

**Statement of Variances in Excess of \$100,000 by Nature and Type**  
**Financial Year-To-Date ending 30 April 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 30 April 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	91,742,023	92,106,428	364,405	91,775,357
Grants and Contributions	1,793,715	4,692,638	2,898,922	3,900,883
Fees and Charges	14,154,333	14,624,829	470,496	15,873,332
Other Revenue	2,140,439	1,760,110	(380,329)	2,479,972

Rates income shows a positive variance of \$364,405, represented by interim rate adjustments processed on various residential improved properties.

Grants and Contributions income shows a positive variance of \$2,898,922. 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. The remaining net positive variance of \$84,839 is made up of minor positive and negative variances.

Fees and Charges income shows a positive variance of \$470,496, due to the combined impact of higher than expected Parking related fees and infringements (\$83,716), Building and Planning Fees (\$120,600), LeisureFit Fees (\$112,040), Reserve Ground hire fees (\$66,041) and other non-material positive and negative amounts totaling \$88,099.

Other Revenue shows a net negative variance of \$380,329. A negative variance of \$630,324 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 \$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 \$113,042.

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**Operating Expenditure**

	<b>YTD Budget \$</b>	<b>YTD Actual \$</b>	<b>YTD Budget Variance \$</b>	<b>Annual Revised Budget \$</b>
Employee Costs	(44,400,183)	(43,245,830)	1,154,354	(53,496,819)
Materials and Contracts	(27,562,158)	(25,086,702)	2,475,456	(35,492,974)
Other Expenditure	(2,837,719)	(2,725,802)	111,917	(3,589,557)

Employee Costs show a positive variance of \$1,154,354.

- Natural Areas and Parks shows a positive variance of \$293,559 relating to various staff vacancies.
- Building and Environmental Health Services shows a positive variance of \$284,350 relating mainly to staff vacancies.
- Resource Recovery and Waste shows a positive variance of \$184,810 due to staff vacancies.
- Healthy Melville shows a positive variance of \$164,169 relating to minor timing variances across various recreation programs.
- Chief Executive Officer shows a negative variance of \$154,104 relating mostly to expenditure of \$232,411 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 \$78,307 is made up of minor positive and negative variances.
- Other service areas show a net positive variance of \$381,568 made up of minor amounts.

Materials and Contracts show a positive variance of \$2,475,456.

- Natural Areas and Parks have a positive variance of \$582,352 relating mainly to Street tree watering, and minor timing variances on contractors budgets across the City's various parks and reserves.
- Resource Recovery and Waste have a positive variance of \$510,736 relating mainly to underspends in waste recycling processing fees of \$330,918, and underspends in FOGO related stores and materials expenditure of \$161,364. The balance is made up of minor positive and negative variances amounting to a net positive variance of \$18,454.
- Engineering has a positive variance of \$390,281 represented by timing variances on professional consultancies relating to asset condition surveys, and other minor variances across various maintenance programs.
- City Buildings has a positive variance of \$219,445 represented by various positive and negative variances across the City's building maintenance budgets.
- Healthy Melville has a positive variance of \$185,033 represented by timing variances related to Active Reserve Concept Plans (\$60,300), maintenance budgets at the City's LeisureFit facilities (\$104,739), and other minor variances amounting to \$19,994.
- Neighbourhood Development has a positive variance of \$145,770 relating to minor timing variances across the City's various community activities.
- Information Technology has a positive variance of \$112,890 due mainly to timing variances in contract payments.
- Other service areas show a net positive variance of \$328,949 made up of various minor amounts.

Other Expenditure shows a negative variance of \$111,917 mainly made up of fleet operating costs, and positive and negative variances in internally charged expenditure.

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**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	909,130	278,806	(630,324)	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.

**Capital Expenditure**

	<b>YTD Budget \$</b>	<b>YTD Actual \$</b>	<b>YTD Budget Variance \$</b>	<b>Annual Revised Budget \$</b>
Purchase of Furniture and Equipment	(1,307,470)	(1,460,290)	(152,820)	(3,644,292)
Purchase of Land and Buildings	(6,504,381)	(6,076,418)	427,963	(20,920,227)
Purchase of Infrastructure Assets	(22,043,887)	(21,442,464)	601,423	(40,902,622)

Purchase of Furniture and Equipment

- Negative variance of \$152,820
  - Negative timing variance of \$168,099 related to the Riseley Street mural project
  - Net positive variance of \$15,279 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 \$427,963.

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**Capital Expenditure (cont.)**

Purchase of Infrastructure Assets

- Roads - \$236,869 positive variance.
  - Engineering Design – WIP – positive variance of \$135,000 due to timing variances.
  - Net positive variance of \$101,869 made up of minor positive and negative amounts.
- Paths - \$182,263 positive variance made up of minor positive and negative amounts.
- Park Streetscapes Structures - \$136,272 positive variance made up of minor positive and negative amounts.
- Irrigation - \$58,197 positive variance made up of minor positive and negative amounts.
- Lighting - \$44,267 positive variance made up of minor positive and negative amounts.
- Playgrounds - \$27,986 positive variance made up of minor positive and negative amounts.
- Foreshore Facilities - \$27,816 positive variance made up of minor positive and negative amounts.
- Environmental - \$25,561 positive variance made up of minor positive and negative amounts.
- Drainage - \$137,567 negative variance.
  - Gully Infiltration Systems project shows a negative variance of \$252,855.
  - Net positive variance of \$115,288 made up of minor positive and negative amounts.