

Statement of Variances in Excess of \$100,000 by Nature and Type
Financial Year-To-Date ending 31 March 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 March 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	91,725,357	92,081,847	356,491	91,775,357
Fees and Charges	12,841,544	13,506,844	665,300	15,873,332
Other Revenue	2,073,251	1,594,923	(478,328)	2,479,972

Rates income shows a positive variance of \$356,491, represented by interim rate adjustments processed on various residential improved properties.

Fees and Charges income shows a positive variance of \$665,300, due to the combined impact of higher than expected Parking related fees and infringements (\$95,820), Building and Planning Fees (\$258,396), LeisureFit Fees (\$167,556), and other non-material positive and negative amounts totaling \$143,528.

Other Revenue shows a net negative variance of \$478,328. A negative variance of \$627,541 in expected income from asset sales represents relates to delays in the disposal of fleet assets. A further negative variance of \$221,594 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 \$281,696 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 \$89,112.

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Operating Expenditure

	YTD Budget \$	YTD Actual \$	YTD Budget Variance \$	Annual Revised Budget \$
Employee Costs	(40,029,850)	(39,332,306)	697,544	(53,490,819)
Materials and Contracts	(24,869,803)	(22,879,408)	1,990,395	(35,942,555)
Other Expenditure	(2,469,422)	(2,359,133)	110,289	(3,580,814)

Employee Costs show a positive variance of \$697,544.

- Building and Environmental Health Services shows a positive variance of \$238,985 relating mainly to staff vacancies.
- Natural Areas and Parks shows a positive variance of \$224,461 relating to various staff vacancies.
- Healthy Melville shows a positive variance of \$159,803 relating to minor timing variances across various recreation programs.
- Resource Recovery and Waste shows a positive variance of \$142,664 due to staff vacancies.
- Chief Executive Officer shows a negative variance of \$150,939 relating mostly to expenditure of \$212,851 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 \$61,912 is made up of minor positive and negative variances.
- Engineering shows a negative variance of \$131,975 due mainly to labour hire expenses incurred for project management services.
- Other service areas show a net positive variance of \$214,545 made up of minor amounts.

Materials and Contracts show a positive variance of \$1,990,395.

- Natural Areas and Parks have a positive variance of \$483,547 relating mainly Street tree pruning and maintenance, and minor timing variances on contractors budgets across the City's various parks and reserves.
- Engineering has a positive variance of \$381,482 represented by timing variances on professional consultancies relating to asset condition surveys, and other minor variances across various maintenance programs.
- Resource Recovery and Waste have a positive variance of \$334,135 relating mainly to underspends in waste recycling processing fees of \$262,750, underspends in FOGO related stores and Materials expenditure of \$137,554, offset by a negative variance in waste disposal costs across all of the City's refuse collection programs amounting to \$109,131. The balance is made up of minor positive and negative variances amounting to a net positive variance of \$42,962.
- Healthy Melville has a positive variance of \$191,917 relating mostly to timing variances related to Active Reserve Concept Plans (\$60,300), timing variances on maintenance budgets at the City's LeisureFit facilities (\$104,387), and other minor variances amounting to \$27,230.
- City Buildings has a positive variance of \$145,871 represented by various positive and negative variances across the City's building maintenance budgets.
- Neighbourhood Development has a positive variance of \$133,491 relating to minor timing variances across the City's various community activities.
- Other service areas show a net positive variance of \$319,952 made up of various minor amounts.

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Operating Expenditure (cont.)

Other Expenditure shows a negative variance of \$110,289 mainly made up of fleet operating costs, and positive and negative variances in internally charged expenditure.

Capital Expenditure

	YTD Budget \$	YTD Actual \$	YTD Budget Variance \$	Annual Revised Budget \$
Non-operating grants, subsidies and contributions	2,208,832	2,480,734	271,902	6,584,473
Proceeds from Disposal of Assets	906,347	278,806	(627,541)	1,977,410
Purchase of Furniture and Equipment	(1,220,835)	(1,092,199)	128,635	(3,644,292)
Purchase of Land and Buildings	(5,909,157)	(5,500,400)	408,757	(20,920,227)
Purchase of Infrastructure Assets	(18,251,264)	(17,677,654)	573,610	(43,000,922)

Non-operating grants, subsidies and contributions

Grant income received over budget relate to the Safe Active Street Ardross (\$265,082) 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 \$195,544.

Proceeds from Disposal of Assets

A negative variance of \$627,541 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.

Purchase of Furniture and Equipment

- Minor positive and negative variances related mostly to delays in the procurement of various assets, amounting to a net positive variance of \$128,635.

Purchase of Land and Buildings

- Minor positive and negative variances across several projects amounting to a net positive variance of \$408,757.

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Capital Expenditure (cont.)

Purchase of Infrastructure Assets

- Paths - \$193,154 positive variance made up of minor positive and negative amounts.
- Roads - \$182,947 positive variance.
 - Engineering Design – WIP – positive variance of \$120,000 due to timing variances.
 - Net positive variance of \$62,947 made up of minor positive and negative amounts.
- Park Streetscapes Structures - \$101,001 positive variance made up of minor positive and negative amounts.
- Irrigation - \$55,767 positive variance made up of minor positive and negative amounts.
- Lighting - \$49,028 positive variance made up of minor positive and negative amounts.
- Playgrounds - \$22,392 positive variance made up of minor positive and negative amounts.
- Foreshore Facilities - \$11,356 positive variance made up of minor positive and negative amounts.
- Environmental - \$7,931 positive variance made up of minor positive and negative amounts.
- Drainage - \$49,967 negative variance.
 - Gully Infiltration Systems project shows a negative variance of \$139,930.
 - Net positive variance of \$89,963 made up of minor positive and negative amounts.