

Statement of Variances in Excess of \$100,000 by Nature and Type Financial Year-To-Date Ending 31 January 2023

This report provides commentary on the year to date variances identified in attachment 6002B – Rate Setting Statement by Nature and Type, for the period ended 31 January 2023.

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 2022-2023 Annual Budget, a level of 10% or \$100,000 (whichever is the greater) was adopted for the reporting of material variances for the 2022-2023 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.

At the time of writing this report, the City's 2022-2023 Budget Review was due to be presented to Council in February. The review addresses many of the variances indicated 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

General Rates	YTD Budget \$	YTD Actual \$	YTD Budget Variance \$
	95,941,920	96,154,039	212,119
<i>Rate adjustments in respect of both Commercial and Residential improved properties contribute to a positive year to date variance.</i>			212,119

Investment Earnings	YTD Budget \$	YTD Actual \$	YTD Budget Variance \$
	1,396,250	3,564,781	2,168,531
<i>A combination of interest rates being raised significantly, and lower than expected expenditure from operating and reserve accounts has contributed to a positive variance in investment earnings.</i>			
<i>Investment earnings on Municipal and Trust Funds</i>			971,741
<i>Investment earnings on Reserve accounts</i>			1,187,082
<i>Late Payment and Instalment interest</i>			9,708

Statement of Variances in Excess of \$100,000 by Nature and Type
Financial Year-To-Date Ending 31 January 2023

Operating Revenue (cont.)

Other Revenue	YTD Budget \$	YTD Actual \$	YTD Budget Variance \$
	696,163	1,733,525	1,037,362
<i>Distribution of investment funds.</i>			675,346
<i>Recoup income for expenditure incurred by the City on behalf of the Perth South West Metropolitan Alliance.</i>			226,073
<i>Other Revenue made up of minor amounts, made up mostly of recoup income for expenditure incurred by the City.</i>			135,943

Operating Expenditure

Employee Costs	YTD Budget \$	YTD Actual \$	YTD Budget Variance \$
	(31,828,015)	(30,510,848)	1,317,166
<i>Natural Areas and Parks show a positive variance made up of various minor positive and negative variances due to staff vacancies across the City's various parks and reserves.</i>			363,817
<i>Director Environment and Infrastructure underspend due to actual hours worked by business support staff being lower than the budgeted levels.</i>			194,724
<i>Neighbourhood Development underspend due to vacant periods of the Community Engagement Officer position in Stakeholder Engagement being on maternity leave and staff leave, combined with savings from differences in actual salary levels of replacement staff when compared to budget.</i>			186,462
<i>Building and Environmental Health Services underspend due to vacant positions.</i>			185,414
<i>Healthy Melville underspend due to minor variances across the City's recreational facilities.</i>			152,220
<i>Library Services underspend due to seasonal fluctuations in activity levels at the libraries.</i>			135,325

Statement of Variances in Excess of \$100,000 by Nature and Type
Financial Year-To-Date Ending 31 January 2023

Operating Expenditure (cont.)

<i>Statutory Planning underspend due to vacant positions.</i>	113,365
<i>Corporate Services shows a negative variance due mainly to workers compensation insurance premiums being \$89,894 more than budget, and spend on employee costs being higher than anticipated.</i>	(222,536)
<i>Other service areas show a net positive variance made up of various minor positive and negative amounts.</i>	208,375

Materials and Contracts	YTD Budget \$	YTD Actual \$	YTD Budget Variance \$
	(20,706,125)	(19,445,982)	1,260,143
<i>Resource Recovery and Waste shows a positive variance made up of \$219,311 in stores and materials variances related to the FOGO program. The balance of \$175,794 is made up of minor variances across the City's waste collection program.</i>			395,105
<i>City Buildings show a positive variance relating to timing variances on contractors budgets across the City's various buildings, particularly for the Civic Centre, with a positive variance of \$149,670 relating to building maintenance.</i>			371,773
<i>Engineering shows a positive variance made up of minor timing variances, related to the maintenance of the City's infrastructure assets.</i>			167,243
<i>Neighbourhood Development shows a positive variance made up of minor timing variances across the City's various community programs.</i>			145,191
<i>Cultural Development shows a positive variance made up of minor timing variances across the City's various cultural activities.</i>			101,883
<i>Natural Areas and Parks show a positive variance relating to timing variances on contractors budgets across various parks and reserves.</i>			101,158
<i>Statutory Planning shows a negative variance related mainly to expenditure incurred in legal fees incurred well in excess of budget.</i>			(123,578)
<i>Other service areas show a net positive variance made up of various minor amounts.</i>			101,368

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Financial Year-To-Date Ending 31 January 2023

Capital Expenditure			
	YTD Budget \$	YTD Actual \$	YTD Budget Variance \$
Purchase of Furniture and Equipment	(958,680)	(742,103)	216,577
<i>Bin Surrounds & Enclosures – Positive variance due to timing differences between budget and scheduled works.</i>			156,895
<i>Various minor positive and negative variances.</i>			59,682

	YTD Budget \$	YTD Actual \$	YTD Budget Variance \$
Purchase of Land and Buildings	(6,249,000)	(5,643,661)	605,339
<i>Sustainable Energy Infrastructure – Piney Lakes Environmental Education Centre – The project scope is currently being reviewed and the commencement date will be determined once this review is completed.</i>			160,000
<i>Various minor positive and negative variances.</i>			445,339

Purchase of Infrastructure Assets	YTD Budget \$	YTD Actual \$	YTD Budget Variance \$
	(11,635,791)	(11,493,409)	142,382
<i>Parks, Streetscapes Structures</i>			
<i>Shirley Strickland Reserve Upgrade – Positive variance relating to the reversal of accrued 2021-2022 expenditure amounts for which the City has yet to be invoiced.</i>			273,539
<i>Playgrounds</i>			
<i>Fenced Dog Play Area – Piney Lakes – negative variance due to changes in the scope of the project to include a separate dog training area, and cost increases related to the supply of required materials and contractors.</i>			(149,599)

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Capital Expenditure (cont.)	
<i>Roads</i>	
<i>Archibald Street (A) – Winnacott Street to Wheyland Road, Road resurfacing project due to cost increases related to the supply of required materials and contractors.</i>	<i>(134,965)</i>
<i>Archibald Street (B) – Wheyland Road to Stacey Street, Road resurfacing project due to cost increases related to the supply of required materials and contractors.</i>	<i>(102,976)</i>
<i>Archibald Street (C) – Stacey Street to North Lake Road, Road resurfacing project due to cost increases related to the supply of required materials and contractors.</i>	<i>(255,782)</i>
<i>Leeming Recreation Centre Carpark – Stage 1 – This project was completed under budget as the works required were not as complex as expected.</i>	<i>102,164</i>
<i>The remaining various positive and negative variances amount to a net positive variance.</i>	<i>410,001</i>