

Statement of Variances in Excess of \$100,000 by Nature and Type Financial Year-To-Date ending 31 January 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 January 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 at the time of preparation of this report, the Mid Year Budget Review has been completed by officers, but had yet to be considered by Council. The review will address many of the variances detailed 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

	YTD Budget \$	YTD Actual \$	YTD Budget Variance \$	Annual Revised Budget \$
Rates	91,692,023	92,036,743	344,720	91,775,357
Fees and Charges	10,173,587	11,217,374	1,043,787	14,423,761
Interest Earnings	1,175,529	832,905	(342,624)	1,834,750
Other Revenue	972,498	1,343,881	371,383	2,211,769

Rates income shows a positive variance of \$344,720. 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 \$1,043,787, due to the combined impact of higher than expected Parking related fees and infringements (\$168,756), Building and Planning Fees (\$306,210), LeisureFit Fees (\$464,658), Animal registration Fees (\$85,944), and other non-material positive and negative amounts totaling \$18,219.

Interest Earnings shows a total negative variance of \$342,624. Of this, investment interest earned on reserve funds shows a negative variance of \$275,006, and interest earned on municipal funds has a negative variance of \$84,317, both due to the market interest rate being lower than expected. The remaining net positive variance of \$16,699 is made up of minor positive and negative amounts relating to instalment and late payment interest on rate accounts.

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Operating Revenue (cont.)

Other Revenue shows a positive variance of \$371,383, with \$221,770 being recoup of expenditure incurred on behalf of the South West Group, Insurance claim recoups of \$152,612, and the remaining net negative variance of \$2,999 being made up of various minor amounts.

Operating Expenditure

	YTD Budget \$	YTD Actual \$	YTD Budget Variance \$	Annual Revised Budget \$
Employee Costs	(29,719,683)	(29,426,508)	293,175	(52,703,582)
Materials and Contracts	(19,877,206)	(17,944,717)	1,932,489	(35,535,182)
Other Expenditure	(2,222,876)	(2,683,184)	(460,308)	(6,470,477)

Employee Costs show a positive variance of \$293,175.

- Natural Areas and Parks shows a positive variance of \$210,495 relating mainly to vacancies in the City's Environmental teams.
- Building and Environmental Services shows a positive variance of \$149,969 relating mainly to staff vacancies.
- Healthy Melville shows a negative variance of \$102,246 relating to minor timing variances across various recreation programs.
- Library Services shows a negative variance of \$116,310 relating mostly to additional casual hours worked.
- Chief Executive Officer shows a negative variance of \$144,789 relating mostly to expenditure of \$156,248 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 \$11,458 is made up of 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 \$296,056 made up of minor amounts.

Materials and Contracts show a positive variance of \$1,932,489.

- Natural Areas and Parks have a positive variance of \$482,068 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 \$361,422 relating mainly to savings in waste recycling processing fees and timing variances related to stores and materials in the FOGO program.
- Engineering has a positive variance of \$228,000 represented by timing variances on professional consultancies relating to asset condition surveys, and other minor variances across various maintenance programs.
- Healthy Melville has a positive variance of \$209,712 relating mostly to timing variances related to Active Reserve Concept Plans and Leisure Planning (\$60,300), timing variances on maintenance budgets at the City's LeisureFit facilities (\$110,265), and other minor variances amounting to \$39,147.
- Information Technology has a positive variance of \$152,024 relating mainly to minor timing variances across licensing and maintenance budgets.
- Neighbourhood Development has a positive variance of \$137,633 relating to minor timing variances across the City's various community activities.

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Operating Expenditure (cont.)

- Other service areas show a net positive variance of \$361,630 made up of various minor amounts.

Other Expenditure shows a negative variance of \$460,308 made up mainly of underspends in fleet operating costs, and positive and negative variances in internally charged expenditure.

Capital Expenditure

	YTD Budget \$	YTD Actual \$	YTD Budget Variance \$	Annual Revised Budget \$
Purchase of Furniture and Equipment	(761,736)	(840,288)	(78,553)	(2,811,616)
Purchase of Land and Buildings	(4,560,472)	(4,390,373)	170,099	(19,974,460)
Purchase of Infrastructure Assets	(12,836,817)	(11,946,327)	890,490	(43,278,910)

Purchase of Furniture and Equipment

- Minor positive and negative variances across several projects amounting to a net negative variance of \$78,553.

Purchase of Land and Buildings

- Tompkins Park Redevelopment – Negative variance of \$356,101 due to works being undertaken ahead of schedule.
- Minor positive and negative variances across several projects amounting to a net positive variance of \$526,200.

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 - \$211,989
- Roads - \$227,769
 - Dunkley Avenue implementation – Stage 2 –positive variance of \$122,514 due mainly to delays in the commencement of the project.
 - Net positive variance of \$105,255 made up of various minor positive and negative amounts.
- Drainage - \$101,373
- Paths - \$185,789
- Lighting - \$40,324
- Irrigation - \$69,751
- Foreshore Facilities - \$16,370
- Playgrounds - \$27,057
- Environmental - \$10,067