

## Statement of Variances in Excess of \$100,000 by Nature and Type Financial Year-To-Date ending 30 June 2022 (Preliminary)

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 30 June 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.

It should be noted that end of financial year adjustments are not reflected in this report, and as a result, the final year end results could differ significantly from those presented below.

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

	<b>Annual Revised Budget \$</b>	<b>Actual \$</b>	<b>Annual Budget Variance \$</b>
Rates	91,775,357	92,061,339	285,982
Grants and Contributions	3,928,383	5,291,845	1,363,462
Fees and Charges	15,873,332	16,904,877	1,031,545
Other Revenue	2,479,972	2,192,285	(287,687)

Rates income shows a positive variance of \$285,982 due to interim rate adjustments processed on various residential improved properties

Grants and Contributions income shows a positive variance of \$1,363,462. This is mainly due to a higher proportion than usual being received as 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.

Fees and Charges income shows a positive variance of \$1,031,545, due to the combined impact of higher than expected.

- Parking related fees and infringements \$110,974,
- Building and Environmental Health Fees \$184,975
- Planning Fees \$98,691,
- LeisureFit Fees \$143,102,
- Reserve Ground hire fees \$220,178
- Recovery of legal and other costs related to rates \$146,967 and
- Other non-material positive and negative amounts.

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**Operating Revenue (cont.)**

Other Revenue shows a net negative variance of \$287,687. A negative variance of \$1,001,098 relates to the combined impact of delays in disposal of fleet assets and variances in net book values of assets sold to date. These amounts are reversed separately in the rate setting statement and do not impact the City's financial position. The aforementioned negative variance is partially offset by positive variances of \$444,643 relating to the recoup of expenditure incurred on behalf of the South West Group, \$95,709 in recoverable works in Technical Services, \$54,236 in insurance claims and other minor variances.

**Operating Expenditure**

	<b>Annual Revised Budget \$</b>	<b>Actual \$</b>	<b>Annual Budget Variance \$</b>
Employee Costs	(53,463,097)	(51,996,824)	1,466,273
Materials and Contracts	(36,005,754)	(30,475,765)	5,529,989
Depreciation	(23,185,899)	(23,465,325)	279,426
Other Expenditure	(2,995,153)	(3,103,603)	(108,449)

Employee Costs show a positive variance of \$1,466,273. Areas with significant variances are;

- CEO office with a positive variance of \$102,742 mainly relating to training expenses.
- Director Corporate Services with a positive variance of \$230,000 due to this amount which was budgeted for possible OSR increases across the organisation not being utilised.
- Manager Organisational Development with a positive variance of \$116,612 mainly due to staff movements and vacant periods.
- Information services show a positive variance of \$88,672 due to staff vacancies.
- Natural Areas and Parks with a positive variance of \$240,550 relating to various staff vacancies.
- Resource Recovery and Waste with a positive variance of \$172,271 due to staff vacancies.
- Manager City Buildings with a positive variance of \$90,419 mainly due to lower project management team costs.
- Director Urban Planning with a positive variance of \$ 95,074 mainly due to lower FTE levels than budgeted.
- Building and Environmental Health Services shows a positive variance of \$261,087 relating mainly to staff vacancies.

**Operating Expenditure (cont.)**

Materials and Contracts show a positive variance of \$5,529,989.

- Resource Recovery and Waste have a positive variance of \$1,410,302 relating mainly to underspends in waste recycling processing fees of \$592,652, underspends in FOGO related stores and materials expenditure of \$550,229, and contractor costs of \$157,385.
- Natural Areas and Parks have a positive variance of \$923,011 mainly in contractor costs budgets across the City's various parks and reserves.
- Engineering has a positive variance of \$902,328 represented by variances on professional consultancies relating to asset condition surveys, and underspends on contractor costs budgets across various maintenance programs.
- City Buildings has a positive variance of \$178,836 represented by various positive and negative variances across the City's building maintenance budgets.
- Healthy Melville has a positive variance of \$250,190 mainly represented by variances in

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budgets for Active Reserve Concept Plans and maintenance budgets at the City's LeisureFit facilities.

- Neighbourhood Development has a positive variance of \$352,972 mainly due to underspends in contractor costs across the City's various community activities.
- Strategic Urban Planning has a positive variance of \$592,985 due mainly to underspends and delays to commencement of special urban planning projects including Murdoch Activity Centre Engagement, CPS5/LPS6 Review and Structure Plans District centres.
- CEO office has a positive variance of \$255,000 as a result of the contingency budget not being utilised this year.

Other Expenditure shows a net negative variance of \$108,449, due to the combined impact of lower donations/contributions/sponsorships expenses offset by negative variances in internally charged expenditure.

### Capital Income

	<b>Annual Revised Budget \$</b>	<b>Actual \$</b>	<b>Annual Budget Variance \$</b>
Non-operating grants, subsidies and contributions	6,644,473	5,510,970	(1,133,503)
Proceeds from Disposal of Assets	1,977,410	523,723	(1,453,687)

#### Non-operating grants, subsidies and contributions

Grant income recognised as revenue is under budget and is mainly due to the delays in commencement and completion of projects for which funding has been budgeted and received. Service areas in which significant negative variances are seen are Natural Areas and Parks \$639,730, Engineering \$390,869 and City Buildings \$102,902.

#### Proceeds from Disposal of Assets

A negative variance of \$1,453,687 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.

### Capital Expenditure

	<b>Annual Revised Budget \$</b>	<b>Actual \$</b>	<b>Annual Budget Variance \$</b>
Purchase of Furniture and Equipment	(3,683,197)	(1,603,929)	2,079,268
Purchase of Plant and Equipment	(7,944,753)	(3,206,745)	4,738,008
Purchase of Land and Buildings	(21,229,613)	(7,331,222)	13,898,391
Purchase of Infrastructure Assets	(40,869,612)	(25,656,242)	15,213,370

#### Purchase of Furniture and Equipment

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Positive variance of \$2,079,268 due to;

- Delays in various IT capital projects including Intranet Future Vision Project \$215,448, Photocopiers/Multifunction Devices project \$151,968, Asset Management Process and System project \$117,785, Melville Office Online project \$112,867, Software upgrade project \$97,856 etc.
- Underspends in cultural development public arts program of \$357,072
- Underspends in CSRFF funded projects in Healthy Melville service area of \$141,029
- Underspends on mobile garbage bin purchases of \$180,886
- Underspends on furniture and equipment in Healthy Melville, Libraries and Neighbourhood Development service areas totaling \$289,786.
- Various other positive and negative variances.

Purchase of Plant and Equipment

Positive variance of \$4,738,008 due to delays in purchase and delivery as a result of supply chain issues for Heavy Vehicles \$3,884,719, Light Vehicles \$446,038, Heavy Plant \$339,499 and Light Plant \$136,109.

Purchase of Land and Buildings

Positive variance of \$13,898,391 mainly due to delays in commencement and completion of projects for which budgets will be carried forward to the next financial year as part of end of year financial processes which are not yet finalised. Capital projects with significant variances are;

LeisureFit Booragoon -Major Refurb Works \$474,042  
 Operations Centre - Internal Works \$799,155  
 Public Toilet Renewal Program 20-21 \$406,436  
 Civic Centre - Renew Front Entrance \$498,819  
 Atwell House - Ceramics Studio \$467,776  
 Changeroom Upgrade - Marmion Reserve \$823,590  
 Changeroom Upgrade - Winthrop Park \$968,540  
 Melville Reserve Redevelopment \$1,708,143  
 Solar PV Rollout Program \$424,664  
 Mount Pleasant Bowling Club Improvements \$606,201  
 DAIP Upgrade Program \$550,136

A number of these projects are subject to recent tender processes and will be spent in 2022-23.

Purchase of Infrastructure Assets

Positive variance of \$15,213,370 mainly due to delays in commencement and completion of projects for which budgets will be carried forward to the next financial year as part of end of year financial processes which are not yet finalised.

Significant variances are as follows

- Roads - \$4,987,364 net positive variance
  - Ogilvie Road (Canning Hwy - Helm St) \$381,091
  - Leeming Rec Centre Carpark - Stage 1 \$640,259
  - RTR - Strome Road (Dun Craig-Tweedale) \$206,607
  - Bedwell Cr (Hepburn Wy-Gamba Pl) \$253,286
  - Bull Creek Drive and Camm Avenue \$283,276

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The Strand road improvement \$906,302  
Intermediate Road Remediation \$241,920

- Paths - \$582,592 net positive variance  
Blackwall Reach Renewal - Stage 2 \$136,799  
Leach Highway (Winnacott St - Bassett) \$129,288
- Park Streetscapes Structures - \$2,528,757 net positive variance  
Canning Bridge Activity Centre \$467,627  
Shirley Strickland Reserve Upgrade \$418,604  
Frederick Baldwin Wetland Project \$220,825  
Goolugatup Heathcote Lower Development \$334,047  
Alfred Cove Masterplan Implementation \$213,893
- Environmental - \$1,245,457 net positive variance  
Foreshore Restoration Program \$302,147  
Foreshore Restoration Program \$883,784
- Foreshore Facilities - \$481,029 net positive variance  
Bicton Jetty Swimming Area \$300,000
- Playgrounds - \$3,174,885 net positive variance  
SE New Playspace - Bob Gordon \$2,078,837  
Playspace Renewal Program \$743,247
- Irrigation - \$75,955 net positive variance made up of minor positive and negative amounts.
- Drainage - \$435,742 net positive variance  
Apex Reserve car park drainage \$101,343  
Pipe Relining program \$104,141
- Lighting - \$1,305,553 net positive variance  
Lighting pole renewal \$288,863  
Lighting Floodlighting – Bill Ellson \$241,398  
Beasley Reserve Lighting Stage 1 Design \$404,744

#### Reserves funds transfers

The net negative variance of \$28,694,909 is due to pending end of year finalisation processes such as accruals, asset depreciation and capitalisation, overheads balancing, carry forward of budgets to next financial year among many other processes, after which the final reserves funds transfers will be processed, reducing the variance significantly.