance of \$382,848. This increase is mainly due to the impact of interim rate adjustments processed on various residential improved properties since the preparation of the 2021-2022 annual budget. These adjustments are subsequently reflected in the value of the rates raised in 2021-2022.

Fees and Charges income shows a positive variance of \$943,865, due to the combined impact of higher than expected Parking related fees and infringements (\$123,237), Building and Planning Fees (\$285,180), LeisureFit Fees (\$406,923), Animal registration Fees (\$71,468), and other non-material positive and negative amounts totaling \$57,057.

Interest Earnings shows a total negative variance of \$292,163. Of this, investment interest earned on reserve funds shows a negative variance of \$229,210, and interest earned on municipal funds has a negative variance of \$44,128, both due to the market interest rate being lower than expected. The remaining net negative variance of \$18,825 is made up of minor positive and negative amounts relating to instalment and late payment interest on rate accounts.

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Operating Expenditure

	YTD Budget \$	YTD Actual \$	YTD Budget Variance \$	Annual Revised Budget \$
Employee Costs	(25,525,579)	(25,713,204)	(187,625)	(52,703,582)
Materials and Contracts	(17,281,269)	(15,834,966)	1,446,303	(35,535,182)
Other Expenditure	(1,809,859)	(2,141,797)	(331,938)	(6,470,477)

Employee Costs show a negative variance of \$187,625.

- Natural Areas and Parks shows a positive variance of \$129,311 relating mainly to vacancies in the City's Environmental teams.
- Information Technology shows a negative variance of \$101,509 relating to a combination of labour hire timing variances, and additional project work undertaken.
- Healthy Melville shows a negative variance of \$122,271 relating to minor timing variances across various recreation programs.
- Library Services shows a negative variance of \$141,414 relating mostly to additional casual hours worked.
- Chief Executive Officer shows a negative variance of \$170,723 relating mostly to expenditure of \$139,386 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 negative variance of \$31,337 is made up of various minor positive and negative variances, including the payment of accrued annual and long service leave amounts upon the resignation of a staff member in Legal Services.
- Other service areas show a net positive variance of \$218,981 made up of various minor amounts.

Materials and Contracts show a positive variance of \$1,446,303.

- Natural Areas and Parks have a positive variance of \$536,388 relating mainly to minor timing variances on contractors and stores and materials budgets across the City's various parks and reserves.
- Resource Recovery and Waste have a positive variance of \$264,371 relating mainly to savings in waste recycling processing fees and timing variances related to stores and materials in the FOGO program..
- Neighbourhood Development has a positive variance of \$152,534 relating to minor timing variances across the City's various community activities.
- Healthy Melville has a positive variance of \$173,807 relating mostly to timing variances related to Active Reserve Concept Plans and Leisure Planning (\$81,615), timing variances on maintenance budgets at the City's LeisureFit facilities (\$79,015), and other minor variances amounting to \$13,177.
- Strategic Urban Planning has a negative variance of \$183,407 relating mostly to contract payments made as part of the Carawatha Development Project.
- Other service areas show a net positive variance of \$502,610 made up of various minor amounts.

Other Expenditure shows a negative variance of \$331,938 made up mainly of underspends in fleet operating costs, and positive and negative variances in internally charged expenditure.

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Capital Expenditure

	YTD Budget \$	YTD Actual \$	YTD Budget Variance \$	Annual Revised Budget \$
Purchase of Land and Buildings	(3,977,521)	(3,542,969)	434,552	(19,974,460)
Purchase of Infrastructure Assets	(11,494,123)	(10,603,659)	890,464	(43,278,910)

Purchase of Land and Buildings

- Minor positive and negative variances across several projects amounting to a net positive variance of \$434,552.

Purchase of Infrastructure Assets

The following infrastructure asset categories have net positive variances made up of various minor positive and negative amounts.

- Park Streetscapes Structures - \$183,114
- Roads - \$340,631
 - Dunkley Avenue implementation – Stage 2 –positive variance of \$122,514 due mainly to delays in the commencement of the project.
 - Net positive variance of \$218,117 made up of various minor positive and negative amounts.
- Drainage - \$84,727
- Paths - \$148,087
- Lighting - \$31,052
- Irrigation - \$59,046
- Foreshore Facilities - \$15,615
- Playgrounds - \$25,273
- Environmental - \$2,918