



**MORNINGTON
PENINSULA**
Shire

AGENDA

COUNCIL MEETING

TUESDAY, 12 SEPTEMBER 2023

6.00PM

ONLINE ZOOM MEETING

MORNINGTON PENINSULA SHIRE COUNCIL

WARDS AND COUNCILLORS

Briars	Cr Steve Holland Cr Anthony Marsh Cr Despi O'Connor
Cerberus	Cr Lisa Dixon
Nepean	Cr Susan Bissinger Cr Sarah Race
Red Hill	Cr David Gill
Seawinds	Cr Simon Brooks Cr Antonella Celi Cr Debra Mar
Watson	Cr Kate Roper

EXECUTIVE TEAM

Mr John Baker Ms Tanya Scicluna Ms Sam Stanton Mr Mike McIntosh Mr Bulent Oz	Chief Executive Officer Director – Community Strengthening Director – Corporate Strategy and Business Improvement Director – Planning and Infrastructure Chief Financial Officer
-----------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

RECORDING

Please note that this Council Meeting will be livestreamed to the Mornington Peninsula Shire's YouTube channel and a recording of the meeting will be available on the Shire's website.

Recording of persons in the public gallery is not intended but may occur incidentally. By attending this meeting you consent to being filmed at the meeting and the possible use of subsequent recordings in a live streaming or published video of the meeting.

TABLE OF CONTENTS

ITEM	SUBJECT	PAGE NO
1	OPENING AND WELCOME.....	4
1.1	Acknowledgement of Country.....	4
2	PROCEDURAL MATTERS	5
2.1	Apologies	5
2.2	Disclosure of Conflicts of Interest Pursuant to Sections 126 – 131 of the <i>Local Government Act 2020</i>	5
2.3	Confirmation of Minutes	5
2.4	Councillor Briefing Sessions	6
2.5	Council Decision Register	8
2.6	Public Question Time	14
3	COUNCILLORS AND DELEGATES REPORTS	15
4	MANAGEMENT REPORTS	17
	OFFICE OF THE CEO.....	17
4.1	2022-23 Annual Financial and Performance Statements.....	17
5	NOTICES OF MOTION.....	90
6	URGENT BUSINESS	90
7	CONFIDENTIAL ITEMS	90

1 OPENING AND WELCOME

Appointed Chairperson – Mayor, Cr Steve Holland

1.1 Acknowledgement of Country

To be read by Cr Roper

Mornington Peninsula Shire acknowledges the Bunurong people, who have been the custodians of this land for many thousands of years; and pays respect to their elders past and present. We acknowledge that the land on which we meet is the place of age-old ceremonies, celebrations, initiation and renewal; and that the Bunurong peoples' living culture continues to have a unique role in the life of this region.

2 PROCEDURAL MATTERS

2.1 Apologies

2.2 Disclosure of Conflicts of Interest Pursuant to Sections 126 – 131 of the *Local Government Act 2020*

2.3 Confirmation of Minutes

RECOMMENDATION

That the Minutes of the previous Council Meetings held on 22 August and 5 September 2023, be confirmed.

2.4 Councillor Briefing Sessions

Councillor Briefing Sessions – 29 August 2023

RECOMMENDATION

That Council receives and notes the record of Councillor Briefing Sessions for 29 August 2023.

Councillor Briefing Sessions



Briefing Date: 29 August 2023 **Time:** 10.00am **Location:** Microsoft Teams Meeting

Councillors Present (please tick)

- Cr Bissinger Cr Brooks Cr Celi Cr Dixon Cr Gill Cr Holland
 Cr Mar Cr Marsh Cr O'Connor Cr Roper Cr Race

Guests Present: Sasha Lennon – SC Lennon & Associates

Matters Discussed:

1. BN1770 – Planning Scheme Amendment C293morn Rezoning Transport Land in Somerville to a Commercial Zone
2. BN1771 – Draft Economic Development and Tourism Strategy
3. BN1772 – Draft Public Art Policy
4. BN1773 – Police Point Strategic Plan – Community Consultation Results and Recommendations

Conflict of Interest Disclosures (refer overleaf):

Matter No.	Name of Councillor/s who declared a Conflict of Interest (**Conflict of Interest form to be completed)	Did they leave the Assembly?	
		YES	NO
		<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>

Responsible Officer completing this form:

Name: Tegan Lewis

Signature:

Position: Senior Council Reports Officer

2.5 Council Decision Register

- Attachment(s)
1. 2019 Council Decision Register Summary [↓](#)
 2. 2020 Council Decision Register Summary [↓](#)
 3. 2021 Council Decision Register Summary [↓](#)
 4. 2022 Council Decision Register Summary [↓](#)
 5. 2023 Council Decision Register Summary [↓](#)

PURPOSE

Council has requested a Decision Register for all its Council resolutions to be maintained by Shire Team Leaders and Managers.

Attached are Summaries of the 2019-2023 Decision Registers (Attachments 1-5) as at 4 September 2023.

RECOMMENDATION

That Council receives and notes the Decision Register Summaries for 2019-2023 (Attachments 1-5) as at 4 September 2023.

2019 Council Decision Register

Printed on

04-September-2023



In Progress
No Action Yet
Completed
No Further Action

Count of Status	Column Labels							
Row Labels	Number of Decisions COMPLETED	Number of Decisions IN PROGRESS	Number of No Further Action Required	Number of 2019 Council Decisions	Percentage of Decisions In Progress	Percentage of No Further Action Required	Percentage of Decisions No Update	Percentage of Decisions COMPLETED
Chief Executive Officer	2		6	8	0%	75%	0%	25%
Finance	12		4	16	0%	25%	0%	75%
Governance	28		6	34	0%	18%	0%	82%
Infrastructure Project Delivery	2			2	0%	0%	0%	100%
Infrastructure Strategy & Climate Change	27	3	2	32	9%	6%	0%	84%
Environment Protection	7	1		8	13%	0%	0%	88%
Aged & Disability	3			3	0%	0%	0%	100%
Communications, Media & Events	3			3	0%	0%	0%	100%
Planning Services	9			9	0%	0%	0%	100%
Family Services & Community Planning	15		2	17	0%	12%	0%	88%
Project Delivery	8			8	0%	0%	0%	100%
Infrastructure Services	17	1	1	19	5%	5%	0%	89%
Property & Strategy	28	2	2	32	6%	6%	0%	88%
Innovation & Advocacy	9			9	0%	0%	0%	100%
Arts & Culture	3			3	0%	0%	0%	100%
Planning & Building	1			1	0%	0%	0%	100%
Infrastructure Strategy	1			1	0%	0%	0%	100%
Libraries	1			1	0%	0%	0%	100%
Buildings & Facilities	1			1	0%	0%	0%	100%
Planning	1			1				
Corporate Strategy & Business Improvement		1		1				
Number of 2019 Council Decisions	178	8	23	209				

Department	Number of 2019 Council Decisions	Number of Decisions COMPLETED	Number of Decisions IN PROGRESS	Number of Decisions NO UPDATE	Percentage of Decisions No Update	Percentage of Decisions COMPLETED
Planning Services	60	59	1	0	0%	98%

ACTIONS

Slide to choose date range

1/01/2020 31/12/2020



253

View all Actions

1

In Progress

0

Overdue

252

Completed

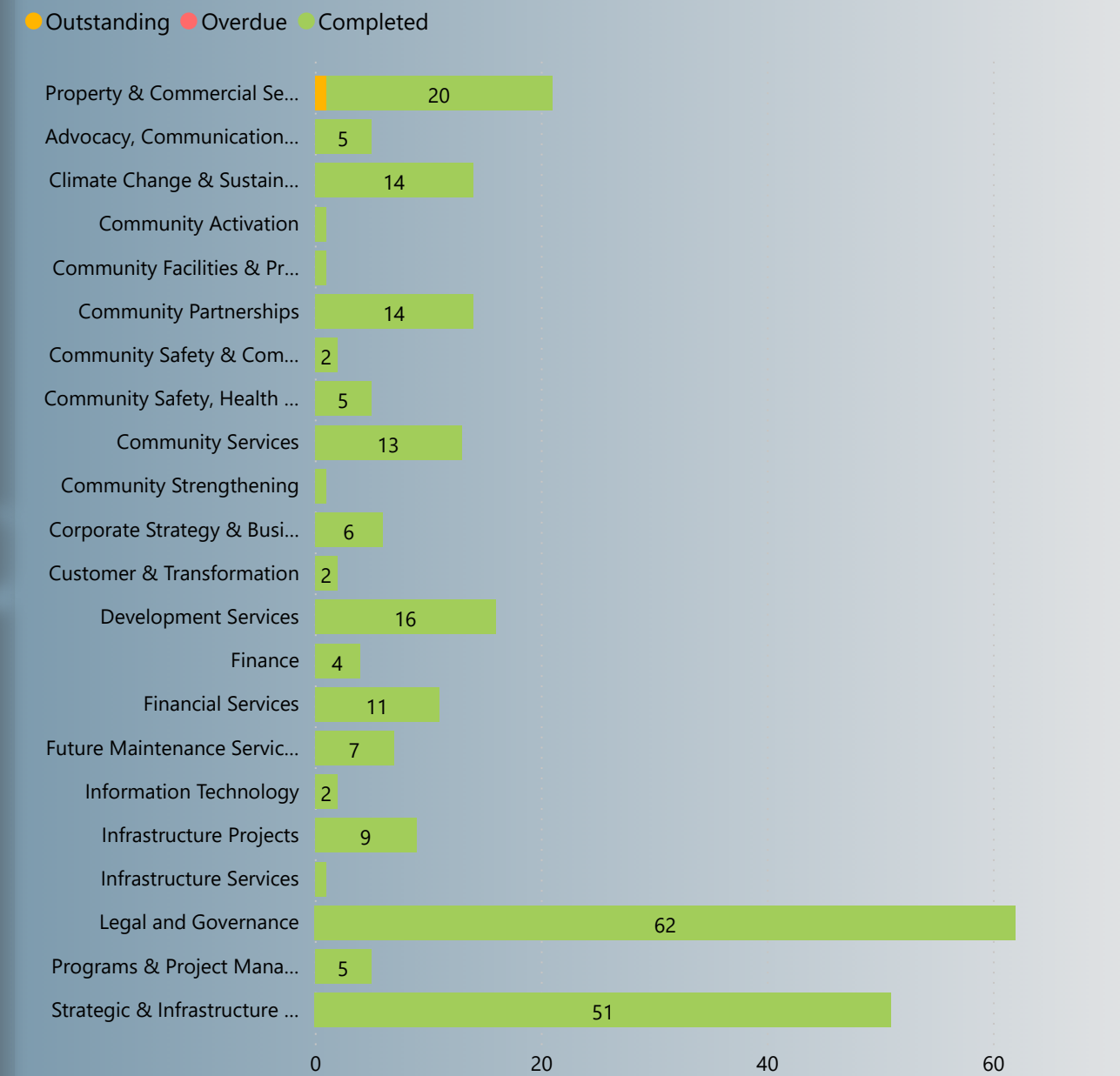
81

Completed within Target

Meeting Actions by Directorates

Directorate Name	Completed	In Progress	Overdue
Planning and Infrastructure	98	0	0
Office of the CEO	86	1	0
Community Strengthening	37	0	0
Corporate Strategy and Business Improvement	31	0	0
Total	252	1	0

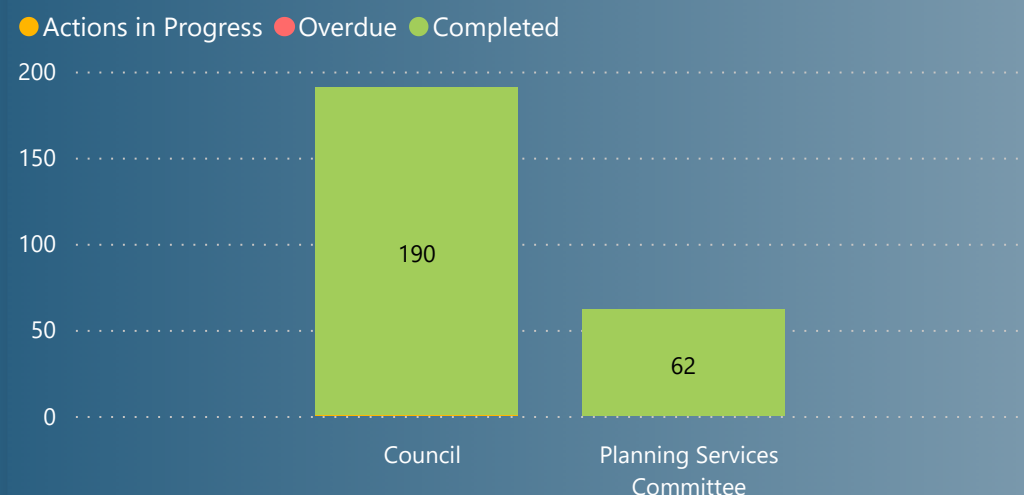
Actions Completed, In Progress and Overdue by Branch



- Meeting Events
- Meeting Attendance
- Actions**
- Actions - Monthly Status
- Papers
- Reports

Please select Directorate from above table

Actions Completed, In Progress and Overdue by Meeting



ACTIONS

Slide to choose date range

1/01/2021

31/12/2021

257

View all Actions

6

In Progress

3

Overdue

251

Completed

75

Completed within Target

Meeting Actions by Directorates

Directorate Name	Completed	In Progress	Overdue
Planning and Infrastructure	100	5	2
Office of the CEO	95	1	1
Community Strengthening	32	0	0
Corporate Strategy and Business Improvement	24	0	0
Total	251	6	3

Please select Directorate from above table

Actions Completed, In Progress and Overdue by Meeting

● Actions in Progress ● Overdue ● Completed

Meeting	Completed	In Progress	Overdue
Council	205	1	1
Planning Services Committee	45	0	0
Section 223 Submission Committee	0	0	0

Actions Completed, In Progress and Overdue by Branch

● Outstanding ● Overdue ● Completed

Branch	Outstanding	Overdue	Completed
Climate Change & Sustain...	2	2	21
Strategic & Infrastructure ...	2	0	48
Infrastructure Services	0	0	7
Property & Commercial Se...	1	1	15
Advocacy, Communication...	0	0	4
Chief Executive Office	0	0	2
Community Activation	0	0	2
Community Partnerships	0	0	10
Community Safety & Com...	0	0	2
Community Safety, Health ...	0	0	4
Community Services	0	0	13
Community Strengthening	0	0	0
Corporate Strategy & Busi...	0	0	4
Customer & Transformation	0	0	2
Development Services	0	0	12
Finance	0	0	0
Financial Services	0	0	20
Future Maintenance Servic...	0	0	3
Infrastructure Projects	0	0	9
Legal and Governance	0	0	60
People & Culture	0	0	0
Programs & Project Mana...	0	0	10

Meeting Events

Meeting Attendance

Actions

Actions - Monthly Status

Papers

Reports

ACTIONS

Slide to choose date range

1/01/2022

31/12/2022

225

View all Actions

24

In Progress

11

Overdue

201

Completed

56

Completed within Target

Meeting Actions by Directorates

Directorate Name	Completed	In Progress	Overdue
Office of the CEO	77	9	6
Planning and Infrastructure	75	13	4
Community Strengthening	28	2	1
Corporate Strategy and Business Improvement	21	0	0
Total	201	24	11

Please select Directorate from above table

Actions Completed, In Progress and Overdue by Branch

● Outstanding ● Overdue ● Completed

Branch	Outstanding	Overdue	Completed
Property & Commercial Se...	7	4	11
Climate Change & Sustain...	5	0	19
Infrastructure Services	5	2	6
Strategic & Infrastructur...	3	0	32
Contracts and Procurement	2	2	0
Chief Executive Office	0	0	0
Community Partnerships	0	0	7
Advocacy, Communication...	0	0	5
Arts, Culture & Communit...	0	0	0
Community Facilities & Pr...	0	0	0
Community Safety, Health ...	0	0	9
Community Services	0	0	8
Community Strengthening	0	0	0
Corporate Strategy & Busi...	0	0	5
Development Services	0	0	10
Economic Development, T...	0	0	0
Finance	0	0	0
Financial Services	0	0	10
Future Maintenance Servic...	0	0	2
Information Technology	0	0	2
Infrastructure Projects	0	0	6
Legal and Governance	0	0	56
Programs & Project Mana...	0	0	8

Meeting Events

Meeting Attendance

Actions

Actions - Monthly Status

Papers

Reports

Actions Completed, In Progress and Overdue by Meeting

● Actions in Progress ● Overdue ● Completed

Meeting	Actions in Progress	Overdue	Completed
Council	24	0	172
Planning Services Committee	0	0	29

ACTIONS

Slide to choose date range

1/01/2023 4/09/2023

117

View all Actions

26

In Progress

11

Overdue

91

Completed

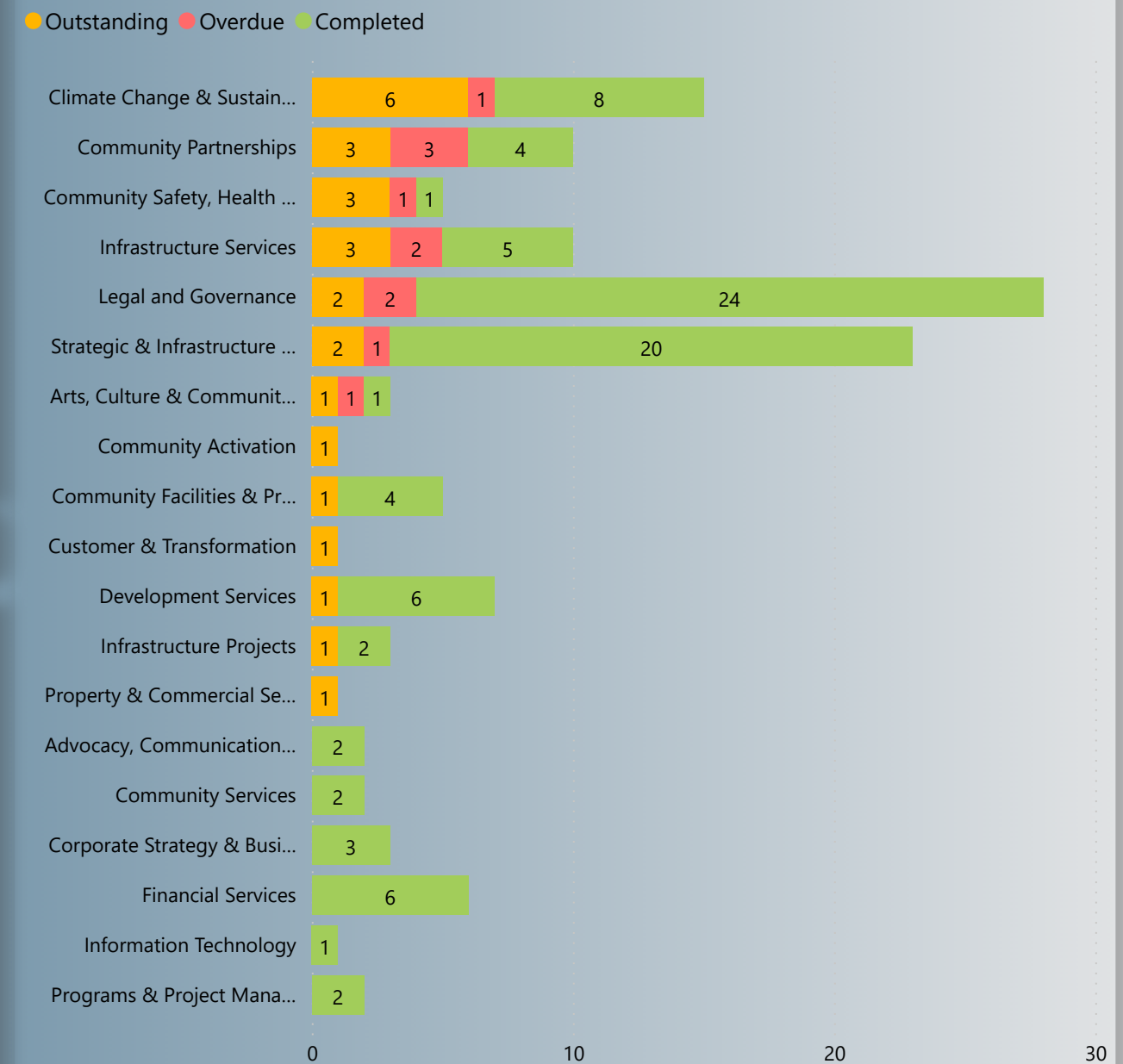
29

Completed within Target

Meeting Actions by Directorates

Directorate Name	Completed	In Progress	Overdue
Planning and Infrastructure	41	13	4
Office of the CEO	30	3	2
Community Strengthening	12	9	5
Corporate Strategy and Business Improvement	8	1	0
Total	91	26	11

Actions Completed, In Progress and Overdue by Branch



Meeting Events

Meeting Attendance

Actions

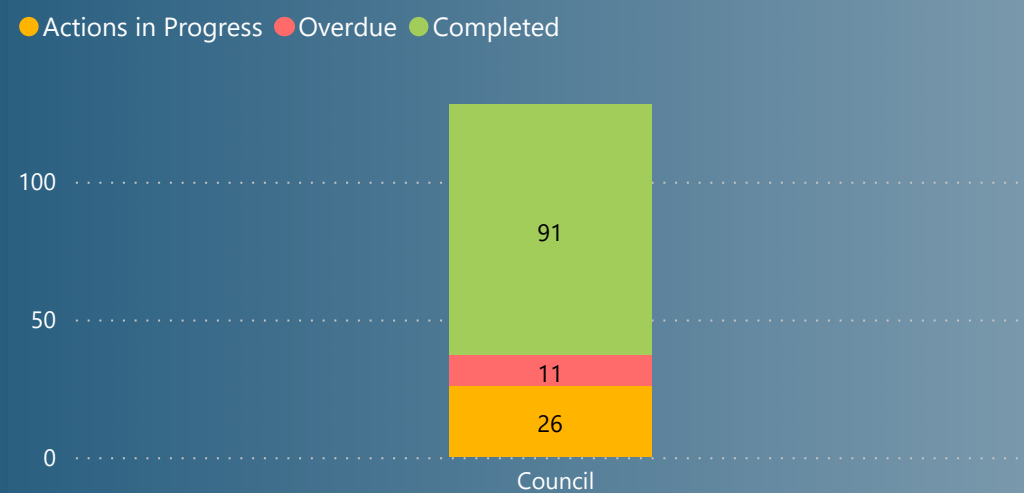
Actions - Monthly Status

Please select Directorate from above table

Papers

Reports

Actions Completed, In Progress and Overdue by Meeting



2.6 Public Question Time

Questions from the public shall be dealt with at commencement of the meeting.

The aim of public question time is to provide an opportunity for the public to ask general questions at Council Meetings requiring routine responses. Questions with or without notice can be submitted.

Questions with notice are to be received in writing by 12.00pm the Friday prior to the relevant Council Meeting and can be lodged via the Shire's website. Questions received by this time will be provided with a considered response prepared by the relevant Shire officer and read by the Chief Executive Officer (CEO) at the Council Meeting.

Questions without notice must be lodged in person no later than 15 minutes prior to the commencement of the meeting. The question will be read by the CEO and taken on notice with a written response forwarded to the person asking the question within 7 days of the Council Meeting and published on the Shire's website.

This segment does not substitute for appeal or other formal business procedures with the Council.

3 COUNCILLORS AND DELEGATES REPORTS

Association/Committee	Representative/s	Substitute Representative/s	Shire Contact
Arts and Culture Advisory Panel	Cr Gill	Cr Dixon	Cheryl Casey, Manager – Arts, Culture and Community Services
Association of Bayside Municipalities	Cr Marsh	Cr Holland	Laura Crilly, Team Leader – Water and Coasts
Audit and Risk Committee	Cr Celi Cr Mar	Mayor	Bulent Oz, Chief Financial Officer
Australian Coastal Councils	Cr Marsh	N/A	Laura Crilly, Team Leader – Water and Coasts
Australia Day Committee	Cr Holland	Cr Celi	Fiona Vesty, Team Leader – Festivals and Events
Bass Park Trust	Cr Gill	N/A	Pam Vercoe, Acting Manager – Governance
Community Consultative Committee on Gaming	Cr O'Connor		Chris Munro, Manager – Community Partnerships
Communities That Care (CTC)	Cr Dixon	Cr Celi	Rebekah Popplewell, Communities That Care Coordinator
Department of Energy, Environment and Climate Action Wildlife Management Plan for Mornington Peninsula	Cr Marsh Cr Gill Cr Mar		
Disability Advisory Committee	Cr Bissinger	Cr Dixon	Virginia Richardson, Disability Inclusion Officer
Greater South East Melbourne	Mayor	N/A	John Baker, Chief Executive Officer
Health and Wellbeing Committee	Cr Celi	Cr O'Connor	Kate Hills, Team Leader – Community Wellbeing
Inter Council Aboriginal Consultative Committee	Cr Dixon	Cr Race	Pam Vercoe, Acting Manager – Governance
Interface Councils	Mayor	Deputy Mayor	Randal Mathieson, Manager – Advocacy, Communications and Engagement
Koala Conservation Group	Cr Mar	N/A	
Literacy Advisory Committee	Cr Mar	Cr Celi	Steven Haby, Team Leader – Libraries

Association/Committee	Representative/s	Substitute Representative/s	Shire Contact
Metropolitan Transport Forum	Cr Race	Cr Celi	Claire Davey, Traffic and Road Safety Officer
Mornington Liquor Industry Accord	Cr Marsh Cr O'Connor Cr Holland		Katherine Cooper, Acting Team Leader – Economic Development
Mornington Peninsula and Western Port Biosphere Reserve Foundation – Council Liaison Group	Cr Mar	Cr Race	James Rose, Team Leader – Natural Systems
Mornington Peninsula Cemetery Trust	Cr Celi Cr Dixon Cr Holland	N/A	Gail Mifsud, Acting Manager – Property and Commercial Services
Mornington Peninsula Shire Council Tourism Advisory Forum	Cr Gill Cr Bissinger Cr Dixon	N/A	Anne-Marie Haluszka, Team Leader – Tourism Services
Municipal Association of Victoria (MAV)	Mayor	Deputy Mayor	Pam Vercoe, Acting Manager – Governance
MAV Emergency Management Committee	Cr O'Connor		Brett Fletcher, Emergency Management Coordinator
Peninsula Advisory Committee for Elders	Cr Dixon	Cr Celi	Chris Munro, Manager – Community Partnerships
South East Councils Climate Change Alliance	Cr Race	Cr O'Connor	Chris Yorke, Energy and Carbon Management Officer and Nicci Tsernjavski, Climate Change Partnerships Officer
Triple A Housing Committee	Cr Gill	Cr Celi	Chris Munro, Manager – Community Partnerships
Victorian Local Governance Association (VLGA)	Cr Race	Cr Mar	Pam Vercoe, Acting Manager – Governance

4 MANAGEMENT REPORTS

OFFICE OF THE CEO

4.1 2022/2023 Annual Financial and Performance Statements

Prepared By	Megan Bolton, Team Leader - Finance Operations
Authorised By	Chief Financial Officer
Document ID	A12571402
Briefing Note Number	Not applicable.
Attachment(s)	1. Draft Financial Statement 2022/2023 ↓ 2. Draft Performance Statement 2022/2023 ↓

EXECUTIVE SUMMARY

In compliance with the *Local Government Act 2020* (the Act), Council must approve 'in principle' draft Financial Statements and draft Performance Statement (draft Statements) for the year ended 30 June 2023 and authorise two Councillors to certify the draft Statements in their final form, on behalf of Council.

RECOMMENDATION

That Council:

- 1. Approves in principle draft Financial Statements (Attachment 1) and the draft Performance Statement (Attachment 2) for the year ended 30 June 2023 and forwarded to the Auditor-General.**
- 2. Authorises Cr Steve Holland, Mayor and Cr Debra Mar, Deputy Mayor to certify the Financial Statements and Performance Statement.**
- 3. Designates Bulent Oz (Chief Financial Officer), B.Economics, CPA, as Principal Accounting Officer to be responsible for the financial management of the Council, as per the provisions of the *Local Government Act 2020* (the Act).**

COUNCIL & WELLBEING PLAN

The Financial Statements and Performance Statement demonstrate the use of Council's limited resources in the best interest of the Mornington Peninsula Shire community and to achieve the Council and Wellbeing Plan objectives and themes below:

- Theme 1: A healthy natural environment and well-planned townships.
- Theme 2: A robust, innovative, and diverse economy.
- Theme 3: A flourishing, healthy and connected community.

4.1 (Cont.)**RELEVANT COUNCIL DECISIONS AND POLICIES**

Not applicable.

DISCUSSION**Purpose**

In compliance with the *Local Government Act 2020* (the Act), Council must approve 'in principle' draft Financial Statements and draft Performance Statement (draft Statements) for the year ended 30 June 2023 and authorise two Councillors to certify the draft Statements in their final form, on behalf of Council.

On 7 September 2023, the Audit and Risk Committee recommended that Council approve 'in principle' the draft Financial Statements and draft Performance Statement for the year ended 30 June 2023, subject to being provided with the changes to comments made in respect to the draft Financial Statements and draft Performance Statement.

Background

The Annual Financial Report provides detailed information on actual outcomes for the financial year, as per section 98 of the Act and includes Financial Statements consisting of the Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and the notes to the Financial Statements. The Annual Financial Statements comply with Australian Accounting Standards and other mandatory professional reporting requirements. The Financial Statements compare actual results to the previous year.

The Performance Statement must contain the prescribed indicators and measures of service performance outcome, financial performance and sustainable capacity and results for each indicator.

Options for consideration

Not applicable.

ENGAGEMENT

Not applicable.

COMMUNICATIONS PLAN

Not applicable.

LEGAL AND REGULATORY FRAMEWORK

Section 99 (2) of the Act requires Council to approve 'in principle' the Financial Statements and Performance Statement before they are forwarded to the Auditor-General. Council is also required, under section 99 (3) (a), to pass a resolution authorising two Councillors to certify the statements on behalf of Council, once the Auditor-General has provided audit clearance.

At the completion of the annual external audit process a 'Closing Report' is prepared by the Victorian Auditor-General's office, that summarises the audit objectives, scope and audit opinions of the Auditor-General and significant audit findings. The Auditor-General's office also prepares a 'Management Letter' raising internal control issues to be addressed by Council and officers.

4.1 (Cont.)

CLIMATE AND SUSTAINABILITY CONSIDERATIONS

There are no direct climate and sustainability considerations.

FINANCIAL CONSIDERATIONS

There are no direct financial considerations.

OFFICER DIRECT OR INDIRECT INTEREST

No person involved in the preparation of this report has a direct or indirect interest requiring disclosure.

**Mornington Peninsula Shire
ANNUAL FINANCIAL REPORT**

For the Year Ended 30 June 2023

**Mornington Peninsula Shire
Financial Report
Table of Contents**

FINANCIAL REPORT	Page
Certification of the Financial Statements	1
Financial Statements	
Comprehensive Income Statement	4
Balance Sheet	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Statement of Capital Works	8
Notes to the Financial Statements	
Note 1 Overview	9
Note 2 Analysis of our results	
2.1 Performance against budget	10
2.1.1 Income and expenditure	10
2.1.2 Capital works	12
2.2 Analysis of council results by program	14
2.2.1 Program Descriptions	14
2.2.2 Summary of income / revenue, expenses, assets and capital expenses by program	15
Note 3 Funding for the delivery of our services	
3.1. Rates and charges	16
3.2. Statutory fees and fines	16
3.3. User fees	16
3.4. Funding from other levels of government	17
3.5. Contributions	19
3.6. Net gain/(loss) on disposal of property, infrastructure, plant and equipment	19
3.7. Other income	19
Note 4 The cost of delivering services	
4.1. Employee costs	20
4.2. Materials and services	21
4.3. Depreciation	21
4.4. Amortisation - Intangible assets	22
4.5. Amortisation - Right of use assets	22
4.6. Borrowing costs	22
4.7. Finance Costs - Leases	22
4.8. Other expenses	22
Note 5 Our financial position	
5.1. Financial assets	23
5.2. Non-financial assets	25
5.3. Payables, trust funds and deposits and unearned income/revenue	26
5.4. Interest-bearing liabilities	27
5.5. Provisions	27
5.6. Financing arrangements	29
5.7. Commitments	30
5.8. Leases	31
Note 6 Assets we manage	
6.1. Non current assets classified as held for sale	32
6.2. Property, infrastructure plant and equipment	33
6.3. Investment property	40
6.4. Fair value Adjustments	40
Note 7 People and relationships	
7.1. Council and key management remuneration	41
7.2. Related party disclosure	43
Note 8 Managing uncertainties	
8.1. Contingent assets and liabilities	44
8.2. Change in accounting standards	45
8.3. Financial instruments	45
8.4. Fair value measurement	47
8.5. Events occurring after balance date	47
Note 9 Other matters	
9.1. Reserves	48
9.2. Reconciliation of cash flows from operating activities to surplus/(deficit)	50
9.3. Superannuation	50
Note 10 Change in accounting policy	52

Mornington Peninsula Shire
2022/2023 Financial Report

Comprehensive Income Statement For the Year Ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Income / Revenue			
Rates and charges	3.1	207,126	199,127
Statutory fees and fines	3.2	7,251	10,258
User fees	3.3	22,390	19,820
Grants - operating	3.4	22,684	22,546
Grants - capital	3.4	14,348	7,641
Contributions - monetary	3.5	951	1,008
Contributions - non monetary	3.5	7,552	3,738
Fair value adjustments	6.4	5,397	4,093
Other income	3.7	9,741	5,023
Total income / revenue		297,440	273,254
Expenses			
Employee costs	4.1	79,462	85,430
Materials and services	4.2	136,437	124,600
Depreciation	4.3	44,004	36,879
Amortisation - intangible assets	4.4	1,583	2,122
Amortisation - right of use assets	4.5	493	836
Borrowing costs	4.6	1,021	1,051
Bad and doubtful debts		19	-
Finance costs - leases	4.7	14	30
Fair value adjustments		-	1,172
Net loss on disposal of property, infrastructure, plant and equipment	3.6	7,889	3,342
Other expenses	4.8	7,848	6,310
Total expenses		278,770	261,772
Surplus for the year		18,670	11,482
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment	9.1	199,428	420,895
Adjustment to Marine Asset Revaluation Reserve		-	1,150
Total other comprehensive income		199,428	422,045
Total comprehensive result		218,098	433,527

The above comprehensive income statement should be read in conjunction with the accompanying notes.

Mornington Peninsula Shire
2022/2023 Financial Report

Certification of the Financial Statements

In my opinion, the accompanying financial statements have been prepared in accordance with the *Local Government Act 2020*, the *Local Government (Planning and Reporting) Regulations 2020*, the Australian Accounting Standards and other mandatory professional reporting requirements.

Bulent Oz CPA
Principal Accounting Officer

Dated : <Date>
Rosebud Council Chambers

In our opinion, the accompanying financial statements present fairly the financial transactions of the Mornington Peninsula Shire Council for the year ended 30 June 2023 and the financial position of the Council as at that date.

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

We have been authorised by the Council and by the *Local Government (Planning and Reporting) Regulations 2020* to certify the financial statements in their final form.

Cr Steve Holland
Councillor
Dated : <Date>
Rosebud Council Chambers

Cr Debra Mar
Councillor
Dated : <Date>
Rosebud Council Chambers

John Baker
Chief Executive Officer
Dated : <Date>
Rosebud Council Chambers

*Mornington Peninsula Shire
2022/2023 Financial Report*

<INSERT VAGO REPORT - PAGE 1>

<INSERT VAGO REPORT - PAGE 2>

Mornington Peninsula Shire
2022/2023 Financial Report

Balance Sheet As at 30 June 2023

	Note	2023 \$'000	2022 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1	35,462	57,788
Trade and other receivables	5.1	20,233	21,538
Other financial assets	5.1	100,589	70,585
Inventories	5.2	218	192
Prepayments		3,212	1,572
Non-current assets classified as held for sale	6.1	1,258	2,273
Other assets	5.2	2,092	1,304
Total current assets		163,064	155,252
Non-current assets			
Trade and other receivables	5.1	21	51
Other financial assets	5.1	46	45
Property, infrastructure, plant and equipment	6.2	3,387,722	3,187,722
Right-of-use assets	5.8	1,052	658
Investment property	6.3	10,280	10,267
Intangible assets	5.2	1,888	2,576
Total non-current assets		3,401,009	3,201,319
Total assets		3,564,073	3,356,571
Liabilities			
Current liabilities			
Trade and other payables	5.3	14,293	21,087
Trust funds and deposits	5.3	7,138	6,871
Unearned income/revenue	5.3	29,428	28,888
Provisions	5.5	14,914	18,414
Interest-bearing liabilities	5.4	3,326	4,401
Lease liabilities	5.8	970	777
Total current liabilities		70,068	80,438
Non-current liabilities			
Trust funds and deposits	5.3	1,407	1,647
Provisions	5.5	16,024	12,986
Interest-bearing liabilities	5.4	32,559	35,582
Lease liabilities	5.8	539	539
Total non-current liabilities		50,529	50,754
Total liabilities		120,597	131,192
Net assets		3,443,477	3,225,379
Equity			
Accumulated surplus		1,094,941	1,076,287
Reserves	9.1	2,348,536	2,149,092
Total Equity		3,443,477	3,225,379

The above balance sheet should be read in conjunction with the accompanying notes.

Mornington Peninsula Shire
2022/2023 Financial Report

**Statement of Changes in Equity
For the Year Ended 30 June 2023**

	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2023					
Balance at beginning of the financial year		3,225,379	1,076,287	2,148,026	1,067
Surplus for the year		18,670	18,670	-	-
Net asset revaluation increment	9.1	199,428	-	199,428	-
Transfers to other reserves	9.1	16	-	-	16
Transfers from other reserves	9.1	(16)	(16)	-	-
		<u>3,443,477</u>	<u>1,094,941</u>	<u>2,347,454</u>	<u>1,083</u>
Balance at end of the financial year		3,443,477	1,094,941	2,347,454	1,083

		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2022					
Balance at beginning of the financial year		2,791,851	1,064,805	1,725,980	1,067
Surplus for the year		11,482	11,482	-	-
Net asset revaluation increment	6.2	420,895	-	420,895	-
Adjustment Marine Revaluation Reserve		1,151	-	1,151	-
Transfers to other reserves	9.1	22	-	-	22
Transfers from other reserves	9.1	(22)	-	-	(22)
		<u>3,225,379</u>	<u>1,076,287</u>	<u>2,148,026</u>	<u>1,067</u>
Balance at end of the financial year		3,225,379	1,076,287	2,148,026	1,067

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Mornington Peninsula Shire
2022/2023 Financial Report

Statement of Cash Flows For the Year Ended 30 June 2023

	Note	2023 Inflows/ (Outflows) \$'000	2022 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		204,932	195,866
Statutory fees and fines		6,697	9,661
User fees		22,940	19,911
Grants - operating		5,638	28,941
Grants - capital		14,348	7,641
Contributions - monetary		6,365	4,490
Interest received		4,957	904
Dividends received		2	3
Trust funds and deposits taken		68	1,568
Other receipts		4,228	3,768
Net GST refund/(payment)		(385)	(47)
Employee costs		(86,191)	(83,472)
Materials and services		(121,375)	(120,064)
Short-term, low value and variable lease payments		(2,352)	(947)
Other payments		(7,369)	(6,103)
Net cash provided by operating activities		<u>52,503</u>	<u>62,120</u>
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(42,226)	(45,148)
Proceeds from sale of property, infrastructure, plant and equipment		2,679	616
Payments for financial assets		(240,004)	(102,109)
Redemption of financial assets		210,000	32,109
Net cash used in investing activities		<u>(69,551)</u>	<u>(114,532)</u>
Cash flows from financing activities			
Finance costs		(994)	(1,191)
Repayment of borrowings		(4,042)	(4,488)
Interest paid - lease liability		(14)	(30)
Repayment of lease liabilities		(228)	(412)
Net cash used in financing activities		<u>(5,278)</u>	<u>(6,121)</u>
Net decrease in cash and cash equivalents		(22,326)	(58,533)
Cash and cash equivalents at the beginning of the financial year		57,788	116,321
Cash and cash equivalents at the end of the financial year	5.1	<u>35,462</u>	<u>57,788</u>
Financing arrangements	5.6		

The above statement of cash flows should be read in conjunction with the accompanying notes.

Mornington Peninsula Shire
2022/2023 Financial Report

Statement of Capital Works For the Year Ended 30 June 2023

	2023 \$'000	2022 \$'000
Property		
Land	122	290
Buildings	16,008	14,882
Total property	16,130	15,172
Plant and equipment		
Plant, machinery and equipment	561	242
Fixtures, fittings and furniture	80	130
Computers and telecommunications	(355)	174
Artworks	65	(1)
Library books	1,057	917
Total plant and equipment	1,408	1,462
Infrastructure		
Roads	8,726	11,507
Bridges	28	139
Footpaths and cycleways	3,036	3,601
Drainage	2,890	2,519
Recreational, leisure and community facilities	4,190	6,275
Parks, open space and streetscapes	3,979	3,582
Marine structures	1,727	898
Total infrastructure	24,576	28,521
Total capital works expenditure	42,114	45,155
Represented by:		
New asset expenditure	10,558	14,556
Asset renewal expenditure	21,525	23,930
Asset expansion expenditure	2,991	883
Asset upgrade expenditure	7,040	5,786
Total capital works expenditure	42,114	45,155

The above statement of capital works should be read in conjunction with the accompanying notes.

Mornington Peninsula Shire
2022/2023 Financial Report

Notes to the Financial Report For the Year Ended 30 June 2023

Note 1 OVERVIEW

Introduction

The Mornington Peninsula Shire was established by an Order of the Governor in Council on 15 December 1994 and is a body corporate. The Council's main office is located at 90 Besgrove Street, Rosebud.

Statement of compliance

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and Notes accompanying these financial statements. The general purpose financial report complies with the Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 2020*, and the *Local Government (Planning and Reporting) Regulations 2020*.

The Council is a not-for-profit entity and therefore applies the additional AUS paragraphs applicable to a not-for-profit entity under the Australian Accounting Standards.

Significant accounting policies

1.1 Basis of accounting

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Accounting policies applied are disclosed in sections where the related balance or financial statement matter is disclosed.

The accrual basis of accounting has been used in the preparation of these financial statements, except for the cash flow information, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The financial statements are based on the historical cost convention unless a different measurement basis is specifically disclosed in the notes to the financial statements.

The financial statements have been prepared on a going concern basis. The financial statements are in Australian dollars. The amounts presented in the financial statements have been rounded to the nearest thousand dollars unless otherwise specified. Minor discrepancies in tables between totals and the sum of components are due to rounding.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated judgements are based on professional judgement derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision.

Judgements and assumptions made by management in the application of AAS's that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of employee provisions (refer to Note 5.5)
- the determination of landfill provisions (refer to Note 5.5)
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of AASB 15 Revenue from Contracts with Customers or AASB 1058 Income of Not-for-Profit Entities (refer to Note 3)
- the determination, in accordance with AASB 16 Leases, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.8)
- whether or not AASB 1059 Service Concession Arrangements: Grantors is applicable
- other areas requiring judgements

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation, and disclosure has been made of any material changes to comparatives.

Goods and Services Tax (GST)

Income and expenses are recognised net of the amount of associated GST. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Mornington Peninsula Shire
2022/2023 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2023**

Note 2 ANALYSIS OF OUR RESULTS

2.1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2020* requires explanation of any material variances. Council has adopted a materiality threshold of \$1 million or where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

These notes are prepared to meet the requirements of the *Local Government Act 2020* and the *Local Government (Planning and Reporting) Regulations 2020*.

2.1.1 Income / Revenue and expenditure

	Budget 2023 \$'000	Actual 2023 \$'000	Variance \$'000	Variance %	Ref
Income / Revenue					
Rates and charges	206,482	207,126	644	0%	
Statutory fees and fines	10,590	7,251	(3,339)	(32%)	1
User fees	20,098	22,390	2,292	11%	2
Grants - operating	15,174	22,684	7,510	49%	3
Grants - capital	13,080	14,348	1,268	10%	4
Contributions - monetary	591	951	360	61%	
Contributions - non monetary	3,000	7,552	4,552	152%	5
Fair value adjustments	-	5,397	5,397	0%	6
Other income	3,779	9,741	5,962	158%	7
Total income / revenue	272,794	297,440	24,646	9%	
Expenses					
Employee costs	79,711	79,462	249	0%	
Materials and services	131,940	136,437	(4,497)	(3%)	8
Depreciation	35,656	44,004	(8,348)	(23%)	9
Amortisation - intangible assets	149	1,583	(1,434)	(962%)	10
Amortisation - right of use assets	827	493	334	40%	
Borrowing costs	1,021	1,021	-	-	
Bad and doubtful debts	-	19	(19)	100%	
Finance costs - leases	54	14	40	74%	
Net Loss on disposal of property, infrastructure, plant and equipment	-	7,889	(7,889)	0%	11
Other expenses	6,617	7,848	(1,231)	(19%)	12
Total expenses	255,975	278,770	(22,795)	(9%)	
Surplus/(deficit) for the year	16,819	18,670	1,851	11%	

Morningside Peninsula Shire

2022/2023 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2023**

(i) Explanation of material variations

Variance Ref	Item	Variance Fav / Unfav	Explanation
1	Statutory Fees and Fines	Unfav	A significant decline in new applications, compared to previous financial year, caused a (22%) reduction in income of \$1.4 million. Revenue from infringements was \$0.9 million lower than budget due to an increase in bad debt provision for infringements. Moreover, statutory building applications dropped by (12%) from the prior year and \$0.9 million compared to budget.
2	User Fees	Fav	Waste Collection and Waste Disposal services witnessed a substantial 19% increase compared to the previous year, generating \$1.5 million more income than budgeted which can be attributed to increased economic activity. The golf course income, unburdened by Covid impacts, exceeded expectations by \$0.2 million, achieving a remarkable 22% growth compared to the prior year's actuals.
3	Grants - Operating	Fav	Financial assistance grant payments relating to the 2023/24 financial year were fully disbursed during 2022/23, a significant increase from the 75% disbursed in the previous year. This higher payout resulted in an increase of \$2.6 million (39%) above the budgeted amount.
4	Grants - Capital	Fav	Due to delivery of capitals works delayed in the prior year, the grant income received was not able to be recognised in accordance with AASB1058 until works were completed this financial year, in particular Hastings Boat ramp and pontoon upgrade.
5	Contributions - Non Monetary	Fav	Estimating non-monetary contributions may vary significantly from year to year and driven by the development activities for the year. Contributions for Roads experienced a remarkable surge, increasing from \$0.8 million to \$4.6 million, representing over five times growth.
6	Fair Value Adjustments	Fav	During the year, Council has continued the process of capturing all assets with geospatial techniques in the asset register and further identified and recognised found assets of \$5.4 million.
7	Other Income	Fav	Favourable increase in other income has been primarily driven by the higher than expected interest rates throughout the year due to budget being set with rates below 1% but averaging between 3% and 5% throughout the year. Available funds to invest were also higher than budgeted due to capital works carry forwards.
8	Material and Services	Unfav	Materials and Services costs are unfavourable with the main variances including: - Increase in the landfill capping provision \$3.1 million above budget due to increased CPI and discount factors applied for future rehabilitation after closure - Implementation on new corporate technology for \$1.3 million which was carry forward funds from the prior years and not in FY23 budget.
9	Depreciation	Unfav	The revaluations for infrastructure in the current year and Land and Buildings in the prior year have had a significant impact on the asset values driving the depreciation expense to be higher than budget.
10	Amortisation - Intangible Assets	Unfav	Landfill airspace amortisation \$1.4 million unbudgeted.
11	Net loss on disposal of property, infrastructure, plant and equipment	Unfav	As part of asset renewal, old assets are disposed and are later replaced when the assets are ready for use. This includes loss on disposal of \$8.1 million for infrastructure and \$0.2 million for buildings. Through the sale of \$2.3 million for land a gain of \$0.4m was realised.
12	Other Expenses	Unfav	Unspent budget for grants/subsidies from the prior year was carried forward to this financial year which resulted in actuals to be higher than the budget. They are Performing Arts grant fund of (\$0.5) million and (\$0.3) million CFA subsidy. Volunteer service adjustment in line with accounting standard for recording the cost of volunteer services (\$0.3) million is unbudgeted and equal to the same adjustment in other revenue.

Mornington Peninsula Shire

2022/2023 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2023**

2.1.2 Capital works

	Budget 2023 \$'000	Actual 2023 \$'000	Variance \$'000	Variance %	Ref
Property					
Land	1,694	122	1,572	93%	1
Buildings	18,004	16,008	1,996	11%	2
Total property	19,698	16,130	3,568	18%	
Plant and equipment					
Plant, machinery and equipment	1,053	561	492	47%	
Fixtures, fittings and furniture	50	80	(30)	(60%)	
Computers and telecommunications	-	(355)	355	0%	
Artworks	25	65	(40)	(160%)	
Library books	915	1,057	(142)	(16%)	
Total plant and equipment	2,043	1,408	635	31%	
Infrastructure					
Roads	8,040	8,726	(686)	(9%)	
Bridges	50	28	22	44%	
Footpaths and cycleways	6,195	3,036	3,159	51%	3
Drainage	4,605	2,890	1,715	37%	4
Recreational, leisure and community facilities	3,619	4,190	(571)	(16%)	
Parks, open space and streetscapes	2,965	3,979	(1,014)	(34%)	5
Marine structures	385	1,727	(1,342)	(349%)	6
Total infrastructure	25,859	24,576	1,283	5%	
Total capital works expenditure	47,600	42,114	5,486	12%	
Represented by:					
New asset expenditure	10,710	10,558	152	1%	
Asset renewal expenditure	24,272	21,525	2,747	11%	
Asset expansion expenditure	3,536	2,991	545	15%	
Asset Upgrade Expenditure	9,081	7,040	2,041	22%	
Total capital works expenditure	47,599	42,113	5,486	12%	

Mornington Peninsula Shire

2022/2023 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2023**

(i) Explanation of material variations

Variance Ref	Item	Variance Fav / Unfav	Explanation
	Variances less than \$1 million		Typically capital works with overspend budget relates to spend against prior year carry forwards (\$54.8 million) and 2022/2023 budget. In contrast, underspend against budget will reflect in a carry forward (approx. \$57.3 million) for the next financial year.
1	Land	Fav	Land budget has been underspent this financial year with the funding relating to Landfill Capping Rehabilitation Works in Mt Eliza being carried forward to 2023/24 for \$1.8 million. It is expected this project will be tendered later this financial year and be completed in the fourth quarter of 2023/24.
2	Buildings	Fav	Buildings expenditure is below budget due to a number of large multi-year projects continuing into 2023/24. These include Southern Peninsula Youth Hub (\$3 million) and Community Animal Shelter (\$1.3 million). In addition there was expenditure on projects that had been carried forward from 2021/22 and spent this year including Flinders Civic Hall Redevelopment which had a carry forward of \$1.3 million along with \$3.5 million in the current year budget and \$3 million expended in 2022/23.
3	Footpaths and cycleways	Fav	The Trails Program is a significant allocation of this budget which is a multi-year project and has additional funding in 2023/24. \$3.3 million of the funding for this project is being carried forward into 2023/24, resulting in the underspend for 2022/23.
4	Drainage	Fav	Drainage projects are lower in expenditure due to projects scheduled to be completed in the current financial year being carried forward into 2023/24. In particular the Briars Recycled Water project which is carrying forward \$2 million and due for completion in the fourth quarter of 2023/24.
5	Parks, open space and streetscapes	Unfav	The overspend for Parks is due to the Capital works funding in 2021/22 for Civic Reserve Mornington Athletics / Soccer pavilion of which \$3.3 million was spent in the current financial year.
6	Marine structures	Unfav	The overspend for Marine structures is due to the Capital works funding in 2021/22 for Hastings Boat Ramp of which \$1.2 million was spent in the current financial year and has been completed.

Mornington Peninsula Shire

2022/2023 Financial Report

Notes to the Financial Report For the Year Ended 30 June 2023

2.2 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

2.2.1 Program Descriptions

Office of the CEO

The Chief Executive Office sits over the following three Directorates in an executive function.

Legal and Governance and the Chief Financial Officer including Property and Commercial Services sit within the Office of the CEO, with a focus on supporting the strategic communications, transparency, financial reporting requirements and legal and ethical decision making of Council.

The Executive Team comprises of the Chief Executive Officer, three Directors, Chief Financial Officer and other nominated staff as required, which provides decision-making, leadership and collaboration.

Corporate Strategy and Business Improvement

The CS&BI directorate encompasses the core strategic enabling functions of Council, including:

- People and Culture
- Programs and Project Management
- Information Technology
- Advocacy, Communication and Engagement
- Customer and Transformation

These units enable the timely and effective production of strategic policies, delivery of quality service and effective information management and resource allocation, and support the adherence to regulation and legislative requirements.

Community Strengthening Directorate

The Directorate consists of the following:

- Community Activation
- Community Facilities and Precincts
- Community Partnerships
- Community Safety and Compliance
- Community Services.

Enhancing the community's liveability is at the heart of this directorate; it strives to build capacity and improve wellbeing through an in depth understanding of the community's changing needs and a breadth of services.

Planning & Infrastructure

The Directorate provides a range of services, including a regulatory, maintenance, sustainability, strategic and infrastructure planning service.

- Development Services
- Strategic and Infrastructure Planning
- Infrastructure Services
- Climate Change and Sustainability
- Infrastructure Projects

The Directorate works strategically across the organisation and with business and community to deliver sustainable outcomes in the planning, development and management of the Shire's infrastructure services and the built and natural environments.

Morningside Peninsula Shire

2022/2023 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2023**

2.2.2 Summary of income / revenue, expenses, assets and capital expenses by program

	Income / Revenue	Expenses	Surplus/ (Deficit)	Grants included in income / revenue	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2023					
Office of the CEO	228,807	16,418	212,389	9,281	159,919
Community Strengthening	19,829	50,220	(30,391)	11,104	7,316
Corporate Strategy and Business Improvement	90	21,254	(21,164)	90	1,683,062
Planning and Infrastructure	48,714	190,878	(142,164)	16,557	1,713,776
	297,440	278,770	18,670	37,032	3,564,073

	Income / Revenue	Expenses	Surplus/ (Deficit)	Grants included in income / revenue	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2022					
Office of the CEO	202,939	23,059	179,880	8,083	154,109
Community Strengthening	23,784	61,515	(37,731)	13,056	7,744
Corporate Strategy and Business Improvement	7,100	14,877	(7,777)	11	1,681,821
Planning and Infrastructure	39,432	162,322	(122,890)	9,038	1,512,896
	273,255	261,772	11,482	30,187	3,356,570

Morningside Peninsula Shire

2022/2023 Financial Report

Notes to the Financial Report For the Year Ended 30 June 2023

Note 3 FUNDING FOR THE DELIVERY OF OUR SERVICES	2023	2022
3.1 Rates and charges	\$'000	\$'000

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is the value of the land and all its improvements.

The valuation base used to calculate general rates for 2022/23 was \$136.964 billion (2021/22 \$101.974 billion).

General rates	159,997	155,468
Waste service charge	38,040	34,901
Service rates and charges (opt-in green waste)	7,201	6,438
Supplementary rates and rate adjustments	881	1,316
Culture and recreational	167	165
Revenue in lieu of rates	840	840
Total rates and charges	207,126	199,127

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2023, and the valuation will be first applied in the rating year commencing 1 July 2023.

Annual rates and charges are recognised as revenues when Council issues annual rates notices. Supplementary rates are recognised when a valuation and reassessment is completed and a supplementary rates notice issued.

3.2 Statutory fees and fines

Infringements and costs	1,213	2,958
Town planning fees	2,994	3,854
Land information certificates	233	272
Permits	2,372	2,684
Other fees and charges	439	490
Total statutory fees and fines	7,251	10,258

Statutory fees and fines (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

3.3 User fees

Aged and health services	764	1,404
Animal shelter fees	31	39
Art gallery fees	33	89
Building services	1,110	1,129
Child, youth and family care services	48	27
Events & festivals fees	56	28
Foreshore camping fees	3,130	2,536
Halls and community centres	328	151
Legal reimbursement	53	10
Leisure centre and recreation	1,157	880
Library fees and fines	13	12
Nursery and homestead	138	121
Parking and boat ramp	58	59
Planning fees	837	860
Registration and other permits	3,711	3,315
Valuations and property	469	735
Waste management services	9,888	8,383
Other fees and charges	566	41
Total user fees	22,390	19,820

Mornington Peninsula Shire

2022/2023 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2023

User fees by timing of revenue recognition	2023 \$'000	2022 \$'000
User fees recognised over time	-	-
User fees recognised at a point in time	22,390	19,820
Total user fees	22,390	19,820

User fees are recognised as revenue at a point in time, or over time, when (or as) the performance obligation is satisfied. Recognition is based on the underlying contractual terms.

	2023 \$'000	2022 \$'000
3.4 Funding from other levels of government		
Grants were received in respect of the following :		
Summary of grants		
Commonwealth funded grants	16,764	16,674
State funded grants	20,268	13,513
Total grants received	37,032	30,187

(a) Operating Grants**Recurrent - Commonwealth Government**

Financial Assistance Grants	9,122	8,149
Aged care	3,709	4,637
Indigenous Programs	-	49
Other	-	23

Total Recurrent - Commonwealth Government	12,831	12,858
--------------------------------------------------	---------------	---------------

Recurrent - State Government

Aged care	1,575	2,102
School crossing supervisors	569	475
Libraries	1,095	1,081
Maternal and child health	1,787	2,033
Community safety	280	296
Family and Children	747	579
Indigenous Programs	-	30
Vegetation	59	88
Other	254	359

Total Recurrent - State Government	6,367	7,044
-------------------------------------------	--------------	--------------

Total recurrent operating grants	19,198	19,902
-----------------------------------------	---------------	---------------

Non-recurrent - Commonwealth Government

Events - Regional Gallery	150	300
---------------------------	-----	-----

Total Non-Recurrent - Commonwealth Government	150	300
------------------------------------------------------	------------	------------

Non-recurrent - State Government

Aged Care	123	96
Waste management services	333	-
Environmental planning	280	604
Community Safety	1,388	723
Outdoor dining	-	575
Libraries	68	29
Family and children	252	465
Vegetation	572	24
Working For Victoria	-	(222)
Other	321	51

Total non-recurrent operating grants	3,336	2,344
---------------------------------------------	--------------	--------------

Total operating grants	22,684	22,546
-------------------------------	---------------	---------------

Morningside Peninsula Shire

2022/2023 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2023**

	2023	2022
	\$'000	\$'000
(b) Capital Grants		
Recurrent - Commonwealth Government		
Roads to recovery	1,610	1,610
Recurrent - State Government		
Black Spot	426	-
Total recurrent capital grants	<u>2,036</u>	<u>1,610</u>
Non-recurrent - Commonwealth Government		
Recreation	-	300
Local roads and community infrastructure program	1,747	1,607
Non-recurrent - State Government		
Community Safety	229	-
Libraries	20	20
Recreation	5,011	1,411
Roads and Intersections	231	1,084
Drainage	119	415
Buildings	3,482	1,282
Marine	1,257	(141)
Township	20	54
Other	196	-
Total non-recurrent capital grants	<u>12,312</u>	<u>6,031</u>
Total capital grants	<u><u>14,348</u></u>	<u><u>7,641</u></u>

(c) Recognition of grant income

Before recognising funding from government grants as revenue the Council assesses whether there is a contract that is enforceable and has sufficiently specific performance obligations in accordance with *AASB 15 Revenue from Contracts with Customers*. When both these conditions are satisfied, the Council:

- identifies each performance obligation relating to revenue under the contract/agreement
- determines the transaction price
- recognises a contract liability for its obligations under the agreement
- recognises revenue as it satisfies its performance obligations, at the time or over time when services are rendered.

Where the contract is not enforceable and/or does not have sufficiently specific performance obligations, the Council applies *AASB 1058 Income of Not-for-Profit Entities*.

Grant revenue with sufficiently specific performance obligations is recognised over time as the performance obligations specified in the underlying agreement are met. Where performance obligations are not sufficiently specific, grants are recognised on the earlier of receipt or when an unconditional right to receipt has been established. Grants relating to capital projects are generally recognised progressively as the capital project is completed. The following table provides a summary of the accounting framework under which grants are recognised.

Income recognised under AASB 1058 Income of Not-for-Profit Entities		
General purpose	19,769	10,575
Specific purpose grants to acquire non-financial assets	13,841	7,355
Revenue recognised under AASB 15 Revenue from Contracts with Customers		
Specific purpose grants	3,422	12,257
	<u>37,032</u>	<u>30,187</u>

Mornington Peninsula Shire

2022/2023 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2023**

	2023 \$'000	2022 \$'000
(d) Unspent grants received on condition that they be spent in a specific manner		
<i>Operating</i>		
Balance at start of year	3,149	71
Received during the financial year and remained unspent at balance date	915	3,149
Received in prior years and spent during the financial year	(3,149)	(71)
Balance at year end	<u>915</u>	<u>3,149</u>
<i>Capital</i>		
Balance at start of year	18,269	11,558
Received during the financial year and remained unspent at balance date	6,900	8,763
Received in prior years and spent during the financial year	(9,539)	(2,052)
Balance at year end	<u>15,630</u>	<u>18,269</u>

Unspent grants are determined and disclosed on a cash basis.

	2023 \$'000	2022 \$'000
3.5 Contributions		
Monetary	951	1,008
Non-monetary	7,552	3,738
Total contributions	<u>8,503</u>	<u>4,747</u>

Contributions of non monetary assets were received in relation to the following asset classes.

Land	-	1,096
Roads	4,738	836
Land under roads	-	171
Drainage	2,720	1,089
Footpaths & cycleways	21	208
Parks & open spaces	73	338
Total non-monetary contributions	<u>7,552</u>	<u>3,738</u>

Monetary and non monetary contributions are recognised as revenue at their fair value when Council obtains control over the contributed asset.

3.6 Net loss on disposal of property, infrastructure, plant and equipment

Proceeds of sale	2,679	616
Written down value of assets disposed	(10,568)	(3,958)
Total net loss on disposal of property, infrastructure, plant and equipment	<u>(7,889)</u>	<u>(3,342)</u>

The profit or loss on sale of an asset is determined when control of the asset has passed to the buyer.

3.7 Other income

Interest	5,221	1,020
Dividends	2	3
Investment property rental	2,303	2,224
Merchant Sales	489	478
Volunteer services	292	231
Festivals and events	168	256
Other	1,266	811
Total other income	<u>9,741</u>	<u>5,023</u>

Interest is recognised as it is earned.

Other income is measured at the fair value of the consideration received or receivable and is recognised when Council gains control over the right to receive the income.

Morrington Peninsula Shire

2022/2023 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2023**

	2023	2022
	\$'000	\$'000
Note 4 THE COST OF DELIVERING SERVICES		
4.1 (a) Employee costs		
Wages and salaries	56,987	59,992
WorkCover	2,009	2,087
Casual staff	3,118	3,070
Superannuation	7,412	7,172
Fringe benefits tax	11	298
Annual leave and long service leave	8,630	5,764
Redundancies	1,295	7,045
Total employee costs	79,462	85,430
(b) Superannuation		
Council made contributions to the following funds:		
Defined benefit fund		
Employer contributions to Vision Super	60	153
	<u>60</u>	<u>153</u>
Employer contributions payable at reporting date.	-	-
Accumulation funds		
Employer contributions to Vision Super	3,413	3,778
Employer contributions - other funds		
Australian Super	1,064	552
Hostplus	1,038	431
Hesta Super	506	260
First State Super	562	256
Rest Super	644	247
Other	125	1,495
Total Accumulation Funds	7,352	7,019
Employer contributions payable at reporting date.	296	155

Contributions made exclude amounts accrued at balance date. Refer to note 9.3 for further information relating to Council's superannuation obligations.

*Mornington Peninsula Shire**2022/2023 Financial Report*

**Notes to the Financial Report
For the Year Ended 30 June 2023**

4.2 Materials and services	2023	2022
	\$'000	\$'000
Contract payments		
Waste management services	37,776	34,181
Sport and recreational	51	1,870
Other	(29)	1,318
Landfill rehabilitation*	3,266	(597)
Building maintenance	11,140	9,249
General maintenance		
Furniture and signs	3,454	4,204
Roads, drainage and cleansing	26,015	22,426
Parks and roadsides	11,646	15,823
Natural systems	5,993	5,037
Other	1,220	1,286
Utilities	3,972	3,650
Parking and travel	187	569
Operating leases	1,189	1,100
Information technology	6,118	5,671
Insurance	1,892	1,961
Legal	1,930	1,439
Consultants	11,046	7,292
Other	9,570	8,120
Total materials and services	136,437	124,600

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

* See note 5.5(b) for provision balance.

4.3 Depreciation

Property	10,105	7,948
Plant and equipment	1,256	1,108
Infrastructure	32,642	27,824
Total depreciation	44,004	36,879

Refer to note 5.2(c), 5.8 and 6.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

Morrington Peninsula Shire

2022/2023 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2023**

	2023 \$'000	2022 \$'000
4.4 Amortisation - Intangible assets		
Software	149	149
Landfill air space	1,434	1,973
Total Amortisation - Intangible assets	1,583	2,122
4.5 Amortisation - Right of use assets		
Property	-	33
Information technology	167	167
Vehicles	326	636
Total Amortisation - Right of use assets	493	836
4.6 Borrowing costs		
Interest - Borrowings	1,021	1,051
	1,021	1,051
Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council.		
4.7 Finance Costs - Leases		
Interest - Lease Liabilities	14	30
Total finance costs	14	30
4.8 Other expenses		
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	68	68
Auditors' remuneration - Internal Audit	185	121
Councillors' allowances	601	549
Community grants, contributions and subsidies paid	3,903	3,455
Indirect recruitment costs (recruitment, staff training and uniforms)	1,266	664
Insurance excess and small claims	302	105
Operating lease rentals	187	246
Training, conferences and seminars	106	43
Volunteer services	292	231
Others	938	830
Total other expenses	7,848	6,310

Mornington Peninsula Shire

2022/2023 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2023**

Note 5 OUR FINANCIAL POSITION	2023	2022
5.1 Financial assets	\$'000	\$'000
(a) Cash and cash equivalents		
Cash on hand	7	7
Cash at bank	35,455	57,781
Total cash and cash equivalents	35,462	57,788
(b) Other financial assets		
Current		
Term deposits - current	100,589	70,585
Total current other financial assets	100,589	70,585
Non-current		
Shares	46	45
Total non-current other financial assets	46	45
Total other financial assets	100,635	70,630
Total financial assets	136,096	128,418

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts.

Other financial assets are valued at fair value, at balance date. Term deposits are measured at original cost. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.

Other financial assets include term deposits and those with original maturity dates of three to 12 months are classified as current, whilst term deposits with maturity dates greater than 12 months are classified as non-current.

(c) Trade and other receivables	2023	2022
	\$'000	\$'000
Current		
<i>Statutory receivables</i>		
Rates debtors	8,460	7,156
Rates pensioner	987	(1)
Special rate assessment	338	340
Infringement debtors	4,244	3,691
Provision for doubtful debts - infringements	(3,682)	(2,488)
Grants - Government and statutory bodies	1,111	4,568
Net GST receivable	2,371	1,985
<i>Non statutory receivables</i>		
Other debtors	6,405	6,286
Provision for doubtful debts - other debtors	-	-
Total current trade and other receivables	20,233	21,538
Non-current		
<i>Statutory receivables</i>		
Special rate scheme	21	51
Total non-current trade and other receivables	21	51
Total trade and other receivables	20,254	21,589

Short term receivables are carried at invoice amount. A provision for doubtful debts is recognised when there is objective evidence that an impairment has occurred. Long term receivables are carried at amortised cost using the effective interest rate method.

Mornington Peninsula Shire

2022/2023 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2023**

(d) Ageing of Receivables

The ageing of the Council's trade and other receivables (excluding statutory receivables) that are not impaired was:

Current (not yet due)	4,515	5,565
Past due by up to 30 days	150	280
Past due between 31 and 180 days	1,576	441
Past due between 181 and 365 days	164	-
Past due by more than 1 year	-	-
Total trade and other receivables	6,405	6,286

(e) Ageing of individually impaired Receivables

At balance date, other debtors representing financial assets were past due but not impaired. These amounts relate to a number of independent customers for whom there is no recent history of default.

The ageing of receivables that have been individually determined as impaired at reporting date was:

Current (not yet due)	-	-
Past due by up to 30 days	-	-
Past due between 31 and 180 days	-	-
Past due between 181 and 365 days	727	-
Past due by more than 1 year	2,955	2,488
Total trade & other receivables	3,682	2,488

Mornington Peninsula Shire
2022/2023 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2023**

5.2 Non-financial assets	2023	2022
(a) Inventories	\$'000	\$'000
Inventories held for distribution	218	192
Total inventories	218	192

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

(b) Other assets		
Accrued income	2,092	1,304
Total other assets	2,092	1,304

(c) Intangible assets

Software	453	602
Landfill air space	1,435	1,974
Total intangible assets	1,888	2,576

	Software	Landfill	Total
	\$'000	\$'000	\$'000
Gross carrying amount			
Balance at 1 July 2022	2,760	9,072	11,833
Revaluation during the year	-	896	896
Other additions	-	-	-
Balance at 30 June 2023	2,760	9,968	12,729
Accumulated amortisation and impairment			
Balance at 1 July 2022	(2,159)	(7,099)	(9,258)
Amortisation expense	(148)	(1,434)	(1,582)
Balance at 30 June 2023	(2,307)	(8,533)	(10,840)
Net book value at 30 June 2022	602	1,974	2,576
Net book value at 30 June 2023	453	1,435	1,888

Intangible assets with finite lives are amortised as an expense on a systematic basis over the asset's useful life. Amortisation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and amortisation method are reviewed at least annually, and adjustments made where appropriate.

Mornington Peninsula Shire
2022/2023 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2023**

	2023	2022
5.3 Payables, trust funds and deposits and unearned income/revenue	\$'000	\$'000
(a) Trade and other payables		
Current		
<i>Non-statutory payables</i>		
Trade payables	1,241	2,695
Accrued expenses	13,053	18,391
Total current trade and other payables	• 14,293	21,087

(b) Trust funds and deposits

Current		
Refundable deposits	3,878	3,338
Fire services levy	(121)	(185)
Retention amounts	225	163
Bank guarantees	261	259
General	498	614
Hillview Quarries restoration fund	477	477
Rate recoveries	341	341
Subdivision maintenance deposits	1,580	1,863
Total current trust funds and deposits	7,138	6,871
Non-current		
Refundable deposits	1,407	1,647
Total Non-current trust funds and deposits	1,407	1,647

(c) Unearned income/revenue

Current		
Grants received in advance - operating	915	3,149
Grants received in advance - capital	15,630	18,269
Developer Contributions	12,883	7,470
Total current unearned income/revenue	29,428	28,888

Unearned income/revenue represents contract liabilities and reflect consideration received in advance from customers in respect of community services and construction of a non-financial asset. Unearned income/revenue are derecognised and recorded as revenue when promised goods and services are transferred to the customer. Refer to Note 3.

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited. Trust funds that are forfeited, resulting in council gaining control of the funds, are to be recognised as revenue at the time of forfeit.

Purpose and nature of items

Refundable deposits - Deposits are taken by council as a form of surety in a number of circumstances, including in relation to building works, tender deposits, contract deposits and the use of civic facilities.

Fire Service Levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the state government in line with that process.

Retention Amounts - Council has a contractual right to retain certain amounts until a contractor has met certain requirements or a related warrant or defect period has elapsed. Subject to the satisfactory completion of the contractual obligations, or the elapsing of time, these amounts will be paid to the relevant contractor in line with Council's contractual obligations.

Subdivision maintenance deposits - Council has the discretion on developments or subdivisions that create new roads, footpath, drainage, large landscaped areas, etc. to take a maintenance bond, generally 5% of the cost of the civil works. This is held for a prescribed maintenance period. This is to cover Council for any outstanding maintenance works that might occur over the initial period of 3 months after construction/statement of compliance is issued.

Mornington Peninsula Shire
2022/2023 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2023**

5.4 Interest-bearing liabilities	2023	2022
	\$'000	\$'000
Current		
Bank overdraft	355	392
Treasury Corporation of Victoria borrowings - secured *	545	711
Borrowings - secured *	2,426	3,297
Total current interest-bearing liabilities	3,326	4,401
Non-current		
Treasury Corporation of Victoria borrowings - secured *	7,699	8,244
Borrowings - secured *	24,860	27,338
Total non-current interest-bearing liabilities	32,559	35,582
Total	35,885	39,983

*Borrowings are secured by general rates.

(a) The maturity profile for Council's borrowings is:

Not later than one year	3,326	4,401
Later than one year and not later than five years	10,632	10,632
Later than five years	21,927	24,950
	35,885	39,983

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs. The measurement basis subsequent to initial recognition depends on whether the Council has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through the profit and loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method. The classification depends on the nature and purpose of the interest bearing liabilities. The Council determines the classification of its interest bearing liabilities at initial recognition.

5.5 Provisions

	Employee	Landfill restoration	Native vegetation management	Total
	\$ '000	\$ '000	\$ '000	\$ '000
2023				
Balance at beginning of the financial year	20,023	10,796	583	31,401
Additional provisions	8,126	2,823	(126)	10,823
Amounts used	(11,899)	-	-	(11,899)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	169	443	-	612
Balance at the end of the financial year	16,419	14,062	457	30,937
<i>Provisions - current</i>	14,828	-	86	14,914
<i>Provisions - non-current</i>	1,591	14,062	371	16,024
2022				
Balance at beginning of the financial year	18,221	11,393	666	30,280
Additional provisions	11,036	-	-	11,036
Amounts used	(8,591)	-	(83)	(8,674)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(643)	(597)	-	(1,240)
Balance at the end of the financial year	20,023	10,796	583	31,401
<i>Provisions - current</i>	18,313	-	102	18,415
<i>Provisions - non-current</i>	1,710	10,796	480	12,986

Mornington Peninsula Shire
2022/2023 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2023**

	2023	2022
	\$'000	\$'000
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	4,605	4,378
Long service leave	1,479	1,035
Redundancies	173	5,034
	6,257	10,447
Current provisions expected to be wholly settled after 12 months		
Annual leave	2,380	1,910
Long service leave	6,191	5,957
	8,571	7,867
Total current employee provisions	14,828	18,314
Non-current		
Long service leave	1,591	1,710
Annual leave	-	-
Total non-current employee provisions	1,591	1,710
Aggregate carrying amount of employee provisions:		
Current	14,828	18,314
Non-current	1,591	1,710
Total aggregate carrying amount of employee provisions	16,419	20,024

The calculation of employee costs and benefits includes all relevant on-costs and are calculated as follows at reporting date.

Annual leave

A liability for annual leave is recognised in the provision for employee benefits as a current liability because the Council does not have an unconditional right to defer settlement of the liability. Liabilities for annual leave are measured at:
- nominal value if the Council expects to wholly settle the liability within 12 months
- present value if the Council does not expect to wholly settle within 12 months.

Liabilities that are not expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits as current liabilities, measured at the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits. Unconditional LSL is disclosed as a current liability as the Council does not have an unconditional right to defer settlement. Unconditional LSL is measured at nominal value if expected to be settled within 12 months or at present value if not expected to be settled within 12 months. Conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non-current liability and measured at present value.

Key assumptions:	2023	2022
- discount rate	4.36%	2.38%
- index rate	4.35%	3.85%

Mornington Peninsula Shire
2022/2023 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2023**

	2023	2022
	\$'000	\$'000
(b) Landfill restoration		
Non-current		
Rye Landfill	11,804	10,155
Tyabb Landfill	2,258	641
	<u>14,062</u>	<u>10,796</u>

Council is obligated to restore the Rye and Tyabb landfill sites to a particular standard. The forecast life of the site is based on current estimates of remaining capacity and the forecast rate of infill. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

Council reviews the landfill restoration provision on an annual basis, including the key assumptions listed below.

	2023	2022
	\$'000	\$'000
Key assumptions:		
- discount rate	4.21%-5.51%	3.61% - 5.57%
- inflation rate	5.60%	4.50%
- estimated cost to rehabilitate	7,963	4,271

(c) Native vegetation management

Current	86	102
Non-current	371	480
	<u>457</u>	<u>582</u>

5.6 Financing arrangements

	2023	2022
	\$'000	\$'000
The Council has the following funding arrangements in place as at 30 June.		
Bank overdraft	5,000	5,000
Bank loans	39,590	39,590
Credit card facilities	200	200
Asset Finance - Leasing	3,000	3,000
Other facilities	100	100
Total facilities	<u>47,890</u>	<u>47,890</u>
Used facilities	39,185	39,983
Unused facilities	<u>8,705</u>	<u>7,908</u>

Mornington Peninsula Shire
2022/2023 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2023

5.7 Commitments

The Council has entered into the following commitments. Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value and presented inclusive of the GST payable.

(a) Commitments for expenditure

2023	Not later than	Later than 1	Later than 2	Later than 5	Total
	1 year	year and not	years and not		
	\$'000	later than 2	later than 5	\$'000	\$'000
		years	years	years	
		\$'000	\$'000	\$'000	\$'000
Operating					
Cleansing	14,397	-	-	-	14,397
Parks and Roadside	15,824	-	-	-	15,824
Furniture and Signs	4,857	-	-	-	4,857
Buildings Maintenance	10,287	-	-	-	10,287
Safer Local Roads	16,404	-	-	-	16,404
Garbage Collection	4,790	-	-	-	4,790
Utilities	-	-	-	-	-
Green Waste	3,610	190	612	218	4,631
Landfill & Transfer Station Management	11,507	-	-	-	11,507
Recycling	20,199	-	-	-	20,199
Natural Systems	2,179	-	-	-	2,179
Recreational & Leisure	960	-	-	-	960
Telecommunications and IT	2,725	1,388	2,713	-	6,827
Consulting	2,403	467	-	-	2,870
Internal Audit	194	-	-	-	194
Home and Community Care Services	735	376	-	-	1,111
Total	111,071	2,422	3,325	218	117,036
Capital					
Buildings	9,377	-	-	-	9,377
Recreational Facilities	11,159	-	-	-	11,159
Footpaths & Street Scapes	1,932	-	-	-	1,932
Total	22,468	-	-	-	22,468
2022					
	Not later than	Later than 1	Later than 2	Later than 5	Total
	1 year	year and not	years and not		
	\$'000	later than 2	later than 5	\$'000	\$'000
		years	years	years	
		\$'000	\$'000	\$'000	\$'000
Operating					
Cleansing	14,210	-	-	-	14,210
Parks and Roadside	12,138	-	-	-	12,138
Furniture and Signs	4,542	-	-	-	4,542
Buildings Maintenance	8,124	-	-	-	8,124
Safer Local Roads	16,122	-	-	-	16,122
Garbage Collection	3,304	-	-	-	3,304
Utilities	335	-	-	-	335
Green Waste	1,301	184	591	211	2,287
Landfill & Transfer Station Management	8,969	-	-	-	8,969
Recycling	13,372	-	-	-	13,372
Natural Systems	376	268	-	-	644
Recreational & Leisure	1,881	79	-	-	1,960
Telecommunications and IT	3,231	1,398	4,102	-	8,730
Consulting	749	106	-	-	855
Internal Audit	69	-	-	-	69
Home and Community Care Services	601	574	376	-	1,552
Total	89,323	2,609	5,069	211	97,212
Capital					
Buildings	4,594	-	-	-	4,594
Recreational Facilities	6,528	-	-	-	6,528
Footpaths & Street Scapes	644	-	-	-	644
Total	11,766	-	-	-	11,766

Mornington Peninsula Shire
 2022/2023 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2023

(b) Operating lease receivables

Operating lease receivables

The Council has entered into commercial property leases on its investment property, consisting of surplus freehold office complexes. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 10 years. All leases include a CPI based revision of the rental charge annually.

Future undiscounted minimum rentals receivable under non-cancellable operating leases are as follows:

	2023	2022
	\$'000	\$'000
Not later than one year	1,439	1,577
Later than one year and not later than five years	2,778	2,823
Later than five years	3,256	3,099
	7,473	7,499

5.8 Leases

At inception of a contract, Council assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To identify whether a contract conveys the right to control the use of an identified asset, it is necessary to assess whether:

- The contract involves the use of an identified asset;
- Council has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- Council has the right to direct the use of the asset.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

As a lessee, Council recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentives received; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an appropriate incremental borrowing rate. Generally, Council uses an appropriate incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that Council is reasonably certain to exercise, lease payments in an optional renewal period if Council is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless Council is reasonably certain not to terminate early.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Councils reliance of peppercorn leases are insignificant in terms of materiality due to the nature (restricted use) and quantity of the leases.

Currently our peppercorn leases relate to:

7 CCTV & Transmitter Facility Leases - Relating installation of CCTV equipment on site. Lease terms ranging from 10 to 20 years.

6 Recreation Leases - Relating to open spaces for reserves. Lease terms ranging between 5 & 40 years.

Remaining leases relating to leases for mens shed / community group / pre-school and school ground & carpark. Lease terms ranging from 5 to 40 years.

Mornington Peninsula Shire
2022/2023 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2023**

Right-of-Use Assets	Property	Vehicles	IT	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2022	-	477	181	658
Additions	-	887	-	887
Amortisation charge	-	(326)	(167)	(493)
Balance at 30 June 2023	-	1,038	14	1,052

Lease Liabilities	2023	2022
	\$'000	\$'000
Maturity analysis - contractual undiscounted cash flows	983	964
Less than one year	546	422
One to five years	-	-
More than five years	-	-
Total undiscounted lease liabilities as at 30 June:	1,529	1,386

Lease liabilities included in the Balance Sheet at 30 June:

Current	970	777
Non-current	539	539
Total lease liabilities	1,509	1,316

Short-term and low value leases

Council has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets (individual assets worth less than existing capitalisation thresholds for a like asset up to a maximum of AUD\$10,000), including IT equipment. Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Expenses relating to:	2023	2022
	\$'000	\$'000
Short-term leases	411	-
Leases of low value assets	1,941	947
Total	2,352	947

Variable lease payments are those that depend on an index or a rate, for example payments linked to the consumer price index, a benchmark interest rate or changes in market rental rates.

Non-cancellable lease commitments - Short-term and low-value leases

Commitments for minimum lease payments for short-term and low-value leases are payable as follows:

	2023	2022
	\$'000	\$'000
Payable:		
Within one year	477	651
Later than one year but not later than five years	178	506
Total lease commitments	655	1,157

Note 6 ASSETS WE MANAGE

6.1 Non current assets classified as held for sale	2023	2022
	\$'000	\$'000
Property held for sale	1,258	2,273
Total non current assets classified as held for sale	1,258	2,273

Non-current assets classified as held for sale (including disposal groups) are measured at the lower of its carrying amount and fair value less costs of disposal, and are not subject to depreciation. Non-current assets, disposal groups and related liabilities and assets are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale (or disposal group sale) is expected to be completed within 12 months from the date of classification.

Mornington Peninsula Shire
2022/2023 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2023

6.2 PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT

Summary of property, infrastructure, plant and equipment

	Carrying amount 30 June 2022 \$'000	Found assets \$'000	Additions \$'000	Contributions \$'000	Revaluation \$'000	Depreciation \$'000	Disposal \$'000	Transfers \$'000	Carrying amount 30 June 2023 \$'000
Property	1,877,560	-	-	-	-	(10,105)	(2,433)	18,025	1,883,047
Plant and equipment	5,786	-	121	-	-	(1,255)	(10)	1,847	6,489
Infrastructure	1,237,419	5,396	-	7,551	198,532	(32,644)	(8,126)	14,180	1,422,308
Work in progress	66,957	-	42,115	-	-	-	-	(33,194)	75,878
	3,187,722	5,396	42,236	7,551	198,532	(44,004)	(10,569)	858	3,387,722

Summary of Work in Progress

	Opening WIP \$'000	Additions \$'000	Write-off \$'000	Transfers \$'000	Closing WIP \$'000
Property	24,375	16,130	-	(17,167)	23,338
Plant and equipment	1,341	1,407	-	(1,847)	901
Infrastructure	41,240	24,578	-	(14,180)	51,638
Total	66,957	42,115	-	(33,194)	75,878

Mornington Peninsula Shire
2022/2023 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2023

(a) Property

	Land - specialised	Land - non specialised	Land Under Roads	Total Land & Land Improvements	Buildings - specialised	Buildings - non specialised	Total Buildings	Work In Progress	Total Property
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2022	1,665,979	3,279	3,381	1,672,639	442,004	279	442,283	24,375	2,139,297
Accumulated depreciation at 1 July 2022	-	-	-	-	(237,127)	(226)	(237,353)	-	(237,353)
	1,665,979	3,279	3,381	1,672,639	204,877	53	204,930	24,375	1,901,944
Movements in fair value									
Additions	-	-	-	-	-	-	-	16,130	16,130
Contributions	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Disposal	(2,273)	-	-	(2,273)	(2,834)	-	(2,834)	-	(5,107)
Transfers	(1,001)	-	-	(1,001)	16,908	-	16,908	(17,167)	(1,260)
	(3,274)	-	-	(3,274)	14,074	-	14,074	(1,037)	9,763
Movements in accumulated depreciation									
Depreciation expense	-	-	-	-	(10,105)	-	(10,105)	-	(10,105)
Accumulated depreciation of disposals	-	-	-	-	2,673	-	2,673	-	2,673
	-	-	-	-	(7,432)	-	(7,432)	-	(7,432)
At fair value 30 June 2023	1,662,705	3,279	3,381	1,669,365	456,078	279	456,357	23,338	2,149,060
Accumulated depreciation at 30 June 2023	-	-	-	-	(244,559)	(226)	(244,785)	-	(244,785)
Carrying amount	1,662,705	3,279	3,381	1,669,365	211,519	53	211,572	23,338	1,904,276

Mornington Peninsula Shire
2022/2023 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2023

(b) Plant and Equipment

	Plant machinery and equipment \$'000	Fixtures fittings and furniture \$'000	Computers and telecomms \$'000	Artworks \$'000	Library books \$'000	Work In Progress \$'000	Total plant and equipment \$'000
At fair value 1 July 2022	6,018	4,159	140	2,652	4,585	1,341	18,896
Accumulated depreciation at 1 July 2022	(5,533)	(3,715)	(138)	-	(2,385)	-	(11,771)
	485	444	2	2,652	2,200	1,341	7,124
Movements in fair value							
Additions	-	32	-	9	80	1,407	1,528
Disposal	(4,209)	-	-	-	(636)	-	(4,845)
Transfers	31	637	52	49	1,078	(1,847)	-
	(4,178)	669	52	58	522	(440)	(3,317)
Movements in accumulated depreciation							
Depreciation expense	(105)	(284)	(5)	-	(861)	-	(1,255)
Accumulated depreciation of disposals	4,199	-	-	-	636	-	4,835
	4,094	(284)	(5)	-	(225)	-	3,580
At fair value 30 June 2023	1,840	4,828	192	2,710	5,107	901	15,579
Accumulated depreciation at 30 June 2023	(1,439)	(3,999)	(143)	-	(2,610)	-	(8,191)
Carrying amount	401	829	49	2,710	2,497	901	7,388

Mornington Peninsula Shire
2022/2023 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2023

(c) Infrastructure

	Roads	Bridges	Footpaths and cycleways	Drainage	Recreational, leisure and community facilities	Parks open space and streetscapes	Marine Structures	Work In Progress	Total Infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2022	956,502	2,282	157,267	701,183	40,798	105,113	8,950	41,240	2,013,335
Accumulated depreciation at 1 July 2022	(314,454)	(819)	(84,922)	(244,936)	(22,361)	(63,558)	(3,621)	-	(734,671)
	642,048	1,463	72,345	456,247	18,437	41,555	5,329	41,240	1,278,664
Movements in fair value									
Additions	-	-	-	-	-	-	-	24,578	24,578
Contributions	4,738	-	20	2,720	-	73	-	-	7,551
Found Assets	4,273	-	1,123	-	-	-	-	-	5,396
Revaluation	227,232	205	23,777	62,106	2,130	4,710	539	-	320,699
Disposal	(9,952)	-	(1,822)	(535)	(881)	(757)	-	-	(13,947)
Transfers	5,533	-	2,718	3,447	341	2,141	-	(14,180)	-
	231,824	205	25,816	67,738	1,590	6,167	539	10,398	344,277
Movements in accumulated depreciation									
Depreciation expense	(16,440)	(32)	(3,520)	(7,953)	(1,449)	(3,077)	(173)	-	(32,644)
Accumulated depreciation of disposals	3,056	-	1,372	208	562	623	-	-	5,821
Revaluation	(87,910)	(74)	(9,860)	(21,524)	(874)	(1,750)	(175)	-	(122,167)
	(101,294)	(106)	(12,008)	(29,269)	(1,761)	(4,204)	(348)	-	(148,990)
At fair value 30 June 2023	1,188,326	2,487	183,083	768,921	42,388	111,280	9,489	51,638	2,357,612
Accumulated depreciation at 30 June 2023	(415,748)	(925)	(96,930)	(274,205)	(24,122)	(67,762)	(3,969)	-	(883,661)
Carrying amount	772,578	1,562	86,153	494,716	18,266	43,518	5,520	51,638	1,473,951

Mornington Peninsula Shire
2022/2023 Financial Report

Notes to the Financial Report For the Year Ended 30 June 2023

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date.

Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed overheads.

In accordance with Council's policy, the threshold limits have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

	Depreciation Period	Threshold Limit
		\$'000
<i>Asset recognition thresholds and depreciation periods</i>		
Land & land improvements		
Land	-	1
Land improvements	-	1
Buildings		
Buildings	10 - 200 years	5
Plant and Equipment		
Plant, machinery and equipment	3 - 10 years	2
Furniture and fittings	3 - 10 years	2
Information technology	3 - 10 years	1
Library books	3 - 5 years	1
Infrastructure		
Roads - pavements, substructure, formation and earthworks	21 - 400 years	15
Roads - kerb, channel and minor culverts and other	29 - 100 years	15
Drainage	10 - 100 years	15
Bridges - deck and substructure	50 - 80 years	15
Bridges - others	100 years	15
Footpaths and cycleways	10 - 93 years	15
Recreational, leisure and community facilities	2 - 70 years	15
Parks, open space and streetscapes	4 - 116 years	15
Marine structures	30 - 100 years	15
Intangible assets		
Software	3 - 15 years	1
Airspace	1 - 10 years	1
Intangible assets		
Right of use assets	1 - 5 years	10

Land under roads

Council recognises land under roads it controls at fair value.

Depreciation and amortisation

Buildings, land improvements, plant and equipment, infrastructure, and other assets having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually.

Where assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and residual values and a separate depreciation rate is determined for each component.

Road earthworks are not depreciated on the basis that they are assessed as not having a limited useful life.

Straight line depreciation is charged based on the residual useful life as determined each year.

Depreciation periods used are listed above and are consistent with the prior year unless otherwise stated.

Repairs and maintenance

Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

Leasehold improvements

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, leasehold improvements are amortised over a 3 to 10 year period.

Mornington Peninsula Shire
2022/2023 Financial Report

Notes to the Financial Report For the Year Ended 30 June 2023

Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified independent valuer Valtec Property Pty Ltd. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Specialised land is valued at fair value using site values adjusted for englobo (undeveloped and/or unserved) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Any significant movements in the unobservable inputs for land and land under roads will have a significant impact on the fair value of these assets.

The date and type of the current valuation is detailed in the following table. A full revaluation of these assets will be conducted in 2023/24. The independent valuer advised that for Council owned and controlled properties a "market movement" rate of a 6% decrease for the period 1 July 2022 to 30 June 2023 is appropriate. As this rate is considered to be immaterial in nature there has been no adjustment made to the Council's land and buildings as at 30 June 2023.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2023 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation	Type of Valuation
Land- Specialised	-	-	1,662,705	Jun-23	Index
Land - Non Specialised	-	3,279	-	Jun-23	Index
Land Under Roads	-	-	3,381	Jun-23	Index
Buildings- Specialised	-	-	211,519	Jun-23	Index
Buildings- Non Specialised	-	53	-	Jun-23	Index
Total	-	3,332	1,877,605		

Valuation of infrastructure

Valuation of infrastructure assets has been undertaken by Council's Asset Management Team in accordance with the valuation methodology. Council undertakes a formal revaluation of land and buildings every 2 (two) years, and infrastructure assets every 4 (four) years with an annual interim review in the year they are not due for full revaluation. The valuation is performed by experienced council officers.

The date and type of the current valuation is detailed in the following table.

The valuation is at fair value based on current replacement cost less accumulated depreciation as at the date of valuation.

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2023 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation	Type of Valuation
Roads	-	-	772,578	Jun-23	Full
Bridges	-	-	1,562	Jun-23	Full
Footpaths and cycleways	-	-	86,153	Jun-23	Full
Drainage	-	-	494,716	Jun-23	Index
Recreational, leisure and community facilities	-	-	18,266	Jun-23	Index
Parks, open space and streetscapes	-	-	43,518	Jun-23	Index
Marine Structures	-	-	5,520	Jun-23	Index
Total	-	-	1,422,313		

Mornington Peninsula Shire
2022/2023 Financial Report

Notes to the Financial Report For the Year Ended 30 June 2023

Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$7.97 and \$7,015 per square metre.

Specialised buildings are valued using a current replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs are calculated on a square metre basis and ranges from \$175 to \$6,500 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 10 years to 200 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the current replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 2 years to 400 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2023	2022
	\$'000	\$'000
Reconciliation of Specialised land		
Land under roads	3,381	3,381
Parks and reserves	1,662,705	1,665,979
Total specialised land	1,666,086	1,669,360

Mornington Peninsula Shire
2022/2023 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2023**

	2023 \$'000	2022 \$'000
6.3 Investment property		
Balance at beginning of financial year	10,267	10,288
Additions	13	-
Disposals	-	-
Fair value adjustments	-	(21)
Balance at end of financial year	10,280	10,267

Investment property is held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to the Council. Subsequent to initial recognition at cost, investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the comprehensive income statement in the period that they arise.

Valuation of investment property

Valuation of investment property has been determined in accordance with an independent valuation, as at 30 June 2023, by Valtec Property Pty Ltd who has recent experience in the location and category of the property being valued. The valuation is at fair value, based on the current market value for the property.

Shares

Balance at beginning of financial year	45	47
Fair value adjustments	1	(2)
Balance at end of financial year	46	45

6.4 Fair value adjustments

Investments

Investment property	-	(21)
Shares	1	(2)
	1	(22)

Found assets	5,396	4,093
Marine Structure opening balance reserve adjustment	-	(1,150)
Total	5,397	2,920

Morningside Peninsula Shire

2022/2023 Financial Report

Notes to the Financial Report For the Year Ended 30 June 2023

Note 7 PEOPLE AND RELATIONSHIPS

7.1 Council and key management remuneration

(a) Related Parties

Parent entity

Morningside Peninsula Shire is the parent entity.

Subsidiaries and Associates

Morningside Peninsula Cemetery Trust

By virtue of the fact that some councillors of Morningside Peninsula Shire form the whole of the Board of Trustees of the Morningside Peninsula Cemetery Trust, this entity is considered to be a controlled entity under AASB 10: Consolidated Financial Statements. Its operating results, assets and liabilities have not been included in the accounts on the basis that they are not material individually or in aggregate.

(b) Key Management Personnel

Key management personnel (KMP) are those people with the authority and responsibility for planning, directing and controlling the activities of Morningside Peninsula Shire. The Councillors, Chief Executive Officer and Directors are deemed KMP.

Details of KMP at any time during the year are:

Councillors

Councillor Steve Holland
 Councillor Debra Mar
 Councillor Anthony Marsh
 Councillor Despi O'Connor
 Councillor Lisa Dixon
 Councillor Sarah Race
 Councillor Susan Bissinger
 Councillor Antonella Celi
 Councillor David Gill
 Councillor Kate Roper (Commenced 4 April 2023)
 Councillor Simon Brooks (Commenced 7 February 2023)
 Councillor Kerri McCafferty (Ended 29 December 2022)
 Councillor Paul Mercurio (Ended 9 December 2022)
 Chief Executive Officer
 Director - Community Strengthening (Commenced 12 December 2022)
 Director - Corporate Strategy and Business Improvement (Commenced 15 August 2022)
 Director - Planning & Infrastructure
 Chief Financial Officer

Total Number of Councillors

Total of Chief Executive Officer and other Key Management Personnel

Total Number of Key Management Personnel

2023	2022
No.	No.
13	11
7	6
20	17

(c) Remuneration of Key Management Personnel

Remuneration comprises employee benefits including all forms of consideration paid, payable or provided by Council, or on behalf of the Council, in exchange for services rendered. Remuneration of Key Management Personnel and Other senior staff is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Other long-term employee benefits include long service leave, other long service benefits or deferred compensation.

Post-employment benefits include pensions, and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Termination benefits include termination of employment payments, such as severance packages.

	2023	2022
	\$	\$
Total remuneration of key management personnel was as follows:		
Short-term benefits	1,963	1,975
Other long-term benefits	11	65
Post-employment benefits	192	148
Termination benefits	6	218
Total	2,172	2,406

Mornington Peninsula Shire
2022/2023 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2023

The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:

	2023	2022
	No.	No.
\$0 - \$9,999	1	-
\$10,000-\$19,999	3	-
\$30,000 - \$39,999	-	8
\$40,000 - \$49,999	5	-
\$50,000 - \$59,999	2	1
\$60,000 - \$69,999	-	1
\$70,000 - \$79,999	1	-
\$90,000 - \$99,999	1	1
\$100,000 - \$109,999	1	-
\$110,000 - \$119,999	1	-
\$160,000 - \$169,999	1	-
\$220,000 - \$229,999	-	1
\$230,000 - \$239,999	1	1
\$260,000 - \$269,999	1	-
\$270,000 - \$279,999	-	1
\$280,000 - \$289,999	-	1
\$300,000 - \$309,999	1	-
\$410,000 - \$419,999	-	1
\$420,000 - \$429,999	1	-
\$490,000 - \$499,999 *	-	1
	<u>20</u>	<u>17</u>

* These amounts include paid out annual leave, long service leave and termination payments.

(d) Remuneration of other senior staff

Other senior staff are officers of Council, other than Key Management Personnel, whose total remuneration exceeds \$160,000 and who report directly to a member of the KMP. *

	2023	2022
	\$	\$
Total remuneration of other senior staff was as follows:		
Short-term employee benefits	5,120	5,050
Other long-term employee benefits	19	30
Post-employment benefits	489	477
Termination benefits	153	-
Total	<u>5,781</u>	<u>5,557</u>

The number of other senior staff are shown below in their relevant income bands:

	2023	2022
	No.	No.
Income Range:		
\$0 - \$99,999	2	2
\$110,000 - \$119,999	2	3
\$130,000 - \$139,999	1	-
\$140,000 - \$149,999	1	1
\$150,000 - \$159,999	2	2
\$160,000 - \$169,999	3	-
\$170,000 - \$179,999	2	2
\$180,000 - \$189,999	1	1
\$190,000 - \$199,999	6	8
\$200,000 - \$209,999	3	1
\$210,000 - \$219,999	1	-
\$220,000 - \$229,999	-	3
\$230,000 - \$239,999	3	3
\$250,000 - \$259,999	1	-
\$260,000 - \$269,999	1	1
\$290,000 - \$299,999	-	1
\$300,000 - \$309,999	1	-
\$310,000 - \$319,999	1	-
\$370,000 - \$379,999	-	1
	<u>31</u>	<u>29</u>

* Due to a definitional change the comparative figures in this note may not align with the previous year's annual report, which included disclosure of senior officers as defined in the *Local Government Act 1989*.

Mornington Peninsula Shire

2022/2023 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2023**

7.2 Related party disclosure

(a) Transactions with related parties

During the period Council entered into transactions, in relation to administration costs incurred by Council, with the following related parties.

Mornington Peninsula Cemetery Trust Trustees

Councillor Antonella Celi

Councillor Lisa Dixon

Councillor Steve Holland

(b) Outstanding balances with related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties.

Mornington Peninsula Cemetery Trust

Amount receivable from the Mornington Peninsula Cemetery Trust at 30 June 2023 is \$193,124.

(c) Loans to/from related parties

The aggregate amount of loans in existence at balance date that have been made, guaranteed or secured by the council to a related party are as follows:

Nil

(d) Commitments to/from related parties

The aggregate amount of commitments in existence at balance date that have been made, guaranteed or secured by the council to a related party are as follows:

Nil

Morningside Peninsula Shire

2022/2023 Financial Report

Notes to the Financial Report For the Year Ended 30 June 2023

Note 8 MANAGING UNCERTAINTIES

8.1 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed and if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable, respectively.

(a) Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.

At balance date the Council are not aware of any contingent assets.

(b) Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council; or
- present obligations that arise from past events but are not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - the amount of the obligation cannot be measured with sufficient reliability. At balance date the Council are not aware of any contingent liabilities.

Superannuation

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined below. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists.

Landfill

Council operates a landfill. Council will have to carry out site rehabilitation works in the future. At balance date Council is unable to accurately assess the financial implications of such works.

Liability Mutual Insurance

Council is (was) a participant of the MAV Liability Mutual Insurance (LMI) Scheme. The LMI scheme provides public liability and professional indemnity insurance cover. The LMI scheme states that each participant will remain liable to make further contributions to the scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability will continue whether or not the participant remains a participant in future insurance years.

(c) Guarantees for loans to other entities

The amount disclosed for financial guarantee in this note is the nominal amount of the underlying loan that is guaranteed by the Council, not the fair value of the financial guarantee.

Financial guarantee contracts are not recognised as a liability in the balance sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that the right will be exercised.

	2023	2022
	\$'000	\$'000
The Morningside Peninsula Shire has guaranteed loans of: *	Loan Balance	Loan Balance
Morningside District Basketball Association \$650,000	0	48
Rosebud Beach Community Bowls Club \$130,000	79	92
Mt Martha Bowls Club Inc. \$240,000	15	94
Total	94	234

*Note: Terms of guarantee do not allow redraw of loan.

Mornington Peninsula Shire

2022/2023 Financial Report

Notes to the Financial Report For the Year Ended 30 June 2023

8.2 Change in accounting standards

Certain new Australian Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2023 reporting period. Council assesses the impact of these new standards. As at 30 June 2023 there were no new accounting standards or interpretations issued by the AASB which are applicable for the year ending 30 June 2024 that are expected to impact Council.

8.3 Financial instruments

(a) Objectives and policies

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and bank and TCV borrowings. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in the notes of the financial statements. Risk management is carried out by senior management under policies approved by the Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of council financial instruments will fluctuate because of changes in market prices. The Council's exposure to market risk is primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes council to fair value interest rate risk / Council does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 2020*. Council manages interest rate risk by adopting an investment policy that ensures:

- diversification of investment product;
- monitoring of return on investment; and
- benchmarking of returns and comparison with budget.

There has been no significant change in the Council's exposure, or its objectives, policies and processes for managing interest rate risk or the methods used to measure this risk from the previous reporting period.

Interest rate movements have not been sufficiently significant during the year to have an impact on the Council's year end result.

(c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss. Council have exposure to credit risk on some financial assets included in the balance sheet. Particularly significant areas of credit risk exist in relation to outstanding fees and fines as well as loans and receivables from sporting clubs and associations. To help manage this risk:

- council have a policy for establishing credit limits for the entities council deal with;
- council may require collateral where appropriate; and
- council only invest surplus funds with financial institutions which have a recognised credit rating specified in council's investment policy.

Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with the council's financial assets is minimal because the main debtor is secured by a charge over the rateable property.

There are no material financial assets which are individually determined to be impaired.

Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when council provide a guarantee for another party. Details of our contingent liabilities are disclosed in Note 8.1(b).

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. Council does not hold any collateral.

Mornington Peninsula Shire

2022/2023 Financial Report

Notes to the Financial Report For the Year Ended 30 June 2023

(d) Liquidity risk

Liquidity risk includes the risk that, as a result of council's operational liquidity requirements it will not have sufficient funds to settle a transaction when required or will be forced to sell a financial asset at below value or may be unable to settle or recover a financial asset.

To help reduce these risks Council:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 8.1(c), and is deemed insignificant based on prior periods' data and current assessment of risk.

There has been no significant change in Council's exposure, or its objectives, policies and processes for managing liquidity risk or the methods used to measure this risk from the previous reporting period.

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 5.4.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

(e) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, Council believes the following movements are 'reasonably possible' over the next 12 months:

- A parallel shift of -0.93% and +0.47% in market interest rates (AUD) from year-end rates of 5.08%.

These movements will not have a material impact on the valuation of Council's financial assets and liabilities, nor will they have a material impact on the results of Council's operations.

Mornington Peninsula Shire
2022/2023 Financial Report

Notes to the Financial Report For the Year Ended 30 June 2023

8.4 Fair value measurement

Fair value hierarchy

Council's financial assets and liabilities are not valued in accordance with the fair value hierarchy, Council's financial assets and liabilities are measured at amortised cost.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within a fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, Council has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, Council determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, are measured at their fair value, being the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date. (For plant and equipment carrying amount is considered to approximate fair value given short useful lives). At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 1 to 4 years. The valuation is performed either by experienced council officers or independent experts. The following table sets out the frequency of revaluations by asset class.

Asset class	Revaluation frequency
Land	1 to 2 years
Buildings	1 to 2 years
Roads	1 to 4 years
Bridges	1 to 4 years
Footpaths and cycleways	1 to 4 years
Drainage	1 to 4 years
Recreational, leisure and community facilities	1 to 4 years
Parks, open space and streetscapes	1 to 4 years
Marine structures	1 to 4 years

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

Impairment of assets

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

8.5 Events occurring after balance date

No matters have occurred after balance date that require disclosure in the financial report.

Mornington Peninsula Shire
2022/2023 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2023

Note 9 OTHER MATTERS

9.1 Reserves	Balance at beginning of reporting period	Increment	Adjustment	Balance at end of reporting period
(a) Asset revaluation reserves	\$'000	\$'000	\$'000	\$'000
2023				
Property				
Land and land improvements	1,430,559	-	-	1,430,559
Land under road	1,922	-	-	1,922
Buildings	73,469	-	-	73,469
	1,505,950	-	-	1,505,950
Infrastructure				
Roads	239,044	139,322	-	378,366
Bridges	636	130	-	766
Footpaths and cycleways	40,035	13,918	-	53,953
Drainage	339,643	40,580	-	380,223
Recreational, leisure and community facilities	9,381	1,257	-	10,638
Parks, open space and streetscapes	12,984	2,961	-	15,945
Marine structures	356	364	-	720
	642,079	198,532	-	840,611
Intangible asset				
Landfill air space	-	896	-	896
Total asset revaluation reserves	2,148,027	199,428	-	2,347,457
2022				
Property				
Land and land improvements	1,063,048	367,511	-	1,430,559
Land under roads	1,239	683	-	1,922
Buildings	63,768	9,701	-	73,469
	1,128,055	377,895	-	1,505,950
Infrastructure				
Roads	216,321	22,723	-	239,044
Bridges	579	57	-	636
Footpaths and cycleways	37,177	2,858	-	40,035
Drainage	326,848	12,795	-	339,643
Recreational, leisure and community facilities	8,100	1,280	-	9,381
Parks, open space and streetscapes	10,052	2,932	-	12,984
Marine structures	(1,149)	355	1,150	356
	597,928	43,000	1,150	642,079
Total asset revaluation reserves	1,725,983	420,895	1,150	2,148,027

The asset revaluation reserve is used to record the increased (net) value of Council's assets over time.

Mornington Peninsula Shire
2022/2023 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2023**

	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
(b) Other reserves				
2023				
Sustainability energy fund	585	-	-	585
Recreation land reserve	39	-	-	39
Municipal emergency reserve	400	-	-	400
Developer Contribution Plan Reserve	43	2	-	45
Storm Water in-lieu Contribution Reserve	-	14	-	14
Total Other reserves	1,067	16	-	1,083
2022				
Sustainability energy fund	585	-	-	585
Recreation land reserve	39	-	-	39
Municipal emergency reserve	400	-	-	400
Developer Contribution Plan Reserve	43	22	(22)	43
Total Other reserves	1,067	22	(22)	1,067

Sustainable Energy (Fund) Reserve

The purpose of this reserve is to provide funds to sustainably reduce the impact of energy use on the Global Warming effect through the implementation of:

- a) program of Shire wide energy reduction measures;
- b) energy production initiatives; and educational programs.

Recreation Land Reserve

The purpose of this reserve is to provide for the purchase of land and/or improvements to places of recreation.

Municipal Emergency Reserve

The purpose of this reserve is to have an ability to finance the recovery response from unplanned emergency management events.

Developer Contribution Plan Reserve

Developer Contribution Plan Reserve (DCP) accumulates developers funds paid to Council in respect of developments within particular plan areas and is used to contribute towards payment of a multi year capital works program.

Storm Water in-lieu Contribution Reserve

The purpose of the Storm Water in-lieu reserve is to hold voluntary contributions received from developments/subdivisions for future investment in the municipality in the form of stormwater management works to protect the environment and meet obligations under the Victorian Planning Policy.

Mornington Peninsula Shire
2022/2023 Financial Report

Notes to the Financial Report For the Year Ended 30 June 2023

9.2 Reconciliation of cash flows from operating activities to surplus	2023	2022
	\$'000	\$'000
Surplus for the year	18,670	11,482
Depreciation/amortisation	46,080	39,837
Loss on disposal of property, infrastructure, plant and equipment	7,889	3,342
Fair value adjustments	(5,397)	(2,920)
Contributions - Non-monetary assets	(7,552)	(3,738)
Other	(7,537)	(3,896)
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	1,335	(1,740)
Increase/(decrease) in Other assets	1,413	(282)
Increase/(decrease) in trade and other payables	(6,792)	4,800
(Decrease)/increase in unearned income	542	13,271
(Increase)/decrease in inventories	(26)	(5)
(Decrease)/increase in provisions		
Increase in Landfill rehabilitation provision	3,266	(597)
Decrease in Employee provisions	(3,604)	1,802
Decrease in Native vegetation management	(126)	(83)
Increase in GST on capital purchases	4,211	4,515
Increase/(decrease) in Trust funds and deposits	131	(3,669)
Net cash provided by operating activities	52,503	62,120

9.3 Superannuation

Council makes the majority of its employer superannuation contributions in respect of its employees to Vision Super (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in the Comprehensive Income Statement when they are made or due.

Accumulation

The Fund's accumulation category, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2023, this was 10.5% as required under Superannuation Guarantee (SG) legislation (2022: 10.0%)).

Defined Benefit

Council does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan.

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Council (the Employer) in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding arrangements

Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary.

A triennial actuarial investigation is currently underway for the Defined Benefit category which is expected to be completed by 31 December 2023. Council was notified of the 30 June 2023 VBI during August 2023 (2022: August 2022). The financial assumptions used to calculate the 30 June 2023 VBI were:

Net investment returns	5.7% pa
Salary information	3.5% pa
Price inflation (CPI)	2.8% pa

*Mornington Peninsula Shire
2022/2023 Financial Report*

Notes to the Financial Report For the Year Ended 30 June 2023

As at 30 June 2022, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 102.2%. The financial assumptions used to calculate the VBI were:

Net investment returns	5.5% pa
Salary information	2.5% pa to 30 June 2023, and 3.5% pa thereafter
Price inflation (CPI)	3.0% pa

Council was notified of the 30 June 2022 VBI during August 2022 (2021: August 2021).

Vision Super has advised that the estimated VBI at June 2023 was 104.1%.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2022 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Employer contributions

(a) Regular contributions

On the basis of the results of the 2022 interim actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2023, this rate was 10.5% of members' salaries (10.0% in 2021/22). This rate is expected to increase in line with any increases in the SG contribution rate and was reviewed as part of the 30 June 2022 interim valuation.

In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

(b) Funding calls

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

The 2022 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2022 and the last full investigation was conducted as at 30 June 2020.

The Fund's actuarial investigation identified the following for the Defined Benefit category of which Council is a contributing employer:

	2022 (Interim) \$m	2021 (Interim) \$m
- A VBI Surplus	\$44.6	\$214.7
- A total service liability surplus	\$105.8	\$270.3
- A discounted accrued benefits surplus	\$111.9	\$285.2

Mornington Peninsula Shire
2022/2023 Financial Report

Notes to the Financial Report For the Year Ended 30 June 2023

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2022.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2022.

The discounted accrued benefits surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2022.

The 2023 triennial actuarial investigation

A triennial actuarial investigation is being conducted for the Fund's position as at 30 June 2023. It is anticipated that this actuarial will be completed by 31 December 2023. The financial assumptions for the purposes of this investigation are:

	2023 Triennial investigation	2020 Triennial investigation
Net investment return	5.7% pa	5.6% pa
Salary inflation	3.50% pa	2.50% pa for the first two years and 2.75% pa thereafter
Price inflation	2.8% pa	2.0% pa

Superannuation contributions

Contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2023 are detailed below:

Scheme	Type of Scheme	Rate	2023 \$'000	2022 \$'000
Vision super	Defined benefits	10.5% (2022:10.0%)	60	153
Vision super	Accumulation	10.5% (2022:10.0%)	3,413	3,778

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2023.

Note 10 CHANGE IN ACCOUNTING POLICY

There have been no changes to accounting policies in the 2022-23 year.

Image

Performance Statement

For the year ending 30 June 2023

Insert VAGO signed statement

Insert VAGO signed statement

Performance Statement

For the year ended 30 June 2023

Description of Municipality

Mornington Peninsula Shire covers 723 square kilometres of land with a coastline that extends for 192 kilometres (approximately 10 per cent of Victoria's total). The region is one of Victoria's premier holiday and retirement destinations and has magnificent landscapes, coasts and beaches that are of state significance and attract 7 million visitors every year.

Our Community

The Shire has 40 towns and villages spread across the peninsula, with most of the residential population living along the coastline. The Shire has an estimated permanent resident population of 169,600 as well as a non-resident population who spend part of the week, or their holidays, on the peninsula. Many beach holiday houses are based along the Port Phillip coastline, with the population swelling by up to 30 per cent in the summer months.

Our Environment

Approximately 70 per cent of the Shire is retained as rural land within the Green Wedge planning zone, whilst the other 30 per cent is taken up by towns and villages. Within the Green Wedge, there are areas of highly productive farmland as well as highly significant landscapes and ecosystems. The Mornington Peninsula and Western Port have become part of the world-wide network of biosphere reserves recognised by the United Nations. The region has been recognised for its: high biological diversity; many significant, rare native plants and vegetation; wetlands; sites of geomorphological significance; remnant indigenous vegetation; highly scenic landscape values; and sites of historic importance.

Our Economy

The Shire has a strong local economy, with \$9.536B in Gross Regional Product. There are over 17,200 businesses from a diverse range of industries including retail, manufacturing, construction, and business services. The region also has a distinguished agricultural history, including beef, viticulture (grapes) and horticulture (fruit, vegetables, and flowers), with the existing food and wine producers being recognised as world class and industry leaders in their respective fields. Tourism is also another sector that plays a significant role in our local economy.

Sustainable Capacity Indicators

For the year ended 30 June 2023

Results					
Indicator / measure / formula	2020	2021	2022	2023	Material Variations and Comments
Population					
<i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$1,391.75	\$1,434.22	\$1,550.19	\$1,643.69	Council always seeks to deliver the highest quality services in the most efficient way and has contained expenditure per head of municipality through its goal for ongoing savings. The increase in 2023 is largely attributed to CPI, indexation of the Shire's contracts and increased landfill capping provision.
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$8,587.23	\$8,592.21	\$8,972.15	\$8,690.75	Investment in Infrastructure is impacted by the delivery of Capital Works Program (\$42 million) and the revaluation of infrastructure assets.
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	97.92	98.58	98.52	99.01	The population per density of local road resulted in a slight increase from last year to an increase in the 2022-23 municipal population.
Own-source revenue					
<i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$1,273.29	\$1,312.65	\$1,411.32	\$1,485.29	Growth in own source revenue is in line with budget expectations and driven by the rate cap and supplementaries during the year.
Recurrent Grants					
<i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$128.42	\$136.86	\$127.39	\$125.20	There is no material change in recurrent grants received in 2022-23 compared to prior year and a slight population increase resulting in a reduction of this indicator.

Indicator / measure / formula	2020	2021	2022	2023	Material Variations and Comments
Disadvantage					
<i>Relative socio-economic disadvantage</i> [Index of Relative Socio-economic Disadvantage by decile]	8.00	8.00	8.00	8.00	Mornington Peninsula's Relative Socio-Economic Disadvantage Index from the 2021 Census was in the eighth decile. The first decile indicates the most disadvantaged and the tenth decile indicates the least disadvantaged.
Workforce Turnover					
<i>Percentage of staff turnover</i> [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	10.6%	9.5%	32.5%	19.6%	69% of terminations for the FY23 financial year were related to resignations. This measure was impacted by the 2022 world-wide trend in increased turnover following the COVID-19 pandemic. This is reflected by 70% of these resignations occurring in the first half of the financial year, with voluntary turnover rates reducing from 10.4% in the first half of FY23 to 4.4% in the second half of FY23. Retirement rates continue to be steady at approximately 19% of total terminations.

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 Performance Indicators

For the year ended 30 June 2023

Results					
Service / indicator / measure	2020	2021	2022	2023	Material Variations and Comments
Aquatic facilities					
<p>Utilisation Utilisation of aquatic facilities</p> <p>[Number of visits to aquatic facilities / Municipal population]</p>	1.00	0.66	3.50	5.72	The increase in the utilisation of our aquatic centres from 2021 is attributed to strong attendance numbers, an additional aquatic facility and four full trading quarters without any COVID closures, capacity restrictions, or significant facility maintenance/repair closures.
Animal Management					
<p>Health and safety Animal management prosecutions</p> <p>[Number of successful animal management prosecutions/ Number of animal Management prosecutions] x100</p>	99%	100%	100%	100%	Council is committed to protecting the safety of the community and the health and safety of animals on the Peninsula by instituting prosecution only where appropriate and necessary. Council prosecuted 43 Animal Management matters over the year.
Food Safety					
<p>Health and safety Critical and major non-compliance notifications</p> <p>[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 a food premises] x100</p>	96.40%	92.37%	92.86%	92.25%	To ensure the safety of our community we continue to focus on food safety compliance programs across the Peninsula. Our critical and major notifications followed up result is largely consistent with the previous years, but slightly down from 2020.

Results					
Service / indicator / measure	2020	2021	2022	2023	Material Variations and Comments
Governance					
<p>Satisfaction Satisfaction with council decisions</p> <p>[Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]</p>	54	55	49	46	Community satisfaction with Council decisions, conducted by an independent research company that measures the opinions of local people in the community, declined three index points from last year to 46. We hope to address the decline by better communicating our decision-making to the community.
Libraries					
<p>Participation Active library borrowers in municipality</p> <p>[Number of active library borrowers in the last three years / The sum of the population for the last three years] x100</p>	15.60%	16.70%	15.07%	15.18%	Whilst the activeness of our library borrowers increased slightly from 2022, the sum of our active library borrowers is still down 8% from 2021. This may be due in part to customer uncertainty in returning to public spaces because of concerns around COVID-19, which is of particular concern to our older-aged members.
Maternal Child Health					
<p>Participation Participation in the MCH service</p> <p>[Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100</p>	74.85%	74.30%	72.58%	73.78%	Participation in the Maternal Child Health (MCH) service has remained consistent since 2020, with slightly higher results this year than in 2022. This is due to the reintroduction of the Preschool/Early learning centre program following COVID, where MCH nurses conduct Key Age and Stage consultations for children unable to attend a MCH centre. 139 Aboriginal children attended the MCH service at least once in the year.
<p><i>Participation in the MCH service by Aboriginal children</i></p> <p>[Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100</p>	87.16%	84.25%	82.32%	90.00%	This year's result saw a significant rise in participation from 2022. The rise is due to offering outreach services to childcare centres for Aboriginal families who cannot/do not want to attend a Maternal Child Health Centre, actively contacting clients who are overdue for a Key Age and Stage appointment and creating a welcoming and safe environment.

Results					
Service / indicator / measure	2020	2021	2022	2023	Material Variations and Comments
Roads					
<p>Satisfaction <i>Satisfaction with sealed local roads</i></p> <p>[Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]</p>	51	58	49	38	Community satisfaction with sealed local roads, conducted by an independent research company that measures the opinions of local people in the community, declined eleven index points from last year to thirty-eight. The decrease in our community's satisfaction could be attributed to the highest recorded spring rainfall in the last five years, which resulted in an increase in sealed local road requests as rainfall adversely affects road pavement.
Strategic Planning					
<p>Decision making <i>Council planning decisions upheld at VCAT</i></p> <p>[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] x100</p>	39.13%	51.28%	68.85%	72.92%	The increase in VCAT decisions upheld in comparison to 2021 is due in part to the emphasis on refined and informed decision-making across the planning unit, resulting in more easily defended decisions at VCAT. 48 VCAT decisions in relation to planning applications were made in the year.
Waste Management					
<p>Waste diversion <i>Kerbside collection waste diverted from landfill</i></p> <p>[Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100</p>	55.31%	54.73%	57.21%	58.19%	The increase from last year is due to the increase in the number of residents opting into our Food Organics and Garden Organics service, which resulted in an increase in kerbside green/food waste and a reduction in household waste collected.

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 authorized 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 authorized 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

Financial Performance Indicators

For the year ended 30 June 2023

Dimension/indicator/measure	Results				Forecasts				Material Variations and Comments
	2020	2021	2022	2023	2024	2025	2026	2027	
Efficiency									
Expenditure level <i>Expenses per property assessment</i> [Total expenses / Number of property assessments]	\$2,290.41	\$2,351.31	\$2,521.89	\$2,645.18	\$2,691.52	\$2,743.31	\$2,845.35	\$2,941.61	Council always seeks to deliver the highest quality services in the most efficient way and has contained expenditure per property assessment through its goal for ongoing savings. The increase in 2023 are largely attributed to CPI, indexation of the Shire's contracts and increased landfill capping provision.
Revenue level <i>Average rate per property assessment</i> [Total rate revenue (general rates and municipal charges) / Number of property assessments]	\$1,452.06	\$1,483.22	\$1,510.44	\$1,526.53	\$1,586.61	\$1,643.59	\$1,696.07	\$1,746.83	Council's rates, our primary source of income that delivers essential services to our community, is limited by the rate cap, under the Fair Go Rates System, which was set at 1.75% for 2022/23. Increasing waste costs have also seen waste service charge increase 9% and supplementary income is 0.4% of the total rates revenue in 2023, which is growth of our rates income in 2023.
Liquidity									
Working capital <i>Current assets compared to current liabilities</i> [Current assets / Current liabilities] x100	229.34%	216.33%	193.01%	232.72%	135.37%	181.21%	167.84%	147.86%	Increase in current assets due to higher cash and term deposits balances due to delayed expenditure for capital works and high interest rates, have increased our working capital.
Unrestricted cash <i>Unrestricted cash compared to current liabilities</i> [Unrestricted cash / Current liabilities] x100	119.58%	71.84%	70.52%	49.06%	106.23%	124.46%	121.39%	102.69%	Council have utilised high interest rates by allocating cash to financial assets in the form of term deposits to maximise return on Council funds.

	Results				Forecasts				Material Variations and Comments
	2020	2021	2022	2023	2024	2025	2026	2027	
Obligations									
Loans and borrowings <i>Loans and borrowings compared to rates</i> <i>[Interest bearing loans and borrowings / Rate revenue] x100</i>	19.37%	23.15%	20.08%	17.33%	16.40%	14.80%	13.41%	12.09%	No new loans drawn during the year and \$4M principal loan re-payments as the rates revenue increase resulted this ratio to reduce.
Loans and borrowings repayments compared to rates <i>[Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100</i>	2.51%	3.06%	2.85%	2.43%	1.80%	1.38%	1.23%	1.20%	Increase in rate revenue and paying-out of loans that expired resulted in the reduction in this ratio.
Indebtedness									
Non-current liabilities compared to own source revenue <i>[Non-current liabilities / Own source revenue] x100</i>	19.66%	25.51%	21.30%	20.06%	18.46%	17.37%	16.26%	15.11%	Own source revenue has increased by 5.1% due to rate revenue, increasing, higher usage of waste collection and disposal services and prepayment of the FY24 financial assistance grant. Non-current liabilities have remained stable, overall improving indebtedness ratio in 2023.
Asset renewal and upgrade									
Asset renewal and upgrade compared to depreciation <i>[Asset renewal and asset upgrade expense / Asset depreciation] x100</i>	102.42%	70.06%	80.58%	64.91%	111.96%	85.02%	92.97%	101.45%	Asset renewal and upgrade are driven by the condition assessment of assets and varies year on year.

	Results				Forecasts				Material Variations and Comments
	2020	2021	2022	2023	2024	2025	2026	2027	
Operating position									
Adjusted underlying result	2.27%	3.05%	0.27%	-0.78%	-1.92%	-0.89%	-1.54%	-2.01%	This metric evaluates a council's capability to produce a surplus from its regular operations, excluding capital receipts. It's crucial for councils to generate adequate funds to maintain service levels in line with community demands. The decline can be attributed to the rise in the cost of services, which surpassed the council's revenue—primarily reliant on rate income. This ratio is vigilantly tracked in long-term financial planning to safeguard the Shire's capacity to offer essential services.
Adjusted underlying surplus (or deficit)									
[Adjusted underlying surplus (deficit) / Adjusted underlying revenue] x100									
Stability									
Rates concentration	76.76%	77.08%	75.86%	74.88%	79.92%	80.40%	80.50%	80.56%	Although we have grown other revenue (own-source revenue) Council revenue is still largely dependent on rate revenue to fund services and capital works.
Rates compared to adjusted underlying revenue									
[Rate revenue / Adjusted underlying revenue] x100									
Rates compared to property values	0.20%	0.19%	0.19%	0.15%	0.17%	0.17%	0.18%	0.18%	Property values continue to increase on the Mornington Peninsula and outgrows the rate cap.
Rates compared to property values									
Rate revenue / Capital improved value of rateable properties in the municipality] x100									

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

Other Information

For the year ended 30 June 2023

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 2020 and Local Government (Planning and Reporting) Regulations 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 strategic resource plan. The Local Government (Planning and Reporting) Regulations 2020 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 financial plan on 28 October 2021 and which forms part of the council plan. The financial 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 financial plan can be obtained by contacting council.

Certification of the Performance Statement

In my opinion, the accompanying performance statement has been prepared in accordance with the Local Government Act 2020 and the Local Government (Planning and Reporting) Regulations 2020.

Bulent Oz, CPA

Chief Financial Officer

Dated:

In our opinion, the accompanying performance statement of the Mornington Peninsula Shire Council for the year ended 30 June 2023 presents fairly the results of Council's performance in accordance with the *Local Government Act 2020* and the Local Government (Planning and Reporting) Regulations 2020.

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 2020 to certify this performance statement in its final form.

Cr Steven Holland

Mayor

Dated:

Cr Debra Mar

Deputy Mayor

Dated:

John Baker

Chief Executive Officer

Dated:

5 NOTICES OF MOTION

Notices of Motion must be received 10 clear business days prior to a meeting.

Nil.

6 URGENT BUSINESS

Under Council's Governance Rules, no business may be admitted as urgent business unless it:

1. Relates to a matter which has arisen since distribution of the Agenda.
2. Cannot because of its urgency, be reasonably listed in the Agenda of the next Council Meeting.
3. Councillors by a majority vote, vote in favour of a matter being dealt with as urgent business.

7 CONFIDENTIAL ITEMS

Nil.