

South Gippsland Shire Council

Group: large shire

This fact sheet uses graphs and data to examine this council's revenue, expenditure and financial sustainability over recent years. This information is intended to help readers understand the impacts of rate capping, which was introduced in 2016–17 to restrict the amount councils can increase their general rates and municipal charges in each financial year.

You can compare this council's data against its 'group' by looking at the fact sheet for large shires. Further information is available at <http://www.esc.vic.gov.au/outcomes-reports>, including an interactive version of this fact sheet, a reader's guide to help you understand key terms used in this fact sheet, and information about the sector as a whole.



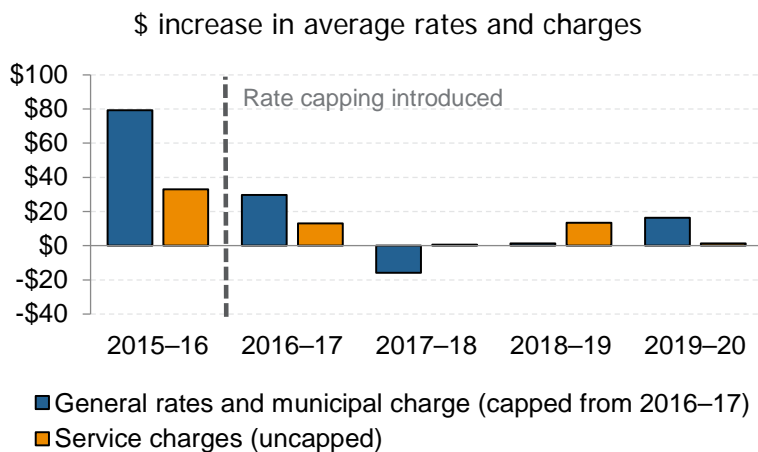
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Key facts

Population (June 2019):	29,914
Size (km ²):	3,296
Length of local roads (km):	2,110
Population per km of roads:	14
Council employees (FTE, 2019–20):	253
Submitted an application for a higher cap for any year between 2016–17 and 2019–20?	No

Rates

What has happened to average rates and charges (2019–20 dollars)?



Year	Average rates and charges	Applicable rate cap
2015–16	\$2,110	n/a
2016–17	\$2,153	2.50%
2017–18	\$2,138	2.00%
2018–19	\$2,153	2.25%
2019–20	\$2,170	2.50%

Rates (continued)



See the reader's guide for data sources and useful information.
Note: The numbers in this fact sheet have been adjusted for inflation and are expressed in 2019–20 dollars.

Have council's average rates complied with the applicable rate caps?

2018–19 (2.25%)	2019–20 (2.50%)	2020–21 (2.00%)
Yes	Yes	Yes

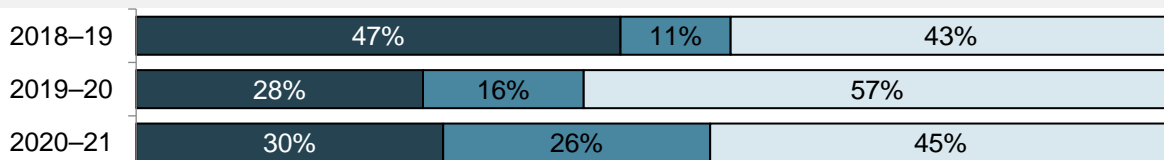
How have rates changed for different ratepayers?

Council's rating strategy 2020–21

Council levies 6 differential rates (for different types of property) and uses service charges to recover the cost of waste services. More information about council's differential rate categories and charges can be found in council's adopted budget.

Distribution of rates increases and decreases

The applicable rate cap is applied to council's average rate, which means some individual rates increased by more and some increased by less than the applicable cap (or even decreased).



- % of rates notices decreasing
- % of rates notices increasing by less than the applicable cap
- % of rates notices increasing by more than the applicable cap

Ratepayers by property class (2019–20 dollars)

	Residential ratepayers	Commercial ratepayers	Industrial ratepayers	Rural ratepayers
	78% of ratepayers	3% of ratepayers	2% of ratepayers	17% of ratepayers
	\$29.9m (68%) of rates and charges revenue in 2019–20	\$1.5m (3%) of rates and charges revenue in 2019–20	\$1.5m (3%) of rates and charges revenue in 2019–20	\$10.8m (25%) of rates and charges revenue in 2019–20
	0.8% average annual increase between 2015–16 and 2019–20	-2.1% average annual increase between 2015–16 and 2019–20	-1.2% average annual increase between 2015–16 and 2019–20	0.7% average annual increase between 2015–16 and 2019–20

Source: Victorian Local Government Grants Commission (unaudited data). Includes both capped and uncapped rates and charges. 'Other' category of property class has been omitted.

Revenue



See the reader's guide for data sources and useful information.
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Where is council's money coming from?

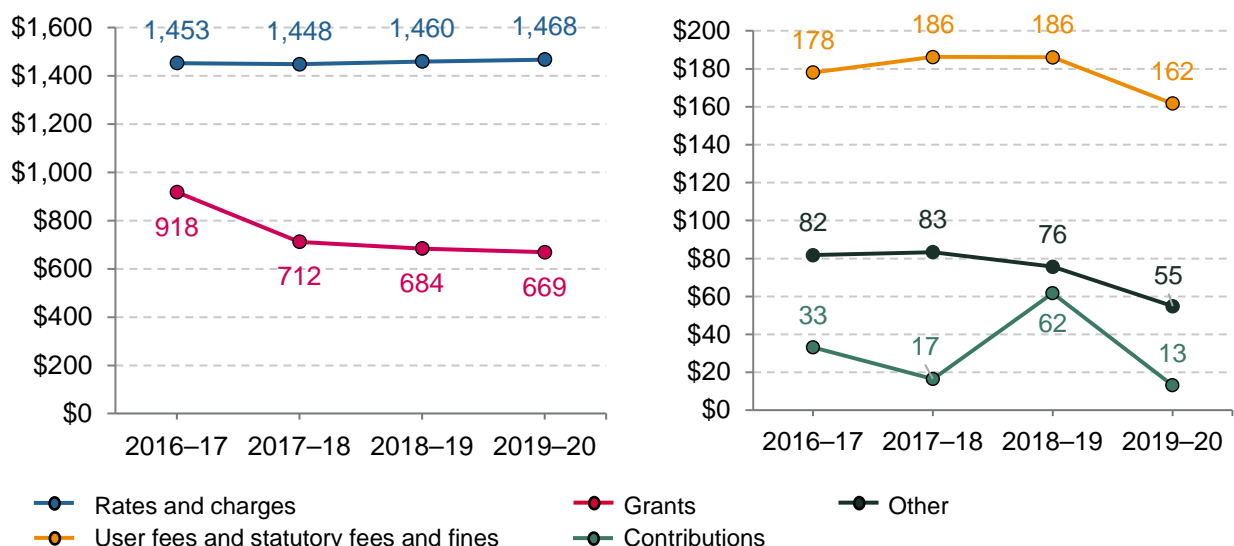
Revenue (2019–20 \$m and % of total revenue)

	2016–17		2017–18		2018–19		2019–20	
	\$m	%	\$m	%	\$m	%	\$m	%
Rates and charges	42.3	(55%)	42.5	(59%)	43.2	(59%)	43.9	(62%)
User fees and statutory fees and fines	5.2	(7%)	5.5	(8%)	5.5	(8%)	4.8	(7%)
Grants	26.7	(34%)	20.9	(29%)	20.2	(28%)	20.0	(28%)
Contributions	1.0	(1%)	0.5	(1%)	1.8	(2%)	0.4	(1%)
Other	2.4	(3%)	2.4	(3%)	2.2	(3%)	1.6	(2%)
Total	77.6		71.7		73.0		70.8	

In real terms, South Gippsland Shire Council's total revenue fluctuated between 2016–17 and 2019–20. In 2016–17, total revenue was inflated with higher levels of grants (due to an advance payment of Commonwealth financial assistance grants). Revenue from rates and charges increased in real terms between 2016–17 and 2019–20, while revenue from contributions fluctuated.

Rates and charges was the largest source of council's revenue, accounting for between 55 and 62 per cent of total revenue between 2016–17 and 2019–20.

Revenue per person (2019–20 dollars)



In terms of revenue per person (which adjusts for population growth), council's revenue from grants trended downwards in real terms between 2016–17 and 2019–20, while revenue from rates and charges increased.

Expenditure



See the reader's guide for data sources and useful information.
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How much money is council spending?

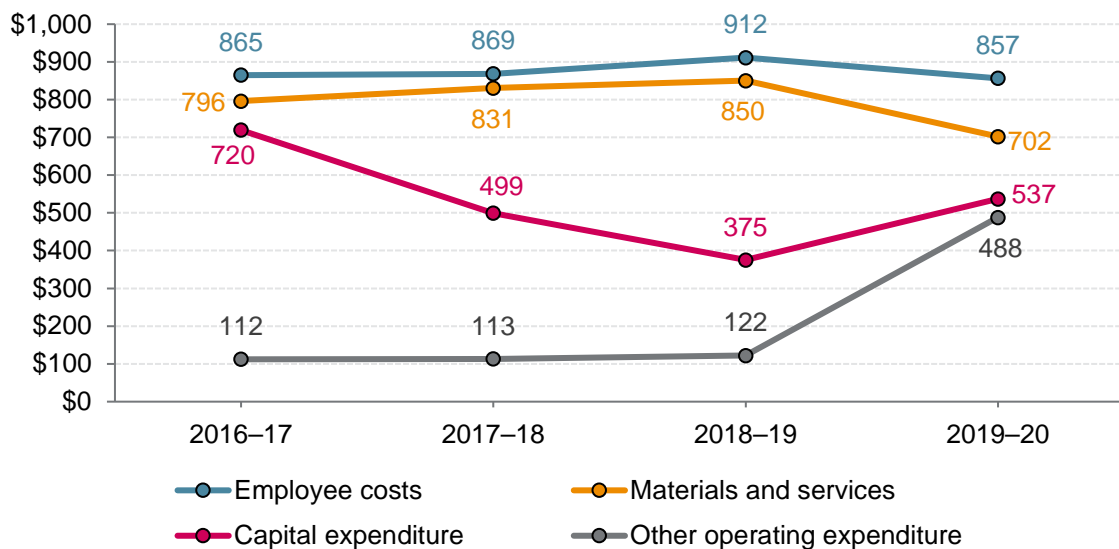
Expenditure (2019–20 \$m and % of total expenditure)

	2016–17	2017–18	2018–19	2019–20
	\$m	\$m	\$m	\$m
Operating expenditure	51.7 (71%)	53.1 (78%)	55.7 (83%)	61.2 (79%)
Employee costs	25.2 (35%)	25.5 (38%)	27.0 (40%)	25.6 (33%)
Materials and services	23.2 (32%)	24.4 (36%)	25.1 (38%)	21.0 (27%)
Other operating expenditure	3.3 (4%)	3.3 (5%)	3.6 (5%)	14.6 (19%)
Capital expenditure	21.0 (29%)	14.6 (22%)	11.1 (17%)	16.1 (21%)
Total	72.6	67.8	66.8	77.3

In real terms, South Gippsland Shire Council's total expenditure decreased between 2016–17 and 2018–19 before increasing in 2019–20, largely reflecting changes in capital expenditure and an increase in 'other operating expenditure' in 2019–20 (related to asset impairment expenses). Employee costs and expenditure on materials and services increased in real terms between 2016–17 and 2018–19, before decreasing in 2019–20.

Employee costs was council's largest area of expenditure, accounting for 36 per cent of total expenditure between 2016–17 and 2019–20.

Expenditure per person (2019–20 dollars)



In terms of expenditure per person (which adjusts for population growth), capital expenditure trended downwards in real terms between 2016–17 and 2018–19 before increasing in 2019–20. Expenditure per person on materials and services and employee costs per person trended upwards in real terms between 2016–17 and 2018–19 then decreased in 2019–20. 'Other operating expenditure' per person remained relatively stable until an increase in 2019–20.



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Has council's capital expenditure pattern changed?

Capital expenditure (2019–20 \$m and % of total capital expenditure)

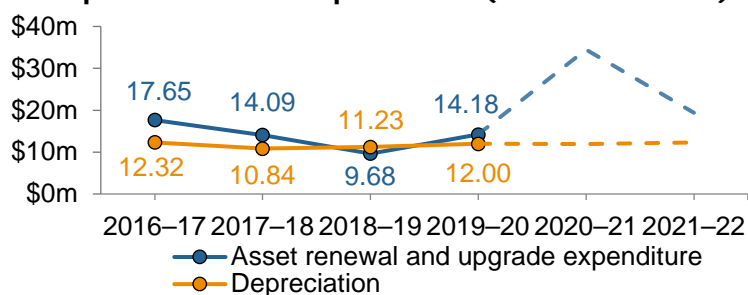
	2016–17		2017–18		2018–19		2019–20	
	\$m		\$m		\$m		\$m	
Renewal	13.7	(65%)	10.3	(70%)	9.1	(82%)	13.9	(86%)
Upgrade	3.9	(19%)	3.8	(26%)	0.6	(5%)	0.3	(2%)
Expansion	1.8	(8%)	0.4	(3%)	1.3	(12%)	1.9	(12%)
New	1.5	(7%)	0.1	(1%)	0.1	(1%)	0.0	(0%)
Total	21.0		14.6		11.1		16.1	

In real terms, South Gippsland Shire Council's spending on asset renewal trended downwards between 2016–17 and 2018–19, before increasing in 2019–20. There was a decrease in spending on new assets in 2017–18 and in asset upgrades in 2018–19, while spending on asset expansion dropped in 2017–18.

Asset renewal remained the highest share of capital expenditure between 2016–17 and 2019–20 (increasing from 65 per cent of total capital expenditure in 2016–17 to 86 per cent in 2019–20).

Is council renewing its assets (such as roads, parks and buildings)?

Council assets: comparing renewal and upgrade expenditure with depreciation (2019–20 dollars)



Renewal & upgrade expenditure as a percentage of depreciation

2016–17	143%
2017–18	130%
2018–19	86%
2019–20	118%
2020–21	289% (forecast data)
2021–22	158% (forecast data)

In real terms, council's spending on the renewal and upgrade of its assets trended downwards between 2016–17 and 2018–19, before increasing in 2019–20. This spending remained above the amount of depreciation (the decline in value of council's assets caused by age and use), except in 2018–19 when it decreased below 100 per cent of depreciation.

Renewal and upgrade expenditure was forecast to remain above 100 per cent of depreciation in 2020–21 and 2021–22.

Services



See the reader's guide for data sources and useful information.
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Which service areas is council spending its money in?

Expenditure by function (2019–20 \$m and % of total services expenditure)

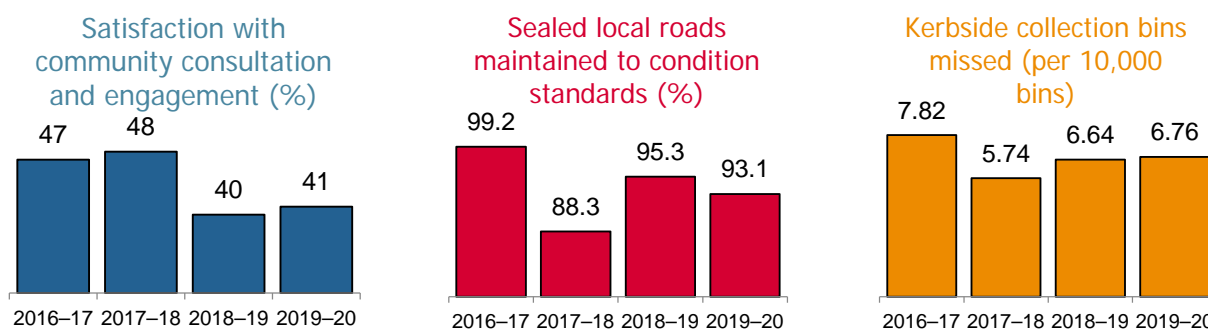
	2016–17	2017–18	2018–19	2019–20
	\$m	\$m	\$m	\$m
Aged and disabled services	2.1 (3%)	2.6 (4%)	2.8 (4%)	0.6 (1%)
Business and economic services	5.0 (8%)	9.9 (15%)	9.8 (15%)	5.8 (9%)
Environment	2.9 (4%)	3.5 (5%)	2.8 (4%)	3.2 (5%)
Family and community services	3.3 (5%)	3.4 (5%)	3.6 (5%)	3.6 (6%)
Governance	20.0 (31%)	13.2 (21%)	14.0 (21%)	14.4 (23%)
Local roads and bridges	15.6 (24%)	13.8 (22%)	14.1 (21%)	13.3 (21%)
Recreation and culture	9.1 (14%)	10.3 (16%)	11.7 (18%)	12.4 (20%)
Traffic and street management	1.0 (2%)	0.8 (1%)	0.7 (1%)	2.4 (4%)
Waste management	5.1 (8%)	6.7 (10%)	7.3 (11%)	6.1 (10%)
Other	0.0 (0%)	0.0 (0%)	0.0 (0%)	0.0 (0%)
Total	64.0	64.0	66.9	61.8

Which service areas have experienced the biggest changes in spending?



Source: Victorian Local Government Grants Commission (unaudited). Council Annual Reports may provide further explanation of these expenditure changes.

Has there been a change in service quality and community satisfaction?



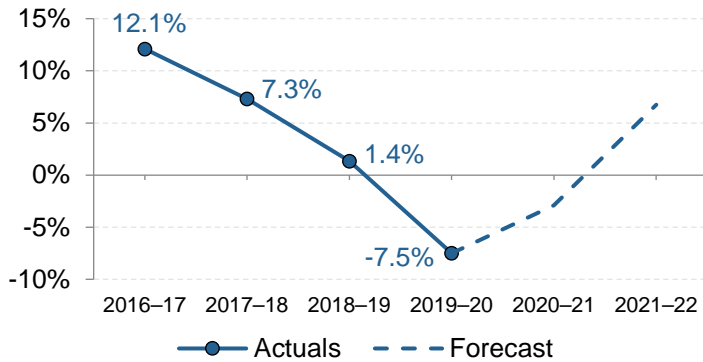
Financial position



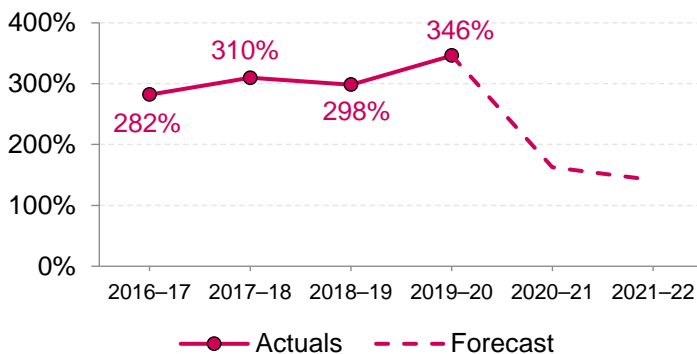
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Is council operating sustainably?

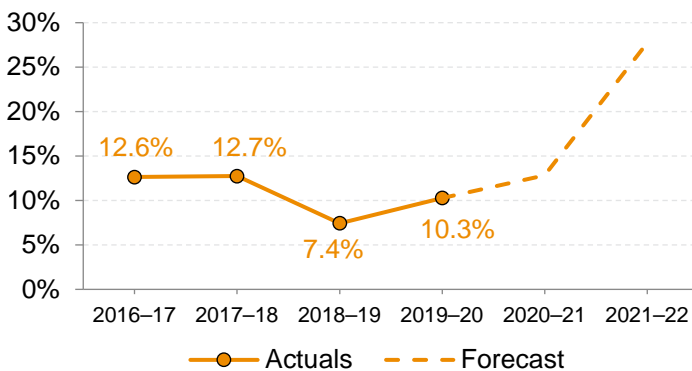
Adjusted underlying result
 (adjusted underlying surplus or deficit as a percentage of adjusted underlying revenue)



Working capital (current assets as a percentage of current liabilities)



Indebtedness (non-current liabilities as a percentage of own-source revenue)



Between 2016–17 and 2019–20, South Gippsland Shire Council reported an average **adjusted underlying result** of 3.3 per cent. An ongoing positive result suggests there is enough ongoing revenue to continue to fund the current level of service provision. Variations in the surplus from 2016–17 to 2018–19 reflect the timing of receipt of grants. The deficit in 2019–20 reflects a change in accounting standards for valuation of infrastructure.

Council could meet its current financial obligations with a reported average **working capital ratio** of 309 per cent between 2016–17 and 2019–20. The increase in 2019–20 reflects the repayment of a loan.

The reported average **indebtedness ratio** of 10.8 per cent between 2016–17 and 2019–20 places the council in the Victorian Auditor–General’s low risk category for this indicator, which means there is no concern over council’s ability to repay debt from the revenue it controls.

Note: Some of the year-on-year changes in these financial indicators may be due to the advance payment of Commonwealth grants (particularly in 2016–17) and changes to accounting standards or the impact of coronavirus (in 2019–20). See the reader's guide for more information.