

## Variances Report on Rate Setting Statement for the Financial Year Ending 30 June 2022

This report provides commentary on the variances identified for the year ended 30 June 2022.

In accordance with Council Accounting Policy CP-025, 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 Adopted Budget. 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

	2021-2022 Actual \$	2021-2022 Budget \$	Budget Variance \$
Rates	92,006,154	91,775,357	230,797
Grants and Contributions	5,662,131	4,365,721	1,296,410
Fees and Charges	16,909,442	14,418,761	2,490,681
Interest Earnings	1,316,607	1,834,750	(518,143)
Other Revenue	2,282,810	1,080,231	1,202,579

#### Rates

A positive variance of \$230,797 resulted from interim rate adjustments processed on various residential improved properties.

#### Grants and Contributions

A positive variance of \$1,296,410 is mainly due to the advanced payment of the 2022-2023 Financial Assistance Grants.

#### Fees and Charges

A positive variance of \$2,490,681 is due to higher than expected income from the following revenue streams.

- LeisureFit Fees \$1,113,139, with the majority of this variance relating to LeisureFit Booragoon term/season fees, membership fees and casual fees.
- Building Licences and Fees \$284,007
- Parks and Reserve Ground hire fees \$222,178
- Planning Fees \$198,691
- Legal fees related to the recovery of rates and charges of \$161,967
- Infringements and Penalties \$186,518 with the majority of this variance relating to parking control
- Animal Control Fees \$142,605 with majority of this variance relating to dog registration
- Parking fees \$139,415

#### Interest Earnings

A negative variance of \$518,143 is the combined result of lower earnings from investment of reserve funds and municipal funds due to the market interest rate being lower than expected for most of the financial year.

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### Operating Revenue (cont.)

#### Other Revenue

The positive variance of \$1,202,579 includes;

- A positive variance of \$569,690 related to the recoup of expenditure incurred on behalf of the South West Group which partially offsets against the negative variance for the South West Group in employment costs. Note: all costs incurred by the South West Group are fully recovered.
- A positive variance of \$300,262 in insurance claims and credit adjustments from LGIS
- A positive variance of \$180,254 in recoverable works in engineering, natural areas and parks and community safety service areas and other minor variances.

### Operating Expenditure

	<b>2021-2022 Actual \$</b>	<b>2021-2022 Budget \$</b>	<b>Budget Variance \$</b>
Employee Costs	(53,007,390)	(52,587,207)	(420,183)
Materials and Contracts	(33,446,039)	(33,324,216)	(121,823)
Depreciation	(23,298,477)	(22,605,477)	(693,000)
Other Expenditure	(5,845,304)	(6,448,922)	603,618

#### Employee Costs

A negative variance of \$420,183 mainly relates to the below areas;

- LeisureFit has a negative variance of \$637,999 of which a significant portion relates to LeisureFit Booragoon due to additional staff requirements to meet the higher activity levels than anticipated.
- Libraries have a negative variance of \$336,418 due to additional staff requirements to meet the higher activity levels than anticipated.
- The negative variance related to the South West Group of \$283,206 offsets against the positive variance in other revenue related to the South West Group.
- Information Technology has a negative variance of \$180,106 due to additional staff requirements for roll out of major IT projects during the year.
- Information services has a positive variance of \$84,612 due to staff vacancies.
- People and Culture has a positive variance of \$95,013 due to staff vacancies.
- Director Corporate Services has a positive variance of \$230,000 due to the organisational salary review account not being fully utilised.
- Engineering has a negative variance of \$117,784 mainly due to labour hire costs in works coordination.
- Natural Areas and Parks with a positive variance of \$110,385 relating to various staff vacancies.
- Urban Planning Directorate shows a positive variance of \$444,544 mainly due to staff vacancies related to Buildings, Environment Health, Strategic Urban Planning and Director Urban Planning.

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### Operating Expenditure (cont.)

#### Materials and Contracts

A negative variance of \$121,823 is mainly due to;

- Negative variance of \$342,926 for licensing costs due to new software implementations.
- Negative variance of \$197,306 mainly due to increased fuel prices.
- Negative variance of \$161,731 relating to debt collection expenses.
- Negative variance of \$126,305 for audit fees.
- Negative variance of \$109,472 for contractor costs in the cultural development service area in relation to events and arts.
- Resource Recovery and Waste has a positive variance of \$1,074,553 relating mainly to underspends in waste disposal fees of \$654,459 and FOGO related stores and materials expenditure of \$503,683.
- The Urban Planning Directorate has a positive variance of \$362,173 in professional consultancies due mainly to underspends and delays in commencement of special urban planning projects including Murdoch Activity Centre Engagement, CPS5/LPS6 Review and Structure Plans District centres.
- A negative variance of \$721,000 relates to the cost of minor equipment that are less than the asset capitalisation threshold.

#### Depreciation

The negative variance of \$693,000 is mainly due to the revaluation carried out in the previous financial year of building assets combined with higher depreciation costs in infrastructure assets and plant and equipment asset categories resulting from changes in the assets during the year. As depreciation is a non cash entry it is excluded from operating activities and there is no impact on the City's closing funds position.

#### Other Expenditure

Other Expenditure shows a net positive variance of \$603,618, due to the combined impact of;

- Positive variance of \$1,053,234 due to the recognition of the City's share of loan liability to the Resource Recovery Group under Investment in Associates – this variance is fully offset by the negative variance on the repayment of the Resource Recovery Group loan in financing activities.
- Negative variance due to increasing the provision for the John Connell Remediation costs by \$2,377,000 due to a recent revaluation.
- Negative variance due to the inclusion of the decrease in the City's share of investment in the Resource Recovery Group of \$1,089,643. Since this is a non cash entry it is excluded from operating activities and there is no impact on the City's closing funds position.
- Positive variance due to the planned contribution of \$3m towards a Smart LED streetlights project rub by Western Power being delayed to the next financial year.

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### Investing Activities (cont.)

	2021-2022 Actual \$	2021-2022 Budget \$	Budget Variance \$
Non-operating grants, subsidies and contributions	7,507,192	2,200,084	5,307,108
Proceeds from Disposal of Assets	523,723	882,660	(358,937)
Purchase Of Property, Plant and Equipment	(13,632,803)	(17,436,135)	3,803,332
Purchase of Infrastructure Assets	(27,401,471)	(24,295,987)	(3,105,484)
Movement in Work in Progress	(672,578)	0	(672,578)

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

The positive variance of \$5,307,108 is mainly due to the receipt of grant income related to capital projects carried forward from the previous financial year.

#### Proceeds from Disposal of Assets

A negative variance of \$358,937 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 Property, Plant and Equipment

The positive variance of \$3,803,332 is due to;

- Negative variance of \$202,687 for capital expenditure on IT due to the Asset Management Process and System Project, Microsoft Office Online Project and underspends in existing software upgrades and the Intranet Future Vision Project.
- Positive variance of \$230,829 for furniture and equipment is the combined impact mainly of the lower spend on CSRFF funded projects run by Healthy Melville, reallocation of the budget for the Bicton Jetty Swimming Area to an infrastructure assets capital works project and the costs incurred in relation to the Libraries RFID project carried forward from the previous year.
- Positive variance of \$263,594 for plant and equipment mainly in the light vehicles and heavy vehicles categories due to delays in delivery caused by supply chain issues.
- Positive variance of \$3,303,072 in Land and Buildings as a result of projects being carried forward to the next financial year, deferred to future years, combined with actual expenditure savings.

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### Investing Activities (cont.)

#### Purchase of Infrastructure Assets

The negative variance of \$3,105,484 is due to;

- Positive variances in Roads, Lighting, Parks, Foreshores and Bushland due to lower actual expenditure when compared to adopted budget as a result of projects being carried forward to the next financial year combined with actual expenditure savings.
- Negative variances in Drainage, Paths, Reticulation and Streetscapes and Precinct improvements mainly due to cost of projects carried forward from the previous years and actual cost overruns due to escalating material and labour prices and delays.

#### Movement in Work in Progress

- Work in progress represents the transfer of capital projects that were not completed in 2021-2022 to work in progress, which will be completed in 2022-2023. The amount of \$672,578 represents the decrease in work in progress when compared to the 2020-2021 financial year.

### Financing Activities

	<b>2021-2022 Actual \$</b>	<b>2021-2022 Budget \$</b>	<b>Budget Variance \$</b>
Repayment of RRG Loan	(1,053,234)	0	(1,053,234)
Net reserve transfers	3,583,969	16,967,207	(13,383,255)

#### Repayment of RRG Loan

The negative variance of \$1,053,234 is due to the recognition of the City's share of loan liability to the Resource Recovery Group under Investment in Associates.

#### Net reserve transfers

- Total funds set aside to reserves were higher by \$8,329,726 due to
  - Actual adjusted surplus for 2020-2021 inclusive of adjustment made for Carawatha Redevelopment capital paybacks of 2020-2021 being \$2,158,000 higher than expected and therefore set aside to the Rates Equalisation Reserve.
  - Carawatha Redevelopment capital paybacks of 2020-2021 and 2021-2022 totalling \$2.8m being set aside to the Land and Property Reserve.
  - The advance payment portion of the General Federal Assistance Grant funds was higher than usual and thereby the \$511,755 more than was budgeted was set aside to the Infrastructure Asset Management Reserve.
  - Additional income from rates growth set aside to the New/Upgrade Works Reserve was \$227,652 higher than budgeted.
  - Interest income earned for reserves funds being less by \$209k.
  - Funds set aside to the Unexpended Works and Specific Purpose Grants reserve reserve to facilitate budgets carried forward to the next financial year of \$2,547,890.

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for the Financial Year Ending 30 June 2022**

**Financing Activities (cont.)**

- Total funds used from reserves was \$5,053,529 lower than budget due to;
  - Positive variance of \$4,918,599 due to capital works carried forward to the next financial year and deferrals to future years resulting in lower funds drawn mainly from the New/Upgrade Works reserve and Infrastructure Asset Management Reserve.
  - Positive variance of \$2,860,259 mainly due to less funds being used from the Organisational Environmental and Sustainability Initiatives reserve as a result of the delay in the commencement of the Smart LED streetlight project.
  - Negative variance of \$1,507,012 in funds used from the Public Open Space and Urban Forest Reserve mainly for the Bob Gordon Reserve Premier Playspace project that was carried forward from the previous year.
  - Funds drawn from Unexpended Works and Specific Purpose Grants reserve to facilitate budgets carried forward to the next financial year of \$2,547,890.