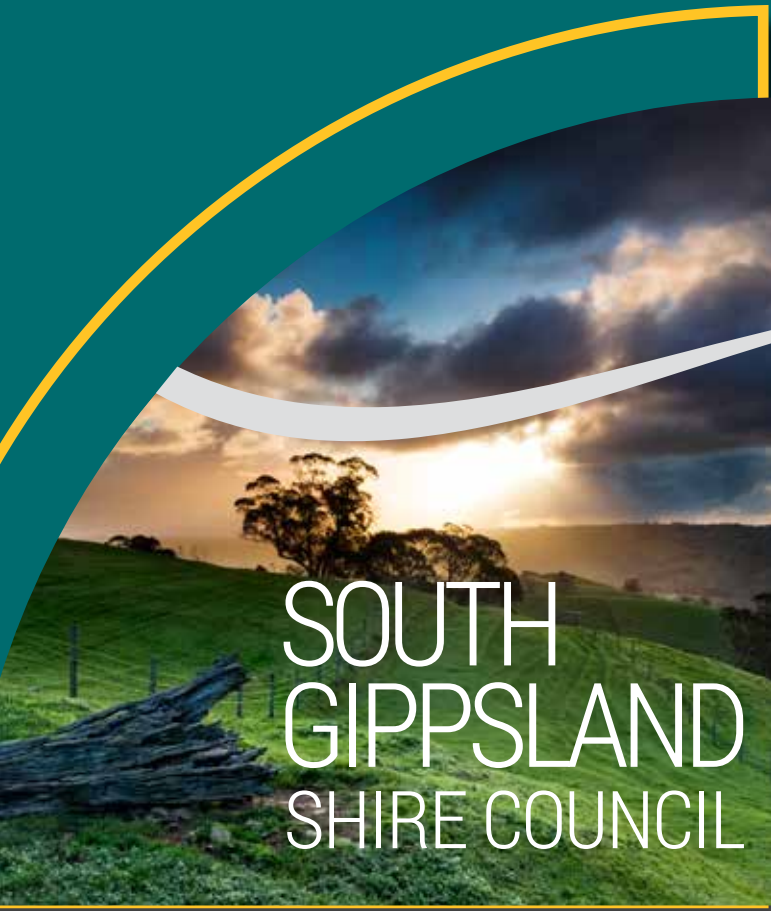




South Gippsland  
Shire Council



SOUTH  
GIPPSLAND  
SHIRE COUNCIL



Performance  
Statement  
2020/21



## 4.1

# PERFORMANCE STATEMENT

## DESCRIPTION OF MUNICIPALITY

**South Gippsland Shire was formed in 1994 from the amalgamation of four municipalities. Located 90 minutes south east of Melbourne, the Shire has an expanding population of 30,248 (ABS estimated resident population March 2021).**

**The Council covers an area of 3,308 square kilometres with substantial coastal frontage. South Gippsland Shire is a spectacular region, with communities nestled among the rolling green hills, and along the coast, linking the mountains to the sea.**

The Shire's major centres are Leongatha, Korumburra, Mirboo North and Foster. Other townships include Dumbalk, Fish Creek, Loch, Meeniyan, Nyora, Poowong, Port Welshpool, Sandy Point, Tarwin Lower, Toora, Venus Bay and Welshpool. There are also a number of other smaller rural communities.

Key industry sectors by employment in the South Gippsland Shire at the last census in 2016 were Agriculture, Forestry and Fishing, Health Care and Social Assistance, Retail Trade, and Construction.

## Impact of COVID-19 Pandemic on South Gippsland Shire Council

On 16 March 2020 a state of emergency was declared in Victoria due to the global pandemic COVID-19 virus, known as coronavirus. A state of disaster was subsequently declared on 2 August 2020. While the impacts of the Pandemic have abated somewhat through the 2020/21 year, Council has noted the following significant impacts on its financial operations:

- In response to government directive amidst the COVID-19 outbreak, the leisure centre facilities, Yanakie Caravan Park, Long Jetty Caravan Parks and Coal Creek Historical Village were closed due to COVID-19 restriction in 2020/21 financial year. These closures resulted in a decrease in Council user fee revenue by \$452,000 and also decreased associated expenses by \$279,000 based on 2019/20 results.
- Council suspended rent payments for rent agreements of impacted businesses from April 2020, including Korumburra Tourist Park and Waratah Bay Caravan Park. This resulted in decreased rent revenue of \$16,000 and \$75,000 based on 2019/20 results.
- Council endorsed a \$2 million *COVID-19 Community Support Package* at the 20 April 2020 Council Meeting. This Program has provided around \$1.3 million to support local business and community groups to continue their operations through the Pandemic, through the provision of grants, fee waivers and other similar relevant forms of assistance. \$500,000 as a final phase of this Program has been carried forward to the 2021/22 budget.

# SUSTAINABLE CAPACITY INDICATORS

for the year ended 30 June 2021

Service	Results 2018	Results 2019	Results 2020	Results 2021	Material Variation
<b>Population</b> <i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$2,124	\$2,223	\$2,462	\$2,127	A one off non-cash impairment expense of \$11.4 million for a change in the valuation method to land under roads was included in the 2019/20 accounts which significantly impacted the Expenses for that year. With no such expense in the 2020/21 year, the indicator has dropped accordingly.
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$15,228	\$15,855	\$16,160	\$16,664	No material variation
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	14	14	14	14	No material variation
<b>Own-source revenue</b> <i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$1,672	\$1,671	\$1,687	\$1,673	No material variation
<b>Recurrent grants</b> <i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$520	\$469	\$482	\$456	This indicator is volatile based on the level of grants received each year. Population does not change very much but the higher the level of grants received in a year, the higher the ratio and conversely, the lower the level of grants in a year, the lower the ratio. Although there is a decrease in grants classified as recurrent, overall grant funds received increased from \$20.015 million in 2019/20 to \$24.749 million in 2020/21.

Service	Results 2018	Results 2019	Results 2020	Results 2021	Material Variation
<b>Disadvantage</b> <i>Relative Socio-Economic Disadvantage</i> [Index of Relative Socio-Economic Disadvantage by decile]	5	5	5	5	No material variation
<b>Workforce turnover</b> <i>Percentage of staff turnover</i> [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x 100	12.0%	24.6%	12.8%	12.5%	No material variation

### Definitions

"Adjusted underlying revenue" means total income other than:

- (a) non-recurrent grants used to fund capital expenditure; and
- (b) non-monetary asset contributions; and
- (c) contributions to fund capital expenditure from sources other than those referred to above

"Infrastructure" means non-current property, plant and equipment excluding land

"Local road" means a sealed or unsealed road for which the Council is the responsible road authority under the *Road Management Act 2004*

"Population" means the resident population estimated by Council

"Own-source revenue" means adjusted underlying revenue other than revenue that is not under the control of Council (including government grants)

"Relative socio-economic disadvantage", in relation to a municipality, means the relative socio-economic disadvantage, expressed as a decile for the relevant financial year, of the area in which the municipality is located according to the Index of Relative Socio-Economic Disadvantage (Catalogue Number 2033.0.55.001) of SEIFA

"SEIFA" means the Socio-Economic Indexes for Areas published from time to time by the Australian Bureau of Statistics on its Internet website

"Unrestricted cash" means all cash and cash equivalents other than restricted cash.

Service	Results 2018	Results 2019	Results 2020	Results 2021	Material Variation
<b>Aquatic Facilities</b>					
<b>Utilisation</b>					
<i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	5	5	4	2	Visitation to all aquatic facilities in the Shire was down by 29 per cent compared to 2019/21. Mainly due to the Victorian Government COVID-19 Pandemic restrictions.  <i>Note: one outdoor aquatic facility was closed for the season due to major redevelopment which impacted the overall number of visits.</i>
<b>Animal management</b>					
<b>Health and safety</b>					
<i>Animal management prosecutions</i> [Number of successful animal management prosecutions / Number of animal management prosecutions] x 100	New in 2020	New in 2020	100%	100%	No material variation  <i>Note: indicator is replacing previous 'Animal management prosecutions' which was a measure of number, not proportion.</i>
<b>Food Safety</b>					
<b>Health and safety</b>					
<i>Critical and major non-compliance notifications</i> [Number of critical non-compliance notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance notifications and major non-compliance notifications about food premises] x 100	100%	100%	100%	100%	No material variation
<b>Governance</b>					
<b>Satisfaction</b>					
<i>Satisfaction with Council decisions</i> [Community satisfaction rating out of 100 with how Council has performed in making decisions in the interest of the community]	42	35	37	46	Council has continued to build trust in decisions made while under Administration. Community satisfaction with Council decision making has regained significant ground compared to the decline in 2019. Further work will continue moving forward with the newly elected Council at the end of 2021.



Service	Results 2018	Results 2019	Results 2020	Results 2021	Material Variation
<b>Libraries</b> <b>Participation</b> <i>Active library borrowers in municipality</i> [Number of active library borrowers in the last three years / the sum of the municipal population for the last three years] x 100	17%	16%	16%	15%	Active borrowers is down due to all South Gippsland Libraries being closed throughout certain periods of the year as a result of the Victorian Government COVID-19 Pandemic restrictions.  <i>Note: indicator is replacing previous 'Active library members' indicator.</i>
<b>Maternal and Child Health (MCH)</b> <b>Participation</b> <i>Participation in the MCH service</i> [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x 100	76%	75%	76%	76%	No material variation
<b>Participation</b> <i>Participation in the MCH service by Aboriginal children</i> [Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x 100	58%	63%	83%	70%	Reasons for non-attendance could be a result of deciding not to utilise the service or deciding to attend a different Maternal and Child Health Service in another council.
<b>Roads</b> <b>Satisfaction</b> <i>Satisfaction with sealed local roads</i> [Community satisfaction rating out of 100 with how Council has performed on the condition of sealed local roads]	46	48	47	43	The <i>Community Satisfaction Survey</i> demonstrated that residents main concern was the condition of the sealed road network. Preliminary condition data has indicated that the sealed network has decreased in condition but is still within service levels. A significant contributor to the decline was the failure of a rock product that was used as part of the reseal program. Rectification works have been undertaken to address the impact of this product along with a review of the sealed road drainage program.

Service	Results 2018	Results 2019	Results 2020	Results 2021	Material Variation
<b>Statutory Planning</b>					
<b>Decision making</b>					
<i>Council planning decisions upheld at VCAT</i>	80%	80%	71%	50%	Five of the ten Planning Permits that were appealed to VCAT had decisions that were upheld (supported).
[Number of VCAT decisions that did not set aside Council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x 100					
<b>Waste Collection</b>					
<b>Waste diversion</b>					
<i>Kerbside collection waste diverted from landfill</i>	51%	52%	53%	52%	Council continues to remain consistent year on year with waste diverted from landfill by providing services that suit the needs of the Shire.
[Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x 100					

## Definitions

"Aboriginal child" means a child who is an Aboriginal person

"Aboriginal person" has the same meaning as in the *Aboriginal Heritage Act 2006*

"Active library borrower" means a member of a library who has borrowed a book from the library

"Annual report" means an annual report prepared by a Council under section 98 of the Act

"Class 1 food premises" means food premises, within the meaning of the *Food Act 1984*, that have been declared as class 1 food premises under section 19C of that Act

"Class 2 food premises" means food premises, within the meaning of the *Food Act 1984*, that have been declared as class 2 food premises under section 19C of that Act

"Critical non-compliance outcome notification" means a notification received by Council under section 19N(3) or (4) of the *Food Act 1984*, or advice given to Council by an authorised officer under that Act, of a deficiency that poses an immediate serious threat to public health

"Food premises" has the same meaning as in the *Food Act 1984*

"Local road" means a sealed or unsealed road for which the Council is the responsible road authority under the *Road Management Act 2004*

"Major non-compliance outcome notification" means a notification received by a Council under section 19N(3) or (4) of the *Food Act 1984*, or advice given to Council by an authorised officer under that Act, of a deficiency that does not pose an immediate serious threat to public health but may do so if no remedial action is taken

"MCH" means the Maternal and Child Health Service provided by a Council to support the health and development of children within the municipality from birth until school age

"Population" means the resident population estimated by Council

Dimension/Indicator/ measure	Results 2018	Results 2019	Results 2020	Results 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025	Material Variation
<b>Efficiency</b>									
<b>Expenditure Level</b>									
Expenses per property assessment	\$3,094	\$3,288	\$3,682	\$3,217	\$3,476	\$3,145	\$3,261	\$3,326	The one off non-cash impairment expense of \$1.4 million in 2019/20 has skewed the result for that year, hence the favourable movement in 2020/21.
Total expenses / Number of property assessments]									
<b>Revenue level</b>									
Average rate per property assessment	New in 2020	New in 2020	\$2,014	\$2,086	\$2,127	\$2,079	\$2,139	\$2,205	No material variation
General rates and Municipal charges / Number of property assessments]									Note: indicator is new and was previously titled 'Average residential rate per residential property assessment'.
<b>Liquidity</b>									
<b>Working capital</b>									
Current assets compared to current liabilities	309.55%	298.31%	345.98%	298.39%	143.23%	142.63%	161.15%	170.38%	The Working Capital Ratio can be a volatile ratio due to the classification of assets and liabilities being current or non-current year on year. The primary reason for the downward movement is in 2020/21 due to the uptake of new borrowings in that year. Council remains at the high end of the expected range for this measure which is a reflection of the strong financial health of the organisation. The current ratio is high in comparison to forecast years due to a higher level of cash holdings as at 30 June, largely to fund carried forward capital works. The expectation is that Council will complete their capital works programs each year and that there will be minimal requirement to carry forward funds which will drop the ratio to a more normal and stable level.
Current assets / Current liabilities] x 100									



Dimension/Indicator/ measure	Results 2018	Results 2019	Results 2020	Results 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025	Material Variation
<b>Unrestricted cash</b>									
<i>Unrestricted cash compared to current liabilities</i>	-33.24%	-57.22%	-101.22%	-28.41%	-9.58%	-10.58%	8.46%	18.20%	Unrestricted cash decreased in 2020/21 due to a lower amount of capital works carried forward at year end as compared to the prior year. It is important to note that unrestricted cash refers only to cash balances with investments with a maturity of less than 90 days. Council's investments with maturity over 90 days increased by \$2.3 million as compared to 2019/20. Over the forecast years, the level of unrestricted cash is expected to increase as a result of minimising the level of capital works being carried forward each year.
<i>Unrestricted cash / [Unrestricted cash - current liabilities] x 100</i>									
<b>Obligations</b>									
<b>Loans and borrowings</b>									
<i>Loans and borrowings compared to rates</i>	8.16%	7.89%	1.85%	7.50%	17.30%	22.42%	19.09%	15.87%	Borrowings in 2019/20 included a partial drawdown of a subsidised low interest loan construction facility of \$0.8 million for the Mirboo North Pool Refurbishment project. A further amount of \$3.6 million was taken up at the completion of the project works in 2020/21 and is mirrored by the increase in the borrowings ratio. This ratio increases in the following two years based on two additional low interest subsidised loans of \$5 million each through the Community Infrastructure Loan Scheme Program for the Korumburra Community Hub and the Korumburra Streetscape projects. The ratio then falls in the outer years as the loans are being repaid.
<i>[Interest bearing loans and borrowings / Rate of revenue] x 100</i>									

Dimension/Indicator/ measure	Results 2018	Results 2019	Results 2020	Results 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025	Material Variation
<i>Loans and borrowings repayments compared to rates</i>	0.35%	0.33%	7.79%	0.54%	2.81%	2.92%	2.84%	2.75%	The spike in 2019/20 is due to the repayment of loan funds in November 2019. This ratio increases in the following two years based on two additional low interest subsidised loans of \$5 million each through the Community Infrastructure Loan Scheme Program for the Korumburra Community Hub and the Korumburra Streetscape projects. The ratio then falls in the outer years as the loans are being repaid.
<i>Interest and principal repayments on interest bearing loans and borrowings / rate revenue] x 100</i>									
<b>Indebtedness</b>									
<i>Non-current liabilities compared to own source revenue</i>	12.73%	7.42%	10.26%	15.20%	20.45%	23.73%	21.71%	19.18%	The increase in 2020/21 is reflected by the drawdown of loan funds in November 2020. This ratio has fluctuated over the last couple of years due to having a very low level of debt and then repaying the debt in full in November 2019. Since then, Council has taken on an additional loan for re-development works at the Mirboo North Pool Refurbishment project \$3.6 million and is planning to take on two additional low interest subsidised loans of \$5 million each through the Community Infrastructure Loan Scheme Program for the Korumburra Community Hub and the Korumburra Streetscape projects. This is reflected in the increase in ratio in the next two financial years and then a gradual reduction after that as the loans are repaid.
<i>[Non-current liabilities / Own source revenue] x 100</i>									

Dimension/Indicator/ measure	Results 2018	Results 2019	Results 2020	Results 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025	Material Variation
<b>Asset renewal and upgrade</b>									
Asset renewal and upgrade compared to depreciation	New in 2020	New in 2020	124.15%	230.08%	223.08%	211.62%	114.43%	128.53%	
[Asset renewal and asset upgrade expense / Asset depreciation] x 100									This is a volatile measure as it relies on the level of asset renewal and upgrade expenditure that Council incurs each year and this can vary widely. The ratio is quite high in 2020/21 primarily as a result of carrying forward \$10 million of works from the previous year. The ratio remains high in the following two forecast years due to loan funded works planned in Korumburra. These include a Korumburra Community Hub and the Korumburra Streetscape projects. Following those years, the ratio falls to a more normal level where there are no loan funded works and Council expects to have minimal carry forward of works from one year to the next.
									<i>Note: indicator is new and was previously titled 'Asset renewal compared to depreciation'.</i>
<b>Operating position</b>									
Adjusted underlying result	7.30%	1.35%	-7.49%	5.42%	-8.60%	9.52%	5.95%	5.69%	
Adjusted underlying surplus (or deficit)									A one off non-cash impairment expense of \$1.4 million for a change in the valuation method to land under roads was included in the 2019/20 accounts which drastically impacted the underlying surplus in that year. The 2021/22 ratio is impacted by a \$5 million pre-payment of Victorian Commission Grant (VGC) funds being paid in the 2020/21 financial year. The ratio then returns to a more stable level as Council anticipates that the Victorian Commission Grant funds will be paid in the year they are due.

Dimension/Indicator/ measure	Results 2018	Results 2019	Results 2020	Results 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025	Material Variation
<b>Stability</b>									
<b>Rates concentration</b>									
Rates compared to adjusted underlying revenue	61.52%	63.71%	64.08%	66.63%	73.06%	65.73%	67.75%	68.64%	No material variation
Rate revenue / Adjusted underlying revenue] x 100									
<b>Rates effort</b>									
Rates compared to property values	0.54%	0.52%	0.49%	0.47%	0.45%	0.44%	0.43%	0.42%	No material variation
[Rate revenue / Capital improved value of rateable properties in the municipality] x 100									

Retired Measures Service/Indicator/Measure	Results 2018	Results 2019	Results 2020	Results 2021	Material Variation
<b>Animal management</b>					No material variation
<b>Health and safety</b>					
<i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	19	9	Retired in 2020	Retired in 2020	<i>Note: indicator is discontinued from 1 July 2019 and has been replaced by 'AM7 - Animal management prosecutions' which is now a measure of proportion, not number.</i>
<b>Efficiency</b>					No material variation
<b>Revenue level</b>					
<i>Average residential rate per residential property assessment</i> [Residential rate revenue / Number of residential property assessments]	\$1,811	\$1,834	Retired in 2020	Retired in 2020	<i>Note: indicator is discontinued from 1 July 2019 and has been replaced by 'E4 - Average rate per property assessment'.</i>
<b>Obligations</b>					No material variation
<b>Asset renewal</b>					
<i>Asset renewal compared to depreciation</i> [Asset renewal expenses / Asset depreciation] x 100	98.04%	81.02%	Retired in 2020	Retired in 2020	<i>Note: indicator is discontinued from 1 July 2019 and has been replaced by 'O5 - Asset renewal and upgrade compared to depreciation'.</i>
<b>Definitions</b>			<p>"Own-source revenue" means adjusted underlying revenue other than revenue that is not under the control of Council (including government grants)</p> <p>"Population" means the resident population estimated by Council</p> <p>"Rate revenue" means revenue from general rates, municipal charges, service rates and service charges</p> <p>"Recurrent grant" means a grant other than a non-recurrent grant</p> <p>"Residential rates" means revenue from general rates, municipal charges, service rates and service charges levied on residential properties</p> <p>"Restricted cash" means cash and cash equivalents, within the meaning of the AAS, that are not available for use other than for a purpose for which it is restricted, and includes cash to be used to fund capital works expenditure from the previous financial year</p> <p>"Unrestricted cash" means all cash and cash equivalents other than restricted cash.</p>		
<p>"Adjusted underlying revenue" means total income other than:</p> <p>(a) non-recurrent grants used to fund capital expenditure; and</p> <p>(b) non-monetary asset contributions; and</p> <p>(c) contributions to fund capital expenditure from sources other than those referred to above</p> <p>"Adjusted underlying surplus (or deficit)" means adjusted underlying revenue less total expenditure</p> <p>"Asset renewal expenditure" means expenditure on an existing asset or on replacing an existing asset that returns the service capability of the asset to its original capability</p> <p>"Current assets" has the same meaning as in the AAS</p> <p>"Current liabilities" has the same meaning as in the AAS</p> <p>"Non-current assets" means all assets other than current assets</p> <p>"Non-current liabilities" means all liabilities other than current liabilities</p> <p>"Non-recurrent grant" means a grant obtained on the condition that it be expended in a specified manner and is not expected to be received again during the period covered by a Council's Strategic Resource Plan</p>					

# OTHER INFORMATION

for the year ended 30 June 2021

## 1. Basis of preparation

Council is required to prepare and include a Performance Statement within its Annual Report. The Performance Statement includes the results of the prescribed sustainable capacity, service performance and financial performance indicators and measures together with a description of the municipal district and an explanation of material variations in the results. This statement has been prepared to meet the requirements of the *Local Government Act 1989* and *Local Government (Planning and Reporting) Regulations 2014* (as per the transitional provisions of the *Local Government Act 2020*).

Where applicable the results in the Performance Statement have been prepared on accounting bases consistent with those reported in the Financial Statements. The other results are based on information drawn from Council information systems or from third parties (e.g. Australian Bureau of Statistics).

The Performance Statement presents the actual results for the current year and for the prescribed financial performance indicators and measures, the results forecast by the Council's *2020-2024 Strategic Resource Plan*. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variations in the results contained in the Performance Statement. Council has adopted materiality thresholds relevant to each indicator and measure and explanations have not been provided for variations below the materiality thresholds unless the variance is considered to be material because of its nature.

The four-year forecast figures included in the Performance Statement are those adopted by Council in its Budget on 23 June 2021. The forward look budget is based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The Budget and Council Plan can be obtained by contacting Council or available on Council's website.



# CERTIFICATION

## OF THE PERFORMANCE STATEMENT

### for the year ended 30 June 2021

In my opinion, the accompanying performance statement has been prepared in accordance with the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.




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*Melissa Baker, CPA*  
**Principal Accounting Officer**  
**Date:** 15 September 2021

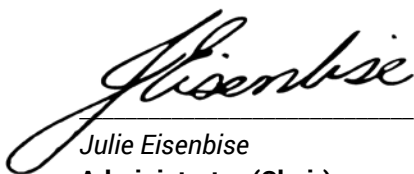
*Leongatha*

In our opinion, the accompanying statement of the South Gippsland Shire Council for the year ended 30 June 2021 presents fairly the results of Council's performance in accordance with the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.

The performance statement contains the relevant performance indicators, measures and results in relation to service performance, financial performance and sustainable capacity.

At the date of signing, we are not aware of any circumstances that would render any particulars in the performance statement to be misleading or inaccurate.

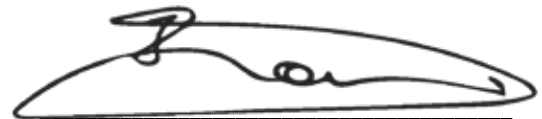
We have been authorised by the Council and the *Local Government (Planning and Reporting) Regulations 2014* to certify this performance statement in its final form.




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*Julie Eisenbise*  
**Administrator (Chair)**  
**Date:** 15 September 2021

*Leongatha*




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*Rick Brown*  
**Administrator**  
**Date:** 15 September 2021

*Leongatha*




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*Kerry Ellis*  
**Chief Executive Officer**  
**Date:** 15 September 2021

*Leongatha*



2020/21



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Shire Council*

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Facebook: [www.facebook.com/southgippslandshirecouncil](http://www.facebook.com/southgippslandshirecouncil)

South Gippsland Shire Council

Council Meeting No. 463 - 15 September 2021