

**Statement of Variances in Excess of \$100,000 by Nature and Type
Financial Year-To-Date ending 28 February 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 28 February 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	91,708,690	92,063,627	354,936	91,775,357
Fees and Charges	11,782,024	12,197,907	415,883	15,873,332
Other Revenue	2,003,905	1,392,583	(611,322)	2,479,972

Rates income shows a positive variance of \$354,936, represented by interim rate adjustments processed on various residential improved properties.

Fees and Charges income shows a positive variance of \$415,883, due to the combined impact of higher than expected Parking related fees and infringements (\$67,423), Building and Planning Fees (\$104,200), LeisureFit Fees (\$181,056), and other non-material positive and negative amounts totaling \$63,205.

Other Revenue shows a net negative variance of \$611,322. A positive variance of \$257,974 relates to the recoup of expenditure incurred on behalf of the South West Group. This is offset by negative variances relating to the disposal of assets. These amounts are non cash items, and as such they are reversed separately in the rate setting statement and do not impact the City's financial position.

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Operating Expenditure

	YTD Budget \$	YTD Actual \$	YTD Budget Variance \$	Annual Revised Budget \$
Employee Costs	(34,358,328)	(33,441,197)	917,130	(53,490,819)
Materials and Contracts	(22,000,999)	(20,348,604)	1,652,395	(35,958,565)
Utilities	(2,716,670)	(2,612,241)	104,428	(4,091,434)
Other Expenditure	(2,221,425)	(2,584,517)	(363,092)	(6,580,814)

Employee Costs show a positive variance of \$917,130.

- Healthy Melville shows a positive variance of \$377,261 relating to minor timing variances across various recreation programs.
- Natural Areas and Parks shows a positive variance of \$180,349 relating to various staff vacancies.
- Building and Environmental Services shows a positive variance of \$177,405 relating mainly to staff vacancies.
- Resource Recovery and Waste shows a positive variance of \$113,489 due to staff vacancies.
- Chief Executive Officer shows a negative variance of \$117,183 relating mostly to expenditure of \$179,092 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 \$61,909 is made up of minor positive and negative variances.
- Other service areas show a net positive variance of \$185,809 made up of minor amounts.

Materials and Contracts show a positive variance of \$1,652,395.

- Resource Recovery and Waste have a positive variance of \$400,434 relating mainly to underspends in waste recycling processing fees of \$208,361, underspends in FOGO related stores and Materials expenditure of \$235,888, offset by a negative variance in waste disposal costs of across all of the City's refuse collection programs amounting to \$134,411. The balance is made of minor positive and negative variances amounting to a net positive variance of \$90,595.
- Engineering has a positive variance of \$230,803 represented by timing variances on professional consultancies relating to asset condition surveys, and other minor variances across various maintenance programs.
- Natural Areas and Parks have a positive variance of \$221,289 relating mainly to minor timing variances on contractors budgets across the City's various parks and reserves.
- Healthy Melville has a positive variance of \$210,481 relating mostly to timing variances related to Active Reserve Concept Plans (\$60,300), timing variances on maintenance budgets at the City's LeisureFit facilities (\$115,494), and other minor variances amounting to \$34,688.
- City Buildings has a positive variance of \$125,417 represented by various positive and negative variances across the City's building maintenance budgets.
- Neighbourhood Development has a positive variance of \$112,641 relating to minor timing variances across the City's various community activities.
- Other service areas show a net positive variance of \$351,329 made up of various minor amounts.

Utilities shows a positive variance of \$104,428 made up of minor positive and negative variances.

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Operating Expenditure (cont.)

Other Expenditure shows a negative variance of \$363,092 mainly made up of fleet operating costs, and positive and negative variances in internally charged expenditure, partially offset by underspends in Donations/Contributions/Sponsorships of \$103,683.

Capital Expenditure

	YTD Budget \$	YTD Actual \$	YTD Budget Variance \$	Annual Revised Budget \$
Non-operating grants, subsidies and contributions	2,208,832	2,312,749	103,917	6,584,473
Proceeds from Disposal of Assets	906,347	278,806	(627,541)	1,977,410
Purchase of Plant and Equipment	(2,286,079)	(2,104,587)	181,493	(7,944,753)
Purchase of Land and Buildings	(5,420,474)	(5,061,139)	359,335	(20,731,217)
Purchase of Infrastructure Assets	(15,100,409)	(14,222,913)	877,496	(42,940,922)

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, resulting in a net positive variance of \$103,917.

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 Plant and Equipment

- Minor positive and negative variances related do delays in the procurement of various assets, amounting to a net positive variance of \$181,493.

Purchase of Land and Buildings

- Minor positive and negative variances across several projects amounting to a net positive variance of \$359,335.

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 - \$140,182

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Capital Expenditure (cont.)

- Roads - \$343,184
 - Dunkley Avenue implementation – Stage 2 –positive variance of \$122,514 due mainly to delays in the commencement of the project.
 - Engineering Design – WIP – positive variance of \$105,000 due to timing variances.
 - Net positive variance of \$115,670 made up of various minor positive and negative amounts.
- Drainage - \$117,780
- Paths - \$168,191
- Lighting - \$18,294
- Irrigation - \$21,521
- Foreshore Facilities - \$20,241
- Playgrounds - \$33,369
- Environmental - \$14,732