Mornington Peninsula Shire

ATTACHMENT BOOK

COUNCIL MEETING

WEDNESDAY, 7 OCTOBER 2026

5:00 PM

ONLINE ZOOM MEETING

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Mornington Peninsula Shire Council
ANNUAL FINANCIAL REPORT

For the Year Ended 30 June 2026

Mornington Peninsula Shire Council
Financial Report
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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.

Mark Schubert, CPA
Principal Accounting Officer

Dated : *07/10/2026*
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 2026 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 Stephen Batty
Councillor
Dated : *07/10/2026*
Rosebud Council Chambers

Cr Paul Pingiaro
Councillor
Dated : *07/10/2026*
Rosebud Council Chambers

Mark Stoermer
Chief Executive Officer
Dated : 07/10/2026
Rosebud Council Chambers

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Comprehensive Income Statement
For the Year Ended 30 June 2026

	Note	2026 $'000	2025 $'000
Income / Revenue			
Rates and charges	3.1	237,938	226,750
Statutory fees and fines	3.2	9,852	10,709
User fees	3.3	26,238	24,675
Grants - operating	3.4	19,963	20,014
Grants - capital	3.4	17,533	16,458
Contributions - monetary	3.5	10,530	2,516
Contributions - non monetary	3.5	4,177	2,947
Found Assets	6.2	4,293	4,027
Net gain on disposal of property, infrastructure, plant and equipment	3.6	-	86
Other income	3.7	14,641	13,764
Total income / revenue		**345,165**	**321,946**
Expenses			
Employee costs	4.1	103,380	99,524
Materials and services	4.2	154,832	148,219
Depreciation	4.3	50,851	46,118
Amortisation - intangible assets	4.4	543	449
Depreciation - right of use assets	4.5	1,522	1,184
Allowance for impairment losses	4.6	7	47
Fair value adjustments for investment property	6.3	757	319
Net loss on disposal of property, infrastructure, plant and equipment	3.6	7,177	-
Borrowing costs	4.7	703	892
Finance costs - leases	4.8	83	72
Other expenses	4.9	11,130	10,536
Total expenses		**330,985**	**307,360**
Surplus for the year		**14,180**	**14,586**
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation gain/(loss)	6.2	122,932	60,246
Total other comprehensive income		**122,932**	**60,246**
Total comprehensive result		**137,112**	**74,832**

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

Balance Sheet
As at 30 June 2026

	Note	2026 $'000	2025 $'000
Assets			
Current assets			
Cash and cash equivalents	5.1	27,598	40,996
Trade and other receivables	5.1	48,427	31,424
Other financial assets	5.1	105,606	100,600
Inventories	5.2	310	272
Prepayments	5.2	1,249	1,244
Non-current assets classified as held for sale	6.1	486	444
Other assets	5.2	1,750	1,772
Total current assets		**185,426**	**176,752**
Non-current assets			
Other financial assets	5.1	45	46
Property, infrastructure, plant and equipment	6.2	3,880,111	3,754,444
Right-of-use assets	5.8	4,588	5,308
Investment property	6.3	9,003	9,721
Intangible assets	5.2	584	581
Total non-current assets		**3,894,331**	**3,770,100**
Total assets		**4,079,757**	**3,946,852**
Liabilities			
Current liabilities			
Trade and other payables	5.3	23,787	23,823
Trust funds and deposits	5.3	14,702	9,973
Contract and other liabilities	5.3	13,352	19,075
Provisions	5.5	14,287	13,302
Interest-bearing liabilities	5.4	2,361	3,067
Lease liabilities	5.8	1,654	1,618
Total current liabilities		**70,143**	**70,858**
Non-current liabilities			
Trust funds and deposits		251	205
Contract and other liabilities	5.3	11,832	11,713
Provisions	5.5	14,691	15,302
Interest-bearing liabilities	5.4	24,875	27,236
Lease liabilities	5.8	3,124	3,809
Total non-current liabilities		**54,773**	**58,265**
Total liabilities		**124,916**	**129,123**
Net assets		**3,954,841**	**3,817,729**
Equity			
Accumulated surplus		1,134,663	1,135,421
Reserves	9.1	2,820,178	2,682,308
Total Equity		**3,954,841**	**3,817,729**

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

Statement of Changes in Equity
For the Year Ended 30 June 2026

2026	Note	Total $'000	Accumulated Surplus $'000	Revaluation Reserve $'000	Other Reserves $'000
Balance at beginning of the financial year		3,817,729	1,135,421	2,678,912	3,396
Surplus/(deficit) for the year		14,180	14,180	-	-
Net asset revaluation gain/(loss)		122,932	-	122,932	-
Transfers to other reserves	9.1	-	(14,938)	-	14,938
		3,954,841	1,134,663	2,801,844	18,334
Balance at end of the financial year		**3,954,841**	**1,134,663**	**2,801,844**	**18,334**

2025	Total $'000	Accumulated Surplus $'000	Revaluation Reserve $'000	Other Reserves $'000
Balance at beginning of the financial year	3,741,930	1,121,835	2,618,666	1,429
Surplus/(deficit) for the year	14,586	14,586	-	-
Net asset revaluation gain/(loss)	60,246	-	60,246	-
Transfers to other reserves 9.1	967	(1,000)	-	1,967
	3,817,729	1,135,421	2,678,912	3,396
Balance at end of the financial year	**3,817,729**	**1,135,421**	**2,678,912**	**3,396**

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

Statement of Cash Flows
For the Year Ended 30 June 2026

	Note	2026 Inflows/ (Outflows) $'000	2025 Inflows/ (Outflows) $'000
Cash flows from operating activities			
Rates and charges		228,367	221,741
Statutory fees and fines		8,783	9,789
User fees		25,614	24,117
Grants - operating		19,905	21,607
Grants - capital		15,957	17,498
Contributions - monetary		5,179	6,608
Interest received		5,354	7,793
Dividends received		5	5
Trust funds and deposits taken		(178)	112
Other receipts		8,177	6,918
Net GST refund/(payment)		201	(154)
Employee costs		(105,011)	(99,635)
Materials and services		(151,883)	(141,207)
Short-term, low value and variable lease payments		(1,059)	(1,449)
Other payments		(9,191)	(8,965)
Net cash provided by/(used in) operating activities	9.2	**50,220**	**64,778**
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(54,515)	(51,335)
Proceeds from sale of property, infrastructure, plant and equipment		205	515
Payments for investments		(140,005)	(195,006)
Proceeds from sale of investments		135,000	195,000
Net cash provided by/(used in) investing activities		**(59,315)**	**(50,826)**
Cash flows from financing activities			
Finance costs		(703)	(892)
Bank overdraft movement		(399)	(5)
Repayment of borrowings		(2,668)	(2,707)
Interest paid - lease liability		(83)	(72)
Repayment of lease liabilities		(450)	(968)
Net cash provided by/(used in) financing activities		**(4,303)**	**(4,644)**
Net increase (decrease) in cash and cash equivalents		(13,398)	9,307
Cash and cash equivalents at the beginning of the financial year		40,996	31,689
Cash and cash equivalents at the end of the financial year		**27,598**	**40,996**
Financing arrangements	5.6		

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

Statement of Capital Works
For the Year Ended 30 June 2026

	Note	2026 $'000	2025 $'000
Property			
Land		337	1,611
Buildings		18,135	21,128
Total Property		**18,472**	**22,739**
Plant and equipment			
Plant, machinery and equipment		577	298
Fixtures, fittings and furniture		190	311
Artworks		-	31
Library books		1,032	793
Total plant and equipment		**1,799**	**1,433**
Infrastructure			
Roads		13,443	10,487
Bridges		48	98
Footpaths and cycleways		4,137	5,190
Drainage		2,460	2,673
Recreational, leisure and community facilities		6,787	3,428
Parks, open space and streetscapes		6,414	5,703
Marine structures		1,085	132
Total infrastructure		**34,374**	**27,711**
Total capital works expenditure		**54,645**	**51,883**
Represented by:			
New asset expenditure		13,488	14,679
Asset renewal expenditure		31,137	27,580
Asset expansion expenditure		1,459	1,591
Asset upgrade expenditure		8,561	8,033
Total capital works expenditure		**54,645**	**51,883**

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

Notes to the Financial Report
For the Year Ended 30 June 2026

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.

Accounting policy information

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. Specific 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 3.4)
- 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.

1.2 Impact of emergencies and natural disasters

A landslide occurred in McCrae on Tuesday, 14 January 2025. The landslide affected multiple properties, leading to evacuations and road closures. An exclusion zone was set up with temporary fencing around the affected area. During the financial year, the Council incurred expenditure of $2.94 million.

1.3 Impacts of other external events

Council has considered ongoing external events that have contributed to volatility in international markets, disrupted global supply chains and increased inflationary pressure, including the risk that they may cause significant changes in the carrying values of assets and liabilities in the next financial year, and has concluded that there is no material impact on the 2025-26 financial report that requires additional disclosure.

Notes to the Financial Report
For the Year Ended 30 June 2026

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 $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 2026 $'000	Actual 2026 $'000	Variance $'000	Variance %	Ref
Income / Revenue					
Rates and charges	237,913	237,938	25	0%	
Statutory fees and fines	10,378	9,852	(526)	(5%)	
User fees	23,868	26,238	2,370	10%	**1**
Grants - operating	15,344	19,963	4,619	30%	**2**
Grants - capital	16,445	17,533	1,088	7%	**3**
Contributions - monetary	9,537	10,530	993	10%	
Contributions - non monetary	4,474	4,177	(297)	(7%)	
Found Assets	-	4,293	4,293		**4**
Other income	8,383	14,641	6,258	75%	**5**
Total income / revenue	**326,342**	**345,165**	**18,822**	**6%**	
Expenses					
Employee costs	96,504	103,380	(6,876)	(7%)	**6**
Materials and services	156,225	154,832	1,393	1%	**7**
Depreciation	47,389	50,851	(3,462)	(7%)	**8**
Amortisation - intangible assets	91	543	(452)	(497%)	
Depreciation - right of use assets	627	1,522	(895)	(143%)	
Allowance for impairment losses	-	7	(7)		
Fair value adjustments for investment property	-	757	(757)		
Net loss on disposal of property, infrastructure, plant and equipment	-	7,177	(7,177)		**9**
Borrowing costs	726	703	23	3%	
Finance costs - leases	13	83	(70)	(538%)	
Other expenses	8,879	11,130	(2,251)	(25%)	**10**
Total expenses	**310,454**	**330,985**	**(20,531)**	**(7%)**	
Surplus for the year	**15,888**	**14,180**	**(1,709)**	**(11%)**	

Notes to the Financial Report
For the Year Ended 30 June 2026

(i) Explanation of material variations

Ref	Item	Fav/Unfav	Explanation
1	User Fees	Fav	User fees were 10% above budget, driven by increased volumes at transfer stations, waste collection, and disposals ($1.4 million). Bathing box transfer fees exceeded budget by $0.3 million, reflecting higher-than-expected sales.
2	Grants - Operating	Fav	In the 2025-26 financial year, Council received 50% of the 2025–26 Financial Assistance Grant totalling $3.9M. In addition 80% of the 2026-27 grant totalling $6.6M has been paid in advance. This resulted in income above budget. In accordance with AASB 1058 requirements, the income must be recognised in the year it is received; therefore, the 2026–27 allocation could not be deferred. In addition to this, unbudgeted grants were received in relation to Melbourne Water funded wetland maintenance and receipt of prior year claims for natural disaster assistance.
3	Grants - Capital	Fav	Due to delays in the delivery of capital works in the prior year, the associated grant income was recognised in the current year upon delivery, in accordance with *AASB 1058*. This included $1.4 million for Dallas Brooks Reserve Upgrade, $1.2 million in Black Spot grant funding, $1 million for Red Hill Recreation Reserve Pavilion Upgrade, $0.9 million for Briars Sanctuary Expansion, $0.7 million for Emil Madsen Reserve Sewer Connection & Services Upgrade and $0.6 million for Tennis Court Lighting Renewal Program. This has been partially offset by capital grants budgeted in the current year but treated as unearned income to align with the delivery of capital works which won't occur until next year. This included $4.4 million for Emil Madsen Reserve Soccer and Netball Pavilion.
4	Found Assets	Fav	During the year, Council continued capturing all assets in the asset register using geospatial techniques, identifying and recognising an additional $4.3 million in found assets. Breakdown includes: drainage $2.0M, footpaths $0.7M, parks, open space & streetscapes $0.4M, recreation leisure and community facilities $0.6M, roads $0.6M.

Notes to the Financial Report
For the Year Ended 30 June 2026

5	Other Income	Fav	Other income exceeded budget, driven by higher interest earnings from additional funds due to carry-forward projects and favourable interest rates. Other drivers include leisure and recreation centre contract favourable performance due to a number of initiatives implemented at the facilities during the year as well as positive investment rental income as new agreements have been entered into.
6	Employee costs	Unfav	The unfavourable variance in employee costs reflects one off redundancy costs triggered by the Organisational review that took place during the year, and part year impact of achieving $5 million savings target. Another driver is lower than expected capital recoveries due to organisational review, vacant positions and delay of capital projects.
7	Materials and services	Fav	The 1% underspend in materials and services is mainly due to a number of operating projects not completed during the year and carried forward to 2026–27 ($1.9 million). The remainder relates to lower costs across items such as legal fees, landfill levy and waste contracts.
8	Depreciation	Unfav	Depreciation increase due to revaluation of assets prior year after budget was calculated, mainly driven by the comprehensive valuation of Parks, open space and streetscapes. Depreciation continues to rise significantly with valuations over the last 4 years increasing Property, infrastructure, plant and equipment by $1 billion.
9	Net loss on disposal of property, infrastructure, plant and equipment	Unfav	The unfavourable variance primarily relates to the derecognition of assets identified through the asset reconciliation process, including $3.2 million of buildings and $4.1 million of infrastructure. Replacement assets had been recognised prior to the corresponding existing assets being derecognised, resulting in additional losses on disposal not anticipated.
10	Other Expenses	Unfav	Unfavourable variance to budget is driven by write-off's from Work in Progress which is historic expenditure no longer linked to a completed asset ($1.5 million).

Mornington Peninsula Shire Council

2025/2026 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2026

2.1.2 Capital works

	Budget 2026 $'000	Actual 2026 $'000	Variance $'000	Variance %	Ref
Property					
Land	7,820	337	7,483	96%	**1**
Buildings	15,299	18,135	(2,836)	(19%)	**2**
Property	**23,119**	**18,472**	**4,647**	**20%**	
Plant and equipment					
Plant, machinery and equipment	681	577	104	15%	
Fixtures, fittings and furniture	194	190	4	2%	
Artworks	-	-	-		
Library books	1,096	1,032	64	6%	
Total plant and equipment	**1,971**	**1,799**	**172**	**9%**	
Infrastructure					
Roads	13,155	13,443	(288)	(2%)	**3**
Bridges	100	48	52	52%	
Footpaths and cycleways	3,912	4,137	(225)	(6%)	
Drainage	2,758	2,460	298	11%	
Recreational, leisure and community facilities	3,607	6,787	(3,180)	(88%)	**4**
Parks, open space and streetscapes	2,012	6,414	(4,402)	(219%)	**5**
Marine structures	100	1,085	(985)	(985%)	
Total infrastructure	**25,644**	**34,374**	**(8,730)**	**(34%)**	
Total capital works expenditure	**50,734**	**54,645**	**(3,911)**	**(8%)**	
Represented by:					
New asset expenditure	20,752	13,488	7,264	35%	
Asset renewal expenditure	22,853	31,137	(8,284)	(36%)	
Asset expansion expenditure	176	1,459	(1,283)	(729%)	
Asset upgrade expenditure	6,953	8,561	(1,608)	(23%)	
Total capital works expenditure	**50,734**	**54,645**	**(3,911)**	**(8%)**	

Notes to the Financial Report
For the Year Ended 30 June 2026

(i) Explanation of material variations

Ref	Item	Explanation
	Variances less than $1 million	Capital works budget overspends typically relate to expenditure against prior year carry forwards ($49.9 million) and the 2025–26 budget. Conversely, budget underspends will result in carry forwards of approximately $60 million to the next financial year.
1	Land	$6.5 million budgeted for Rye Landfill - Cell 2 Capping Layer which did not occur during 2025-26 due to extension of the life of the landfill and will now occur in 2026-27.
2	Buildings	Buildings expenditure exceeded budget due to several large multi year projects with carry-forward budgets from the prior year with the main project being Pelican Park Recreation Centre Renewal ($2.2M).
3	Roads	Roads expenditure is 9% under budget due to underspend which will result in carry forwards to next year. Particularly Mount Martha Landslip ($2M). This has been partially offset by expenditure on projects carried forward from 2024-25 such as Blackspot Somerville - Road Safety Improvement ($1M).
4	Recreational, leisure and community facilities	Recreational, leisure and community facilities expenditure exceeded budget due to several large multi year projects with carry-forward budgets from the prior year with the main project being Dallas Brooks Reserve Upgrade ($2.8M).
5	Parks, open space and streetscapes	Key projects carried forward from the prior year, contributing to the $4.5M overspend in parks, open space and streetscapes, include Rye Township Plan - Growing Suburbs ($2.7M), Briars Sanctuary Expansion ($1.3M) and Hillview Reserve Playspace/Carpark/Path ($0.6M).

Notes to the Financial Report
For the Year Ended 30 June 2026

2.2 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

2.2.1 Chief Executive Officer

The Chief Executive Office sits over the whole Organisation and provides decision making, leadership and collaboration

Assets and Infrastructure

The Directorate consists of the following:

- Infrastructure and Waste Services
- Projects & Engineering Services
- Assets, Buildings & Property.

The aim of the Directorate is to deliver high quality, innovative, cost-effective infrastructure and waste management services and projects for the Community within a supportive and collaborative environment that values everyone's contribution. The units take pride in improving our sense of place.

Communities

The Directorate consists of the following:

- Community Spaces and Recreation
- Community Services
- Community Partnerships & Engagement
- Customer Experience
- Economic and Cultural Development.

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. It also encompasses community infrastructure planning, economic development and tourism across the Shire.

Planning and Liveability

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

- Statutory Planning
- Strategic Planning, Transport & Environment
- Regulatory Services.

This Directorate sets the strategic direction for land use, traffic & transport and delivers statutory planning and building services to our community and leads the Shire's approach to climate change and coastal planning.

Chief of Staff

The Directorate encompasses core strategic enabling functions of Council, including:

- People & Culture
- Strategic Communications & Advocacy
- Organisational Strategy & Performance
- Legal Services.

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.

Notes to the Financial Report
For the Year Ended 30 June 2026

Finance and Procurement

The Finance and Procurement Unit provides a range of service including regulatory, statutory functions and provides key enabling functions for the Council:

- Finance & Revenue
- Contracts & Procurement.

To ensure the financial sustainability of the Shire by providing data and analysis to support effective decision-making and resource allocation. This is to be underpinned by an effective control environment and external and internal compliance.

Governance and Risk

The Governance and Risk Unit provides a range of supporting services including:

- Governance Services
- Executive & Councillor Support
- Council Reports
- Enterprise Risk.

The Governance and Risk Unit enables and supports effective, transparent and accountable decision-making by providing support and guidance on governance, statutory obligations, enterprise risk, councillor support and Council meeting processes that strengthen organisational integrity and strategic outcomes.

Information Technology

The Information Technology Unit provides a range of supporting services including:

- IT operations
- IT Strategy & Projects
- Emerging Technologies
- IT Systems & Infrastructure
- Data Excellence & Information Management.

The Information Technology unit enables and supports the delivery of efficient, secure and customer-focused services, by providing and governing technology, data, systems, cybersecurity and digital solutions that support operational excellence and strategic outcomes.

Notes to the Financial Report
For the Year Ended 30 June 2026

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

2026	Income / Revenue $'000	Expenses $'000	Surplus/ (Deficit) $'000	Grants included in income / revenue $'000	Total assets $'000
Chief Executive Office	28	3,781	(3,753)	-	-
Assets & Infrastructure	52,483	194,641	(142,158)	13,146	3,885,263
Communities	19,973	47,818	(27,845)	7,387	5,181
Planning & Liveability	25,325	34,615	(9,290)	5,551	-
Chief of Staff	162	15,575	(15,413)	86	-
Finance & Procurement	246,898	15,995	230,904	11,313	188,014
Governance & Risk	488	5,164	(4,677)	-	-
Information Technology	13	13,601	(13,588)	13	1,299
	345,370	**331,190**	**14,180**	**37,496**	**4,079,757**

2025	Income / Revenue $'000	Expenses $'000	Surplus/ (Deficit) $'000	Grants included in income / revenue $'000	Total assets $'000
Office of the CEO	57	9,133	(9,076)	-	-
Office of the CFO	248,656	26,124	222,532	11,790	180,418
Community Strengthening	20,786	43,319	(22,533)	7,611	5,203
Corporate Strategy and Business Improvement	2,039	36,550	(34,511)	1,797	1,331
Planning and Environment	40,230	67,296	(27,066)	14,218	-
Assets and Infrastructure	10,607	125,367	(114,760)	1,056	3,759,900
	322,375	**307,789**	**14,586**	**36,472**	**3,946,852**

An organisational review was undertaken during 2025/26 and implemented from 20 October 2025. This change resulted in functions moved from the Office of the CFO and Corporate Strategy and Business Improvement and creating new areas for Chief of Staff, Finance & Procurement, Governance & Risk and Information Technology. Functions and Units also moved across the three operational Directorates (Assets & Infrastructure, Planning & Liveability and Communities). As a result of the volume of changes, the prior year has not been restated.

Notes to the Financial Report
For the Year Ended 30 June 2026

Note 3 FUNDING FOR THE DELIVERY OF OUR SERVICES

	2026	2025
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 2025/26 was $130.272 billion (2024/25 $133.397 billion).

General rates	179,662	172,978
Waste service charge	45,577	42,562
Service rates and charges (opt-in green waste)	9,952	8,571
Supplementary rates and rate adjustments	1,724	1,621
Culture and recreational	183	178
Revenue in lieu of rates	840	840
Total rates and charges	**237,938**	**226,750**

The date of the general revaluation of land for rating purposes within the municipal district was 1 January 2025 and the valuation was first applied in the rating year commencing 1 July 2025.

Annual rates and charges are recognised as income 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	3,271	4,588
Land information certificates	349	284
Permits	3,099	2,774
Town planning fees	2,697	2,687
Other fees and charges	436	376
Total statutory fees and fines	**9,852**	**10,709**

Statutory fees and fines (including parking fees and fines) are recognised as income 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	903	918
Animal shelter fees	43	63
Building services	1,433	956
Child, youth and family care services	102	82
Events & festivals fees	240	245
Fines & Prosecution	1,093	1,075
Foreshore camping fees	3,599	3,415
Leisure centre and recreation	2,430	2,126
Parking and boat ramp	72	176
Planning fees	845	667
Property services	904	695
Registration and other permits	3,856	4,130
Waste Management	10,451	9,923
Other fees and charges	267	204
Total user fees	**26,238**	**24,675**
User fees by timing of revenue recognition		
User fees recognised over time	-	-
User fees recognised at a point in time	26,238	24,675
Total user fees	**26,238**	**24,675**

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.

Notes to the Financial Report
For the Year Ended 30 June 2026

	2026 $'000	2025 $'000
3.4 Funding from other levels of government		
Grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	24,517	17,762
State funded grants	12,979	18,711
Total grants received	**37,496**	**36,473**
(a) Operating Grants		
Recurrent - Commonwealth Government		
Financial Assistance Grants	10,513	11,574
General home care	914	1,139
Recurrent - State Government		
Family and Children	1,029	1,109
General home care	-	386
Libraries	1,095	1,095
Maternal and child health	1,978	1,923
School crossing supervisors	589	588
Other	888	522
Total recurrent operating grants	**17,006**	**18,335**
Non-recurrent -State Government		
Coastal Strategy	97	89
Community Safety	1,581	815
Family and children	25	61
Briars	360	262
Vegetation	810	197
Environmental planning	-	72
Waste management services	-	34
Other	84	149
Total non-recurrent operating grants	**2,957**	**1,679**
Total operating grants	**19,963**	**20,014**
(b) Capital Grants		
Recurrent - Commonwealth Government		
Roads to recovery	1,975	1,082
Recurrent - State Government		
Black Spot	1,213	5,153
Total recurrent capital grants	**3,188**	**6,235**
Non-recurrent - Commonwealth Government		
Buildings	5,584	3,491
Footpaths and cycleways	2,565	3
Recreation	9	423
Other	-	50
Non-recurrent - State Government		
Buildings	555	1,045
Drainage	-	199
Fixtures, fittings and furniture	37	-
Footpaths and cycleways	655	1,791
Libraries	20	20
Marine	6	140
Parks, Open Space and Streetscapes	2,832	2,715
Plant, machinery and equipment	43	-
Recreation	1,275	125
Roads and Intersections	764	221
Total non-recurrent capital grants	**14,345**	**10,223**
Total capital grants	**17,533**	**16,458**

Notes to the Financial Report
For the Year Ended 30 June 2026

(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 point in 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 unspent grants.

	2026	2025
	$'000	$'000
(d) Unspent grants received on condition that they be spent in a specific manner		
Operating		
Balance at start of year	397	1,621
Received during the financial year and remained unspent at balance date	182	384
Received in prior years and spent during the financial year	(239)	(1,608)
Balance at year end	**340**	**397**
Capital		
Balance at start of year	11,249	10,209
Received during the financial year and remained unspent at balance date	6,012	7,304
Received in prior years and spent during the financial year	(7,589)	(6,264)
Balance at year end	**9,672**	**11,249**

Unspent grants are determined and disclosed on a cash basis.

	2026	2025
3.5 Contributions	$'000	$'000
Monetary	10,530	2,516
Non-monetary	4,177	2,947
Total contributions	**14,708**	**5,463**
Contributions of non monetary assets were received in relation to the following asset classes.		
Roads	739	153
Drainage	1,348	1,589
Footpaths and cycleways	173	296
Parks and open spaces	420	648
Land	1,487	6
Bridges	-	53
Recreational Leisure	10	202
Total non-monetary contributions	**4,177**	**2,947**

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

Notes to the Financial Report
For the Year Ended 30 June 2026

3.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment

	2026	2025
	$'000	$'000
Proceeds of sale	205	515
Written down value of assets disposed	(7,382)	(429)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	**(7,177)**	**86**

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	6,191	6,589
Dividends	5	5
Investment property rental	2,622	2,421
Recreation and Aquatic	2,805	2,123
Merchant Sales	869	590
Volunteer services	268	252
Other	1,881	1,784
Total other income	**14,641**	**13,764**

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.

Notes to the Financial Report
For the Year Ended 30 June 2026

Note 4 THE COST OF DELIVERING SERVICES

	2026 $'000	2025 $'000
4.1 (a) Employee costs		
Wages and salaries	72,630	74,860
WorkCover	1,940	2,733
Casual staff	3,132	2,630
Superannuation	11,757	10,775
Fringe benefits tax	44	30
Annual leave and long service leave	9,692	8,027
Redundancies	4,185	469
Total employee costs	**103,380**	**99,524**
(b) Superannuation		
Council made contributions to the following funds:		
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	115	68
	115	**68**
Employer contributions payable at reporting date.	-	-
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	3,982	3,959
Employer contributions - other funds		
Australian Super	1,222	1,109
Hostplus	1,084	1,000
Australian Retirement Trust	148	85
Hesta Super	443	398
Aware Super (previously First State Super)	709	293
Rest Super	714	583
Other	3,340	3,280
	11,642	**10,707**
Employer contributions payable at reporting date.	418	389

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

Notes to the Financial Report
For the Year Ended 30 June 2026

4.2 Materials and services

	2026 $'000	2025 $'000
Contract payments		
Waste management services	42,342	37,178
Sport and recreational	2,054	2,040
Building maintenance	15,539	12,136
Landfill rehabilitation*	(1,180)	48
General maintenance		
Roads, drainage and cleansing	28,273	24,726
Natural systems	6,110	5,735
Tree management	9,985	10,804
Open space	14,041	12,209
Other	376	471
Utilities	4,352	5,381
Parking and travel	140	193
Operating leases	437	402
Information technology	6,234	6,536
Insurance	3,155	3,089
Legal	691	1,387
Consultants	12,603	14,865
Other	9,680	11,019
Total materials and services	**154,832**	**148,219**

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	12,591	12,461
Plant and equipment	1,619	1,486
Infrastructure	36,641	32,171
Total depreciation	**50,851**	**46,118**

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

Notes to the Financial Report
For the Year Ended 30 June 2026

	2026 $'000	2025 $'000
4.4 Amortisation - Intangible assets		
Software	91	90
Landfill air space	452	359
Total amortisation - Intangible assets	**543**	**449**
4.5 Depreciation - Right of use assets		
Vehicles	1,522	1,184
Total depreciation - Right of use assets	**1,522**	**1,184**
4.6 Allowance for impairment losses		
Other debtors	7	47
Total allowance for impairment losses	**7**	**47**
Movement in allowance for impairment losses in respect of debtors		
Balance at the beginning of the year	47	2
New allowances recognised during the year	7	45
Amounts already allowed for and written off as uncollectible	(47)	-
Balance at end of year	**7**	**47**

An allowance for impairment losses in respect of debtors is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment.

4.7 Borrowing costs		
Interest - Borrowings	703	892
Total borrowing costs	**703**	**892**

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.

4.8 Finance Costs - Leases		
Interest - Lease liabilities	83	72
Total finance costs	**83**	**72**
4.9 Other expenses		
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	94	81
Auditors' remuneration - Internal Audit	129	172
Councillors' allowances	713	707
Community grants, contributions and subsidies paid	4,845	4,276
Indirect recruitment costs (recruitment, staff training and uniforms)	1,350	1,821
Insurance excess and small claims	315	264
Operating lease rentals	148	83
Training, conferences and seminars	90	119
Volunteer services	285	267
Others	3,161	2,746
Total other expenses	**11,130**	**10,536**

Notes to the Financial Report
For the Year Ended 30 June 2026

Note 5 INVESTING IN AND FINANCING OUR OPERATIONS

5.1 Financial assets	2026 $'000	2025 $'000
(a) Cash and cash equivalents		
Cash on hand	6	6
Cash at bank	27,592	40,990
Total cash and cash equivalents	**27,598**	**40,996**
(b) Other financial assets		
Current		
Term deposits	105,606	100,600
Total current other financial assets	**105,606**	**100,600**
Non-current		
Shares	45	46
Total non-current other financial assets	45	46
Total other financial assets	**105,651**	**100,646**
Total cash and cash equivalents and other financial assets	**133,249**	**141,642**

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.

Notes to the Financial Report
For the Year Ended 30 June 2026

(c) Trade and other receivables	2026 $'000	2025 $'000
Current		
Statutory receivables		
Rates debtors	34,067	19,719
Rates pensioner	1,221	1,028
Special rate assessment	392	399
Infringement debtors	6,818	5,750
Allowance for expected credit loss - infringements	(5,563)	(4,216)
Net GST receivable	1,961	2,163
Non statutory receivables		
Other debtors	9,531	6,581
Total current trade and other receivables	**48,427**	**31,424**
Total trade and other receivables	**48,427**	**31,424**

Short term receivables are carried at invoice amount. An allowance for expected credit losses is recognised based on past experience and other objective evidence of expected losses. Long term receivables are carried at amortised cost using the effective interest rate method.

(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)	4,076	1,187
Past due by up to 30 days	3,248	2,760
Past due between 31 and 180 days	867	1,669
Past due between 181 and 365 days	576	215
Past due by more than 1 year	764	750
Total trade and other receivables	**9,531**	**6,581**

(e) Ageing of individually impaired Receivables

At balance date, other debtors representing financial assets with a nominal value of $6,818,356 (2025: $5,749,678) were impaired. The amount of the allowance raised against these debtors was $5,562,658 (2025: $4,216,000). They individually have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

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	1,303	579
Past due by more than 1 year	4,260	3,637
Total trade & other receivables	**5,563**	**4,216**

Notes to the Financial Report
For the Year Ended 30 June 2026

5.2 Non-financial assets	**2026**	**2025**
(a) Inventories	**$'000**	**$'000**
Inventories held for distribution	310	272
Total inventories	**310**	**272**

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) Prepayments		
IT Software Costs	1,249	1,244
Total prepayments	**1,249**	**1,244**
(c) Other assets		
Accrued income	1,750	1,772
Total other assets	**1,750**	**1,772**
(c) Intangible assets		
Software	132	223
Landfill air space	452	359
Total intangible assets	**584**	**581**

	Software	**Landfill**	**Total**
	$'000	**$'000**	**$'000**
Gross carrying amount			
Balance at 1 July 2025	2,760	9,968	12,728
Revaluation during the year	-	546	546
Other additions	-	-	-
Balance at 30 June 2026	**2,760**	**10,514**	**13,274**
Accumulated amortisation and impairment			
Balance at 1 July 2025	(2,537)	(9,610)	(12,147)
Amortisation expense	(91)	(452)	(543)
Balance at 30 June 2026	**(2,628)**	**(10,062)**	**(12,690)**
Net book value at 30 June 2025	223	358	581
Net book value at 30 June 2026	**132**	**452**	**584**

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.

Notes to the Financial Report
For the Year Ended 30 June 2026

5.3 Payables, trust funds and deposits, and contract and other liabilities	2026 $'000	2025 $'000
(a) Trade and other payables		
Current		
Non-statutory payables		
Trade payables	1,604	2,166
Accrued expenses	22,183	21,657
Total current trade and other payables	**23,787**	**23,823**
(b) Trust funds and deposits		
Current		
Refundable deposits	6,554	5,787
Emergency Services and Volunteers Fund *	6,521	1,559
Retention amounts	163	191
Bank guarantees	189	261
General	142	254
Hillview Quarries restoration fund	477	477
Rate recoveries	-	341
Subdivision maintenance deposits	656	1,103
Total current trust funds and deposits	**14,702**	**9,973**

* - Emergency Services and Volunteers Fund (ESVF) replaced the Fire Services Property Levy (FSPL) on 1 July 2025, prior year figure reflects Fire Services Property Levy.

(c) Contract and other liabilities		
Contract liabilities		
Current		
Grants received in advance - operating	340	397
Developer Contributions	2,753	7,037
Other income	587	392
Total contract liabilities	**3,679**	**7,826**
Other liabilities		
Current		
Grants received in advance - capital	9,672	11,249
Total current other liabilities	**9,672**	**11,249**
Non Current		
Developer Contributions	11,832	11,713
Total non current other liabilities	**11,832**	**11,713**
Total other liabilities	**21,505**	**22,962**
Total contract and other liabilities	**25,184**	**30,788**

Trust funds and deposits
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.
Contract liabilities
Contract liabilities reflect consideration received in advance from customers in respect of programs, projects and services yet to be delivered. Contract liabilities are derecognised and recorded as revenue when promised goods and services are transferred to the customer. Refer to Note 3.

Other liabilities
Grant consideration was received from State and Commonwealth Government to support the construction of Council Projects. Grant consideration is recognised as income following specific guidance under AASB 1058 as the asset is constructed. Income is recognised to the extent of costs incurred-to-date because the costs of construction most closely reflect the stage of completion of Council Projects. As such, Council has deferred recognition of a portion of the grant consideration received as a liability for outstanding obligations.
Developer Contributions - Relate to public open space contributions made through subdivision applications for Open space that is owned or managed by public authorities and is available for community use.

Purpose and nature of items

Emergency Services and Volunteers Fund - Council is the collection agent for the Emergency Services and Volunteers Fund 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.

Notes to the Financial Report
For the Year Ended 30 June 2026

5.4 Interest-bearing liabilities

	2026 $'000	2025 $'000
Current		
Bank overdraft	-	399
Treasury Corporation of Victoria borrowings - secured*	761	748
Other borrowings - secured*	1,600	1,919
Total current interest-bearing liabilities	**2,361**	**3,067**
Non-current		
Treasury Corporation of Victoria borrowings - secured*	5,275	6,036
Other borrowings - secured*	19,600	21,200
Total non-current interest-bearing liabilities	**24,875**	**27,236**
Total	**27,236**	**30,303**

* - Borrowings are secured by general rates.

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

Not later than one year	2,361	3,067
Later than one year and not later than five years	12,006	11,938
Later than five years	12,869	15,298
Total	**27,236**	**30,303**

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 based on contractual repayment terms at every balance date.
In classifying borrowings as current or non-current Council considers whether at balance date it has the right to defer settlement of the liability for at least twelve months after the reporting period. Council's loan arrangements include covenants based on Council's financial performance and position at the end of the reporting period. These covenants are assessed for compliance after the reporting period based on specified financial ratios.

5.5 Provisions

2026	Employee $ '000	Landfill restoration $ '000	Native vegetation management $ '000	Total $ '000
Balance at beginning of the financial year	15,883	12,387	334	28,604
Additional provisions	9,320	-	40	9,360
Amounts used	(8,028)	(1,726)	(55)	(9,809)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	278	546	-	823
Balance at the end of the financial year	**17,453**	**11,207**	**319**	**28,978**
Provisions - current	14,153	-	134	14,287
Provisions - non-current	3,300	11,207	185	14,691
2025				
Balance at beginning of the financial year	15,760	12,339	426	28,525
Additional provisions	8,969	-	-	8,969
Amounts used	(8,701)	-	(92)	(8,793)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(145)	48	-	(97)
Balance at the end of the financial year	**15,883**	**12,387**	**334**	**28,604**
Provisions - current	13,218	-	84	13,302
Provisions - non-current	2,665	12,387	250	15,302

Notes to the Financial Report
For the Year Ended 30 June 2026

	2026	2025
(a) Employee provisions	**$'000**	**$'000**
Current provisions expected to be wholly settled within 12 months		
Annual leave	5,257	3,267
Long service leave	1,059	1,913
Redundancies	64	117
	6,380	**5,298**
Current provisions expected to be wholly settled after 12 months		
Annual leave	1,589	3,218
Long service leave	6,184	4,703
	7,773	**7,921**
Total current employee provisions	**14,153**	**13,218**
Non-current		
Long service leave	3,300	2,665
Total non-current employee provisions	**3,300**	**2,665**
Aggregate carrying amount of employee provisions:		
Current	14,153	13,218
Non-current	3,300	2,665
Total aggregate carrying amount of employee provisions	**17,453**	**15,883**

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:		
- discount rate	4.75%	4.20%
- index rate	4.25%	4.25%

Notes to the Financial Report
For the Year Ended 30 June 2026

	2026	2025
(b) Landfill restoration	**$'000**	**$'000**
Non-current		
Rye Landfill	10,907	10,361
Tyabb Landfill	300	2,026
Total	**11,207**	**12,387**

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.

Key assumptions:		
- discount rate	5.04% - 6.31%	3.85% - 6.08%
- index rate	4.00%	2.40%

(c) Native vegetation management		
Current	134	84
Non-current	185	251
Total	**319**	**334**

5.6 Financing arrangements

The Council has the following funding arrangements in place as at 30 June 2026.

Bank overdraft	5,000	5,000
Bank loans	30,400	29,590
Credit card facilities	200	200
Treasury Corporation of Victoria facilities	10,000	10,000
Other facilities	100	100
Total facilities	**45,700**	**44,890**
Used facilities	27,236	30,314
Unused facilities	**18,464**	**14,576**

Notes to the Financial Report
For the Year Ended 30 June 2026

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

2026	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	$'000	$'000	$'000	$'000	$'000
Operating					
Open Space	18,145	18,582	42,432	-	79,160
Bushland Management	7,013	7,226	16,030	-	30,269
Tree Management	11,649	11,927	23,207	-	46,783
Buildings Maintenance	19,870	6,348	7,308	-	33,526
Road Corridors	35,024	36,241	116,451	217,941	405,657
Garbage Collection	18,864	19,336	58,538	167,044	263,781
Recycling	3,400	2,711	8,207	28,238	42,556
Green Waste	1,370	-	-	-	1,370
Telecommunications and IT	2,891	1,324	394	-	4,610
Recreation & Leisure	1,026	1,026	1,026	-	3,079
Utilities	-	-	-	-	-
Landfill & Transfer Station Management	7,207	-	-	-	7,207
Administration	526	424	-	-	950
Services	11,360	67	-	-	11,428
Library	386	386	386	-	1,157
Consulting	74	60	71	-	205
Operating Projects	872	-	-	-	872
Total	**139,677**	**105,658**	**274,050**	**413,223**	**932,610**
Capital					
Buildings	8,602	-	-	-	8,602
Drainage	4,936	-	-	-	4,936
Fixtures, fittings and furniture	49	-	-	-	49
Footpaths and cycleways	3,539	-	-	-	3,539
Land	129	-	-	-	129
Library Books	278	-	-	-	278
Marine structures	2,217	-	-	-	2,217
Parks, open space and streetscapes	1,104	-	-	-	1,104
Plant, machinery and equipment	136	-	-	-	136
Recreational, leisure and community facilities	8,118	-	-	-	8,118
Roads	4,114	-	-	-	4,114
Total	**33,222**	**-**	**-**	**-**	**33,222**

Notes to the Financial Report
For the Year Ended 30 June 2026

2025	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	$'000	$'000	$'000	$'000	$'000
Operating					
Open Space	15,820	16,215	10,995	-	43,030
Bushland Management	6,174	6,329	5,872	-	18,375
Tree Management	10,799	11,069	5,538	-	27,407
Buildings Maintenance	13,975	11,400	33,816	25,683	84,873
Road Corridors	33,758	34,602	87,176	-	155,537
Garbage Collection	18,404	18,864	59,469	185,448	282,185
Recycling	8,854	2,645	8,337	30,819	50,655
Green Waste	1,092	-	-	-	1,092
Telecommunications and IT	2,409	1,469	-	-	3,878
Recreation & Leisure	967	991	2,087	-	4,046
Utilities	543	185	-	-	728
Landfill & Transfer Station Management	12,238	-	-	-	12,238
Operating Projects	1,109	-	-	-	1,109
Total	**126,144**	**103,770**	**213,291**	**241,949**	**685,153**
Capital					
Buildings	10,231	-	-	-	10,231
Drainage	3,261				3,261
Fixtures, fittings and furniture	7				7
Footpaths and cycleways	6,392				6,392
Land	1,911				1,911
Library Books	11				11
Marine structures	70				70
Parks, open space and streetscapes	3,935				3,935
Plant, machinery and equipment	91				91
Recreational, leisure and community facilities	861	-	-	-	861
Roads	2,535				2,535
Total	**29,308**	**-**	**-**	**-**	**29,308**

Notes to the Financial Report
For the Year Ended 30 June 2026

(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:

	2026	2025
	$'000	$'000
Not later than one year	632	863
Later than one year and not later than five years	1,531	1,823
Later than five years	2,252	2,592
Total	4,415	5,278

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.

Under *AASB 16 Leases*, Council as a not-for-profit entity has elected not to measure right-of-use assets at initial recognition at fair value in respect of leases that have significantly below-market terms.

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

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

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

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

Notes to the Financial Report
For the Year Ended 30 June 2026

Right-of-Use Assets	**Vehicles**	**Total**
	$'000	**$'000**
Balance at 1 July 2025	5,308	5,308
Additions	802	802
Depreciation charge	(1,522)	(1,522)
Balance at 30 June 2026	**4,588**	**4,588**

Lease Liabilities	**2026**	**2025**
Maturity analysis - contractual undiscounted cash flows	**$'000**	**$'000**
Less than one year	1,914	1,677
One to five years	3,274	4,322
Total undiscounted lease liabilities as at 30 June:	**5,188**	**5,999**
Lease liabilities included in the Balance Sheet at 30 June:		
Current	1,654	1,618
Non-current	3,124	3,809
Total lease liabilities	**4,778**	**5,427**

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.

	2026	**2025**
Expenses relating to:	**$'000**	**$'000**
Short-term leases	585	486
Leases of low value assets	474	963
Total	**1,059**	**1,449**

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:

Payable:		
Within one year	435	547
Later than one year but not later than five years	423	839
Total lease commitments	**858**	**1,386**

Notes to the Financial Report
For the Year Ended 30 June 2026

Note 6 ASSETS WE MANAGE

6.1 Non current assets classified as held for sale	2026 $'000	2025 $'000
Property held for sale	486	444
Total non current assets classified as held for sale	**486**	**444**

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.

Notes to the Financial Report
For the Year Ended 30 June 2026

6.2 PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT

Summary of property, infrastructure, plant and equipment

	Carrying amount 30 June 2025 $'000	Found Assets $'000	Additions $'000	Contributions $'000	Revaluation $'000	Depreciation $'000	Disposal $'000	Write-off $'000	Transfers $'000	Adjustments $'000	Carrying amount 30 June 2026 $'000
Property	2,081,408	-	-	1,484	42,858	(12,590)	(3,238)	-	10,682	(42)	2,120,562
Plant and equipment	7,081	-	-	-	-	(1,621)	-	-	1,543	-	7,003
Infrastructure	1,574,738	4,293	-	2,693	79,528	(36,640)	(4,144)	-	33,570	-	1,654,038
Work in progress	91,217	-	54,645	-	-	-	-	(1,521)	(45,795)	(38)	98,508
Total	**3,754,444**	**4,293**	**54,645**	**4,177**	**122,386**	**(50,851)**	**(7,382)**	**(1,521)**	**-**	**(80)**	**3,880,111**

Summary of Work in Progress	Opening WIP $'000	Additions $'000	Write-off $'000	Transfers $'000	Adjustments $'000	Closing WIP $'000
Property	20,817	18,472	(9)	(10,682)	(38)	28,560
Plant and equipment	410	1,799	(3)	(1,543)	-	663
Infrastructure	69,990	34,374	(1,509)	(33,570)	-	69,285
Total	**91,217**	**54,645**	**(1,521)**	**(45,795)**	**(38)**	**98,508**

Notes to the Financial Report
For the Year Ended 30 June 2026

(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 2025	1,721,537	3,892	3,221	**1,728,650**	740,666	409	**741,075**	20,817	**2,490,542**
Accumulated depreciation at 1 July 2025	-	-	-	**-**	(387,941)	(376)	**(388,317)**	-	**(388,317)**
	1,721,537	**3,892**	**3,221**	**1,728,650**	**352,725**	**33**	**352,758**	**20,817**	**2,102,225**
Movements in fair value									
Additions	-	-	-	**-**	-	-	**-**	18,472	**18,472**
Contributions	1,484	-	-	**1,484**	-	-	**-**	-	**1,484**
Revaluation	5,100	(419)	(18)	**4,663**	72,397	62	**72,459**	-	**77,122**
Disposal	-	-	-	**-**	(12,237)	-	**(12,237)**	-	**(12,237)**
Write-off	-	-	-	**-**	-	-	**-**	(9)	**(9)**
Transfers	-	-	1	**1**	10,681	-	**10,681**	(10,682)	**-**
Adjustment	(42)	-	-	**(42)**	-	-	**-**	(38)	**(80)**
	6,542	**(419)**	**(17)**	**6,106**	**70,841**	**62**	**70,903**	**7,743**	**84,752**
Movements in accumulated depreciation									
Depreciation and amortisation	-	-	-	**-**	(12,590)	-	**(12,590)**	-	**(12,590)**
Accumulated depreciation of disposals	-	-	-	**-**	8,999	-	**8,999**	-	**8,999**
Revaluation movement	-	-	-	**-**	(34,206)	(58)	**(34,264)**	-	**(34,264)**
Transfers	-	-	-	**-**	-	-	**-**	-	**-**
	-	**-**	**-**	**-**	**(37,797)**	**(58)**	**(37,855)**	**-**	**(37,855)**
At fair value 30 June 2026	1,728,079	3,473	3,204	**1,734,756**	811,507	471	**811,978**	28,560	**2,575,294**
Accumulated depreciation at 30 June 2026	-	-	-	**-**	(425,738)	(434)	**(426,172)**	-	**(426,172)**
Carrying amount	**1,728,079**	**3,473**	**3,204**	**1,734,756**	**385,769**	**37**	**385,806**	**28,560**	**2,149,122**

Notes to the Financial Report
For the Year Ended 30 June 2026

(b) Plant and Equipment

	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecoms	Artworks	Library books	Work In Progress	Total plant and equipment
	$'000	$'000	$'000	$'000		$'000	$'000
At cost 1 July 2025	2,197	5,502	293	2,753	5,048	410	**16,203**
Accumulated depreciation at 1 July 2025	(1,270)	(4,639)	(207)	-	(2,597)	-	**(8,713)**
	927	**863**	**86**	**2,753**	**2,451**	**410**	**7,490**
Movements in carrying value							
Additions	-	-	-	-	-	1,799	**1,799**
Disposal	-	-	-	-	(1,011)	-	**(1,011)**
Write-off	-	-	-	-	-	(3)	**(3)**
Transfers	62	423	-	-	1,058	(1,543)	**-**
	62	**423**	**-**	**-**	**47**	**253**	**785**
Movements in accumulated depreciation							
Depreciation and amortisation	(135)	(368)	(36)	-	(1,082)	-	**(1,621)**
Accumulated depreciation of disposals	-	-	-	-	1,011	-	**1,011**
	(135)	**(368)**	**(36)**	**-**	**(71)**	**-**	**(610)**
At cost 30 June 2026	2,259	5,925	293	2,753	5,095	663	16,988
Accumulated depreciation at 30 June 2026	(1,405)	(5,007)	(243)	-	(2,667)	-	**(9,322)**
Carrying amount	**854**	**918**	**50**	**2,753**	**2,428**	**663**	**7,666**

Plant and equipment are carried at historical cost.

Notes to the Financial Report
For the Year Ended 30 June 2026

(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 2025	1,301,677	3,087	206,782	919,023	47,970	131,446	10,692	69,990	**2,690,667**
Accumulated depreciation at 1 July 2025	(479,829)	(1,077)	(109,756)	(343,378)	(28,654)	(78,720)	(4,525)	-	**(1,045,939)**
	821,848	**2,010**	**97,026**	**575,645**	**19,316**	**52,726**	**6,167**	**69,990**	**1,644,728**
Movements in fair value									
Additions	-	-	-	-	-	-	-	34,374	**34,374**
Found Assets	613	14	707	1,972	625	362	-	-	**4,293**
Contributions	739	-	173	1,348	10	423	-	-	**2,693**
Revaluation	55,965	176	9,695	54,011	1,094	2,031	240	-	**123,212**
Disposal	(2,739)	(17)	(3,808)	(283)	(643)	(1,699)	(232)	-	**(9,421)**
Write-off	-	-	-	-	-	-	-	(1,509)	**(1,509)**
Transfers	4,768	773	8,765	5,264	3,444	9,753	803	(33,570)	**-**
	59,346	**946**	**15,532**	**62,312**	**4,530**	**10,870**	**811**	**(705)**	**153,642**
Movements in accumulated depreciation									
Depreciation and amortisation	(17,108)	(50)	(3,943)	(9,566)	(1,740)	(4,014)	(219)	-	**(36,640)**
Accumulated depreciation of disposals	1,946	1	1,342	102	591	1,142	153	-	**5,277**
Revaluation movement	(19,026)	(51)	(5,123)	(17,971)	(634)	(781)	(98)	-	**(43,684)**
	(34,188)	**(100)**	**(7,724)**	**(27,435)**	**(1,783)**	**(3,653)**	**(164)**	**-**	**(75,047)**
At fair value 30 June 2026	1,361,023	4,033	222,314	981,335	52,500	142,316	11,503	69,285	**2,844,309**
Accumulated depreciation at 30 June 2026	(514,017)	(1,177)	(117,480)	(370,813)	(30,437)	(82,373)	(4,689)	-	**(1,120,986)**
Carrying amount	**847,006**	**2,856**	**104,834**	**610,522**	**22,063**	**59,943**	**6,814**	**69,285**	**1,723,323**

Notes to the Financial Report
For the Year Ended 30 June 2026

Acquisition
Initial measurement
Council initially measures its property, infrastructure, plant and equipment assets at cost. The cost of an acquired asset is the fair value of the consideration that Council has provided 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. Refer to Note 8.4 for more information on how Council measures fair value.

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
Asset recognition thresholds and depreciation periods		$'000
Land & land improvements		
Land	-	1
Land improvements	-	1
Buildings		
Buildings	2 - 333 years	5
Plant and Equipment		
Plant, machinery and equipment	5 - 15 years	2
Furniture and fittings	3 - 10 years	2
Information technology	4 - 5 years	1
Library books	3 - 5 years	1
Infrastructure		
Roads - pavements, substructure and formation	17 - 250 years	15
Roads - kerb, channel and minor culverts and other	17 - 250 years	15
Drainage	49 - 147 years	15
Bridges - deck and substructure	20 - 100 years	15
Bridges - others	100 years	15
Footpaths and cycleways	8 - 100 years	15
Recreational, leisure and community facilities	10 - 41 years	15
Parks, open space and streetscapes	9 - 80 years	15
Marine structures	25 - 100 years	15
Intangible assets		
Software	20 years	1
Airspace	1 - 10 years	1
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.

Notes to the Financial Report
For the Year Ended 30 June 2026

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. Where land use is not restricted, highest and best use is assumed to be current use, except where the land is held for sale, or highly likely to be used for an alternative purpose within 12 months of the reporting date.

Specialised land is valued at fair value using site values adjusted for englobo (undeveloped and/or unserviced) 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. Council undertakes a formal revaluation of land and buildings every 2 (two) years.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2026 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation	Type of Valuation
Land-Specialised	-	-	1,728,079	Jun-26	Full
Land-Non Specialised	-	3,473	-	Jun-26	Full
Land Under Roads	-	-	3,204	Jun-26	Full
Buildings-Specialised	-	-	385,769	Jun-26	Full
Buildings-Non Specialised	-	37	-	Jun-26	Full
Total	**-**	**3,510**	**2,117,052**		

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 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. An index based valuation was conducted on all infrastructure assets (this is a method of valuation whereby indices are applied to the cost value of a class of assets to arrive at the fair value of the class of assets).

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 2026 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation	Type of Valuation
Roads	-	-	847,006	Jun-26	Index
Bridges	-	-	2,856	Jun-26	Index
Footpaths and cycleways	-	-	104,834	Jun-26	Index
Drainage	-	-	610,522	Jun-26	Index
Recreational, leisure and community facilities	-	-	22,063	Jun-26	Index
Parks, open space and streetscapes	-	-	59,943	Jun-26	Index
Marine Structures	-	-	6,814	Jun-26	Index
Total	**-**	**-**	**1,654,038**		

Asset Class	Comprehensive Revaluation		Source of Index
	Last	Next (latest)	
Bridges, Footpaths and cycleways, and Roads	2022/23	2026/27	**Australian Bureau of Statistics** 6427.0 Producer Price Indices, Australia, Table 12 6427.0 Producer Price Indexes, Australia, Table 17 6345.0 Wage Price Indexes, Australia, Table 8b
Drainage	2023/24	2027/28	**Australian Bureau of Statistics** 6427.0 Producer Price Indices, Australia, Table 12 6427.0 Producer Price Indexes, Australia, Table 17 6345.0 Wage Price Indexes, Australia, Table 8b
Marine structures, Parks, open space and streetscapes, and Recreation and leisure	2024/25	2028/29	**Australian Bureau of Statistics** 6427.0 Producer Price Indices, Australia, Table 12 6427.0 Producer Price Indexes, Australia, Table 17 6345.0 Wage Price Indexes, Australia, Table 8b

Notes to the Financial Report
For the Year Ended 30 June 2026

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 $1 and $6,383 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 $110 to $9,336 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.

	2026	2025
Reconciliation of specialised land	**$'000**	**$'000**
Land under roads	3,204	3,221
Parks and reserves	1,728,079	1,721,537
Total specialised land	**1,731,283**	**1,724,758**

Notes to the Financial Report
For the Year Ended 30 June 2026

6.3 Investment property	2026 $'000	2025 $'000
Balance at beginning of financial year	9,721	10,041
Additions	39	-
Fair value adjustments	(757)	(320)
Balance at end of financial year	**9,003**	**9,721**

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 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.

Notes to the Financial Report
For the Year Ended 30 June 2026

Note 7 PEOPLE AND RELATIONSHIPS

7.1 Council and key management remuneration

(a) Related Parties

Parent entity

Mornington Peninsula Shire is the parent entity.

Subsidiaries and Associates

Mornington Peninsula Cemetery Trust
By virtue of the fact that some councillors of Mornington Peninsula Shire form the whole of the Board of Trustees of the Mornington 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 Mornington Peninsula Shire. The Councillors, Chief Executive Officer and Directors are deemed KMP.

Details of KMP at any time during the year are:

		2026 No.	2025 No.
Councillors			
	Councillor Anthony Marsh (resigned 14 May 2026)	1	1
	Councillor Paul Pingiaro	1	1
	Councillor Kate Roper	1	1
	Councillor David Gill	1	1
	Councillor Andrea Allen	1	1
	Councillor Max Patton	1	1
	Councillor Cam Williams	1	1
	Councillor Bruce Ranken	1	1
	Councillor Michael Stephens	1	1
	Councillor Stephen Batty	1	1
	Councillor Patrick Binyon	1	1
	Councillor Despi O'Connor (1 July 2023 to 26 October 2024)	-	1
	Councillor Steve Holland (1 July 2023 to 26 October 2024)	-	1
	Councillor Lisa Dixon (1 July 2023 to 26 October 2024)	-	1
	Councillor Susan Bissinger (1 July 2023 to 26 October 2024)	-	1
	Councillor Sarah Race (1 July 2023 to 26 October 2024)	-	1
	Councillor Antonella Celi (1 July 2023 to 26 October 2024)	-	1
	Councillor Debra Mar (1 July 2023 to 26 October 2024)	-	1
	Councillor Simon Brooks (1 July 2023 to 26 October 2024)	-	1
	Chief Executive Officer	1	3
	Director - Assets and Infrastructure	1	1
	Director - Community	1	2
	Director - McCrae Landslide Incident	2	1
	Director - Planning and Liveability	1	4
	Chief of Staff	1	-
	Chief Financial Officer (ended October 2025)	1	1
	Director - Corporate Strategy and Business Improvement (ended October 2025)	1	1
Total Number of Councillors		11	19
Total of Chief Executive Officer and other Key Management Personnel		9	13
Total Number of Key Management Personnel		**20**	**32**

Notes to the Financial Report
For the Year Ended 30 June 2026

(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.

	2026 $	2025 $
Total remuneration of key management personnel was as follows:		
Short-term employee benefits	2,610	2,060
Other long-term employee benefits	171	91
Post-employment benefits	269	207
Termination benefits	424	11
Total	**3,474**	**2,369**

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

	2026 No.	2025 No.
$0 - $39,999	-	14
$40,000-$49,999	9	5
$60,000-$69,999	-	2
$80,000-$89,999	-	2
$90,000-$99,999	-	1
$100,000-$109,999	2	-
$110,000-$119,999	-	1
$150,000-$159,999	1	-
$180,000-$189,999	-	1
$190,000-$199,999	1	-
$210,000-$219,999	-	1
$220,000-$229,999	-	1
$230,000-$239,999	-	1
$280,000-$289,999	2	-
$290,000-$299,999	1	-
$300,000-$309,999	1	-
$330,000-$339,999	-	1
$340,000-$349,999	-	1
$360,000-$369,999	1	1
$400,000-$409,999	1	-
$520,000-$529,999	1	-
Total	**20**	**32**

Notes to the Financial Report
For the Year Ended 30 June 2026

(d) Remuneration of other senior staff

Other senior staff are officers of Council, other than Key Management Personnel, whose total remuneration exceeds $170,000 and who report directly to a member of the KMP.

	2026 $	2025 $
Total remuneration of other senior staff was as follows:		
Short-term employee benefits	3,910	4,701
Other long-term employee benefits	173	62
Post-employment benefits	468	533
Termination benefits	595	1
Total	**5,146**	**5,297**

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

	2026	2025
Income Range:	**No.**	**No.**
$0 - $99,999	3	8
$100,000 - $109,999	-	1
$120,000 - $129,999	-	1
$130,000 - $139,999	-	1
$140,000 - $149,999	2	1
$170,000 - $179,999	-	3
$180,000 - $189,999	-	1
$190,000 - $199,999	-	1
$200,000 - $209,999	1	3
$210,000 - $219,999	3	4
$220,000 - $229,999	3	3
$230,000 - $239,999	2	1
$240,000 - $249,999	4	1
$250,000 - $259,999	3	1
$260,000 - $269,999	1	2
$300,000 - $309,999	1	-
$320,000 - $329,999	1	-
Total	**24**	**32**

Notes to the Financial Report
For the Year Ended 30 June 2026

7.2 Related party disclosure

(a) Transactions with related parties

During the period Council entered into the following transactions with related parties.

Responsible Officer	Position Held	Supplier/Entity	Nature of Transactions (on normal commercial terms)	Transaction Amount $'000
Councillor Kate Roper Councillor Stephen Batty Councillor Paul Pingiaro	Trustees	Mornington Peninsula Cemetery Trust	Administration Costs	87
Councillor Stephen Batty	Family Member of Proprietier	Event Logistic Group Pty Ltd T/A Bay Events	Commercial	34
Councillor Paul Pingiaro	Director of Related Party	Mornington Boat Hire and Bait & Tackle	Commercial	17
Councillor Max Patton	Employee	Whitecliffs to Camerons Bight Foreshore	Grant	5

(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 2026 is $146,655 (30 June 2025 - $25,276).

(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

Notes to the Financial Report
For the Year Ended 30 June 2026

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.

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 has ongoing obligations associated with the operation, rehabilitation and aftercare of landfill sites across the Mornington Peninsula. Rye Landfill remains an active landfill site, while Council also continues to manage and maintain closed landfill sites. The landfill restoration provision includes the majority of anticipated future aftercare and maintenance costs associated with these sites, including ongoing monitoring and maintenance activities required following rehabilitation. The provision is reviewed annually to reflect changes in the expected timing, scope and estimated cost of the required rehabilitation and aftercare activities.

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.

	2026 $'000 Loan Balance	2025 $'000 Loan Balance
The Mornington Peninsula Shire has guaranteed loans of: *		
Devils Bend Golf Club	1	-
Mornington Bowling Club Inc	73	500
Total	**74**	**500**

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

Notes to the Financial Report
For the Year Ended 30 June 2026

8.2 Australian Accounting Standards issued but not yet effective

Certain new Australian Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2026 reporting period. Council assesses the impact of these new standards.

The Australian Accounting Standards Board (AASB) has issued AASB 18 *Presentation and Disclosure in Financial Statements*. When applicable AASB 18 supersedes AASB 101 *Presentation of Financial Statements*. AASB 18 aims to improve how entities communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss. It is expected to result in presentation and disclosure changes, primarily to Council's Comprehensive Income Statement. AASB 18 is expected to first apply to Council for the 2028-29 financial year.

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 material accounting policy information 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.

Notes to the Financial Report
For the Year Ended 30 June 2026

(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 allowance for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. Council does not hold any collateral.

(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 + 0.8% and -0.5% in market interest rates (AUD) from year-end rates of 5.05%.

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.

Notes to the Financial Report
For the Year Ended 30 June 2026

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.

Council measures certain assets and liabilities at fair value where required or permitted by Australian Accounting Standards. *AASB 13 Fair Value Measurement* aims to improve consistency and reduce complexity by providing a definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. For assets where Council adopts a current replacement cost approach to determine fair value, Council considers the inclusion of site preparation costs, disruption costs and costs to restore another entity's assets in the underlying valuation.

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 increases are credited directly to the asset revaluation reserve except to the extent that an increase reverses a prior year decrease for that class of asset that had been recognised as an expense in which case the increase is recognised as revenue up to the amount of the expense. Revaluation decreases are recognised as an expense except where prior increases are included in the asset revaluation reserve for that class of asset in which case the decrease is taken to the reserve to the extent of the remaining increases. Within the same class of assets, revaluation increases and decreases 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. The impairment policy above does not apply to Council's property, infrastructure, specialised buildings and other non-current physical assets subsequently measured at fair value. These are primarily non-cash generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity. Their recoverable amount is expected to be materially the same as fair value determined under *AASB 13 Fair Value Measurement* , with the consequence that *AASB 136 Impairment of Assets* does not apply to such assets that are regularly revalued.

8.5 Events occurring after balance date

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

Notes to the Financial Report
For the Year Ended 30 June 2026

Note 9 OTHER MATTERS

9.1 Reserves (a) Asset revaluation reserves	Balance at beginning of reporting period $'000	Increase (decrease) $'000	Balance at end of reporting period $'000
2026			
Property			
Land and land improvements	1,487,123	4,681	1,491,804
Land under road	1,679	(19)	1,660
Buildings	185,369	38,196	223,565
	1,674,171	**42,858**	**1,717,029**
Infrastructure			
Roads	443,765	36,939	480,704
Bridges	909	125	1,034
Footpaths and cycleways	61,374	4,572	65,946
Drainage	467,522	36,040	503,562
Recreational, leisure and community facilities	11,546	460	12,006
Parks, open space and streetscapes	17,709	1,250	18,959
Marine structures	1,020	142	1,162
	1,003,845	**79,528**	**1,083,373**
Intangible asset			
Landfill air space	896	546	1,442
Total asset revaluation reserves	**2,678,912**	**122,932**	**2,801,844**
2025			
Property			
Land and land improvements	1,487,123	-	1,487,123
Land under road	1,679	-	1,679
Buildings	186,912	(1,543)	185,369
	1,675,714	**(1,543)**	**1,674,171**
Infrastructure			
Roads	416,467	27,298	443,765
Bridges	842	67	909
Footpaths and cycleways	58,147	3,227	61,374
Drainage	438,597	28,925	467,522
Recreational, leisure and community facilities	10,882	664	11,546
Parks, open space and streetscapes	16,319	1,390	17,709
Marine structures	802	218	1,020
	942,056	**61,789**	**1,003,845**
Intangible asset			
Landfill air space	896	-	896
Total asset revaluation reserves	**2,618,666**	**60,246**	**2,678,912**

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

Notes to the Financial Report
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	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				
2026				
Sustainability Energy Fund	585	-	-	585
Recreation Land Reserve	39	-	-	39
Municipal Emergency Reserve	400	-	-	400
Developer Contribution Plan Reserve	286	495	-	781
Storm Water in-lieu Contribution Reserve	1,086	690	-	1,776
Emergency Response Reserve	1,000	2,201	-	3,201
Waste Service Reserve	-	9,205	-	9,205
Public Open Space Reserve	-	2,347		2,347
Total Other reserves	**3,396**	**14,938**	**-**	**18,334**
2025				
Sustainability Energy Fund	585	-	-	585
Recreation Land Reserve	39	-	-	39
Municipal Emergency Reserve	400	-	-	400
Developer Contribution Plan Reserve	101	185	-	286
Storm Water in-lieu Contribution Reserve	304	782	-	1,086
Emergency Response Reserve	-	1,000	-	1,000
Total Other reserves	**1,429**	**1,967**	**-**	**3,396**

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.

Emergency Response Reserve
The purpose of this reserve is the allocation of dedicated funding that can be drawn upon to respond to emergency events impacting the Peninsula.

Waste Service Reserve
To ensure any over collections are ring fenced and applied exclusively to waste related expenditure, thereby reducing future financial impact on the community.

Public Open Space Reserve
The purpose of the Public Open Space reserve is recognise contributions from developers to provide for open space within the Peninsula pursuant to the requirements of the Subdivision of Land Act.

Notes to the Financial Report
For the Year Ended 30 June 2026

9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)	2026 $'000	2025 $'000
Surplus for the year	14,180	14,586
Non-cash adjustments:		
Depreciation/amortisation	52,916	47,751
Net loss on disposal of property, infrastructure, plant and equipment	7,177	86
Found assets	(4,293)	(4,027)
Fair value adjustments	757	319
Contributions - Non-monetary assets	(4,177)	(2,947)
Other	7	2,668
Change in assets and liabilities:		
(Increase) in trade and other receivables	(17,003)	(5,338)
Decrease in other assets	17	4,161
(Decrease)/increase in trade and other payables	(36)	3,262
(Decrease)/increase in unearned income	(5,604)	4,037
(Increase) in inventories	(38)	(80)
(Decrease)/increase in provisions		
(Decrease)/increase in landfill rehabilitation provision	(1,181)	48
Increase in employee provisions	1,570	123
(Decrease) in native vegetation management	(15)	(92)
Increase/(decrease) in GST on capital purchases	276	(686)
Increase in trust funds and deposits	4,775	810
Increase in other	892	98
Net cash provided by/(used in) operating activities	**50,220**	**64,778**

9.3 Superannuation

Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (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 2026, this was 12.0% as required under Superannuation Guarantee (SG) legislation (2025: 11.5%)).

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 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 Employee Benefits*.

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. As at 30 June 2025, 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 as at 30 June 2025 (of which Council is a contributing employer) was 110.5%. The financial assumptions used to calculate the VBI were:

Net investment returns 5.7% pa
Salary information 3.5% pa
Price inflation (CPI) 2.6% pa

A triennial actuarial review is currently underway for the Defined Benefit category as at 30 June 2026. It is expected to be completed by 31 October 2026.

Vision Super has advised that the VBI at 30 June 2026 was 116.9% (2025: 110.5%). The financial assumptions used to calculate the 30 June 2026 VBI were:

	2026	2025
Net investment returns	6.2% pa	5.6% pa
Salary information	3.5% pa	3.5% pa
Price inflation (CPI)	3.0% pa to 30 June 2029 and 2.6%pa thereafter	2.6% pa

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 2023 triennial actuarial investigation showed that 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.

Notes to the Financial Report
For the Year Ended 30 June 2026

Employer contributions

(a) Regular contributions

On the basis of the results of the 2025 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 2026, this rate was 12% of members' salaries (11.5% in 2024/25). 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 2023 triennial 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 98% from 26 July 2024 (previously 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 2025 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 2025 and 30 June 2024 while a full investigation was conducted as at 30 June 2023.

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

	2025 (Interim) $m	2024 (Interim) $m	2023 (Triennial) $m
- A VBI Surplus	200.1	108.4	85.7
- A total service liability surplus	229.4	141.4	123.6
- A discounted accrued benefits surplus	242.8	156.7	141.9

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 2025.

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 2025.

The discounted accrued benefit 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 2025.

Council was notified of the 30 June 2025 VBI during August 2025.

Notes to the Financial Report
For the Year Ended 30 June 2026

The 2026 triennial actuarial investigation

A triennial actuarial investigation is being conducted for the Fund's position as at 30 June 2026 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by 31 October 2026. The VBI of the Defined Benefit category was 116.9% as at 30 June 2026. The financial assumptions for the purposes of this investigation are:

	2026 Triennial investigation	2025 Interim investigation
Net investment return	6.2% pa	5.7% pa
Salary information	3.5% pa	3.5% pa
Price inflation (CPI)	3.0% pa to 30 June 2029 and 2.6%pa thereafter	2.6% pa

Council was notified of the 30 June 2026 VBI during August 2026.

Superannuation contributions
Contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2025 are detailed below:

Scheme	Type of Scheme	Rate	2026 $'000	2025 $'000
Vision super	Defined benefits	12% (2025:11.5%)	115	68
Vision super	Accumulation	12% (2025:11.5%)	3,982	3,959

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2026.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2027 is $115,265.68

Notes to the Financial Report
For the Year Ended 30 June 2026

Note 10 CHANGE IN ACCOUNTING POLICY

There have been no changes to accounting policies in the 2025-26 year.

Performance Statement

For the year ending 30 June 2026

Mornington Peninsula Shire Council

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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.

_____
Mark Schubert, CPA
Chief Financial Officer
Dated: *07/10/2026*

In our opinion, the accompanying performance statement of the Mornington Peninsula Shire Council for the year ended 30 June 2026 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 Stephen Batty
Mayor
Dated: *07/10/2026*

_____
Cr Paul Pingiaro
Deputy Mayor
Dated: *07/10/2026*

_____
Mark Stoermer
Chief Executive Officer
Dated: *07/10/2026*

VAGO signed statement

VAGO signed statement

Performance Statement

For the year ended 30 June 2026

Section 1. 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 172,217, 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 towns and villages take up the other 30 per cent. 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 worldwide 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 $11.8 billion in Gross Regional Product. There are over 17,000 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 another sector that plays a significant role in our local economy.

Service Performance Indicators

For the year ended 30 June 2026

Results						
Service/indicator/measure	**2023**	**2024**	**2025**	**2026**		**Material Variations and Comments**
	Actual	*Actual*	*Actual*	*Target*	*Actual*	
Aquatic facilities						
Utilisation *Utilisation of aquatic facilities* *[Number of visits to aquatic facilities / Municipal population]*	*5.72*	*5.70*	*5.66*	*N/A*	*5.03*	*The utilisation of our aquatic centres has remained largely consistent with previous years, though visitation decreased slightly this year. This is mainly due to the closure of Pelican Park Recreation Centre for revitalisation works and a slight decrease in visitation at Yawa Aquatic Centre. The community's demand for our aquatic facilities remains high and they continue to be well utilised.*
Animal Management						
Health and safety *Animal management prosecutions* *[Number of successful animal management prosecutions / Number of animal management prosecutions] x 100*	*100.00%*	*100.00%*	*97.96%*	*N/A*	*100.00%*	*Mornington Peninsula Shire Council is committed to protecting community safety and supporting the health and wellbeing of animals across the Peninsula. Council pursues prosecution only when it is justified and necessary. During the year, Council prosecuted 42 animal management matters.*
Food Safety						
Health and safety *Critical and major non-compliance outcome notifications* *[Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises] x100*	*92.25%*	*92.53%*	*92.93%*	*N/A*	*64.56%*	*Council remains committed to protecting community health and safety. Our follow-up on critical and major notifications decreased compared to previous years due to our transition to a new system and related implementation issues. As we address these challenges, we expect our follow-up and response rates, along with our overall results, to improve.*
Results						

Service/indicator/measure	2023	2024	2025	2026		Material Variations and Comments
	Actual	*Actual*	*Actual*	*Target*	*Actual*	
Governance						
Satisfaction *Satisfaction with community consultation and engagement* *(Community satisfaction rating out of 100 with the consultation and engagement efforts of Council)*	*50*	*67*	*66*	*68*	*66*	*Community satisfaction with consultation and engagement remains steady at 66, just short of our target of 68. The upward trend in our results marks a significant improvement from our unusually low score of 50 in 2023.*
Libraries						
Participation *Library membership* *[Percentage of the population that are registered library members] x100*	*New in 2024*	*33.21%*	*33.23%*	*N/A*	*33.49%*	*Pleasingly, we observed a modest increase in library memberships this year compared to previous years. While we experienced a 1.2 per cent rise in library memberships, we also saw a slight increase in our municipal population, which has brought about a result similar to previous years.*
Maternal Child Health						
Participation *Participation in the MCH service* *[Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100*	*73.78%*	*73.98%*	*76.98%*	*N/A*	*79.27%*	*We are pleased to see participation continue to increase, surpassing previous years' results. This improvement is largely driven by more children attending the Maternal and Child Health service at least once during the year, despite a lower number of enrolled children. The increase reflects our ongoing commitment to best-practice active engagement, the expansion of our outreach program to local kindergartens and long day care services, and sustained efforts to improve continuity of care. These initiatives have been particularly successful in maintaining engagement with families of older children, where participation has historically declined.*
Participation *Participation in the MCH service by Aboriginal children* *[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*	*90.00%*	*82.99%*	*84.19%*	*N/A*	*85.56%*	*This year saw a further increase in participation among families identifying as Aboriginal and Torres Strait Islander, with attendance rising across all Maternal and Child Health Key Age and Stage appointments. The Shire continues to proactively engage with families and follow up overdue appointments, supporting strong participation and ongoing connection with the service.*
Results						

Service/indicator/measure	2023	2024	2025	2026		Material Variations and Comments
	Actual	*Actual*	*Actual*	*Target*	*Actual*	
Roads						
Condition *Sealed local roads below the intervention level* *(Percentage of sealed local roads that are below the renewal intervention level set by Council and not requiring renewal*	*96.79%*	*100.00%*	*98.91%*	*98.20%*	*98.21%*	*Of the 1,400 kilometres of sealed local roads across the Shire, we maintained 1,373 kilometres within condition standards, which was just over our target of 98.2%.*
Statutory Planning						
Service standard *Planning applications decided within the relevant required time* *(Percentage of planning application decisions made within the relevant required time)*	*42.22%*	*47.38%*	*56.81%*	*50.00%*	*55.73%*	*Although we exceeded our target, this was due in part to a 6 per cent decrease in applications compared to last year. We encountered challenges during our transition to a new system, which prevented us from capturing the time from application receipt to decision, as well as issues around new workflow processes. Additionally, some applications were placed on hold earlier than usual to comply with public notice requirements. After the system went live, we experienced further workflow disruptions that delayed several VicSmart applications, including both newly registered applications and those migrated from the old system.*
Waste Management						
Waste diversion *Kerbside collection waste diverted from landfill* *[Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100*	*58.19%*	*59.24%*	*56.33%*	*60.00%*	*54.59%*	*We experienced a small decrease compared to 2025. We did not meet our target because recyclables and green organics received were 5.3 per cent lower than in 2025, mainly due to the Container Deposit Scheme introduced on 1 November 2023.*

Financial Performance Indicators

For the year ended 30 June 2026

	Results					Forecasts				
Dimension/indicator/measure	**2023**	**2024**	**2025**	**2026**		**2027**	**2028**	**2029**	**2030**	**Material Variations and Comments**
	Actual	*Actual*	*Actual*	*Target*	*Actual*	*Forecast*	*Forecast*	*Forecast*	*Forecast*	
Efficiency										
Expenditure level										
Expenses per property assessment *[Total expenses / Number of property assessments]*	*$2,645.18*	*$2,692.73*	*$2,925.33*	*$2,921.00*	*$3,088.38*	*$3,147.29*	*$3,192.95*	*$3,251.11*	*$3,306.67*	*Council always seeks to deliver the highest quality services in the most efficient way and has contained expenditure per property assessment through its goal of ongoing savings. The increase in 2026 is largely attributable to CPI, indexation of the Shire's contracts and depreciation.*
Revenue level										
Average rate per property assessment *[Sum of all general rates and municipal charges / Number of property assessments]*	*$1,526.53*	*$1,591.65*	*$1,659.45*	*N/A*	*$1,692.49*	*$1,756.94*	*$1,805.79*	*$1,855.71*	*$1,906.68*	*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 3.0% for 2025-26. Supplementary income is 1.0% of the total rates revenue in 2026, which is the growth of our rates income in 2026. Forecasts are projected to increase based on the rate cap increase of 2.5% year on year.*
Liquidity										
Working capital										
Current assets compared to current liabilities *[Current assets / Current liabilities] x100*	*232.72%*	*257.64%*	*249.45%*	*213.98%*	*264.35%*	*163.43%*	*168.70%*	*195.40%*	*217.57%*	*Our current assets have increased by $8.7 million from 2025 due to trade and other receivables, with delayed expenditure for capital works. There has been an increase in working capital due to Current Liabilities decreasing by $0.7 million. Forecast is expecting a significant decrease due to the assumption of having no carry forward capital works at the start of FY27.*

	Results					Forecasts				
Dimension/indicator/measure	**2023**	**2024**	**2025**	**2026**		**2027**	**2028**	**2029**	**2030**	**Material Variations and Comments**
	Actual	*Actual*	*Actual*	*Target*	*Actual*	*Actual*	*Forecast*	*Forecast*	*Forecast*	
Unrestricted cash										
Unrestricted cash compared to current liabilities *[Unrestricted cash / Current liabilities] x100*	*-40.60%*	*-44.45%*	*-42.94%*	*N/A*	*-82.66%*	*N/A*	*N/A*	*N/A*	*N/A*	*To maximise the return of funds to Council, we allocated cash to term deposits. The term deposits are classified as Other Financial Assets, with a total of $105.6 million recorded as of June 30, 2026. It's important to note that if these term deposits were considered Cash and Cash Equivalents, the Unrestricted Cash Ratio would have been 67.9%, resulting in a positive outcome.*
Obligations										
Loans and borrowings										
Loans and borrowings compared to rates *[Interest bearing loans and borrowings / Rate revenue] x100*	*17.33%*	*14.77%*	*13.36%*	*N/A*	*11.45%*	*N/A*	*N/A*	*N/A*	*N/A*	*No new loans were drawn during the year, with budgeted loans deferred to 2026-27. With $2.67 million in loan repayments and a rate revenue increase, we have managed to reduce our loans and borrowings compared to our rates. Forecasted years are N/A due to not being a reported indicator in the FY26/27 budget.*
Loans and borrowings repayments compared to rates *[Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100*	*2.43%*	*1.71%*	*1.59%*	*N/A*	*1.42%*	*N/A*	*N/A*	*N/A*	*N/A*	*This year's result is reflective of our reduced loans and borrowings and an increase in rate revenue. Borrowings originally planned for 2026 have been deferred to 2027, resulting in a future increase from 2027. Forecasted years are N/A due to not being a reported indicator in the FY26/27 budget.*
Indebtedness										
Non-current liabilities compared to own source revenue *[Non-current liabilities / Own source revenue] x100*	*20.06%*	*20.44%*	*20.76%*	*N/A*	*18.70%*	*16.24%*	*16.21%*	*14.35%*	*12.99%*	*Council's long-term liabilities remain stable, indicating an appropriate level of debt. Reduction from the prior year of 2.08% due to borrowing repayments of outstanding loans exceeding the 4.5% increase in own source revenue. Forecast over the next 3 years we are reducing the loans balance by $8 million.*
	Results					**Forecasts**				

Dimension/indicator/measure	2023	2024	2025	2026		2027	2028	2029	2030	Material Variations and Comments
	Actual	*Actual*	*Actual*	*Target*	*Actual*	*Actual*	*Forecast*	*Forecast*	*Forecast*	
Asset renewal and upgrade										
Asset renewal and upgrade compared to depreciation *[Asset renewal and asset upgrade expense / Asset depreciation] x100*	*64.91%*	*115.69%*	*77.22%*	*62.90%*	*78.07%*	*66.99%*	*67.09%*	*51.02%*	*51.09%*	*Council continues to invest in community infrastructure and address its asset renewal gap, ensuring assets are maintained and renewed to the desired standard. Asset renewal and upgrade expenditure is driven by asset condition assessments and the timing of capital projects, and therefore can vary from year to year. Forecast ratios reflect the assumptions adopted in the Long Term Financial Plan and will be reviewed and updated as part of future financial plan reviews to reflect the latest capital works program priorities, delivery schedules and available information.*
Operating position										
Adjusted underlying result										
Adjusted underlying result (or deficit) *[Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100*	*-0.78%*	*1.00%*	*0.09%*	*N/A*	*-3.83%*	*-3.26%**	*-1.04%**	*0.45%**	*0.99%**	*While the decline from 2025 is due to a 7.6 per cent increase in expenditure that was only partially offset by a 6.0 per cent increase in income, the outcome does reflect the long-term challenges of Local Government. With rate capping, cost shifting from the State Government and the rising costs of materials and service delivery, we face a challenging economic environment. Whilst negative, it is inline with the long-term financial plan estimate of (3.77) per cent. These issues are expected to have a significant impact on us in the coming years. *Forecast fluctuations are due to land sales, as per the long-term financial plan.*
Stability										
Rates concentration										
Rates compared to adjusted underlying revenue *[Rate revenue / Adjusted underlying revenue] x100*	*74.88%*	*77.74%*	*73.61%*	*80.03%*	*74.64%*	*76.40%*	*74.98%*	*74.62%*	*75.04%*	*Rate revenue continues to be Council's main source of income for funding community services and capital works projects. Own source revenue is inflated in 2026 due to receiving 50% allocation of financial assistance in 2026, along with 80% of the 2027 allocation.*
Rates effort										
Rates compared to property values [Rate revenue / Capital improved value of rateable properties in the municipality] x100	*0.15%*	*0.17%*	*0.17%*	*N/A*	*0.18%*	*0.18%*	*0.19%*	*0.19%*	*0.20%*	*While there was a decrease in property values, general rate revenue increased in line with the rate capping framework. The combination of both ensured that this year's result is broadly consistent with last year.*

Sustainable Capacity Indicators

For the year ended 30 June 2026

Results					
Indicator/ measure/formula	**2023**	**2024**	**2025**	**2026**	**Material Variations and Comments**
	Actual	*Actual*	*Actual*	*Actual*	
Population					
Expenses per head of municipal population [Total expenses / Municipal population	*$1,643.69*	*$1,671.71*	*$1,795.21*	*$1,921.91*	*Council always aims to provide high-quality, efficient services while controlling expenditure through ongoing cost savings. The 2026 increase is primarily due to the Consumer Price Index (CPI), contract indexation and depreciation.*
Infrastructure per head of municipal population *[Value of infrastructure / Municipal population]*	*$10,131.82*	*$11,491.72*	*$11,815.65*	*$12,457.28*	*Although our municipal population has seen a slight increase, the total value of our investment in infrastructure has been primarily affected by the delivery of our Capital Works Program ($54.6 million) and the revaluation of infrastructure assets.*
Population density per length of road *[Municipal population / Kilometres of local roads]*	*99.01*	*99.38*	*99.74*	*99.62*	*A slight increase in our municipal population, along with a similar total of road kilometres compared to last year, has resulted in a trend consistent with previous years.*
Own-source revenue					
Own-source revenue per head of municipal population *[Own-source revenue / Municipal population]*	*$1,485.29*	*$1,613.23*	*$1,635.87*	*$1,701.12*	*Our growth in own-source revenue aligns with our budget expectations and has been driven by the rate cap and supplementaries throughout the year. Our own-source revenue is higher than usual due to Council receiving the 50% allocation of financial assistance in 2026, in addition to 80% of the allocation for 2027.*
Recurrent Grants					
Recurrent grants per head of municipal population *[Recurrent grants / Municipal population]*	*$125.20*	*$63.63*	*$143.31*	*$117.26*	*Recurrent grants saw a small decrease in 2026 due to the receipt of 50% year allocation of the financial assistance grant in 2026, along with 80% of the allocation for 2027. In 2025, full year funding was received in addition to 50% of the 2026 funding.*
Results					
Indicator/measure/formula	**2023**	**2024**	**2025**	**2026**	

	Actual	*Actual*	*Actual*	*Actual*	**Material Variations and Comments**
Disadvantage					
Relative Socio-Economic Disadvantage *[Index of Relative Socio-Economic Disadvantage by decile]*	*8.00*	*8.00*	*8.00*	*8.00*	*Mornington Peninsula's Index of Relative Socio-Economic Disadvantage 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					
Percentage of staff turnover *[Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100*	*16.45%*	*14.18%*	*15.55%*	*17.09%*	*Our turnover rate has increased compared to last year due to the organisation's restructuring that took place in late 2025. This restructuring was undertaken to secure the organisation's future and tackle significant financial challenges, ensuring that we can meet the current and future needs of our community. This measure considers all types of turnover, including the end of temporary contracts (over 6 months), involuntary terminations and redundancies.*

Section 5. Notes to the accounts

5.1. Basis of preparation

Council is required to prepare and include a performance statement within its annual report. The performance statement includes the results of the prescribed service performance, financial performance and sustainable capacity indicators and measures together with a description of the municipal district, an explanation of material variations in the results and notes to the accounts. 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 or the Council's satisfaction survey provider).

The performance statement presents the actual results for the current year and the previous three years, along with the current year's target, if mandated by the *Local Government (Planning and Reporting) Regulations 2020*. Additionally, for the prescribed financial performance indicators and measures, the performance statement includes the target budget for the current year and the results forecast for the period 2026-27 to 2029-30 by the council's financial 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.

5.2. Definitions

Key term	Definition
Aboriginal children	means a child who is an Aboriginal person
Aboriginal person	has the same meaning as in the Aboriginal Heritage Act 2006
adjusted underlying revenue	means total income other than: • non-recurrent grants used to fund capital expenditure; and • non-monetary asset contributions; and • 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
annual report	means an annual report prepared by a council under section 98 of the Act
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
asset upgrade expenditure	means expenditure that— (a) enhances an existing asset to provide a higher level of service; or (b) extends the life of the asset beyond its original life
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
current assets	has the same meaning as in the Australian Accounting Standards
current liabilities	has the same meaning as in the Australian Accounting Standards
food premises	has the same meaning as in the *Food Act 1984*
intervention level	means the level set for the condition of a road beyond which a council will not allow the road to deteriorate and will need to intervene
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
non-current liabilities	means all liabilities other than current liabilities
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
relative socio-economic disadvantage	in relation to a municipal district, means the relative socio-economic disadvantage, expressed as a decile for the relevant financial year, of the area in which the municipal district is located according to the Index of Relative Socio-Economic Disadvantage of SEIFA

restricted cash	means cash, cash equivalents and financial assets, within the meaning of the Australian Accounting Standards, not available for use other than for a purpose for which it is restricted, and includes cash to be used to fund capital works expenditure from the previous financial year
SEIFA	means the Socio-Economic Indexes for Areas published from time to time by the Australian Bureau of Statistics on its Internet site
unrestricted cash	means all cash and cash equivalents other than restricted cash

5.3. Other Matters

Overview of 2026
The local government sector continues to face several challenges, including rate capping, cost shifting from the State Government and increasing maintenance and operational costs.

To ensure we can fund the current and future needs of our community, Council addressed these significant financial challenges and voted on May 6, 2025, to future-proof the organisation by reducing employee costs by $5 million and an additional $5 million in service planning efficiencies. An organisational review was undertaken from June 2025, with the change proposal consultation period finalised by September 2025. The Organisational Structure Review was completed in October when the new organisational structure went live on 20 October 2025.

We continue to work with all levels of government and a broad range of external organisations seeking financial support, policy or legislative change to deliver local projects.