



# SECTION four PERFORMANCE



# 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 28,936 (*ABS estimated resident population 2016*).

The Council covers an area of 3,300 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, and other significant townships include Nyora, Toora, Venus Bay, Sandy Point, Poowong, Port Welshpool, Loch, Dumbalk, Welshpool, Meeniyan, Fish Creek, Port Franklin, Koonwarra, Kongwak and Tarwin Lower.

Key industry sectors by employment in the South Gippsland Shire at the last census in 2011 were Agriculture, Forestry and Fishing, Health Care and Social Assistance, Retail Trade, and Construction.



## SUSTAINABLE CAPACITY INDICATORS

### for the year ended 30 June 2017

Service	Results 2015	Results 2016	Results 2017	Material Variation
<b>Population</b>	\$2,013	\$2,128	\$2,091	
<i>Expenses per head of municipal population</i> [Total expenses / Municipal population]				
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$14,743	\$16,042	\$15,611	
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	13	13	24	
<b>Own-source revenue</b>				
<i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$1,522	\$1,670	\$1,630	
<b>Recurrent grants</b>				
<i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$607	\$414	\$684	Receipt of \$4.5M of Grants Commission allocation in advance in 2016/17 while \$4.3M of allocation related to 2015/16 was received in advance in 2014/15.
<b>Disadvantage</b>				
<i>Relative socio-economic disadvantage</i> [Index of Relative Socio-economic Disadvantage by decile]	6	6	6	

#### 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 2015	Results 2016	Results 2017	Material Variation
<b>Aquatic Facilities</b>				
<b>Utilisation</b>				
<i>Utilisation of aquatic facilities</i>	6	6	6	
[Number of visits to aquatic facilities / Municipal population]				
<b>Animal management</b>				
<b>Health and safety</b>				
<i>Animal management prosecutions</i>	20	23	9	Serious dog attacks form the majority of these figures. There has been a substantial decrease in reported serious dog attacks during this financial year.
[Number of successful animal management prosecutions]				
<b>Food safety</b>				
<b>Health and safety</b>				
<i>Critical and major non-compliance notifications</i>	94%	95%	100%	From 1 July 2016, 'Critical and major non-compliance outcome notifications' will be reported by calendar year. Previously this indicator was reported by financial year. This has been implemented to better align reporting with the Department of Health and Human Services. This may result in some variances year on year.
[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				
<b>Governance</b>				
<b>Satisfaction</b>				
<i>Satisfaction with Council decisions</i>	44	47	45	
[Community satisfaction rating out of 100 with how Council has performed in making decisions in the interest of the community]				
<b>Home and Community Care (HACC)</b>				
<b>Participation</b>				
<i>Participation in HACC service</i>	26%	26%	N/A	Reporting on HACC ceased on 1 July 2016 due to the introduction of the Commonwealth Government's NDIS and CHSP programs.
[Number of people that received a HACC service / Municipal target population for HACC services] x 100				
<b>Participation</b>				
<i>Participation in HACC service by CALD people</i>	23%	22%	N/A	Reporting on HACC ceased on 1 July 2016 due to the introduction of the Commonwealth Government's NDIS and CHSP programs.
[Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x 100				

Service	Results 2015	Results 2016	Results 2017	Material Variation
<b>Libraries</b>				
<b>Participation</b>				
Active library members	25%	23%	21%	
[Number of active library members / Municipal population] x 100				
<b>Maternal and Child Health (MCH)</b>				
<b>Participation</b>				
Participation in the MCH service	79%	75%	76%	
[Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x 100				
<b>Participation</b>				
Participation in the MCH service by Aboriginal children	76%	62%	67%	
[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				
<b>Roads</b>				
<b>Satisfaction</b>				
Satisfaction with sealed local roads	27	30	36	More roads have been rehabilitated and/or resealed leading to an increased satisfaction result.
[Community satisfaction rating out of 100 with how Council has performed on the condition of sealed local roads]				
<b>Statutory Planning</b>				
<b>Decision making</b>				
Council planning decisions upheld at VCAT	0%	71%	50%	Council had one less VCAT decision overall and two more decisions set aside by VCAT compared to 2015/16, which has impacted the overall variance. The overall volume of applications that are appealed to VCAT is exceptionally low at South Gippsland so even one application difference can create a significant percentage variance.
[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>				
Kerbside collection waste diverted from landfill	33%	50%	51%	
[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 member" 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 Sections 131, 132 and 133 of the Act

"CALD" means culturally and linguistically diverse and refers to persons born outside Australia in a country whose national language is not English

"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

"Community Care Common Standards" means the Community Care Common Standards for the delivery of HACC services, published from time to time by the Commonwealth

"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*

"HACC program" means the Home and Community Care program established under the Agreement entered into for the purpose of the *Home and Community Care Act 1985* of the Commonwealth

"HACC service" means home help, personal care or community respite provided under the HACC program

"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

"Target population" has the same meaning as in the Agreement entered into for the purposes of the *Home and Community Care Act 1985* of the Commonwealth

"WorkSafe reportable aquatic facility safety incident" means an incident relating to a Council aquatic facility that is required to be notified to the Victorian WorkCover Authority under Part 5 of the *Occupational Health and Safety Act 2004*.

Dimension/Indicator/ measure	Results 2015	Results 2016	Results 2017	Forecast 2018	Forecast 2019	Forecast 2020	Forecast 2021	Material Variation
<b>Efficiency</b>								
<b>Revenue level</b>								
<i>Average residential rate per residential property assessment</i>	\$1,607	\$1,752	\$1,789	\$1,847	\$1,865	\$1,883	\$1,902	
[Residential rate revenue / Number of residential property assessments]								
<b>Expenditure Level</b>								
<i>Expenses per property assessment</i>	\$2,913	\$3,038	\$3,105	\$3,297	\$3,061	\$3,195	\$3,191	
[Total expenses / Number of property assessments]								
<b>Workforce turnover</b>								
<i>Resignation and terminations compared to average staff</i>	9.29%	13.13%	11.19%	10.81%	10.81%	10.81%	10.81%	
[Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x 100								
<b>Liquidity</b>								
<b>Working capital</b>								
<i>Current assets compared to current liabilities</i>	270.40%	240.08%	281.98%	215.52%	156.78%	196.51%	143.03%	\$4.5M Victorian Grants Commission allocation was received in advance in 2016/17. This had a positive impact on the 2016/17 ratio.
[Current assets / Current liabilities] x 100								



Dimension/Indicator/ measure	Results 2015	Results 2016	Results 2017	Forecast 2018	Forecast 2019	Forecast 2020	Forecast 2021	Material Variation
<b>Unrestricted cash</b>								
<i>Unrestricted cash compared to current liabilities</i>	107.46%	-46.01%	-16.11%	25.83%	10.16%	27.89%	-34.18%	The reclassification of \$16.5M of highly liquid 'cash and cash equivalent assets' to 'other financial assets' which have a maturity date of greater than 90 days has reduced the amount of Cash and Cash equivalents. This does not present as a strategic concern.
[Unrestricted cash / Current liabilities] x 100								
<b>Obligations</b>								
<b>Asset renewal</b>								
<i>Asset renewal compared to depreciation</i>	84.41%	100.84%	111.33%	101.74%	122.26%	98.04%	121.78%	The nature of capital renewal expenditure is expected to fluctuate over the years.
[Asset renewal expenses / Asset depreciation] x 100								
<b>Loans and borrowings</b>								
<i>Loans and borrowings compared to rates</i>	9.40%	8.68%	8.37%	8.17%	7.96%	0.00%	0.00%	
[Interest bearing loans and borrowings / Rate revenue] x 100								
<b>Loans and borrowings</b>								
<i>Loans and borrowings repayments compared to rates</i>	0.36%	0.37%	0.35%	0.35%	0.34%	7.89%	0.00%	
[Interest and principal repayments on interest bearing loans and borrowings / rate revenue] x 100								
<b>Indebtedness</b>								
<i>Non-current liabilities compared to own source revenue</i>	10.85%	10.67%	12.62%	11.75%	3.23%	3.27%	3.31%	Increase in Non-current Liabilities is due to provision of \$1M for Landfill rehabilitation.
[Non-current liabilities / Own source revenue] x 100								



Dimension/Indicator/ measure	Results 2015	Results 2016	Results 2017	Forecast 2018	Forecast 2019	Forecast 2020	Forecast 2021	Material Variation
<b>Operating position</b>								
<b>Adjusted underlying result</b>	12.36%	0.99%	12.11%	-6.94%	4.97%	3.76%	4.27%	The steep increase in operating surplus in 2016/17 compared to 2015/16 is due to receipt of \$4.5M of Grants Commission allocation in advance. Further \$4.3M of allocation related to 2015/16 was received in 2014/15.
<i>Adjusted underlying surplus (or deficit)</i>								
[Adjusted underlying surplus (deficit) / Adjusted underlying revenue] x 100								
<b>Stability</b>								
<b>Rates concentration</b>								\$4.5M Victorian Grants Commission allocation was received in advance in 2016/17. This had a negative impact on the 2016/17 ratio.
<i>Rates compared to adjusted underlying revenue</i>	55.55%	64.87%	58.11%	68.24%	66.56%	65.82%	66.80%	
[Rate revenue / Adjusted underlying revenue] x 100								
<b>Rates effort</b>								
<i>Rates compared to property values</i>	0.50%	0.54%	0.53%	0.54%	0.54%	0.55%	0.55%	
[Rate revenue / Capital improved value of rateable properties in the municipality] x 100								

## 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

"Adjusted underlying surplus (or deficit)" means adjusted underlying revenue less total expenditure

"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

"Current assets" has the same meaning as in the AAS

"Current liabilities" has the same meaning as in the AAS

"Non-current assets" means all assets other than current assets

"Non-current liabilities" means all liabilities other than current liabilities

"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

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

"Population" means the resident population estimated by Council

"Rate revenue" means revenue from general rates, municipal charges, service rates and service charges

"Recurrent grant" means a grant other than a non-recurrent grant

"Residential rates" means revenue from general rates, municipal charges, service rates and service charges levied on residential properties

"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

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

## OTHER INFORMATION

### for the year ended 30 June 2017

#### 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.

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 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 forecast figures included in the performance statement are those adopted by Council in its Strategic Resource Plan annually and which forms part of the Council Plan. The Strategic Resource Plan includes estimates 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 Strategic Resource Plan 2015–2018 can be obtained by contacting Council.



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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**Stuart Smith, CPA**

**Principal Accounting Officer**

Dated: 27 September 2017

In our opinion, the accompanying performance statement of the South Gippsland Shire Council for the year ended 30 June 2017 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 by the Local Government (Planning and Reporting) Regulations 2014 to certify this performance statement in its final form.

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**Ray Argento**

Mayor

Dated: 27 September 2017

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**Lorraine Brunt**

Councillor (Audit Committee Member)

Dated: 27 September 2017

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**Tim Tamlin**

Chief Executive Officer

Dated: 27 September 2017