

Annual Report

2016



MORNINGTON
PENINSULA
Shire



Cr Andrew Dixon

Cr Anne Shaw

Cr Bev Colomb



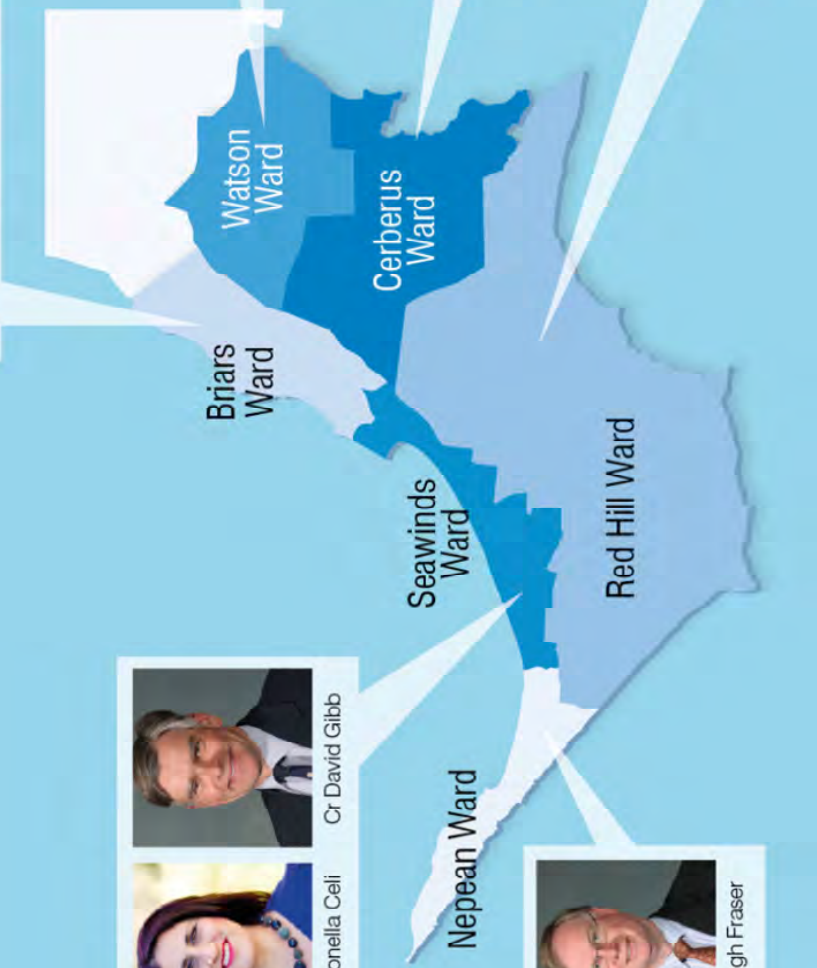
Cr Graham Pittock



Cr David Garnock



Cr Tim Wood





Cr Graham Pittock

Cr Antonella Celi

Cr David Gibb



Cr Tim Rodgers

Cr Hugh Fraser

Council offices

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Rosebud VIC 3939

Mornington office
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Mornington VIC 3931

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Report of Operations



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Our Council

Mornington Peninsula Shire profile

The Mornington Peninsula is close to, but not part of, Melbourne; located just over an hour's drive from the city and is often described as 'Melbourne's playground'.

The Mornington Peninsula is a boot-shaped promontory separating two contrasting bays: Port Phillip and Western Port. 'The peninsula', as it is affectionately known to local residents, contains a diversity of scenic landscapes and is almost surrounded by the sea, with coastal boundaries of more than 190 kilometres and approximately 10 per cent of Victoria's coastline. It is a mixture of urban areas, townships, natural reserves and rural land.

Approximately 70 per cent of the Shire is retained as rural within the Green Wedge planning zone, while the other 30 per cent is towns and villages. Within the Green Wedge there are areas of highly productive agricultural land as well as highly significant landscapes and ecosystems.

Mornington Peninsula Shire has an estimated residential population of 155,015 people (as at 30 June 2015). After relatively large increases in the early 2000s, 2005 onward has seen population growth on the peninsula stable at around 1.1 per cent per annum. This average annual growth rate is expected to decrease to around 0.6 per cent per annum from 2016 to 2036.



Our Vision

The Mornington Peninsula's unique characteristics and community lifestyles will be maintained and enhanced through our shared commitment to act on locally-identified priorities that achieve environmental, economic and social outcomes to benefit our municipality now, and for future generations

An – **environment that**

- minimises our carbon footprint
- improves water, soil and air quality
- reduces impacts on climate change
- prevents the loss of biodiversity

An – **economy that**

- is competitive and able to adapt to change over the longer term
- provides meaningful employment for all who seek it
- provides fair access to economic resources

A – **community that**

- is safe
- is healthy
- has vibrant and diverse networks of support
- provides fair access to services, facilities and transport
- encourages active citizenship and inclusive local democracy.

Our Mission

What we will do to achieve this vision

Building on a sound understanding of community needs and expectations we will:

- ENGAGE with and represent the community and govern in a responsive, open and accountable manner.
- PROVIDE efficient services and infrastructure that respond to the needs of our diverse communities.
- FACILITATE a prosperous local economy.
- ENHANCE the biodiversity of our unique natural environment, while managing and accommodating appropriate development.

Our Values

Our values determine how the Shire will conduct itself.

We value:

- Whole of government response to climate change mitigation and adaptation
- Excellent customer service; every person, every time
- Genuine community engagement and consultation
- Our diverse communities
- Responsible stewardship in managing council finances, operations and assets
- Responsiveness to community needs
- Just, healthy and efficient outcomes

Mayor's message

It is with pleasure that I present Mornington Peninsula Shire Council's Annual Report for 2015/16.

The Mornington Peninsula Shire is a complex region with a gross regional product of \$6.3 billion. Council administers an annual budget of \$209 million demanding quality policy development. To this end, during the past year, we undertook major changes to our four-year Council Plan to ensure that we adopt strategic priorities that connect with our community while also setting a clear pathway for the Shire to deliver these priorities. Since the first iteration of the Council Plan, Council has:



- Committed to a comprehensive cultural change program that must strengthen and sustain the Shire's financial position in response to the Victorian Government's 'Fair Go Rates System', properly manage \$2 billion of community assets and bring a renewed emphasis on customer-focussed service delivery
- Secured Victorian Government approval of our Mornington Peninsula Localised Planning Statement. This landmark statement recognises the complementary and unique role of the Shire in relation to a growing Victoria. This policy anchors the peninsula as a liveable municipality based on our landscape, agricultural and biodiversity values
- Completed the Economic Development Strategy that seeks to support the Shire's \$6.3 billion Gross Regional Product. Council will encourage businesses to be innovative, resilient and adaptive to changing economic conditions while creating new employment opportunities
- Adopted a Carbon Neutral Policy that sets out a five-year plan towards zero emissions, including formal carbon neutrality accreditation.

A perfect example of this reinvigorated Council Plan for our communities was announced in April when we became the first municipality in Australia to join with the TAC, VicRoads and Victoria Police in committing to a 'Towards Zero' road campaign. Being a declared 'Towards Zero' municipality positions the Shire to attract funding from the \$1 billion that the Victorian Government has set aside to improve our roads and reduce road trauma.

Our Shire's stance on climate change also took centre stage in December when Councillor Hugh Fraser and I attended COP21 in Paris. This landmark international conference on climate change proved invaluable on many fronts, not the least of which was our being one of the first councils in Australia to sign up to the newly established Compact of Mayors in which we pledge to reduce greenhouse gas emissions, tracking our progress and preparing for the impacts of climate change.

The past 12 months have also offered up significant negative forces of nature, including major fires at Crib Point and Somerville, and then in early May with the tragic loss of Somerville's Recreation and Community Centre, also through fire. The single most important thread running through all three of these tragedies, however, was the spirit and commitment exhibited not only by local fire and emergency crews, but to the many community members and our own Shire officers who worked tirelessly to ease the burden of those affected by these events.

It was with deep regret that I accepted the resignation of long-time councillor and former Mayor Lynn Bowden, due to illness. Cr Bowden was first elected in 2008, serving the Watson Ward's communities of Somerville, Baxter, Tyabb and parts of Moorooduc and Pearcedale. She was re-elected in 2012, and elected as Mayor for the 2012/13 term. In addition to being a strong advocate for youth activities, sporting facilities and programs for young people, Cr Bowden actively sought support for older age groups and in particular in promoting the need for greater accessibility throughout our townships.

Lastly, Council will continue to deliver for the betterment and progress of the peninsula through to the next election in October.

Cr Graham Pittock
Mayor

CEO's message

The 2015/16 financial year was a very busy year across the whole of the Mornington Peninsula Shire and the following report details a snapshot of the highlights delivered by the organisation on behalf of Council against its Council Plan.

Significant progress was made in reviewing and restructuring many of the Shire's operations; activities to make the organisation more customer-focused and improve efficiency across the board. The entire focus of the organisation is to ensure that we deliver best practice services to the community at the most efficient and affordable price for ratepayers.



Allied to this internal efficiency drive is a focus on reducing Council debt levels and finding savings from operations to provide Council with greater funds to divert to community infrastructure and services and this year the organisation delivered a \$2.7 million half year surplus to Council which was either 'ploughed back' into community infrastructure and services or reserved for future land acquisition for community use.

Structurally across local government in Victoria, the Victorian Government worked with councils on the implementation of its election promise to introduce a 'rate cap', in effect, limiting the maximum percentage by which councils can increase their rates; councils' primary source of income. Shire management worked hard to fully cost the implications of a 'rate cap' on the forward estimates of revenues and costs for the Council.

Given the many unique physical characteristics of the Mornington Peninsula, including: 192 kilometres of coastline (a very popular 10% of Victoria's coastline), over 2,000 kilometres of locally-managed roads, sweeping areas of fire prone bushland and very large numbers of summer visitors, Council carefully considered whether to seek a 'variation' from the Victorian Government, through the Essential Services Commission, to be able to levy rates above the 2.5% CPI cap. Council decided not to seek a variation but rather to continue reviewing operations, to make sure the Shire's operations are as lean and efficient for the community as possible. Historically, Mornington Peninsula Shire has been one of the lowest rating Councils, but even allowing for this fact the normal rate increase of 5.9% to pay for all services and increase community infrastructure, is significantly higher than the 2.5% built into the FY '17 Council Budget.

Another Victorian Government initiative for FY '16 saw the implementation of the "Know Your Council" website, which allows the community to compare councils' performance against a range of services. It was very pleasing to note that Mornington Peninsula Shire outperformed many other municipalities across Victoria when the comparison data was released earlier in the year. High performing service areas included waste collection services where we outperformed most other shires in all categories, including fewer bins missed and bin collection requests; lower cost per collection for waste and recycling and more waste diverted from landfill. These results are particularly remarkable when you consider that the Shire's household kerbside collection services 88,000 households per week across 720 square kilometres.

At a meeting of Interface Council CEOs with the Department of Environment, Land, Water and Planning (DELWP) in October 2015, I had the pleasure of signing a \$4.15 million funding agreement – Destination Rosebud. This project is designed to bring new investment, jobs and opportunities to the Rosebud community. Many of the planned components in this ambitious project are well under way, including streetscape works; lighting in six locations along the foreshore, Jetty Road Forecourt in a shared street with foreshore car park; Village Green and Soundshell renovations, iconic township entrance/gateway features and an exciting Foreshore Playspace project, for the township's younger families.

Our Shire also fared well in the Tidy Town Awards, scooping a number of prized categories including:

- Winner: Mornington Peninsula Shire and Southern Peninsula Community Information and Support – Government Partnership – Fresh Food Program;
- Winner: Mornington Peninsula Shire - Clean Beach/Waterway – Managing Source Point Pollution in a Busy, Popular Coastal Town; and
- Winner – Mornington Peninsula Shire – Litter Prevention – Cleaning Up 'Ballar Creek.'

After much consideration and consultation with staff and our communities, Council approved a restructure of our libraries. The mandate was clear: To deliver an enhanced service to our customers, improve community

engagement, expand outreach capacity and increase program development delivery. These goals were obtained through performing a major overhaul of the Mobile Library to a 'state of the art' facility for our isolated townships; installing a Radio Frequency Identification (RFID) system to make it easier for users to borrow and return items; refurbishing the libraries to make them more attractive and user friendly, and change many staff functions so that there are fewer people working behind the scenes so that they could work more closely within the libraries themselves. The result of the restructure and redevelopment works has been a great success.

Other significant changes were introduced in our Planning Services, Customer Service and Contracts & Procurement teams. While each service function involved quite different approaches to improving services, the aim is always to find better ways to meet the needs of the community and for this I commend each and every team member for their support in making these changes possible.

At the same time, the Shire unveiled a new website in late May 2016, the intention of which was to help the community understand our services better and utilise our services more easily. I have received a lot of positive feedback on how this new site reflects a snapshot of everyday life on the peninsula. It makes finding common tasks such as registering animals, applying for a building permit or hiring a hall much simpler and easier to access.

Another core feature of the website is its ability to use 'responsive web design', which allows it to adapt to whatever screen size our community wishes to use, regardless of whether it's a mobile phone, tablet device or desktop. This major website transformation was undertaken in less than 100 days, a turnaround time that even our website host partner marvelled at!

Within our Information Technology team a similarly impressive result was achieved with the introduction of a new state of the art telephony system that will greatly improve our ability to communicate more quickly and efficiently, not only internally but most importantly with our 40+ communities across the Peninsula. Both these technology solutions are designed to help us deliver enhanced customer service to the whole community of the Shire and to all those who visit the Peninsula, whether for business or pleasure.

While there is much more to do within the organisation to continue to transform service delivery and customer service, I have been pleased with the rate of progress and confirm that the organisation continues to work very hard to find improvements so that we can continue to deliver high quality services to you all now and well into the future. I wish to record my sincere thanks to the Council for their support in decision making and to my incredibly dedicated staff for their tireless hard work, without whom none of these advances would have been possible.

Carl Cowie
CEO

Highlights of the year

Goal 1: Liveable Peninsula

To be 'near to, but not part of, Melbourne' and its accelerating growth. To preserve the highly valued amenity of our natural and built environment.

Implemented the Mornington Peninsula Planning Scheme to promote sustainable land use outcomes, enhance liveability and protect the peninsula's distinctive character and charm for residents and for visitors.

Successfully reopened to the community, the heritage-listed Mechanics Hall in Somerville after storms caused significant roof and building damage in February 2016.

Completed Mobility Maps for Mornington, Rye and Somerville.

Improved signage for motorists along Peninsula Link.

Reached approximately 200,000 people through Mornington Peninsula's arts and culture programs and initiatives.

Approved 1,886 applications to build on Flood Prone Land utilising guidelines to reduce the risk of flooding within the built environment.



Goal 2: Enhancing Public Places & Spaces

To enhance the look, feel and function of our townships, open spaces and assets.

Successfully applied for \$4.15 million from the Victorian Government's Interface Growth Fund (now Growing Suburbs Fund) in 2015/16 - *Destination Rosebud*.

Successfully applied for \$4.6 million of road safety improvements through the Australian Government's BlackSpot Program in 2015/16.

Selected as a finalist for the 2015 Tidy Towns award in the "Community and Government Partnership" category with community partner, the Wallaroo Resident Action Group, for implementing positive changes in the Wallaroo reserve including a refreshed playground, BBQ and basketball hoop and BMX track.

Implemented the Shire's Soccer Strategy with the construction of two soccer fields at Emil Madsen Reserve in Mount Eliza.

Adopted a Public Art Policy to enrich public spaces.

Implemented the Shire's Playspace Strategy.



Goal 3: Improving Shared Community Facilities

To ensure community facilities reflect the needs and expectations of our local Communities.

Reopened Civic Reserve Recreation Centre, this year hosting: Premiers Active April Challenge (over 250 participants), AMCO International Gymnastics Tournament (over 430 participants), Traditional Shotokan National Karate Tournament (over 210 competitors), Mornington Peninsula International Tennis Tournament (over 1000 guests) and All Abilities Day attracting over 550 participants.

Opened the new youth centre 'The Corner' in Mornington engaging over 4,000 youth and community members.

Supported Somerville Community House to relocate programs to alternative venues after fire struck the Somerville Recreation Centre.

Worked collaboratively with the Mount Eliza Rotary Club to construct the rotunda in Rotary Park, Mount Eliza.

Installed Radio Frequency Identification (RFID) technology at our libraries to improve customer service, privacy and security and refurbished Council's Mobile Library.



Goal 4: Leading Change on Climate Change

To mitigate climate change risks, to reduce our carbon footprint, water usage and waste across Council operations and to build more resilient and prepared communities.

Adopted the Carbon Neutral Policy committing the Shire to carbon neutrality within five years.

Launched the Climate Ready Program to help residents prepare for the impacts of climate change such as drought, heatwave, extreme storms, flash flooding, or bushfire.

Attracted over 850 school students to the Eco Living Display Centre to learn about waste, energy, water and sustainable living.

Trialled LED lighting at Mornington Depot resulting in a 63% reduction in lighting energy usage for this site.

Recovered and recycled 66% of waste received at Council's resource recovery centres in Rye, Mornington and Tyabb (e.g. timber, steel, e-waste, hard plastics, concrete). This was significantly higher than the required diversion rate of 55%.



Goal 5: Enhancing the Coastal Experience

To protect and enhance opportunities to enjoy the coastal experience.

Implemented the “Preventing Stormwater Pollution from Food Businesses” education program.

The Shire was recognised for its achievements in innovation and strategic stormwater pollution management by Stormwater Victoria. The ‘Hitting the Hot Spots’ Project demonstrated best practice in strategic project design, implementation and education and engagement.

Adopted the Safety Beach Foreshore Coastal Management Plan and Jetty Road Foreshore Recreation Node Master Plan.

Completed plans for the renewal/upgrade of the Sorrento Seawall.

Identified and assessed Infrastructure Assets on Coastal Crown Land as part of the \$50,000 coastal environments program to address public access and risk.

Rye Boat Ramp Channel dredged and beach renourished.

Completed the Mornington Pier Forecourt and Traffic Management Works completed.



Goal 6: Healthy, Safe and Connected Communities

To promote a culture of community harmony, wellbeing and a sense of safety and belonging.

Became the first ‘Towards Zero Municipality’ in Australia in partnership with VicRoads, TAC and Victoria Police.

Adopted the Sustainable Transport Strategy to encourage people out of their private vehicles and towards alternative transport options including increased use of public transport, walking and cycling, as well as sharing transport resources in the community.

Won the Tidy Towns Award for Fresh Food Program in Rosebud. The Program diverts good food destined for landfill to the dinner table; helping more than 250 people each week receive a daily meal.

Hosted 5,000 people as a Festival Partner for the Peninsula Short Film Festival; celebrating the work of emerging film makers.

Adopted the Reconciliation Action Plan for 2016-2018 to develop and foster a Shire where the cultural heritage, values and beliefs, and history of our Aboriginal Traditional Owners and custodians is recognised and acknowledged by all.

Implemented Peninsula Reads outreach program to share the love of reading and improve literacy levels across the peninsula with a Family Fun Day, attended by over 2,000 people, and the distribution of 75 Book Boxes offering free books to be borrowed, swapped or kept.

Goal 7: Supporting our Economy

To foster an innovative business community and promote the peninsula's agricultural and rural sector.

Adopted the Economic Development Strategy 2016-2019 to support economic, business and employment growth throughout the municipality.

Launched the Mornington Peninsula Produce (MPP) regional food brand to guarantee authentic provenance of produce from the Mornington Peninsula.

Hosted the inaugural Mornington Peninsula Regional Tourism Summit attended by over 100 business operators eager to learn about effective public relations, packaging, customer service, online reservations, website conversion and digital (social) marketing.

This year alone, the Visitor Information Centre in Dromana assisted over 45,000 people with their enquiries, enabled by 36 dedicated volunteers who contributed over 5,000 hours to help visitors and locals enjoy their time on the Mornington Peninsula.

Launched a social media competition to encourage visitors to explore beyond the usual beachside nodes of the region #findyourwaymorningtonpeninsula.



Goal 8: Innovative, Responsive, Value-for-Money Service Delivery

To optimise value for ratepayers through efficient, effective and innovative service delivery.

Across 2015 and 2016, the Shire focused on engaging with staff and the community on Customer Service Excellence. A series of community consultation workshops resulted in a number of improvements including a significant restructure of the Customer Service unit to better provide responsive and accessible information and services to the community.

Launched a new website designed to be more engaging, accessible and responsive.

Implemented a Unified Communications upgrade of our telephony system implemented across the Shire to enable us to improve our customer service with new capabilities (ability to see who is available, instant messaging and quick conferencing).

Referred the Community Bus booking management to Peninsula Transport Assist resulting in lower cost bus access for community groups and enhanced ability to hire volunteer bus drivers and access to more buses through the agency's existing vehicle register.

Reduced processing times and costs for planning applications through the development of an electronic lodgement process.



Description of operations

Mornington Peninsula Shire is responsible for more than 100 services, from family and children's services, traffic regulation, open space, youth facilities, waste management and community building; to matters concerning business development, planning for appropriate development and ensuring accountability for Council's budget. This broad range of community services and infrastructure for residents support the wellbeing and prosperity of our community. Council's vision, strategic objectives and strategies to further improve services and facilities are described in our Council Plan 2013-17 and the associated budgets and reported upon in this document. Refer to the section on Our Performance for more information about council services.

Economic factors

Mornington Peninsula Shire did not face any economic factors which had material impact on the Shire's performance during 2015-16.

Major capital works

Please see our Highlights of the Year section for a summary of major capital works.

Major changes

The Shire has been undertaking reviews of major service delivery areas to deliver more efficient and responsive service outcomes to the community. The following areas were reviewed throughout 2015/16:

- In accordance with the State Library of Victoria's 'Best Practice Model', libraries were realigned to deliver a greater opportunity for Libraries staff to be engaged in all aspect of Library service delivery and place a greater emphasis on customer service
- A review of the Shire's Planning Functions brought together both the Strategic and Statutory Planning functions to provide stronger career pathways for staff while also delivering improved and more responsive planning services to the community
- In early 2016, the Customer Service function underwent a significant realignment with the rest of the business designed to better provide responsive and accessible information and services to the community
- A request for proposal (RFP) process was undertaken to test the market to determine how our sports and leisure services can be delivered most efficiently and effectively for the community. The outcomes of the review and the RFP will progress throughout 2016/17

Major achievements

The Shire has made great strides towards delivering excellent customer service; every person, every time. During the first quarter of the year, Customer Service Community Engagement sessions were held in Mornington, Hastings and Rosebud with around 100 community members in attendance providing feedback on their experiences as Shire customers. In response to that feedback the Shire has undertaken a major upgrade to its website which focuses on online interactions, and now places the most-used pages on the home page, including a dedicated Have Your Say section. The Shire has also implemented a new telephony system of unified communications to increase customer responsiveness.

Councillors

The Council was elected to provide leadership for the good governance of the municipal district and the local community. On 27 October 2012 the Mornington Peninsula community elected this Council for a four-year term. Councillors are elected through preferential voting. The next general election is in October 2016.

Cr Graham Pittock

Seawinds Ward

Date elected: 27 October 2012



Cr David Gibb

Seawinds Ward

Date elected: 27 October 2012



Cr Bev Colomb

Briars Ward

Date elected: 27 October 2012



Cr Tim Rodgers

Nepean Ward

Date elected: 27 October 2012



Cr Antonella Celi

Seawinds Ward

Date elected: 27 October 2012



Cr Anne Shaw

Briars Ward

Date elected: 27 October 2012



Cr Andrew Dixon

Briars Ward

Date elected: 27 October 2012



Cr Tim Wood

Red Hill Ward

Date elected: 25 August 2014



Cr Hugh Fraser

Nepean Ward

Date elected: 27 October 2012



Cr Lynn Bowden (retired)

Watson Ward

Date elected: 27 October 2012

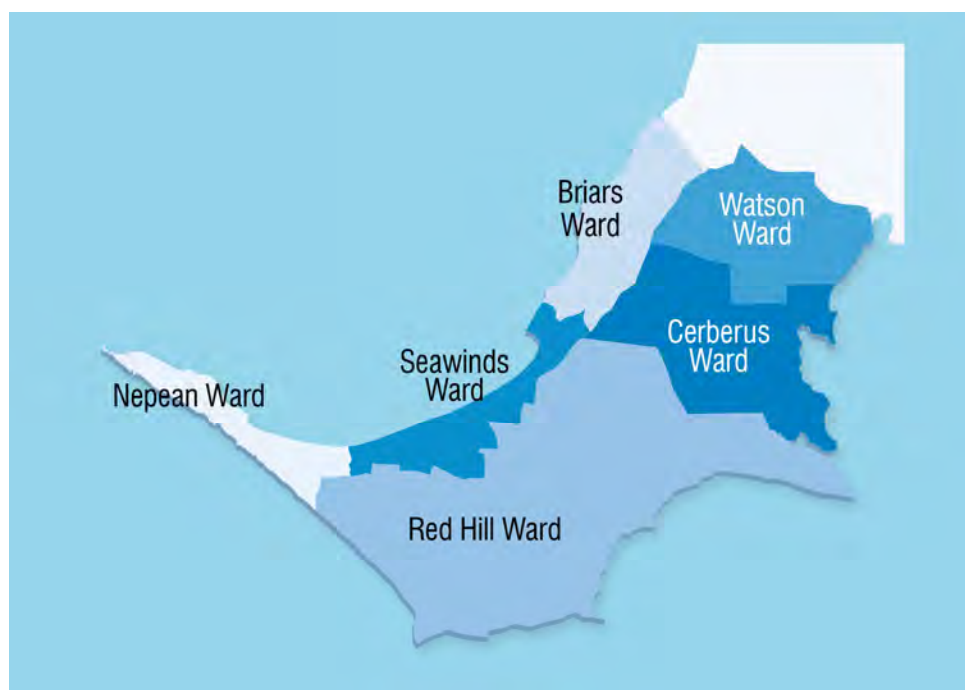
Date retired: 2 May 2016



Cr David Garnock

Cerberus Ward

Date elected: 27 October 2012



Our People

Organisational structure

Council is the governing body that appoints a Chief Executive Officer (CEO). The CEO has responsibility for the day to day management of operations in accordance with the Council Plan. Two Executives and the CEO lead the Executive Group (EG) and lead the organisation. Details of the CEO and senior officers reporting directly to the CEO are set out below.

As at June 30.

Chief Executive Officer (CEO)

Carl Cowie

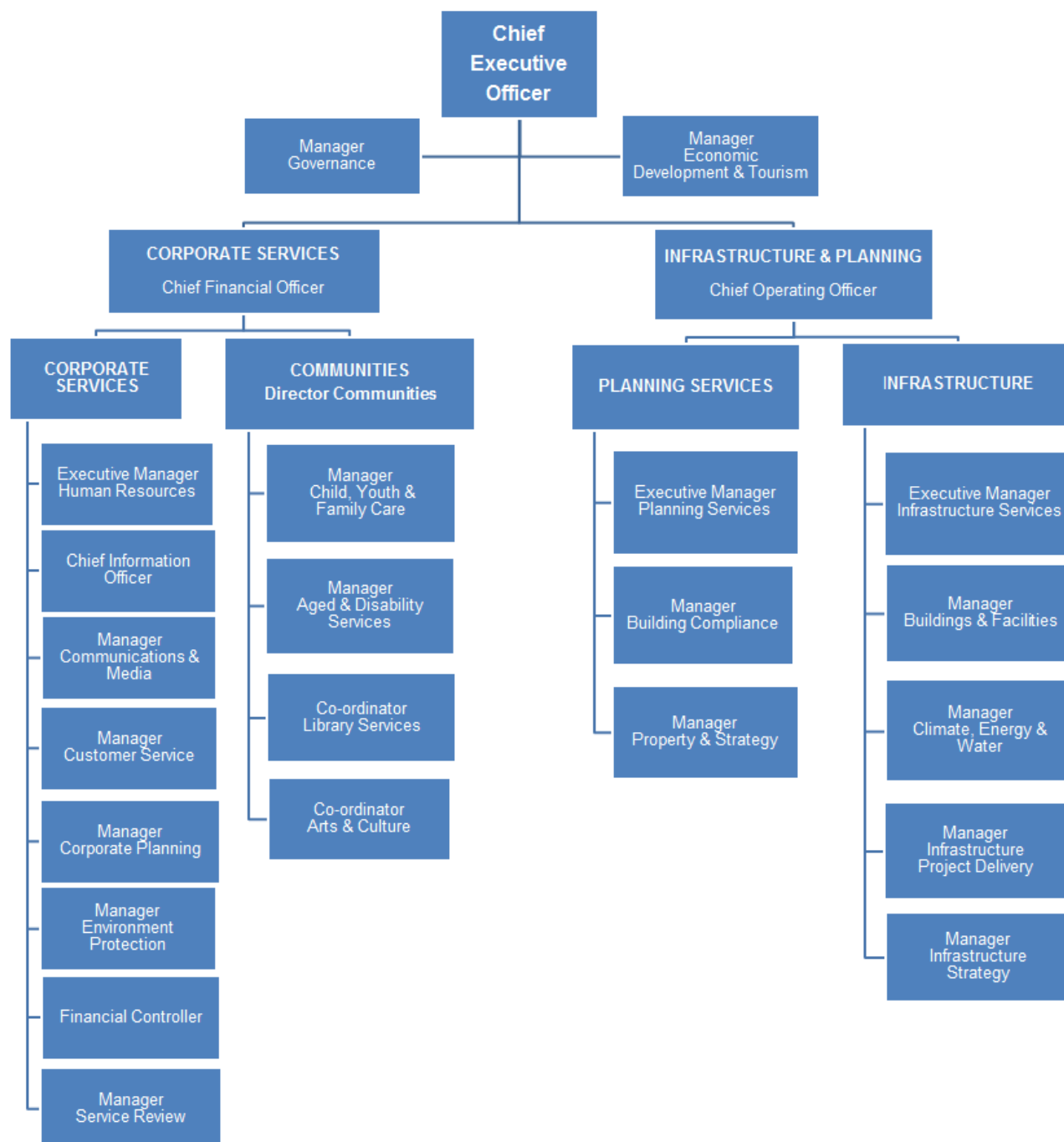
In accordance with the *Local Government Act 1989* (Sect 94A), the Chief Executive Officer is responsible for:

- establishing and maintaining an appropriate organisational structure for the Council;
- ensuring that the decisions of the Council are implemented without undue delay;
- the day to day management of the Council's operations in accordance with the Council Plan;
- developing, adopting and disseminating a code of conduct for Council staff; and
- providing timely advice to the Council.

Senior officers reporting directly to the CEO

Alison Leighton Chief Operating Officer Areas of responsibility: • Planning Compliance • Statutory Planning • Strategic Planning • Statutory Building • Buildings and Facilities • Infrastructure Strategy • Infrastructure Maintenance • Infrastructure Projects • Climate Change, Energy and Water	Matthew Green Chief Financial Officer Areas of responsibility: • Finance • Communications and Media • Property and Valuations • Information Services • Customer Service • Human Resources • Environment Protection • Communities • Corporate Planning
Joseph Spiteri Manager, Governance Areas of responsibility: • Governance • Mayor and Councillor Support	Tania Treasure Manager, Economic Development & Tourism Areas of responsibility: • Economic Development • Tourism

A chart setting out the organisational structure of the council is shown below:

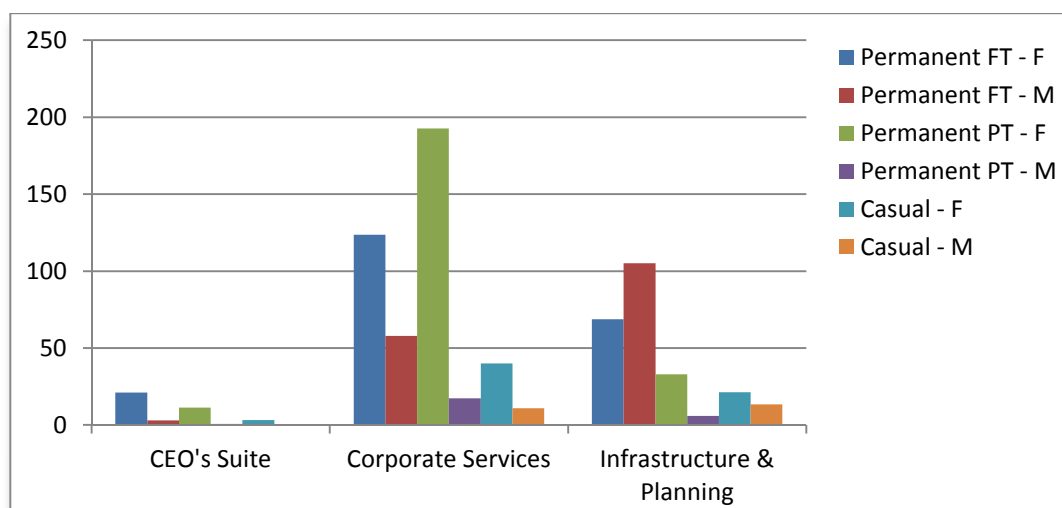


Council staff

A summary of the number of full time equivalent (FTE) council staff by organisational structure, employment type and gender is set out below.

Employee Type/Gender	CEO (FTE)	Corporate Services (FTE)	Infrastructure & Planning (FTE)	Total (FTE)
Permanent FT - F	21.0	122.59	62.0	205.6
Permanent FT - M	4.0	57.9	105.1	167.0
Permanent PT - F	11.3	190.5	30.02	231.8
Permanent PT - M	0.6	17.4	6.0	23.9
Casual - F	1.7	21.1	11.2	33.9
Casual - M	0.0	5.7	7.0	12.7
Total	38.6	415.1	221.2	674.8

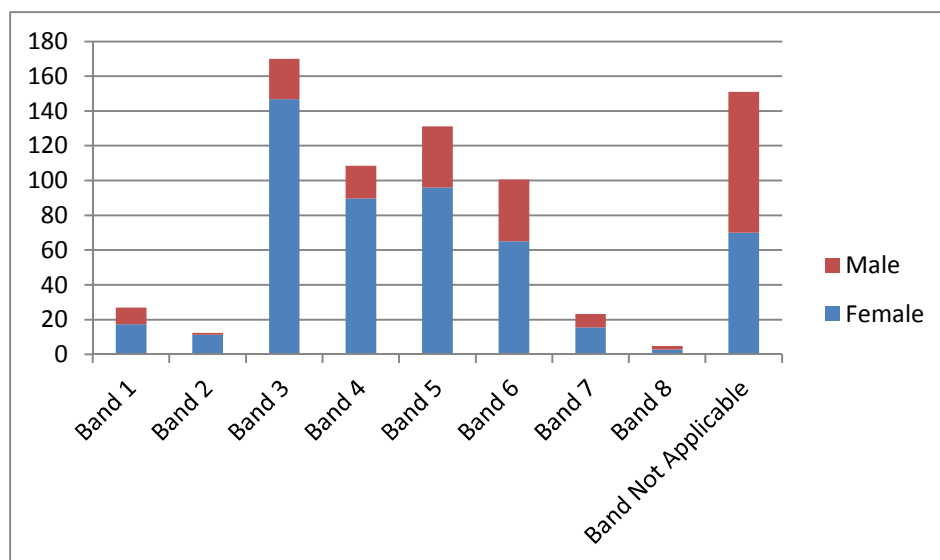
FT - Full-time, PT - Part-time, F - Female, M - Male



A summary of the number of full time equivalent (FTE) staff categorised by employment classification and gender is set out below.

Employment Classification	Female FTE	Male FTE	Total FTE
Band 1	15.1	8.7	23.8
Band 2	7.3	0.7	8.0
Band 3	133.5	17.3	150.8
Band 4	81.3	17.1	98.4
Band 5	92.6	34.1	126.7
Band 6	61.5	35.1	96.6
Band 7	15.4	7.8	23.2
Band 8	2.8	2.0	4.8
Band Not Applicable	61.9	80.8	142.6
Total	471.2	203.5	674.8

Note: Band Not Applicable includes senior officers employed under contract and staff on annualised salaries



Note: Band Not Applicable includes senior officers employed under contract and staff on annualised salaries

Equal employment opportunity program

The objective of council's Equal Employment Opportunity Program is to ensure there is no discrimination relating to the characteristics listed under the *Equal Opportunity Act 2010* such as race, colour, sex, marital status, parenthood, physical or mental impairment, age, religious or political affiliation, gender identity and sexual orientation. Further objectives include ensuring the workplace is free from bullying and harassment.

The Shire has in place an Equal Employment Opportunity Policy that ensures that all employees have access to the Equal Employment Opportunity Program of training, advice and information. Over 140 staff attended Workplace Behaviour Training under the Program in 2015/16.

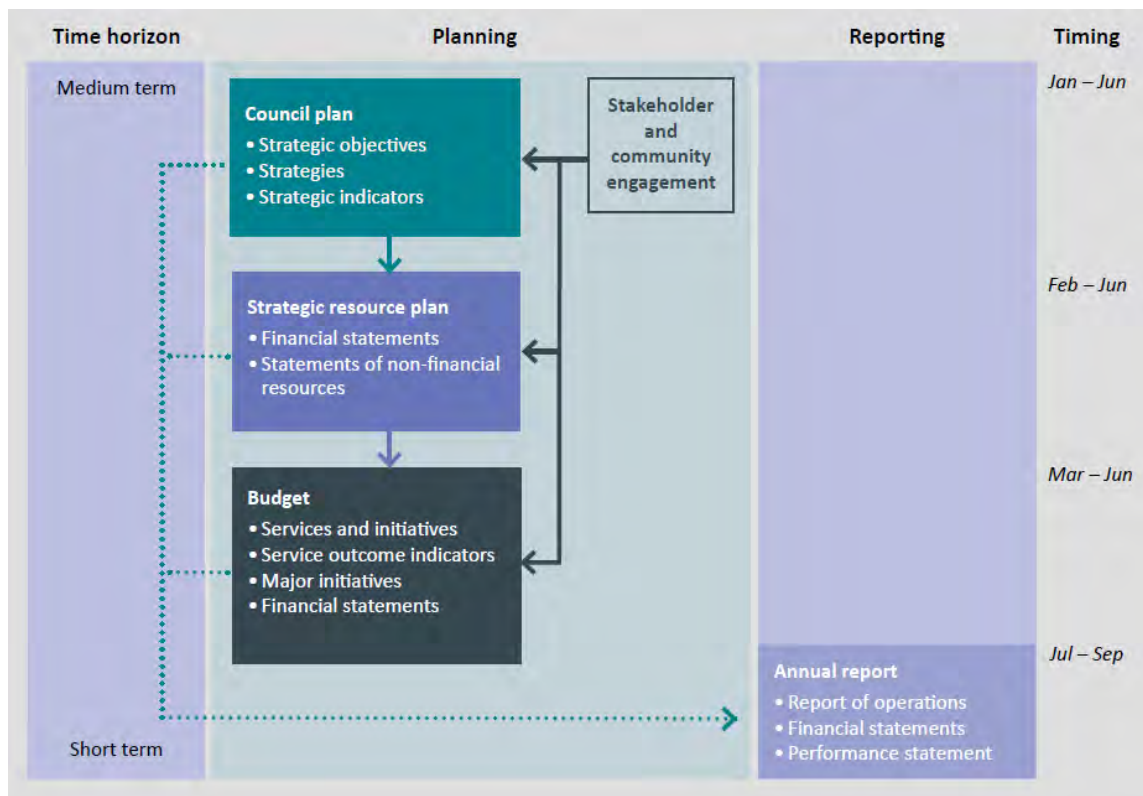
Our performance

Planning and accountability framework

The Planning and Accountability Framework is found in part 6 of the *Local Government Act 1989* (the Act). The Act requires councils to prepare the following planning and reporting documents:

- A council plan within the six months after each general election or by 30 June, whichever is later
- A strategic resource plan for a period of at least four years and include this in the council plan
- A budget for each financial year
- An annual report in respect of each financial year.

The following diagram shows the relationships between the key planning and reporting documents that make up the planning and accountability framework for local government. It also shows that there are opportunities for community and stakeholder input and feedback at each stage of the planning and reporting cycle.



Council plan

The Council Plan 2013-2017 includes strategic objectives, strategies for achieving these for the four year period, strategic indicators for monitoring achievement of the strategic objectives and a strategic resource plan. The following are the five strategic objectives as detailed in the council plan. The following are the eight goals as detailed in the Council Plan 2013-2017.

	1. Liveable Peninsula	To be 'near to, but not part of, Melbourne' and its accelerating growth. To preserve the highly valued amenity of our natural and built environment.
	2. Enhancing Public Places & Spaces	To enhance the look, feel and function of our townships, open spaces and assets.
	3. Improving Shared Community Facilities	To ensure community facilities reflect the needs and expectations of our local Communities.
	4. Leading Change on Climate Change	To mitigate climate change risks, to reduce our carbon footprint, water usage and waste across Council operations and to build more resilient and prepared communities.
	5. Enhancing the Coastal Experience	To protect and enhance opportunities to enjoy the coastal experience.
	6. Healthy, Safe and Connected Communities	To promote a culture of community harmony, wellbeing and a sense of safety and belonging.
	7. Supporting Our Economy	To foster an innovative business community and promote the peninsula's agricultural and rural sector.
	8. Innovative, Responsive, Value-for-Money Service Delivery	To optimise value for ratepayers through efficient, effective and innovative service delivery.

Performance

Council's performance for the 2015-16 year has been reported against key items under each strategic objective as follows:

	1. Liveable Peninsula	To be 'near to, but not part of, Melbourne' and its accelerating growth. To preserve the highly valued amenity of our natural and built environment.		
Major Initiatives		Progress		
Port of Hastings: Advocating for a green port in Hastings and for early provision of upgraded infrastructure to service the port		Councillors presented to the Port of Melbourne Lease Transaction Inquiry to strongly advocate for the Shire's position on environmental protection and the need for continued Port of Hastings planning. As a result of the Shire's (and others) submission to the Inquiry, the Port lease timeframe has been reduced to 50 years, second port planning will proceed in the interim, and the State of the Bay and the Office of the Environmental Monitor will be reinstated.		
Defining peninsula settlement patterns: Completion of Housing and Sustainable Settlement Strategy		The Plan Melbourne Refresh is still to be released and therefore attention to residential character protection provisions has been prioritised. A status report to Council is expected in August 2016		
Service		Description		Net Cost Budget Actual Variance \$000
Strategic Planning (excl. Coastal Planning and Natural Systems Planning)	Officers within the Strategic Planning Unit engage closely with the community in the planning process; provide advice on statutory planning referrals, provide assessments of planning scheme amendment proposals; advise and support other Council units in their land use and management activities; liaise and coordinate with external agencies; and advocate for Council's position with other levels of government.		<u>1,441</u>	
			1,423	
			18	
Statutory Planning	Implementing Council's vision for the development and use of land as expressed in the Mornington Peninsula Planning Scheme by assessing the use and /or development of land for a specific purpose. This may involve extensive consultation with the community and advice on land and planning matters. The Unit also provides a significant customer service role to our community and anyone interested in using or developing land in the Shire, through our planning counter at the Mornington Office and through telephone / email enquiries		<u>4,070</u>	
			3,756	
			314	
Project Delivery – Buildings and Open Space Management	The Buildings and Open Space Management Team manages the development of subdivisions. An important part of this role involves working with the service authorities to ensure services such as water supply and sewerage disposal keeps pace with the development growth.		<u>377</u>	
			464	
			(86)	

Service Performance Indicators		Results	Results	Material variations and comments	
Service/indicator/measure		2015	2016		
Statutory Planning					
Timeliness					
SP1	Time taken to decide planning applications [The median number of days between receipt of a planning application and a decision on the application]	51.00	52.00	We have received more planning applications this year and provided the assessment of planning permits within the same operating budget.	
Service standard					
SP2	Planning applications decided within 60 days [Number of planning application decisions made within 60 days / Number of planning application decisions made] x100	73.00%	70.41%		
Service cost					
SP3	Cost of statutory planning service [Direct cost of the statutory planning service / Number of planning applications received]	\$2,188.59	\$1,921.38		
Decision making					
SP4	Council planning decisions upheld at VCAT [Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100	57.00%	67.65%		



2. Enhancing Public Places & Spaces

To enhance the look, feel and function of our townships, open spaces and assets.

Major Initiatives	Progress
Best practice asset management: Condition assessments for all asset classes in accordance with Asset Management Plans	The Asset Management Team's "best practice" focus has been on the development of the following: • Road Information Database (RID) • Intelligent corporate asset notification process (iCAN) • Next Generation Asset Management Information System
Enhanced open spaces: An annual park user satisfaction survey in 8 parks per annum	The Shire manages 350 open spaces, parks and recreational and bushland reserves. To seek specific community feedback, an annual park user satisfaction survey is conducted, with 200 interviews conducted onsite covering nine Shire parks. The overall mean score for satisfaction with the level of maintenance within our parks was 8.0 (80%).
Transport improvements: Advocate public transport and road network improvements with government and authorities	• Improved the available pickup facilities for taxis in Ocean Beach Road, Sorrento in conjunction with Victoria Police • Liaised with 13 Cabs to better understand how to make the Peninsula more attractive to taxi drivers • Ongoing monitoring and advertising of the Route 887 service as well as investigating Myki travel data as provided by PTV • Working on advocacy for improvements on the Mornington Peninsula Freeway - particularly considering the recently released State Road Safety Strategy mentions it as one of the top twenty highest risk rural road sections • Ongoing collaboration with Victoria Police, VicRoads and TAC for the Towards Zero municipality initiative
Road safety initiatives: Implementation of Locals Safer Speed Strategy	• Mornington Park 40 km/h area wide speed limit introduced • Speed limit reductions approved for Loders/Graydens Road to 80 km/h and Ponderosa Place to 60 km/h • Clarified and posted the speed limit for Western Parade in Point Leo as requested by Victoria Police • Worked with the project delivery team throughout the design and implementation process for the 16/17 FY BlackSpot projects • Attended a high level meeting onsite and subsequent workshop regarding the Forest and Uralla Drive intersections with Nepean Highway as a result of our advocacy for intersection improvements • Held a visioning workshop with Vic Police, TAC and VicRoads for our towards zero municipality initiative • Ongoing progression of the Rye Movement and Place project for Point Nepean Road, Rye to improve amenity as well as cyclist and pedestrian safety

Improved footpaths & trails network: Implementation Footpath Strategy	The program is progressing for the implementation of the Shire's Footpath Construction Strategy. The program is made up of a majority of Special Charge Footpath Schemes: • Five footpath schemes have been declared including Wandella Street, Coburn Group, Coppin Road, Gibson Street and the Somers Footpath Network • Two footpath schemes are currently in the intention to declare phase • Nine footpath schemes have been surveyed as part of the instigation stage. Following this a report has been prepared for Council which recommended deferring these projects and reallocating to footpath renewal projects. Council adopted this recommendation so the nine paths will not be progressed any further at this point in time • Truemans Rd in Tootgarook and The Loop in Blairgowrie are fully funded footpaths that are currently in the construction phase Due to the large volume of Special Charge Scheme projects, it was not possible to deliver 90% of the projects within this financial year. No additional Special Charge Scheme Footpath projects have been included in next year's proposed Capital Works Program.
Best practice bushland management: Retention and enhancement of biodiversity within Shire controlled bushland reserves	The Shire Bushland Management Contract of programmed works continues to be implemented in full. The second year of works, derived from bushland reserve seven year plans, consisted of 216 Weed Management Actions and 32 Revegetation Management Actions. The delivery of the programmed works continues to be effectively managed using the geospatial data management tool Bushland Manager, with ongoing development of the system increasing the efficiency of works planning, programming and auditing.
Regional Natural Systems Planning: Mornington Peninsula Biodiversity Resilience Plan (previously referred to as the Biodiversity Action Plan)	Project approx. 50% complete through consultants Ecology Australia - anticipate completion circa Feb/March 2017 following extensive community consultation process.
Conservation Planning: Tootgarook Wetland – Stage 1 investigation	Stage 1 reports have been completed and reported to Council - Environmental Significance Overlay has been applied and currently completing Tootgarook Wetland Management Plan (circa Dec 2016).

Service	Description	Net Cost
		<u>Budget</u> Actual Variance \$000
Strategic Planning - Natural Systems Planning	Facilitating the strategic land use planning requirements for the Shire including the development of a Biodiversity Action Plan for the Shire and coordination with the Regional Catchment Strategy	<u>164</u> 162 2
Infrastructure Strategy	Facilitates a wide range of policy and strategic infrastructure planning activities, including: • Infrastructure Planning • Scoping the annual Capital Works Program • Asset Management - Traffic and Transport Facilitates a wide range of policy and strategic infrastructure planning activities, including: • Infrastructure Planning • Scoping the annual Capital Works Program • Asset Management • Traffic and Transport	<u>2,609</u> 2,760 (151)
Infrastructure Services	Facilitates a range of maintenance and cleansing services for our built and natural infrastructure which responds to our commitment to sustainability and achieves outcomes that are socially, environmentally and economically sustainable, including: • Safer Local Roads (Roads and Car Parks maintenance, resealing and rehabilitation) • Furniture and Signs maintenance • Parks and Roadsides maintenance • Natural Systems bushland maintenance • Cleansing (street sweeping, litter bin collection, toilet cleaning, BBQ cleaning, beach cleaning, loose litter collection and drainage pit cleaning, etc.). • Contract Auditing • Operation of Conservation Parks (The Briars Park and Warringine Park)	<u>35,571</u> 35,059 512

Service Performance Indicators Service/indicator/measure		Results 2015	Results 2016	Material variations and comments
Roads				
Satisfaction of use				
R1	<i>Sealed local road requests</i> [Number of sealed local road requests / Kilometres of sealed local roads] x100	88.41	73.88	
Condition				
R2	<i>Sealed local roads below the intervention level</i> [Number of kilometres of sealed local roads below the renewal intervention level set by Council / Kilometres of sealed local roads] x100	98.00%	99.85%	
Service cost				
R3	<i>Cost of sealed local road reconstruction</i> [Direct cost of sealed local road reconstruction / Square metres of sealed local roads reconstructed]	\$37.02	\$39.08	Costs are dependent on the nature of road reconstruction methods. Sections of Loders Road Moorooduc, The Esplanade Crib Point, Myers Road Merricks Nth and Point Leo Road Red Hill have been rehabilitated.
Service Cost				
R4	<i>Cost of sealed local road resealing</i> [Direct cost of sealed local road resealing / Square metres of sealed local roads resealed]	\$11.32	\$9.50	Costs are dependent on the nature of the resealing method.
Satisfaction				
R5	<i>Satisfaction with sealed local roads</i> [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]	58.00	55.37	The Shire's rating, although a decrease from last year, is 1 point higher than the state-wide result



3. Improving Shared Community Facilities

To ensure community facilities reflect the needs and expectations of our local Communities.

Major Initiatives	Progress
Improving community buildings: Implementation of Pavilion Strategy	Financially, delivery of the Pavilion Strategy is on track with \$1.2M expended and with \$3.0M committed in future contracts to be delivered over the 2016/17 financial year Project Status Progress: • Olympic Park Reserve Rosebud: consultants engaged to undertake concept design review of two options has been completed and presented to Council. Consultant has been engaged to undertake detailed design • Mount Martha Tennis Club, works have been completed • Fruit Growers Reserve, Somerville, works have been completed • Balnarring Sports Pavilion, Contract has been awarded for \$2.5M, with construction to commence Oct 2016 • Citation Reserve, Mount Martha: Tender documentation is currently being finalised to be tendered in 2016/17 financial year • Somerville Bowls Club: Works have been completed
Improving community facilities: Implementation of Toilet Block Strategy	Financially, delivery of the Public Toilet Strategy has been achieved with \$0.54M expended and with \$0.44M committed in contracts to be delivered over the 2016/17 financial year. Project Status Progress: • Vern Wright Reserve, Toilets; currently under construction to be completed by September • Hastings Foreshore, Toilets; detail design had been completed • Sorrento Park, Toilets; completed • Sunnyside Beach, Mt Eliza; currently under construction to be completed by September • Somers General Store, Toilets; currently under construction to be completed by September • Balnarring Civic Reserve, Toilets; currently under construction to be completed by September • Mothers Beach, Mornington toilets; completed • Hillview Reserve, Dromana, Toilets; completed • Schnapper Point, Mornington, Toilets; completed
Good design: All new and refurbishment building design plans in accordance with Environmental Sustainable Design Policy	• Improved the available pickup facilities for taxis in Ocean Beach Road, Sorrento in conjunction with Victoria Police • Liaised with 13 Cabs to better understand how to make the Peninsula more attractive to taxi drivers • Ongoing monitoring and advertising of the Route 887 service as well as investigating Myki travel data as provided by PTV • Working on advocacy for improvements on the Mornington Peninsula Freeway - particularly considering the recently released State Road Safety Strategy mentions it as one of the top twenty highest risk rural road sections • Ongoing collaboration with Victoria Police, VicRoads and TAC for the Towards Zero municipality initiative

Road safety initiatives: Implementation of Locals Safer Speed Strategy	The design of buildings in accordance with the policy has been operationalised and is built into the standard design process. At a base level all building works that require a Building Permit must comply with the Environmental Sustainable Design (ESD) requirements of Section J of the <i>Building Act 1993</i> to obtain a permit. The Shire's capital works are dealt with at two scales: • For small scale works: the ESD policy checklist is included in the design brief documents • For large scale works: the ESD policy is attached to the brief and a separate budget line item is listed as ESD to ensure the specified percentage is delivered.
Southern Peninsula Aquatic Centre: Timely reports to Council as required	Investigations continue regarding preferred location in accordance with current Council resolutions.

Service	Description	Net Cost <u>Budget</u> Actual Variance \$000
Project Delivery (excluding Drainage and Buildings and Open Space Project Management)	Designs, constructs, develop and protect the physical environment in which we live. Roads, community buildings and sporting pavilions, boardwalks and irrigation systems all play a critical role in supporting the physical environment in which we live and enjoy.	<u>1,026</u> 604 422
Buildings and Facilities (excluding Foreshore Camping)	Centralised management overview of the maintenance and management of Shire facilities, including the provision of routine and programmed maintenance of Shire buildings under the SIMS2 Buildings contract; Sports Clubs; and management of the Shire's Leisure centres including Pelican Park Recreation Centre and Mt Martha Golf course. Community Halls are provided to support community groups, not for profit organisations and general community.	<u>12,267</u> 12,807 (541)
Property and Valuations – Property Strategy and Operations	The Property area facilitates management of the Shire's property portfolio, including the leasing, licensing, and acquisition of property.	<u>(5,630)</u> (5,656) 26

Service Performance Indicators Service/indicator/measure		Results 2015	Results 2016	Material variations and comments
Aquatic Facilities				
Service standard				
AF2	<i>Health inspections of aquatic facilities</i> [Number of authorised officer inspections of Council aquatic facilities / Number of Council aquatic facilities]	2	2	
Health and Safety				
AF3	<i>Reportable safety incidents at aquatic facilities</i> [Number of WorkSafe reportable aquatic facility safety incidents]	0.00	0.00	
Service cost				
AF4	<i>Cost of indoor aquatic facilities</i> [Direct cost of indoor aquatic facilities less income received / Number of visits to indoor aquatic facilities]	\$2.72	\$3.41	
Service Cost				
AF5	<i>Cost of outdoor aquatic facilities</i> [Direct cost of outdoor aquatic facilities less income received / Number of visits to outdoor aquatic facilities]	\$14.00	\$12.65	
Utilisation				
AF6	<i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	1.81	1.76	Attendance at Pelican Park Recreation Centre was down on 2015, led by the adult entry and family categories; declining by 10 and 15 per cent respectively.



4. Leading Change on Climate Change

To mitigate climate change risks, to reduce our carbon footprint, water usage and waste across Council operations and to build more resilient and prepared communities.

Major Initiatives	Progress
Flood mitigation & prevention program: Implementation of Integrated Flood Management & Drainage Strategy	Financially, delivery of the Integrated Flood Management and Drainage Strategy has been achieved with \$1.87M expended and with \$1.2M committed in contracts to be delivered over the 2016/17 financial year. Project Status: • Cook Street Drainage Mitigation Works, Mornington (Stage 1): completed. • Cook Street Drainage Mitigation Works, Mornington (Stage 2): Contract has been awarded, works underway to be completed by late October. • Millbank Drive, Drainage Mitigation Works: contract awarded, works underway to be completed by late July. • Flinders Catchment, Minor drainage works have been completed, along with schematic detailed design for the catchment is completed • Mount Eliza Way, Mount Eliza – Road and Drainage Upgrade (Stage 3): Construction completed. • Mount Eliza Way, Mount Eliza – Road Reconstruction Upgrade (Stage 4): Contract has been awarded as part of the Mt Eliza Way Road reconstruction project for Roads to Recovery. Construction has commenced. • Somers Catchment Works – Road Reconstruction Upgrade for Tasman Road widening project. Contract has been awarded, works are to commence in September.
Sustainable community education programs: Education programs delivered at Eco Living Display Centre	Delivered an integrated program of community engagement, including: • High profile and well visited workshop series at the Eco Living Display Centre • Sustainable House day at the Eco Living Centre • Eco Living Centre open days and public use • Sustainable Living Program as part of Schools Environment Week • Schools Excursion program (cost neutral) - over 3,000 people visited the Eco Living Centre across the range of activities In addition, the Climate Ready, Victorian Government-funded program was launched after two years of development. The web tool was designed to assist residents prepare for the likely impacts of climate change specific to where they live.

Climate change adaptation: Partner with agencies and stakeholders in future climate change adaptation planning	Development of Climate Change Adaption Action Plan based on Climate Change Risk Register. The Register is now included in the Corporate Risk Register. Delivery of the Financial Risk Assessment case studies and launched in March through the Victorian Government-funded Climate Change Grants Program. Review and finalisation of the Draft Climate Change Resilience Policy, prepared for Council and community feedback.
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Service	Description	Net Cost <u>Budget</u> Actual Variance \$000
Environment Protection – Fire Management	To manage fire risk in association with the CFA and its many local fire brigades to protect the community against loss of life or property. Programs are designed and undertaken to reduce the risk of fire in the community and help facilitate a community resilient to emergencies.	<u>145</u> 232 (87)
Infrastructure Services	Facilitates a range of maintenance and cleansing services for our built and natural infrastructure which responds to our commitment to sustainability and achieves outcomes that are socially, environmentally and economically sustainable, including: • Natural Systems Management – fire management • Waste Management	<u>14,299</u> 12,918 1,381
Project Delivery - Drainage	Designs, constructs, develop and protect the physical environment in which we live, including drainage.	<u>54</u> 145 (91)
Climate Change, Energy and Water	The Climate Change, Energy and Water team are responsible for leading the Shire towards carbon neutrality and long term climate change resilience across the community.	<u>3,302</u> 2,916 386

Service Performance Indicators Service/indicator/measure		Results 2015	Results 2016	Material variations and comments
Waste Collection				
Satisfaction				
WC1	<i>Kerbside bin collection requests</i> [Number of kerbside garbage and recycling bin collection requests / Number of kerbside bin collection households] x1000	116.59	114.54	
Service standard				
WC2	<i>Kerbside collection bins missed</i> [Number of kerbside garbage and recycling collection bins missed / Number of scheduled kerbside garbage and recycling collection bin lifts] x10,000	4.68	3.39	
Service cost				
WC3	<i>Cost of kerbside garbage bin collection service</i> [Direct cost of the kerbside garbage bin collection service / Number of kerbside garbage collection bins]	\$60.66	\$60.52	
Service cost				
WC4	<i>Cost of kerbside recyclables collection service</i> [Direct cost of the kerbside recyclables bin collection service / Number of kerbside recyclables collection bins]	\$24.12	\$23.36	
Waste diversion				
WC5	<i>Kerbside collection waste diverted from landfill</i> [Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100	50.00%	50.01%	



5. Enhancing the Coastal Experience

To protect and enhance opportunities to enjoy the coastal experience.

Major Initiatives	Progress
Equitable coastal funding: Advocate for increased coastal funding	More than \$500k in grants received and strong submissions to the Victorian Coastal Strategy and Regional Coastal Plan regarding the need to establish equitable funding models - which is reflected in these State policy documents
Foreshore Camping: Camping occupancy	The Shire manages foreshore camping along the natural foreshore reserves with beach access in Rosebud, Rye and Sorrento. Foreshore camping recorded 121,636 night stays; which is a record number. Again shoulder period occupancies significantly increased.

Service	Description	Net Cost <u>Budget</u> Actual Variance \$000
Strategic Planning - Coastal Planning	Facilitating the strategic land use planning requirements for the Shire, including the development and review of Coastal Management Plans for specific areas of the coast.	196 194 2
Buildings and Facilities - Foreshore Camping	Foreshore Camping is provided in Rosebud, Rye & Sorrento from the end of October through to end of April to provide an affordable holiday and support the local economy.	(771) (832) 62



6. Healthy, Safe and Connected Communities

To promote a culture of community harmony, wellbeing and a sense of safety and belonging.

Major Initiatives	Progress
Assisting older people: Implementation Positive Ageing Strategy	Council is committed to creating an age friendly community, as evidenced by significant progress in completing actions outlined in our Positive Ageing Strategy "The Mornington Peninsula: A Community for All Ages 2013 – 2018", including a successful community summit in October 2015 which told us that we are on the right track.
Community development: Integrated agency response to identified disadvantage communities/townships to ensure social inclusion and promote social justice	Community Capacity Building (place making): The MPS Place making grant program was conducted for the first time with over 27 projects funded in partnership with the community. Projects included the Active Kids programs at the Wallaroo Centre in Hastings, Sensory Garden at Balnarring Primary School and the Rosebud Buskfest. The MPS Men's Shed Network was established and grew to include new and existing sheds from around the Mornington Peninsula. The network supports collaborative work with the community to enhance community project and provide support to each other to thrive as community organisations.
Fostering a culturally enriched community: Implementation of Arts and Culture Strategy	This is ongoing. Key areas of improvement are the establishment of the Arts and Culture Advisory Panel; Adoption of the Public Art Policy; progression of the Gateway Sculpture, Local History Plan and Music Development Plan as well as the development and delivery of a vibrant exhibition program at the MPRG and acceptance of significant works into the Shire's collections including the Napoleonic Collection by gift from the National Gallery of Victoria.
Safe events: All community events to complete Event Approval Process	No reportable incidents have been recorded. Currently all outdoor events with a) less than 5,000 participants b) conducted by a community/not for profit organisation and c) include temporary structures less than 100m2 are exempt from requiring a Place of Public Entertainment (POPE). Outdoor events are still required to complete a Shire 'Category Event Kit' – depending on the scale of the event. Since the POPE regulation reform, safety at outdoor events has remained consistent

Healthy communities: Implement Food Access Plan 2013	Access to Fresh Food: The Southern Peninsula Information and Support Service was awarded the best Government Partnership project in the 2015 Tidy Towns competition. This project was supported through a partnership with Council and Second Bite to distribute food to community members. In 2016 the program is planning to extend to Dromana. Men's Health Day: A Men's Health day was organised in partnership with the Men's Shed Network in June with over 60 men sharing lunch and information on depression, prostate cancer and healthy eating. White Ribbon Day Breakfast: 150 people attended a White Ribbon Day breakfast to raise awareness on how men can support the prevention of Family Violence on the Mornington Peninsula
Safer community: Proactive fire prevention inspection program as set out in the Municipal Fire Management Plan	4,805 fire prevention inspections have been completed – the inspection program and issuing of fire prevention notices will conclude at the end of the Declared Fire Danger Period which is Monday 11 April 2016.

Service	Description	Net Cost Budget Actual Variance \$000
Environment Protection (excluding Fire Management)	Provision of a range of services that protect the amenity of the Peninsula and maintain harmony within neighbourhoods. This is achieved primarily through the application of local laws and various other Acts and Regulations promulgated by the Victorian Government. Services include - • Shire Rangers • Animal Management • Traffic and Parking Management • School Crossings • Environmental Health	4,601 4,884 (283)
Planning Compliance	Ensuring that the use and development of land within the Peninsula is carried out in accordance with the provisions of the Mornington Peninsula Planning Scheme and the Planning and Environment Act approved Planning Permits and section 173 Agreements.	684 904 (221)
Statutory Building	Committed to ensuring that the amenity and safety of the community is maintained when using buildings and places of public entertainment, by undertaking statutory compliance of the Building Act.	141 132 9

Child, Youth and Family Care	Provision of a number of community health services designed to increase the health and wellbeing of residents, including	
	• Communities that Care	
	• Maternal and Child Health services	
	• Family Day Care	
	• Youth Services	<u>7,189</u>
	• Immunisation	6,507
	• Social Planning	682
Aged and Disability Services	Provision of a range of services to enable older people and people with disabilities to remain living as independently as possible in their own home, including	
	• Information, Assessment & Referral	
	• General Home Care	
	• Personal Care	
	• Respite Care	
	• Delivered Meals	
	• Home Maintenance	
	• Access and Mobility (Community Transport and Activity Program)	<u>6,330</u>
	• Senior Citizens Centres	5,799
		531
Communications and Events	Responsible for co-ordinating effective and timely communication between Council and the community. This involves managing media relations for the Shire, including preparation of media releases, speeches, social media and website content, as well as on-going communication with local media. The unit also is responsible for organising, managing and funding events across the Shire.	<u>1,058</u>
		954
		104
Libraries	Provision of free access to books, information resources and services, audio visual materials and computer technology via four branch libraries and a mobile library service which visits 16 sites across the Peninsula each week.	<u>4,610</u>
		4,958
		(348)
Arts and Culture	Mornington Peninsula Regional Gallery offers a dynamic program of nationally significant exhibitions of contemporary and historical art by Australia's leading artists, together with highly acclaimed exhibitions that focus on the Mornington Peninsula's rich cultural life.	
	Local History Services are focused upon increasing community access to, and preservation of the documented cultural heritage of the Mornington Peninsula.	<u>1,277</u>
		1,187
		90

Service Performance Indicators Service/indicator/measure		Results 2015	Results 2016	Material variations and comments
Libraries				
Utilisation				
LB1	<i>Library collection usage</i> [Number of library collection item loans / Number of library collection items]	7.59	7.69	Library closures for Radio Frequency Identification refurbishments during May and June impact loans (6 week loan period) Note - no material variation between this year and last.
Resource standard				
LB2	<i>Standard of library collection</i> [Number of library collection items purchased in the last 5 years / Number of library collection items] x100	86.00%	77.60%	This variation reflects a slight reduction in budget to offset the introduction of RFID
Service cost				
LB3	<i>Cost of library service</i> [Direct cost of the library service / Number of visits]	\$6.40	\$6.99	
Participation				
LB4	<i>Active library members</i> [Number of active library members / Municipal population] x100	19.00%	19.31%	
Maternal and Child Health (MCH) Satisfaction				
MC1	<i>Participation in first MCH home visit</i> [Number of first MCH home visits / Number of birth notifications received] x100	103.00%	-	Data unavailable by reporting date for extraction from Municipal Association of Victoria's CDIS system. Data will be published in 2016/17 Annual Report.
Service standard				
MC2	<i>Infant enrolments in the MCH service</i> [Number of infants enrolled in the MCH service (from birth notifications received) / Number of birth notifications received] x100	102%	-	Data unavailable by reporting date for extraction from Municipal Association of Victoria's CDIS system. Data will be published in 2016/17 Annual Report.
Service cost				
MC3	<i>Cost of the MCH service</i> [Cost of the MCH service / Hours worked by MCH nurses]	-	\$59.68	New measure in 2015/16
Participation				
MC4	<i>Participation in the MCH service</i> [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	73.00%	-	Data unavailable by reporting date for extraction from Municipal Association of Victoria's CDIS system. Data will be published in 2016/17 Annual Report.

Participation				
MC5	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	76.00%	-	Data unavailable by reporting date for extraction from Municipal Association of Victoria's CDIS system. Data will be published in 2016/17 Annual Report.
Food Safety Timeliness				
FS1	Time taken to action food complaints [Number of days between receipt and first response action for all food complaints / Number of food complaints]	-	2.19	New measure in 2015/16
Service standard				
FS2	Food safety assessments [Number of registered class 1 food premises and class 2 food premises that receive an annual food safety assessment in accordance with the <i>Food Act 1984</i> / Number of registered class 1 food premises and class 2 food premises that require an annual food safety assessment in accordance with the <i>Food Act 1984</i>] x100	94.00%	91.01%	
Service cost				
FS3	Cost of food safety service [Direct cost of the food safety service / Number of food premises registered or notified in accordance with the <i>Food Act 1984</i>]	\$611.15	\$605.31	
Health and safety				
FS4	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	92.00%	89.55%	
Home and Community Care (HACC) Timeliness				
HC1	Time taken to commence the HACC service [Number of days between the referral of a new client and the commencement of HACC service / Number of new clients who have received a HACC service]	-	48.23	New measure

Service standard			
HC2	<i>Compliance with Community Care Common Standards</i> [Number of Community Care Common Standards expected outcomes met / Number of expected outcomes under the Community Care Common Standards] x100	94.00%	94.44%
Service cost			
HC3	<i>Cost of domestic care service</i> [Cost of the domestic care service / Hours of domestic care service provided]	-	\$55.18
Service cost			
HC4	<i>Cost of personal care service</i> [Cost of the personal care service / Hours of personal care service provided]	-	\$55.18
Service cost			
HC5	<i>Cost of respite care service</i> [Cost of the respite care service / Hours of respite care service provided]	-	\$55.18
Participation			
HC6	<i>Participation in HACC service</i> [Number of people that received a HACC service / Municipal target population for HACC services] x100	42.00%	35.86%
The number of residents requesting Home and Community Care can vary as it relies firstly on the level of need for support from individuals in any one year and whether they choose to seek government subsidised support services or support from other sources			
Participation			
HC7	<i>Participation in HACC service by CALD people</i> [Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100	31.00%	27.78%
As above			
Animal Management			
Timeliness			
AM1	<i>Time taken to action animal management requests</i> [Number of days between receipt and first response action for all animal management requests / Number of animal management requests]	-	2.12
Service standard			
AM2	<i>Animals reclaimed</i> [Number of animals reclaimed / Number of animals collected] x100	63.00%	62.91%

Service cost			
AM3	<i>Cost of animal management service</i> [Direct cost of the animal management service / Number of registered animals]	\$58.86	\$62.23
Health and safety			
AM4	<i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	50.00	40.00
			The lower number of prosecutions is attributed to the Prosecution Officer taking Long Service Leave for a number of months during 2015/16. In the officer's absence, legal proceedings for routine matters were held over until the officer returned.



7. Supporting Our Economy

To foster an innovative business community and promote the peninsula's agricultural and rural sector.

Major Initiatives	Progress
Business excellence: Implement a program of tourism excellence workshops	Industry Development activities have been undertaken with 8 training and workshop sessions with 77 businesses attending and 28 mentoring sessions have been held.
Business development: Business Survey	Business Survey completed and distributed to Councillors
High quality tourism industry: Tourism Customer Survey	Visitor Journey customer survey completed and reported to Council by the Regional Tourism Board

Service	Description	Net Cost <u>Budget</u> Actual Variance \$000
Economic Development and Tourism	Facilitates economic activity that is compatible with the Peninsula's special character and fits within the strategic vision developed by Council and the community, including support for Mornington Peninsula Tourism.	<u>1,732</u> 1,428 305



**8. Innovative, Responsive,
Value-for-Money
Service Delivery**

To optimise value for ratepayers through efficient, effective and innovative service delivery.

Major Initiatives	Progress
Quality Service: Percentage of Merit Customer Request System action requests completed within Service Charter timeframes	In 2015/16 the Shire received a total of 84,411 merit requests. There was a monthly overdue average of 592 requests
Capital Works Program: Percentage Completion Committed Capital Works Budget	Overall, approximately \$33.0 million has been expended of the Capital Works Program (CWP). During 2015/16, the CWP more than doubled from the adopted Budget of \$30.8 million to \$64.4 million. The growth was driven by an additional \$15.0 million in external grants and contributions, and \$18.6 million of carry forward projects. Over half (51%) of the adjusted CWP has been expended; which includes expenditure of 57% of the original budget. Of the remaining \$31.4 million; to date, the Shire has committed contracts of approximately \$8.6 million, with a further \$5.5 million to be awarded during Q1 2016/17
Competent, safe and healthy workplace: Implementation of Learning and Development Program for staff	Recovre have been engaged to undertake a gap analysis to ascertain MPS procedural compliance with AS4801, review departmental JSAs/SOPs, policies and procedures, checklists and related documents across a range of business units and team; Develop unit specific OHS handbooks for risks specific to that unit; Develop a corporate OHS handbook for those risks that are common across all areas; Review current policies and procedures and update in line with legislation, WorkSafe requirements and AS4801; Develop a corporate OHS policies and procedures handbook (hardcopy and electronic versions); Develop an OHS handbook for Team Leaders and Managers; Develop a corporate OHS risk register. The project commences in July 2016. Additionally, a range of OH&S and safety programs and projects have commenced. Approximately 40 staff attended Contractor Management training to better understand Council obligations and when managing external contractors. There has been a strengthened executive involvement in OH&S management, with the Occupational Health and Safety committee attended again by the CEO and chaired by the COO, with new terms of reference being adopted by the committee. The Shire's Health & Wellbeing Committee was reinvigorated and 2016/2017 program established, with health and wellbeing being a part of our overall approach to safety at MPS.

Service	Description	Net Cost <u>Budget</u> Actual Variance \$000
CEO's Office	The CEO's focus is predominantly long term/strategic in nature, ensuring that the organisation is focused on and resourced to respond effectively to the community's needs as expressed through Council. The area undertakes significant advocacy with other levels of Government and peak bodies. The expense overrun in 2015/16 was primarily driven by cost centre reallocation as a result of restructuring rather than an overspend.	<u>457</u> 659 (202)
Communications (excluding Events)	Responsible for co-ordinating effective and timely communication between Council and the community. This involves managing media relations for the Shire, including preparation of media releases, speeches, social media and website content, as well as on-going communication with local media	<u>1,206</u> 1,303 (97)
Human Resources	Ensuring that the Shire has the human resources and skills necessary to deliver its services. This includes • Recruitment and Selection • Employee Relations • Industrial relations • Learning and Development • Occupational Health and Safety • The development of long term strategies for staff attraction, development and retention. • Customer Service	<u>4,894</u> 4,865 29
Program and Process Review	Facilitates improving performance at the group and organisational levels. The Units role is to improve the organisation's ability to effectively respond to changes in its external environment and support the Organisation in increasing internal capabilities through ensuring the organisational structures, human resources systems, job designs, communication systems and leadership/managerial processes fully harness human motivation and help people function to their full potential.	<u>235</u> 152 83
Corporate Planning	Key responsibilities are: • Development and ongoing review of the Council Plan. • Coordination of linked business planning and corporate performance reporting across the organisation. • Supporting Council's advocacy priorities.	<u>600</u> 346 254
Governance	Ensuring that Council satisfies all its legislative requirements in relations to the function of the Council, including Council meeting arrangements, agendas and minutes for meetings, and all aspects of dealing with the Council, and also including: • Risk Management and Insurances • Purchasing (as part of customer services) • Internal Audit • Purchasing (as part of customer services)	<u>3,375</u> 3,105
		42

		270
		<u>3,037</u>
Information Services	Provision of an efficient and effective technology and information services base for Shire operations.	2,822
		215
	Responsible for all budgeting, accounting, payroll and revenue collection functions of the Shire, including:	
	• Financial Accounting (i.e. Financial Stats and Audit)	
	• Management Accounting (i.e. budget and internal financial reporting)	
Finance	• Payroll	<u>1,362</u>
	• Revenue Management	772
	• Procurement and Contracts Management	590
	The Property area facilitates management of the Shire's property portfolio including disposal of property.	
Property and Valuations	The Valuations area is responsible for all aspects of property valuation, including General revaluation, supplementary valuations, valuation objections, asset valuations and any other valuation requirements.	<u>865</u>
		666
		199
	Each Group have a Director and small staff whose role is to provide leadership and direction to the Group. This includes advocacy to other levels of government and peak bodies, establishing and communicating strategic direction, and generally steering the operating environment.	
Other Directorate budgets	Infrastructure and Planning Budget/Actual Variance = 277	<u>2,558</u>
	Corporate and Communities Budget/Actual Variance = 115	2,167
		392

	Service Performance Indicators Service/indicator/measure	Results 2015	Results 2016	Material variations and comments
	Governance			
	Transparency			
G1	Council decisions made at meetings closed to the public [Number of Council resolutions made at ordinary or special meetings of Council, or at meetings of a special committee consisting only of Councillors, closed to the public / Number of Council resolutions made at ordinary or special meetings of Council or at meetings of a special committee consisting only of Councillors] x100	10.00%	13.09%	Council dealt with a high volume of contractual matters as well as a number of industrial matters in 2015/16; such as tenders and contracts for infrastructure, and service reviews.
G2	Consultation and engagement Satisfaction with community consultation and engagement Community satisfaction rating out of 100 with how Council has performed on community consultation and engagement	59.00	54.99	
G3	Attendance Councillor attendance at council meetings [The sum of the number of Councillors who attended each ordinary and special Council meeting / (Number of ordinary and special Council meetings) × (Number of Councillors elected at the last Council general election)] x100	88.00%	87.60%	The resignation of Cr Bowden in May 2016 has impacted on the percentage of attendance at Council Meetings.
G4	Service cost Cost of governance [Direct cost of the governance service / Number of Councillors elected at the last Council general election]	\$55,206.39	\$58,484.18	
G5	Satisfaction Satisfaction with council decisions [Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]	57.00	56.26	

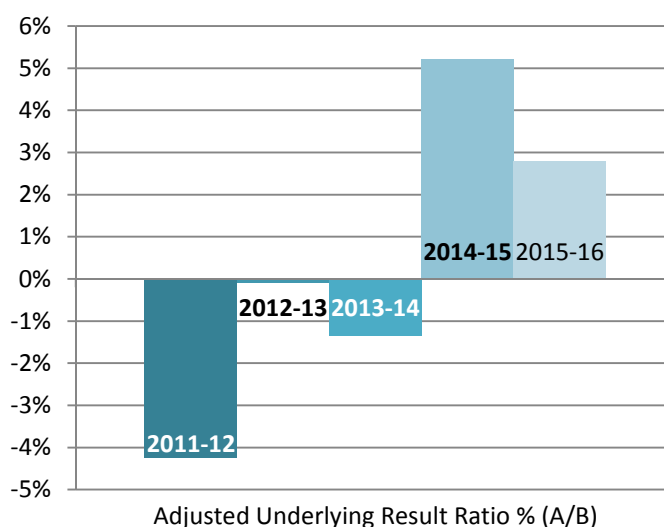
Financial summary

Council's financial position continues to remain sound with strong cash flows, reserves and a solid balance sheet. A summary of our performance is outlined below. Detailed information relating to council's financial performance is included within the financial statements and performance statement sections of this report.

Operating position

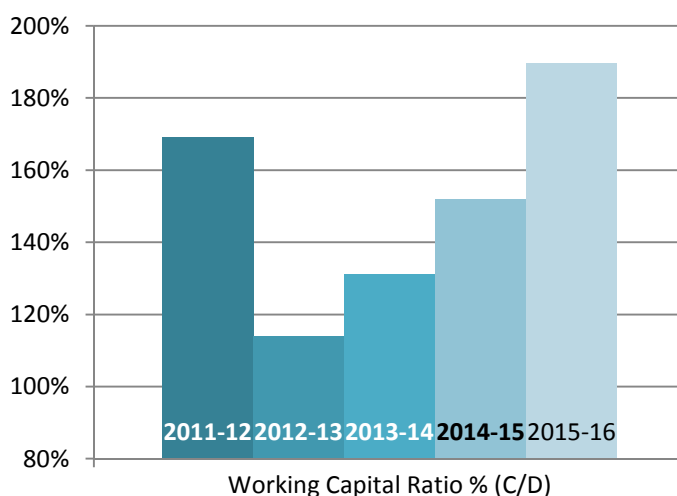
Council achieved a surplus of \$19.30 million in 2015–16. This surplus compares favourably to the prior year surplus of \$15.30 million. The adjusted underlying surplus of council, after removing non-recurrent capital grants, cash capital contributions and non-monetary capital contributions, is a surplus of \$5.43 million or 2.78% when compared to adjusted underlying revenue. This compares favourably to the expected target of >0%.

Sustaining an adjusted underlying surplus is a critical financial strategy that provides capacity to renew the \$2.029 billion of community assets under council's control.



Liquidity

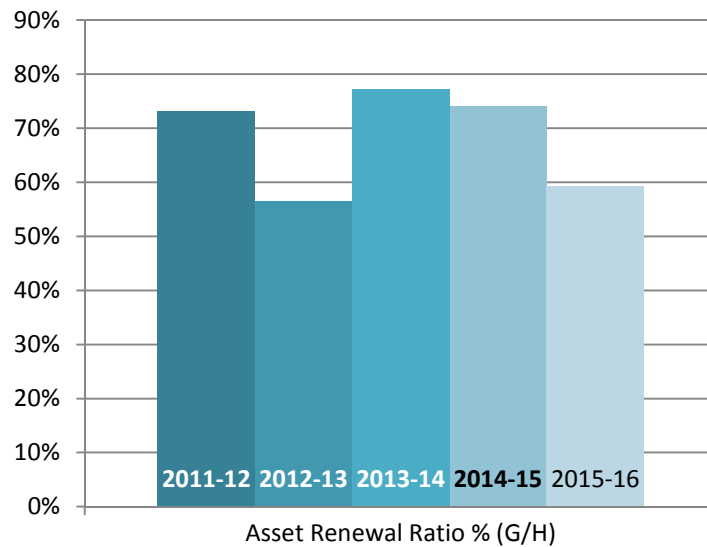
Cash has increased by \$6.3 million from the prior year mainly due to the Capital Grants received during the year for projects that will be funded in the next financial year. The working capital ratio (which assesses council's ability to meet current commitments), is calculated by measuring council's current assets as a percentage of current liabilities. Council's result of 189.6% is an indicator of satisfactory financial position and within the expected target band of 120% to 200%. Council's unrestricted cash compared to current liabilities at 93.8% also indicates optimal use of available working capital.



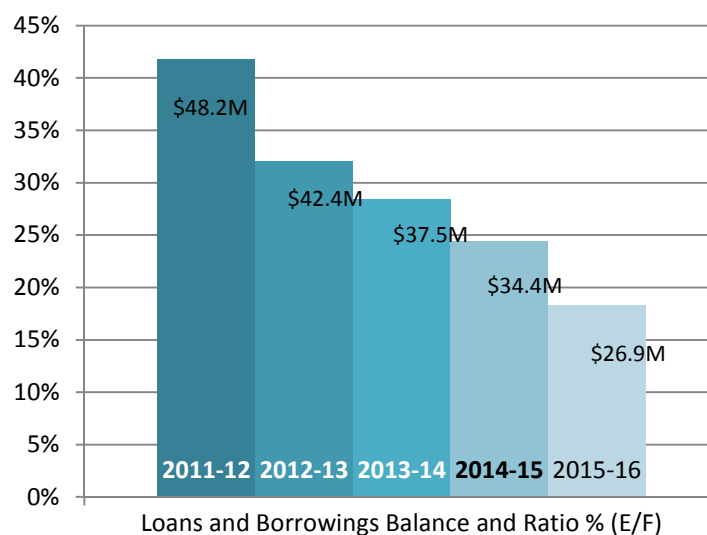
Obligations

Council aims to ensure that it is able to maintain its infrastructure assets at the expected levels, while at the same time continuing to deliver the services needed by the community.

Council's asset renewal ratio which is measured by comparing asset renewal expenditure to depreciation was 59.29% which was within the expected target band of 50%-100%.

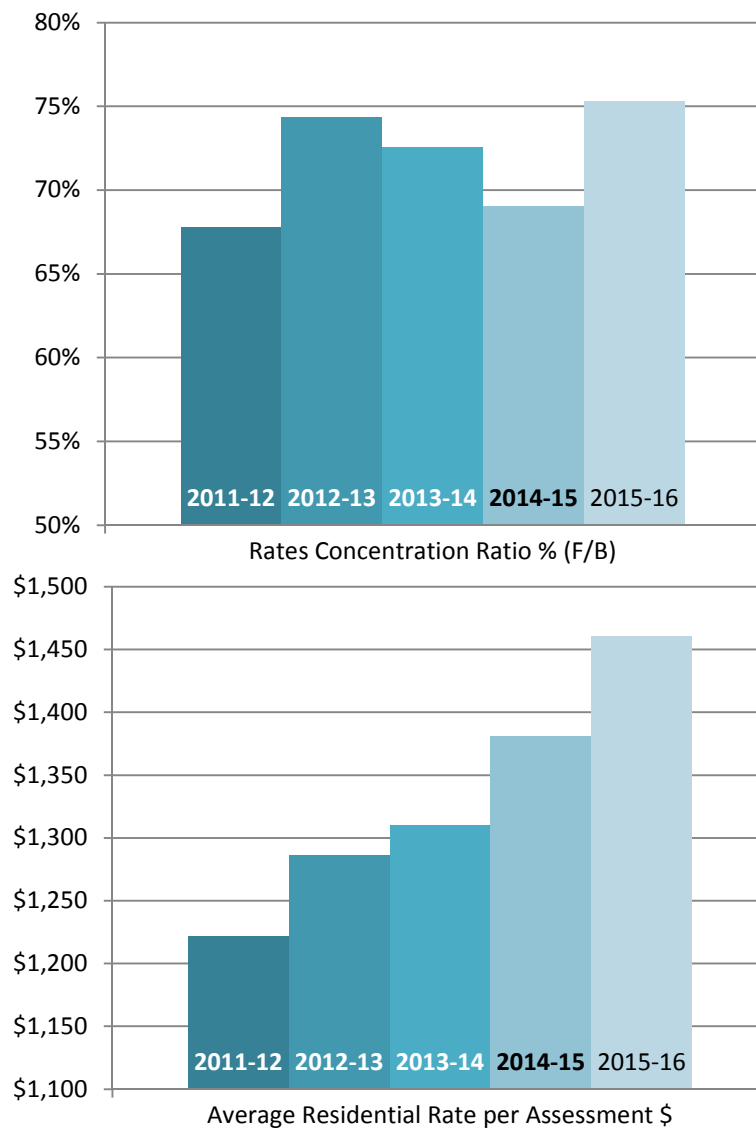


At the end of the 2015-16 year council's debt ratio (which is measured by comparing interest bearing loans and borrowings to rate revenue) was 18.33% which is at the lower end of the expected target band of 0%-60% and has a decreasing trend due Council's debt reduction strategy.



Stability and efficiency

Council raises a range of revenues including rates, user fees, fines, grants and contributions. Despite this, council's rates concentration (which compares rate revenue to adjusted underlying revenue), was 75.33% for the 2015-16 year which is toward the top end of the expected target band of 40%-80%. The increase from 2014-15 is mainly due to the timing of grant funding for 2015-16 which was paid in the prior year from the Victorian Grants Commission. The average residential rate per residential assessment is \$1,460.



Governance, management and other information

Governance

The Mornington Peninsula Shire Council is constituted under the Act to provide leadership for the good governance of the municipal district and the local community. Council has a number of roles including:

- Taking into account the diverse needs of the local community in decision-making
- Providing leadership by establishing strategic objectives and monitoring achievements
- Ensuring that resources are managed in a responsible and accountable manner
- Advocating the interests of the local community to other communities and governments
- Fostering community cohesion and encouraging active participation in civic life.

Council is committed to effective and sustainable forms of democratic and corporate governance as the key to ensuring that council and its administration meet the community's priorities. The community has many opportunities to provide input into council's decision-making processes including community consultation, public forums such as ward meetings and the ability to make submissions to Special Committees of Council.

Council's formal decision-making processes are conducted through Council Meetings and Special Committees of Council. Council delegates the majority of its decision-making to Council staff. These delegations are exercised in accordance with adopted Council policies.

Meetings of Council

Council conducts open public meetings on the second and fourth Monday of each month. Members of the community are welcome to attend these meetings and observe from the gallery. Council meetings also provide the opportunity for community members to submit a question to Council, make a submission or speak to an item. For the 2015-16 year Council held the following meetings:

- 19 ordinary council meetings
- 3 special council meetings.

The following table provides a summary of councillor attendance:

Councillors	Council Meetings	Special Council Meetings	Total
Cr Graham Pittock (Mayor)	19	2	21
Cr Bev Colomb (Deputy Mayor)	15	3	18
Cr Antonella Celi	19	3	22
Cr Andrew Dixon	17	2	19
Cr Hugh Fraser	18	3	21
Cr David Garnock	19	3	22
Cr David Gibb	14	3	17
Cr Tim Rodgers	19	2	21
Cr Anne Shaw	16	3	19
Cr Tim Wood	17	1	18
Cr Lynn Bowden (retired)	9	0	9

Special committees

The Act allows councils to establish one or more special committees consisting of:

- Councillors
- Council staff
- Other persons
- Any combination of the above

The following table contains a list of special committees established by the council that are in operation and the purpose for which each committee was established.

Special committee	Councillors on Committee	Officers on Committee	Others	Purpose
Section 223 Submission Committee	3	0	0	To consider all submissions made under section 223 of the Act

Councillor Code of Conduct

The Act requires each Council to have a Councillor Code of Conduct. The requirement for all Victorian Councils to review the Councillor Code of Conduct is prescribed by the *Local Government Amendment (Improved Governance) Act 2015*.

Section 15 of the *Local Government Amendment (Improved Governance) Act 2015* states that “A Council must review and make any necessary amendments to its Councillor Code of Conduct within 4 months after the commencement of Section 15 of the *Local Government Amendment (Improved Governance) Act 2015*.” Section 15 of the *Local Government Amendment (Improved Governance) Act 2015* commenced on 1 March 2016 and the requirement to have the new Councillor Code of Conduct to be adopted by 1 July 2016.

The Councillor Code of Conduct was adopted at a Special Meeting of Council on 6 June 2016 in accordance with the Act. Mornington Peninsula Shire Council’s Councillor Code of Conduct provides a framework for ethical and professional behaviour of Councillors in the range of interactions between Councillors, Council staff and the public. It covers various areas of professional conduct and details the standards of behaviour expected.

Conflict of interest

Council has a comprehensive procedure in place to accommodate the disclosure of a conflict of interest. Declaration of a conflict of interest is a standard agenda item for all Council and Committee meetings.

While the procedures vary depending on the particular role and circumstances, in general they involve disclosing the relevant interests in a specific way and then stepping aside from the relevant decision-making process or from the exercise of the public duty. A register is maintained to record all disclosed conflict of interests. During 2015–16, 24 conflicts of interest were declared at council and Special Committee meetings.

Councillor Allowances

In accordance with Section 74 of the Act, councillors are entitled to receive an allowance while performing their duty as a councillor. The Mayor is also entitled to receive a higher allowance.

The Victorian Government sets the upper and lower limits for all allowances paid to councillors and Mayors. Councils are divided into three categories based on the income and population of each council. In this instance Mornington Peninsula Shire Council is recognised as a category three council.

The following table contains details of current allowances and superannuation guarantee equivalent paid for the Mayor and Councillors during the year.

Councillors	Allowance \$	Superannuation \$	Total \$
Cr Graham Pittock (Mayor: 10 Nov 2015 – 30 June 2016)	68,971	6,233	75,204
Cr Bev Colomb (Mayor: 1 July 2015 – 9 Nov 2015)	50,568	4,831	55,399
Cr Antonella Celi	28,613	2,724	31,337
Cr Andrew Dixon	28,613	2,724	31,337
Cr Hugh Fraser	28,613	2,724	31,337
Cr David Garnock	28,613	2,724	31,337
Cr David Gibb	28,613	2,724	31,337
Cr Tim Rodgers	28,613	2,724	31,337
Cr Anne Shaw	28,613	2,724	31,337
Cr Tim Wood	28,613	2,724	31,337
Cr Lynn Bowden (resigned 2 May 2016))	23,795	2,724	26,519

Councillor expenses

In accordance with Section 75 of the Act, council is required to reimburse a councillor for expenses incurred whilst performing his or her duties as a councillor. Council is also required to adopt and maintain a policy in relation to the reimbursement of expenses for councillors.

The details of the expenses including reimbursement of expenses for each Councillor and member of a Council committee paid by Council for the 2015-16 year are:

Councillors	TR \$	CM \$	CC \$	IC \$	CT \$	OT	Total \$
Cr Graham Pittock (Mayor: 10 Nov 2015 – 30 June 2016)	191	1,531	-	1,531	10,132	3,982	17,367
Cr Bev Colomb (Mayor: 1 July 2015 – 9 Nov 2015)	253	2,720	-	2,139	410	814	6,336
Cr Antonella Celi	84	14,315	3,239	2,475	418	2,234	22,765
Cr Andrew Dixon		3,561	-	977		249	4,788
Cr Hugh Fraser	432	6,491	-	3,748	6,171	1,478	18,320
Cr David Garnock	196	17,062	-	1,334	150	732	19,474
Cr David Gibb	119	6,571	-	1,433	1,336	2,244	11,703
Cr Tim Rodgers	198	10,047	-	1,737	702	1,280	13,964
Cr Anne Shaw	-	2,505	-	1,232		-	3,737
Cr Tim Wood	34	5,667	-	1,737	376	260	8,074
Cr Lynn Bowden (resigned 2 May 2016)	-	7,002	-	1,430		397	8,829

Legend: TR-Travel CM-Car Mileage CC-Child Care IC-Information and Communication expenses CT-Conferences and Training expenses OT Other (including memberships, meals, uniforms and stationery).

Note: No expenses were paid by Council including reimbursements to members of Council committees during the year

Management

Council has implemented a number of statutory and better practice items to strengthen its management framework. Having strong governance and management frameworks lead to better decision making by council. The Act requires council to undertake an assessment against the prescribed governance and management checklist and include this in its report of operations. Council's Governance and Management Checklist results are set out in the section below. The following items have been highlighted as important components of the management framework.

Audit Committee

The Audit Committee is an independent advisory Committee of Council established under Section 139 of the Act. The Audit Committee's role is to provide independent advice and recommendations to Council about the systems and activities of Council including:

- Reliable financial reporting and management information
- High standards of corporate governance
- Appropriate application of accounting policies
- Compliance with applicable laws and regulations
- Effective monitoring and control of identified risks
- Effective and efficient internal and external audit functions
- Measures to provide early warning of any issues affecting the organisations financial wellbeing
- Effectiveness of appropriate Business Continuity and Disaster Recovery planning and
- Maintenance and fostering of an ethical environment

The Audit Committee consists of three independent members and two Councillors. The independent member for 2015-2016 financial year were:

Mr David Osborne (Chair) from 1 July 2015 to 1 February 2016,
Ms Lisa Woolmer (Chair) from 2 February 2016 to 30 June 2016,
Ms Andrea Hassett and
Mr Geoff Hilton

Independent members are appointed for a three-year term. The chair is elected from amongst the independent members.

The Audit Committee meets six times a year. The Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Governance Manager attend all Audit Committee meetings. Other management representatives attend as required to present reports. The external auditors and outsourced Internal Auditors also attend each meeting.

Internal Audit

Council's internal audit function provides independent and objective external assurance that the appropriate processes and controls are in place across council. A three-year Strategic Internal Audit Plan is revised and endorsed by the Audit Committee annually to ensure the audit resources remain focused on the appropriate areas. The review process considers council's risk framework, the Council Plan, prior audit coverage and management input.

External Audit

Council is externally audited by the Victorian Auditor-General. For the 2015–16 year the annual external audit of council's Financial Statements and Performance Statement was conducted by the Victorian Auditor-General. The external auditors attend all audit committee meetings and present the annual audit plan and Independent Audit Report. The external audit management letter and responses are also provided to the Audit Committee.

Risk management

In March 2013, council adopted the Risk Management Framework and Policy in line with current best practice in the management of business enterprise risks and current AS/NZS 31000 guidelines. The Risk Management Framework and Policy addresses items such as:

- risk management culture and responsibilities
- communication and training; and
- best practice in risk management

Management are currently reviewing and updating the Risk Management Framework which will be adopted in the coming 12 months.

Governance and management checklist

The following are the results in the prescribed form of council's assessment against the prescribed governance and management checklist.

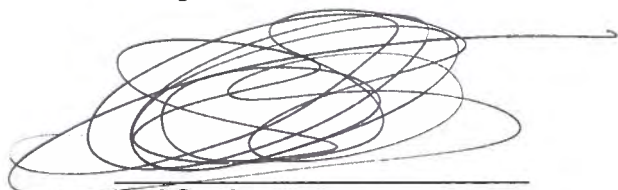
Column 1 Governance and Management Items	Column 2 Assessment
1 Community engagement policy (policy outlining council's commitment to engaging with the community on matters of public interest)	Draft policy in place and be used by staff. Formal adoption of policy expected soon.
2 Community engagement guidelines (guidelines to assist staff to determine when and how to engage with the community)	Draft policy in place and be used by staff. Formal adoption of policy expected soon.
3 Strategic Resource Plan (plan under section 126 of the Act outlining the financial and non-financial resources required for at least the next 4 financial years)	Adopted in accordance with section 126 of the Act Date of adoption: 20 June 2016
4 Annual budget (plan under section 130 of the Act setting out the services to be provided and initiatives to be undertaken over the next 12 months and the funding and other resources required)	Adopted in accordance with section 130 of the Act Date of adoption: 20 June 2016
5 Asset management plans (plans that set out the asset maintenance and renewal needs for key infrastructure asset classes for at least the next 10 years)	Date of operation of current plans: Buildings 24 September 2012 (updated 2016) Drainage 2012 (updated 2016) Parks and Open Space 2012 (updated 2016) Roads 2012 (updated 2016) Asset Management Strategy adopted by Council 13 July 2015. Asset Management Policy adopted by Council 13 July 2015.
6 Rating strategy (strategy setting out the rating structure of council to levy rates and charges)	Strategy Date of operation of current strategy: 20 June 2016
7 Risk policy (policy outlining council's commitment and approach to minimising the risks to council's operations)	Policy Date of operation of current policy: 25 March 2013 (currently under review)

Column 1 Governance and Management Items	Column 2 Assessment
8 Fraud policy (policy outlining council's commitment and approach to minimising the risk of fraud)	Policy Date of operation of current policy: 2 August 2016
9 Municipal emergency management plan (plan under section 20 of the <i>Emergency Management Act 1986</i> for emergency prevention, response and recovery)	Prepared and maintained in accordance with section 20 of the <i>Emergency Management Act 1986</i> Last amended: 12 November 2015 (updated 22 March 2016)
10 Procurement policy (policy under section 186A of the <i>Local Government Act 1989</i> outlining the matters, practices and procedures that will apply to all purchases of goods, services and works)	Prepared and approved in accordance with section 186A of the <i>Local Government Act 1989</i> Date of approval: 23 November 2015 (currently under review)
11 Business continuity plan (plan setting out the actions that will be undertaken to ensure that key services continue to operate in the event of a disaster)	Date of adoption: 10 May 2016 (supported by Audit Committee on 1 June 2016)
12 Disaster recovery plan (plan setting out the actions that will be undertaken to recover and restore business capability in the event of a disaster)	Date approved: 28 July 2014
13 Risk management framework (framework outlining council's approach to managing risks to the council's operations)	Risk Management Strategy Date of operation of current strategy: 25 March 2013 (currently under review)
14 Audit Committee (advisory committee of council under section 139 of the Act whose role is to oversee the integrity of a council's financial reporting, processes to manage risks to the council's operations and for compliance with applicable legal, ethical, and regulatory requirements)	Established in accordance with section 139 of the Act Date of establishment: 11 June 1996 A new Audit Committee Chairperson (independent member) was appointed 2 February 2016

Column 1 Governance and Management Items	Column 2 Assessment
15 Internal audit (independent accounting professionals engaged by the council to provide analyses and recommendations aimed at improving council's governance, risk and management controls)	Engaged ShineWing Date of engagement of current provider: 1 October 2014 (to 30 June 2017)
16 Performance reporting framework (a set of indicators measuring financial and non-financial performance, including the performance indicators referred to in section 131 of the Act)	Framework Date of operation of current framework: 1 July 2015
17 Council Plan reporting (report reviewing the performance of the council against the council plan, including the results in relation to the strategic indicators, for the first six months of the financial year)	Report on the Council Plan is included in the CEO Quarterly Performance Report to Council
18 Financial reporting (quarterly statements to council under section 138 of the Act comparing budgeted revenue and expenditure with actual revenue and expenditure)	Statements presented to council in accordance with section 138(1) of the Act Date statements presented: 26 October 2015, 22 February 2016, 26 April 2016 and 25 July 2016 Monthly reports to the community
19 Risk reporting (six-monthly reports of strategic risks to council's operations, their likelihood and consequences of occurring and risk minimisation strategies)	Reports Date of reports: 9 September 2015, 7 October 2015, 2 December 2015, 3 February 2016, 13 April 2016 and 1 June 2016.
20 Performance reporting (six-monthly reports of indicators measuring the results against financial and non-financial performance, including performance indicators referred to in section 131 of the Act)	Quarterly reports to the Audit Committee

Column 1 Governance and Management Items	Column 2 Assessment
21 Annual report (annual report under sections 131, 132 and 133 of the Act to the community containing a report of operations and audited financial and performance statements)	Considered at a meeting of council in accordance with section 134 of the Act on 12 October 2015 (2015/16 Annual Report set to be considered on 10 October 2016)
22 Councillor Code of Conduct (Code under section 76C of the Act setting out the conduct principles and the dispute resolution processes to be followed by councillors)	Reviewed in accordance with Section 76C of the Act Date reviewed: 6 June 2016
23 Delegations (a document setting out the powers, duties and functions of council and the Chief Executive Officer that have been delegated to members of staff)	Reviewed in accordance with section 98(6) of the Act Date of review: 15 March 2016
24 Meeting procedures (a local law governing the conduct of meetings of council and special committees)	Meeting procedures local law made in accordance with section 91(1) of the Act Date local law made: 24 September 2012

I certify that this information presents fairly the status of council's governance and management arrangements.



Carl Cowie
Chief Executive Officer
Dated: 12 September 2016



Cr Graham Pittock
Mayor
Dated: 12 September 2016

Statutory information

The following information is provided in accordance with legislative and other requirements applying to Council.

Documents available for public inspection

In accordance with regulation 12 of the Local Government (General) Regulations 2015 the following are prescribed documents that are available for public inspection or copies of the documents can be obtained for the purposes of section 222 of the Act at 90 Besgrove Street, Rosebud:

- a document containing details of overseas or interstate travel (other than interstate travel by land for less than three days) undertaken in an official capacity by councillor or any member of council staff in the previous 12 months
- minutes of ordinary and special meetings held in the previous 12 months which are kept under section 93 of the Act, other than those agendas and minutes relating to a part of a meeting which was closed to members of the public under section 89 of the Act and are confidential information within the meaning of section 77(2) of the Act
- the minutes of meetings of special committees established under section 86 of the Act and held in the previous 12 months, other than those minutes relating to a part of a meeting which was closed to members of the public under section 89 of the Act and are confidential information within the meaning of section 77(2) of the Act
- a register of delegations kept under sections 87(1) and 98(4) of the Act, including the date on which the last review took place under sections 86(6) and 98(6), respectively, of the Act
- a document containing details of all leases involving land which were entered into by the council as lessor, including the lessee and the terms and the value of the lease
- a register maintained under section 224(1A) of the Act of authorised officers appointed under that section
- a list of donations and grants made by the council in the previous 12 months, including the names of persons who, or bodies which, have received a donation or grant and the amount of each donation or grant.

Best value

In accordance with section 208B(f) of the Act, at least once every year a council must report to its community on what it has done to ensure that it has given effect to the Best Value Principles. Council incorporates Best Value Principles through regular business planning and performance monitoring processes and through a commitment to continuous improvement and innovation in line with the Shire's Strategic Goals 8 Innovative, Response, Value-for-Money Service Delivery.

The following Best Value initiatives were undertaken during 2015–16:

- budget process – development of guidelines and processes for fees and charges
- business planning – development and implementation of integrated approach to business planning
- competitive public procurement processes – seeking value for money opportunities
- support local procurement – in acknowledging our role in supporting local business and promoting employment opportunities

Carers recognition

Council is committed to supporting carers in our community and acknowledge the invaluable role they play in supporting our more vulnerable community members.

Council has promoted the principles of the **Carers Recognition Act 2012** to people in care relationships who receive council services, to people in care relationships, and to the wider community by:

- Distributing printed material through relevant council services
- Providing information to organisations represented in council/community networks.

Council has taken all practicable measures to ensure staff and volunteers are informed about the principles and obligations of the Act by including information on the care relationship in:

- council induction and training programs for staff working in Aged and Disability Services
- induction and training programs for volunteers working directly with the community.

Council has taken all practicable measures to review and modify policies, procedures and supports to include recognition of the carer relationship and has provided the following additional activities and resources to recognise the care relationship:

- provision of respite services for carers.
- recognising carers during National Carers Week in October 2015 at a ceremony held at the Mornington Peninsula Regional Gallery, comprising 4 free sessions for carers to have a guided tour of the exhibition 'Salon des refuses' and newspaper articles citing the following as a gesture of the Shire's support and thanks to carers "Carers day acknowledges the thousands of carers on the Mornington Peninsula who look after people with disabilities, people who are frail aged, people with mental illness and people who are unwell. It is a small way of saying thank you and giving carers an opportunity to enjoy some quality 'me time'."

Contracts

Council is required to provide a list of contracts entered into by Council valued at \$150,000 or more for services or \$200,000 or more for goods if the Council did not engage in a competitive process before entering into the contract and it is not of a kind specified in section 186(5) or (5A) of the Act. Council did not enter into any contracts valued at \$150,000 or more for services or \$200,000 or more for goods if the Council without engaging in a competitive process before entering into the contract.

The same principles are applied to values under these thresholds to ensure value for money and supporting the Act's best value principles.

Disability Action Plan

In accordance with section 38 of the **Disability Act 2006**, as council has prepared a Disability Action Plan it must report on the implementation of the Disability Action Plan in its annual report.

Council has prepared a Disability Action Plan and implemented the following actions:

- Footpaths construction in commercial key activity areas
- The Shire's All Abilities Consultative Committee successfully advocated for a Changing Places toilet to be built at the bottom of the Arthur's Seat Chairlift
- Scooter RECHARGE scheme has continued to grow, with 24 recharge sites available across the peninsula
- Mobility maps for Rye and Somerville have been completed
- A new website has been developed with more accessibility features

Domestic Animal Management Plan

In accordance with Section 68A of the **Domestic Animals Act 1994**, Councils must submit a domestic animal management plan on a four-yearly cycle and evaluate its implementation in the Annual Report.

The plan recognises the importance of achieving a reasonable balance in managing issues affecting both pet owners and non-pet owners. The plan was developed through consultation with the community to identify key issues and priorities with regard to animal management on the Mornington Peninsula.

Council adopted the last Plan in July 2014; the next submission was due to the Secretary of the Department of Economic Development, Jobs, Transport and Resources by 3 November 2016.

However, as this date coincides with council elections, making it difficult for newly elected councillors to contribute to the plan, the Secretary has agreed to accept submissions of new plans by 3 November 2017.

The Shire continues to receive, large volumes of community concerns regarding a range of domestic animal management issues.

Outcomes achieved:

- Improved rates of reuniting pets to their owners;
- Increased presence of Authorised Officers on beaches;
- Enhancements to the Shire's network of leash-free areas;

Food Act Ministerial directions

In accordance with section 7E of the **Food Act 1984**, council is required to publish a summary of any Ministerial Directions received during the financial year in its annual report. No such Ministerial Directions were received by council during the financial year.

Freedom of Information

In accordance with section 7(4AA)(a) and 7(4AA)(b) of the **Freedom of Information Act 1982**, council is required to publish certain statements in their annual report or separately such as on its website, concerning its functions and information available. Council has chosen to publish the statements separately however provides the following summary of the application and operation of the **Freedom of Information Act 1982**.

The **Freedom of Information Act 1982** provides members of the community with a right of access to documents held by Council, unless that information is deemed exempt under the Act.

The **Freedom of Information Act 1982** provides:

- Members of the public the right to access information about the activities of government agencies,
- Promotes open and transparent government,
- Allows individuals access to their personal affairs information and requests that inaccurate, incomplete, out-of-date or misleading information in their personal records be amended,
- Provides members of the public the right to appeal against a decision with the Freedom of Information Commissioners Office.

During 2015/16 The Mornington Peninsula Shire received 57 (valid) Freedom of Information requests. Further statistical information on Freedom of Information requests processed by the Mornington Peninsula Shire for the 2015/16 period will be available in the Freedom of Information Commissioners' Annual Report currently being prepared, which can be view online at <http://www.foicommissioner.vic.gov.au/find/publications/>.

Access to documents may be obtained through written request to the Freedom of Information Officer, as detailed in section 17 of the **Freedom of Information Act 1982** and in summary as follows:

- it should be in writing
- it should identify as clearly as possible which document is being requested
- it should be accompanied by the appropriate application fee (the fee may be waived in certain circumstances).

Requests for documents in the possession of Council should be addressed to the Freedom of Information Officer. Requests can also be lodged online or by email.

Access charges may also apply once documents have been processed and a decision on access is made (e.g. photocopying and search and retrieval charges).

Further information regarding FOI can be found at www.foi.vic.gov.au and on the Mornington Peninsula Shire Council's website.

Protected Disclosure Procedures

In accordance with section 69 of the **Protected Disclosure Act 2012** a Council must include in their annual report information about how to access the procedures established by the Council under Part 9 of that Act. It is also required to provide certain information about the number and types of protected disclosures complaints investigated during the financial year.

The **Protected Disclosure Act 2012** aims to ensure openness and accountability in government by encouraging people to disclose improper conduct within the public sector and provide protection for people who make disclosures. Procedures on how to make a disclosure are publicly available council's website.

During the 2015-16 year no disclosures were notified to council officers appointed to receive disclosures, or to IBAC.

Road Management Act Ministerial directions

In accordance with section 22 of the **Road Management Act 2004**, a council must publish a copy or summary of any Ministerial direction in its annual report. No such Ministerial Directions were received by council during the financial year.

Materiality Thresholds

This section is provided to set out the quantitative materiality thresholds used for explaining material variations in results between 2015-16 and 2014-15 in the performance section (pages 22-46).

Service/indicator/measure	Measure expressed as:	Materiality threshold:
Aquatic Facilities		
Service standard Health inspections of aquatic facilities	Number of health inspections per council aquatic facility	Movement of +/- 1
Reportable safety incidents at aquatic facilities	Number of WorkSafe reportable aquatic safety incidents	Movement of +/- 2
Service cost Cost of indoor aquatic facilities	\$ direct cost less any income received of providing indoor aquatic facilities per visit	Movement of +/- \$1
Cost of outdoor aquatic facilities	\$ direct cost less any income received of providing outdoor aquatic facilities per visit	Movement of +/- \$2.50
Utilisation Utilisation of aquatic facilities	Number of visits to aquatic facilities per head of municipal population	Movement of +/- 2 visits
Animal Management		
Timeliness Time taken to action animal requests	Number of days taken to action animal requests	Movement of +/- 1 day
Service standard Animals reclaimed	% of collected animals reclaimed	Movement of +/- 7.5%
Service cost Cost of animal management service	\$ direct cost of the animal management service per registered animal	Movement of +/- \$5
Health and safety Animal management prosecutions	Number of prosecutions	Movement of +/- 10 prosecutions
Food Safety		
Timeliness Time taken to action food complaints	Number of days taken to action food complaints	Movement of +/- 1 day
Service standard Food safety assessments	% of registered class 1 food premises and class 2 food premises that receive an annual food safety assessment	Movement of +/- 10%

Service/indicator/measure	Measure expressed as:	Materiality threshold:
Service cost Cost of food safety service	\$ direct cost of the food safety service per registered food premises	Movement of +/- \$75
Health and safety Critical and major non-compliance notifications	% of critical and major non-compliance outcome notifications that are followed up by council	Movement of +/- 10%
Governance		
Transparency Council resolutions at meetings closed to the public	% of council resolutions made at meetings closed to the public	Movement of +/- 1.5%
Consultation and engagement Satisfaction with community consultation and engagement	Satisfaction rating out of 100	Movement of +/- 5
Attendance Council attendance at council meetings	% of council attendance at ordinary and special council meetings	Movement of +/- 10%
Service cost Cost of governance	\$ direct cost of the governance service per councillor	Movement of +/- \$5000
Decision making Satisfaction with council decisions	Satisfaction rating out of 100	Movement of +/- 5
Home and Community Care		
Timeliness Time taken to commence the HACC service	Number of days it has taken for a new client to commence the HACC service	Movement of +/- 7 days
Service standard Compliance with Community Care Common Standards	% of Community Care Common Standards expected outcomes met	Movement of +/- 10%
Service cost Cost of domestic care service	\$ cost of the domestic care service per hour of service	Movement of +/- \$5
Cost of personal care service	\$ cost of the personal care service per hour of service	Movement of +/- \$5
Cost of respite care service	\$ cost of the respite care service per hour of service	Movement of +/- \$5
Participation Participation in HACC service	% of the municipal target population that receive a HACC service	Movement of +/- 5%

Service/indicator/measure	Measure expressed as:	Materiality threshold:
Participation in HACC service by CALD people	% of the municipal target population in relation to CALD people that receive a HACC service	Movement of +/- 5%
Libraries		
Utilisation Library collection usage	Number of library collection item loans per library collection item	Movement of +/- 0.5 loans
Resource standard Standard of library collection	% of the library collection that has been purchased in the last 5 years	Movement of +/- 7.5%
Service cost Cost of library service	\$ direct cost of the library service per visit	Movement of +/- \$1
Participation Active library members	% of the municipal population that are active library members	Movement of +/- 5%
Maternal and Child Health		
Satisfaction Participation in first MCH home visit	% of infants enrolled in the MCH service who receive the first MCH home visit	Movement of +/- 5%
Service standard Infant enrolments in the MCH service	% of infants enrolled in the MCH service	Movement of +/- 5%
Service cost Cost of the MCH service	\$ cost of the MCH service per hour of service delivered	Movement of +/- \$10
Participation Participation in MCH service	% of children enrolled who participate in the MCH services	Movement of +/- 5%
Participation in MCH service by Aboriginal children	% of Aboriginal children enrolled who participate in the MCH service	Movement of +/- 10%
Roads		
Satisfaction of use Sealed local road requests	Number of sealed local road requests per 100 kilometres of sealed local road	Movement of +/- 20 requests
Condition Sealed local roads below the intervention level	% of sealed local roads that are below the renewal intervention level	Movement of +/- 5%

Service/indicator/measure	Measure expressed as:	Materiality threshold:
Service cost Cost of sealed local road reconstruction	\$ direct reconstruction cost per square metre of sealed local roads reconstructed	Movement of +/- \$15
Cost of sealed local road resealing	\$ direct resealing cost per square metre of sealed local roads resealed	Movement of +/- \$2
Satisfaction Satisfaction with sealed local roads	Satisfaction rating out of 100	Movement of +/- 5
Statutory Planning		
Timeliness Time taken to decide planning applications	Days between receipt of a planning application and a decision on the application	Movement of +/- 10 days
Service standard Planning applications decided within 60 days	% of planning application decisions made within 60 days	Movement of +/- 7.5%
Service cost Cost of statutory planning service	\$ direct cost of the statutory planning service per planning application	Movement of +/- \$250
Decision making Planning decisions upheld at VCAT	% of decisions subject to review by VCAT that were not set aside	Movement of +/- 10%
Waste Collection		
Satisfaction Kerbside bin collection requests	Number of kerbside bin collection requests per 1000 kerbside bin collection households	Movement of +/- 10 requests
Service standard Kerbside collection bins missed	Number of kerbside collection bins missed per 10,000 scheduled kerbside collection bin lifts	Movement of +/- 5 bins
Service cost Cost of kerbside garbage collection service	\$ direct cost of the kerbside garbage bin collection service per kerbside garbage collection bin	Movement of +/- \$10

Service/indicator/measure	Measure expressed as:	Materiality threshold:
Cost of kerbside recyclables collection service	\$ direct cost of the kerbside recyclables collection service per kerbside recyclables collection bin	Movement of +/- \$5
Waste diversion Kerbside collection waste diverted from landfill	% of garbage, recyclables and green organics collected from kerbside bins that is diverted from landfill	Movement of +/- 10%

Financial Statements



**Mornington Peninsula Shire
ANNUAL FINANCIAL REPORT**

For the Year Ended 30 June 2016

Mornington Peninsula Shire

Financial Report

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Comprehensive Income Statement For the Year Ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Income			
Rates and charges	3	150,095	144,027
Statutory fees and fines	4	5,151	5,054
User fees	5	22,609	23,165
Grants - operating	6	17,654	25,272
Grants - capital	6	11,793	6,908
Contributions - monetary	7	4,132	4,772
Contributions - non monetary	7	3,788	1,259
Other income	9	3,876	3,378
Total income		219,098	213,835
Expenses			
Employee costs	10	68,875	67,490
Materials and services	11	87,709	91,620
Depreciation and amortisation	12	26,166	27,373
Borrowing costs	13	1,649	1,965
Other expenses	14	5,110	5,170
Net loss on disposal of property, infrastructure, plant and equipment	8	10,284	4,911
Total expenses		199,793	198,529
Surplus for the year		19,305	15,306
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	28	34,464	(17)
Total comprehensive result		53,769	15,289

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

Balance Sheet As at 30 June 2016

	Note	2016 \$'000	2015 \$'000 Restated *
Assets			
Current assets			
Cash and cash equivalents	15	40,155	33,854
Trade and other receivables	16	13,449	15,339
Other financial assets	17	13,575	2,073
Inventories	18	138	123
Non-current assets classified as held for sale	19	2,195	3,326
Other assets	20	2,317	2,524
Total current assets		71,829	57,239
Non-current assets			
Trade and other receivables	16	1,187	1,141
Other financial assets	17	8	8
Property, infrastructure, plant and equipment	21	2,029,649	2,006,769
Investment property	22	9,360	-
Intangible assets	23	1,150	1,272
Total non-current assets		2,041,354	2,009,190
Total assets		2,113,183	2,066,429
Liabilities			
Current liabilities			
Trade and other payables	24	15,402	13,324
Trust funds and deposits	25	3,755	4,434
Provisions	26	11,465	12,586
Interest-bearing loans and borrowings	27	7,257	7,537
Total current liabilities		37,879	37,881
Non-current liabilities			
Provisions	26	3,951	3,792
Interest-bearing loans and borrowings	27	19,657	26,829
Total non-current liabilities		23,608	30,621
Total liabilities		61,487	68,502
Net assets		2,051,696	1,997,927
Equity			
Accumulated surplus		951,415	932,292
Reserves	28	1,100,281	1,065,635
Total Equity		2,051,696	1,997,927

* Council has restated the Balance Sheet to correct errors as outlined in Note 1 (a) and Note 38.

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

Statement of Changes in Equity For the Year Ended 30 June 2016

	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2016					
Balance at beginning of the financial year		1,997,927	932,292	1,064,932	703
Surplus for the year		19,305	19,305	-	-
Net asset revaluation increment	28(a)	34,464	-	34,464	-
Transfers to other reserves	28(b)	-	(182)	-	182
Balance at end of the financial year		2,051,696	951,415	1,099,396	885

		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2015					
Balance at beginning of the financial year as reported		1,999,238	933,405	1,064,949	884
Prior period adjustment *		(16,600)	(16,600)	-	-
Balance at beginning of the financial year as restated		1,982,638	916,805	1,064,949	884
Surplus for the year		15,306	15,306	-	-
Net asset revaluation decrement	28(a)	(17)	-	(17)	-
Transfers from other reserves	28(b)	-	181	-	(181)
Balance at end of the financial year		1,997,927	932,292	1,064,932	703

* Council has restated the Statement of Changes in Equity to correct errors as outlined in Note 1 (a) and Note 38.

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 2016

		2016 Inflows/ (Outflows) \$'000	2015 Inflows/ (Outflows) \$'000
	Note		
Cash flows from operating activities			
Rates and charges		148,503	145,205
Statutory fees and fines		5,152	5,054
User fees		25,705	27,089
Grants - operating		22,314	22,295
Grants - capital		11,793	6,908
Contributions - monetary		4,132	4,772
Interest received		1,668	1,433
Net GST refund		8,923	9,331
Employee costs		(70,152)	(68,613)
Materials and services		(97,218)	(106,626)
Trust funds and deposits (repaid)/received		157	(204)
Other payments		(5,019)	(5,039)
Net cash provided by operating activities	29	<u>55,958</u>	<u>41,605</u>
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(29,336)	(35,830)
Proceeds from sale of property, infrastructure, plant and equipment	8	349	6,660
Payments for investments		(54,298)	(22,086)
Proceeds from sale of investments		42,796	20,013
Net cash used in investing activities		<u>(40,489)</u>	<u>(31,243)</u>
Cash flows from financing activities			
Finance costs		(1,715)	(2,030)
Proceeds from borrowings		-	12,450
Repayment of borrowings		(7,453)	(15,626)
Net cash used in financing activities		<u>(9,168)</u>	<u>(5,206)</u>
Net increase in cash and cash equivalents		6,301	5,156
Cash and cash equivalents at the beginning of the financial year		33,854	28,698
Cash and cash equivalents at the end of the financial year	15	<u>40,155</u>	<u>33,854</u>
Financing arrangements	30		
Restrictions on cash assets	15		

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

Statement of Capital Works For the Year Ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Property			
Land		630	728
Buildings		3,654	11,928
Total Property		<u>4,284</u>	<u>12,656</u>
Plant and Equipment			
Plant and equipment		854	406
Furniture and fittings		58	197
Information technology		23	39
Artworks		-	38
Library books		1,714	1,186
Total Plant and Equipment		<u>2,649</u>	<u>1,866</u>
Infrastructure			
Roads		13,225	14,852
Drainage		2,872	3,920
Other infrastructure		6,519	2,881
Total Infrastructure		<u>22,616</u>	<u>21,653</u>
Total Capital Works Expenditure		<u>29,549</u>	<u>36,175</u>
Represented by:			
New asset expenditure		4,927	2,993
Asset renewal expenditure		15,315	19,973
Asset expansion expenditure		658	1,466
Asset upgrade expenditure		8,649	11,743
Total Capital Works Expenditure		<u>29,549</u>	<u>36,175</u>

a) New Asset Expenditure

Expenditure which creates a new asset that provides a new service that did not previously exist. New asset expenditure does not have any element of renewal, expansion or upgrade of existing assets. New capital expenditure may or may not result in additional revenue for council and will result in an additional burden for future operation, maintenance and capital renewal.

b) Asset Renewal Expenditure

Expenditure on an existing asset or on replacing an existing assets, which returns the service capability of the asset up to that which it originally had. Asset renewal expenditure reinstates existing assets, it has no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the optimum time.

c) Asset Expansion Expenditure

Expenditure that extends the capacity of an existing asset to provide benefits, at the same standard as is currently enjoyed by existing beneficiaries, to new users. It is discretionary expenditure which increases future operating and maintenance costs, because it increases council's asset base, but may be associated with additional revenue from the new user group.

d) Asset Upgrade Expenditure

Expenditure which enhances an existing asset to provide a higher level of service or that will increase the life of the asset beyond that which it originally had. Asset upgrade expenditure is discretionary and often does not result in additional revenue unless direct user charges apply. It will increase operating and maintenance expenditure in the future because of the increase in the council's asset base.

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 2016

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, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1989, and the Local Government (Planning and Reporting) Regulations 2014.

Note 1 Significant accounting policies

(a) Basis of accounting

The accrual basis of accounting has been used in the preparation of these financial statements, 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.

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 1 (k))
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 1 (l))
- the determination of employee provisions (refer to Note 1 (r))
- landfill rehabilitation provision (refer to Note 1 (s))

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.

In addition, the following comparative figures have been adjusted from the prior year audited financial statements with detailed explanation of the adjustments and their amounts disclosed in Note 38:

- trade and other receivables – correction of prior period accounting error
- property, infrastructure, plant and equipment – correction of prior period misstatement

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) Changes in accounting policies

There have been no changes in accounting policies from the previous period.

(c) Committees of management

All entities controlled by Council that have material revenues, expenses, assets or liabilities, such as committees of management, have been included in this financial report. Any transactions between these entities and Council have been eliminated in full.

(d) Revenue recognition

Income is recognised when the Council obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to the Council and the amount of the contribution can be measured reliably.

Rates and Charges

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

Notes to the Financial Report For the Year Ended 30 June 2016

Note 1 Significant accounting policies (cont'd)

(d) Revenue recognition (cont'd)

Statutory fees and fines

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

User fees

User fees are recognised as revenue when the service has been provided or the payment is received, whichever first occurs.

Grants

Grant income is recognised when Council obtains control of the contribution. This is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and are valued at their fair value at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 6. The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

Contributions

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

Sale of property, infrastructure, plant and equipment

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

Interest

Interest is recognised as it is earned.

Dividends

Dividend revenue is recognised when the Council's right to receive payment is established.

Other Income

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.

(e) Fair value measurement

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.

AASB 13 defines fair value as 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. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

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.

Notes to the Financial Report For the Year Ended 30 June 2016

Note 1 Significant accounting policies (cont'd)

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of less than 90 days, net of outstanding bank overdrafts.

(g) Trade and other receivables

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

(h) Other financial assets

Other financial assets are valued at fair value, being market value, at balance date. Term deposits are measured at amortised cost. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense. Unlisted shares are valued at cost. Council's holdings in shares are with Procurement Australia (MAPS Group Ltd) and Rye and District Community Financial Services Ltd.

(i) Inventories

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. Inventories 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.

(j) Non-current assets classified as held for sale

A non-current asset classified as held for sale (including disposal groups) is measured at the lower of its carrying amount and fair value less costs to sell, 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.

(k) Recognition and measurement of property, plant and equipment, infrastructure, intangibles

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the amount for which the asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

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 detailed in Note 1 (l) have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

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. 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. Further details regarding the fair value hierarchy are disclosed at Note 21 Property, infrastructure, plant and equipment.

In addition, Council undertakes a formal revaluation of land and buildings every 2 (two) years, and infrastructure assets every 3 (three) years. The valuation is performed by experienced council officers.

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

Notes to the Financial Report For the Year Ended 30 June 2016

Note 1 Significant accounting policies (cont'd)

(k) Recognition and measurement of property, plant and equipment, infrastructure, intangibles (cont'd)

Land under roads

Land under roads acquired after 30 June 2008 is brought to account using the deemed cost value basis. Council does not recognise land under roads that it controlled prior to that period in its financial report. In July 2011, the Department of Transport, Planning and Local Infrastructure (former Department of Planning and Community Development (DPCD)) issued guidance circular LGV circular 15/11 regarding the recognition and measurement of land under roads. It recommended that Council should recognise all land under roads it controls at fair value. In December 2014 an extended transitional period was proposed and the Department expects councils to be compliant by the 2017-18 financial year.

(l) Depreciation and amortisation of property, infrastructure, plant and equipment and intangibles

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 below and are consistent with the prior year unless otherwise stated.

<i>Asset recognition thresholds and depreciation periods</i>	Depreciation Period	Threshold Limit \$'000
Property		
Land	-	1
Land under roads	-	1
Buildings		
Buildings	10-200 years	5
Plant and Equipment		
Plant and equipment	3-10 years	2
Furniture and fittings	3-10 years	2
Information technology	3-15 years	1
Artworks	-	1
Library books	3-5 years	1
Infrastructure		
road substructure	21-230 years	15
road formation and earthworks	-	15
road kerb, channel and minor culverts	29-100 years	15
Drainage	10-100 years	15
Bridges deck	50-80 years	15
bridges substructure	50-80 years	15
bridges other major culverts	100 years	15
Footpaths and cycleways	10-93 years	15
Recreational, leisure and community facilities	2-70 years	15
Parks, open space and streetscapes	4-116 years	15
Marine structures	30-38 years	15
Other Infrastructure	3-100 years	15
Intangible assets		
Intangible assets	3-15 years	1

Notes to the Financial Report For the Year Ended 30 June 2016

Note 1 Significant accounting policies (cont'd)

(m) Repairs and maintenance

Routine maintenance, repair costs, and minor renewal costs are expensed as incurred. 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.

(n) Investment property

Investment property, comprising freehold office complexes, 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. Rental income from the leasing of investment properties is recognised in the comprehensive income statement on a straight line basis over the lease term.

(o) 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 to sell 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.

(p) 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 (refer to Note 25).

(q) Borrowings

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

The classification depends on the nature and purpose of the interest bearing liabilities. The Council determines the classification of its interest bearing liabilities at initial recognition.

Borrowing costs

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. Except where specific borrowings are obtained for the purpose of specific asset acquisition, the weighted average interest rate applicable to borrowings at balance date, excluding borrowings associated with superannuation, is used to determine the borrowing costs to be capitalised.

Borrowing costs include interest on bank overdrafts, interest on borrowings, and finance lease charges.

(r) Employee costs and benefits

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

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

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.

Notes to the Financial Report For the Year Ended 30 June 2016

Note 1 Significant accounting policies (cont'd)

(r) Employee costs and benefits (cont'd)

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Current liability - unconditional LSL is disclosed as a current liability even when the council does not expect to settle the liability within 12 months because it will not have the unconditional right to defer settlement of the entitlement should an employee take leave within 12 months.

The components of this current liability are measured at:

- present value - component that is not expected to be wholly settled within 12 months.
- nominal value - component that is expected to be wholly settled within 12 months.

Classification of employee costs

Non-current liability - 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. There is an unconditional right to defer settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

(s) Landfill rehabilitation provision

Council is obligated to restore Rye landfill site to a particular standard. The forecast life of the Rye Landfill 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. Further details regarding the landfill rehabilitation provision are disclosed at Note 26 Provisions.

(t) Leases

Finance leases

Leases of assets where substantially all the risks and rewards incidental to ownership of the asset, are transferred to the Council are classified as finance leases. Finance leases are capitalised, recording an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments, including any guaranteed residual value. Lease payments are allocated between the reduction of the lease liability and the interest expense. Leased assets are depreciated on a straight line basis over their estimated useful lives to the Council where it is likely that the Council will obtain ownership of the asset or over the term of the lease, whichever is the shorter. Leased assets are currently being amortised over a 1 to 10 year period.

Operating leases

Lease payments for operating leases are required by the accounting standard to be recognised on a straight line basis, rather than expensed in the years in which they are incurred.

(u) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(v) Financial guarantees

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. Details of guarantees that Council has provided, that are not recognised in the balance sheet, are disclosed at Note 34 contingent liabilities and contingent assets.

(w) Contingent assets and contingent liabilities and commitments

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

Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value by way of a Note and presented inclusive of the GST payable.

Notes to the Financial Report

For the Year Ended 30 June 2016

Note 1 Significant accounting policies (cont'd)

(x) Pending accounting standards

Certain new AAS's have been issued that are not mandatory for the 30 June 2016 reporting period. Council has assessed these pending standards and has identified that no material impact will flow from the application of these standards in future reporting periods.

(y) Rounding

Unless otherwise stated, amounts in the financial report have been rounded to the nearest thousand dollars. Figures in the financial statement may not equate due to rounding.

Notes to the Financial Report For the Year Ended 30 June 2016

Note 2 Budget comparison

The budget comparison notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of ten percent or \$1M 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.

The budget figures detailed below are those adopted by Council on 24 June 2015. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

These notes are prepared to meet the requirements of the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.

(a) Income and Expenditure

	Budget 2016 \$'000	Actual 2016 \$'000	Variance 2016 \$'000	Variance 2016 %	Ref
Income					
Rates and charges	150,006	150,095	88	0%	
Statutory fees and fines	4,687	5,151	464	10%	1
User fees	21,894	22,609	715	3%	
Grants - operating	19,240	17,654	(1,585)	-8%	2
Grants - capital	1,100	11,793	10,694	972%	3
Contributions - monetary	2,088	4,132	2,045	98%	4
Contributions - non monetary	6,500	3,788	(2,711)	-42%	5
Other income	3,137	3,876	740	24%	6
Total income	208,652	219,098	10,446	5%	
Expenses					
Employee costs	67,665	68,875	(1,210)	-2%	7
Materials and services	93,540	87,709	5,831	6%	8
Depreciation and amortisation	28,041	26,166	1,875	7%	9
Borrowing costs	1,609	1,649	(40)	-2%	
Other expenses	5,095	5,110	(15)	0%	
Net loss on disposal of property, infrastructure, plant and equipment	-	10,284	(10,284)	-100%	10
Total expenses	195,950	199,793	(3,843)	-2%	
Surplus for the year	12,702	19,305	6,603	52%	

Notes to the Financial Report For the Year Ended 30 June 2016

(i) Explanation of material variations

Ref	Item	Explanation
1	Statutory fees and fines	Statutory fees are higher than budget due to increased level of development activity which has resulted in additional revenue from Building permits and Licences.
2	Grants - operating	Operating Grants received is less than budget mainly due to the decision by the Commonwealth Government to pay 50% of the Financial Assistance Grant in the prior year- 2014/15 Financial Year. This was partly offset by additional grants received for Priority Projects.
3	Grants - capital	Grants - Capital received was higher than budget due to Council's success in securing additional grants in various projects namely Roads to Recovery, Blackspot program and Streetscape works.
4	Contributions - monetary	Council has received contributions higher than anticipated due to increased activity across the Shire.
5	Contributions - non monetary	In kind contributions from subdividers being less than budget. This amount varies according to subdivision activity.
6	Other income	Other income is higher mainly due to interest earned from funds allocated to projects that have carried forward.
7	Employee costs	Council's restructuring strategy has resulted in redundancy payments which were partly offset by savings in employment costs.
8	Materials and services	Indexation of contract costs has been lower than anticipated resulting in a favourable variance. In addition, savings have been recognised for operating leases, utilities and administration expenses.
9	Depreciation and amortisation	The actual depreciation is less than budget due to the net disposal of infrastructure assets as prior year error.
10	Net loss on disposal of property, infrastructure, plant and equipment	The unfavourable variance is as a result of a number of existing assets (mainly infrastructure assets) that were disposed as they are replaced as part of Council's Capital Works Program.

Notes to the Financial Report For the Year Ended 30 June 2016

Note 2 Budget comparison (cont'd)

(b) Capital Works

	Budget 2016 \$'000	Actual 2016 \$'000	Variance 2016 \$'000	Variance 2016 %	Ref
Property					
Land	-	630	(630)	-100%	1
Buildings	4,473	3,654	819	18%	2
Total Property	4,473	4,284	189	18%	
Plant and Equipment					
Plant and equipment	264	854	(590)	-224%	3
Furniture and fittings	35	58	(23)	-66%	4
Information technology	-	23	(23)	100%	5
Library books	1,500	1,714	(214)	-14%	6
Total Plant and Equipment	1,799	2,649	(850)	-14%	
Infrastructure					
Roads	10,469	13,225	(2,756)	-26%	7
Drainage	3,000	2,872	128	4%	
Other infrastructure	6,795	6,519	276	4%	
Total Infrastructure	20,264	22,616	(2,352)	4%	
Total Capital Works Expenditure	26,536	29,549	(3,013)	-12%	
Represented by:					
New asset expenditure	6,615	4,927	1,688	26%	
Asset renewal expenditure	16,381	15,315	1,066	7%	
Asset expansion expenditure	-	658	(658)	100%	
Asset upgrade expenditure	3,540	8,649	(5,109)	-144%	
Total Capital Works Expenditure	26,536	29,549	(3,013)	-144%	

Notes to the Financial Report For the Year Ended 30 June 2016

(i) Explanation of material variations

Ref	Item	Explanation
1	Land	Unbudgeted land acquisition and reconstruction works have resulted in additional expenses.
2	Buildings	Projects not complete as at June have resulted in a favourable variance due to timing only. No savings are identified as budgets are carried forward to 2016/17.
3	Plant and equipment	Additional Expenditure on CCTV cameras partially offset by Grant Funding.
4	Furniture and fittings	Additional expenditure for refurbishment of Library and restructuring office space.
5	Information technology	Additional hardware requirements for new employees.
6	Library books	Increased costs associated with implementation of Radio Frequency Identification (RFID) to automate a significant component of library borrowing process.
7	Roads	Carry forwards from 2014/15 are not included in the 2015/16 Adopted Budget and have resulted in a year end \$5.4m unfavourable variance for these projects. This is partially offset by less than anticipated expenditure for projects due to timing only, including Blackspot Programs, Footpath Strategy and Roads to Recovery. These budgets will be carried forward to 2016/17 to complete the projects.

Notes to the Financial Report For the Year Ended 30 June 2016

	2016 \$'000	2015 \$'000
Note 3 Rates and charges		
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 2015/16 was \$58.931 billion (2014/15 \$58.017 billion).		
General Rates - Residential	117,329	109,026
General Rates - Commercial	5,943	5,609
General Rates - Industrial	1,817	1,848
General Rates - Agricultural rate	2,003	1,877
Municipal charge	17,663	17,464
Cultural and recreational	151	143
Special rates and charges *	(337)	2,979
Service rates and charges (Opt-in green waste)	3,242	2,801
Supplementary rates and rate adjustments	1,444	1,440
Revenue in lieu of rates	840	840
Total rates and charges	150,095	144,027
The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2016, and the valuation will be first applied in the rating year commencing 1 July 2016.		
* During the year refunds were given to special charge schemes that had been previously overestimated.		
Note 4 Statutory fees and fines		
Infringements and costs	1,411	1,423
Court recoveries	212	317
Town planning fees	1,320	1,277
Land information certificates	191	183
Permits	1,764	1,655
Other fees and charges	253	199
Total statutory fees and fines	5,151	5,054
Note 5 User fees		
Aged and health services	1,711	1,628
Animal shelter fees	93	110
Art gallery fees	203	528
Building services	352	426
Child, youth and family care services	493	336
Employee reimbursement	1,079	1,145
Events & festivals fees	70	130
Foreshore camping fees	2,651	2,494
Grounds and pavilions	183	127
Halls and community centres	455	463
Legal reimbursement	139	433
Leisure centre and recreation	3,291	3,225
Library fees and fines	128	142
Nursery and homestead	173	150
Other fees and charges	331	383
Parking and boat ramp	714	692
Planning fees	257	237
Registration and other permits	1,483	1,293
Tourism fees	353	524
Valuations and property	1,031	1,050
Waste management services	7,419	7,649
Total user fees	22,609	23,165

Notes to the Financial Report For the Year Ended 30 June 2016

	2016 \$'000	2015 \$'000
Note 6 Grants		
Grants were received in respect of the following :		
Summary of grants		
Commonwealth funded grants	9,902	15,533
State funded grants	19,545	16,647
Total grants received	29,447	32,180
Operating Grants		
Recurrent - Commonwealth Government		
Victoria Grants Commission	3,168	9,824
Family day care	751	747
Family and Children	117	37
Recurrent - State Government		
Aged care	8,321	8,169
School crossing supervisors	263	247
Libraries	940	1,022
Maternal and child health	1,195	2,074
Community safety	167	300
Family and Children	634	-
Indigenous Programs	167	161
Natural Disaster	-	1,305
Other	358	188
Total recurrent operating grants	16,081	24,074
Non-recurrent - State Government		
Aged Care	80	25
Tourism	275	290
Indigenous Programs	170	172
Environmental planning	514	443
Community safety	195	-
Footpaths and Cycleways	50	32
Boatramps and Piers	93	75
Recreation	-	49
Other	37	101
Family and children	159	11
Total non-recurrent operating grants	1,573	1,198
Total operating grants	17,654	25,272
Capital Grants		
Recurrent - Commonwealth Government		
Roads to recovery	3,276	4,692
Total recurrent capital grants	3,276	4,692
Non-recurrent - Commonwealth Government		
Roads and Intersections	2,590	-
Non-recurrent - State Government		
Community Safety	311	233
Libraries	-	21
Recreation	-	409
Roads and Intersections	29	112
Boatramps and Piers	1,634	100
Other	65	18
Streetscape Works	3,218	-
Buildings	670	1,323
Total non-recurrent capital grants	8,517	2,216
Total capital grants	11,793	6,908
Unspent grants received on condition that they be spent in a specific manner		
Balance at start of year	4,134	2,253
Received during the financial year and remained unspent at balance date	7,960	3,549
Received in prior years and spent during the financial year	(2,092)	(1,668)
Balance at year end	10,002	4,134

Notes to the Financial Report For the Year Ended 30 June 2016

	2016 \$'000	2015 \$'000
Note 7 Contributions		
Monetary	4,132	4,772
Non-monetary	3,788	1,259
Total contributions	7,920	6,031
<i>Contributions of non monetary assets were received in relation to the following asset classes.</i>		
Land	44	54
Buildings	50	-
Roads	1,261	290
Drainage	1,541	839
Other infrastructure	826	10
Land under roads	66	66
Total non-monetary contributions	3,788	1,259
Note 8 Net loss on disposal of property, infrastructure, plant and equipment		
Proceeds of sale	347	6,649
Written down value of assets disposed	(10,631)	(11,560)
Total net loss on disposal of property, infrastructure, plant and equipment	(10,284)	(4,911)
Note 9 Other income		
Interest	1,755	1,396
Investment property rental	1,710	1,600
Other rent	411	382
Total other income	3,876	3,378
Note 10 (a) Employee costs		
Wages and salaries	47,756	47,489
WorkCover	1,363	1,089
Casual staff	4,567	4,226
Superannuation	5,478	5,414
Fringe benefits tax	892	978
Redundancies	3,331	1,864
Annual leave and long service leave	5,489	6,430
Total employee costs	68,875	67,490
Note 10 (b) Superannuation		
Council made contributions to the following funds:		
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	316	441
	316	441
Employer contributions payable at reporting date.	-	-
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	3,835	3,456
Employer contributions - other funds	1,327	1,518
	5,162	4,974
Employer contributions payable at reporting date.	-	-
Council account for its obligations under the defined benefit fund as if it was a defined contribution plan. The reason for this is that the fund manager, Vision Super, is unable to provide accurate information to each employer in a timely manner. Additional information about Council's exposure in relation to the defined benefit fund is detailed at Note 33.		

Notes to the Financial Report For the Year Ended 30 June 2016

	2016 \$'000	2015 \$'000
Note 11 Materials and services		
Contract payments	22,288	23,408
Building maintenance	8,421	7,295
General maintenance	33,940	36,827
Utilities	3,796	3,657
Parking and travel	1,118	1,185
Operating leases	1,728	1,780
Information technology	3,315	3,379
Insurance	1,003	1,569
Legal	1,314	1,133
Consultants	5,835	6,393
Other	4,951	4,994
Total materials and services	87,709	91,620
Note 12 Depreciation and amortisation		
Property	4,652	4,505
Plant and equipment	1,630	1,696
Infrastructure	19,763	21,052
Total depreciation	26,045	27,253
Intangible assets	121	120
Total depreciation and amortisation	26,166	27,373
<i>Refer to note 21 and 23 for a more detailed breakdown of depreciation and amortisation charges.</i>		
Note 13 Borrowing costs		
Interest - Borrowings	1,649	1,965
Total borrowing costs	1,649	1,965
Note 14 Other expenses		
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	96	84
Auditors' remuneration - Internal	178	190
Councillors' allowances	408	391
Conferences and seminars	101	152
Contributions, donations and grants paid	1,808	2,008
Family day care fee relief paid (offset by income)	757	579
Indirect recruitment costs (recruitment, staff training and uniforms)	581	665
Insurance excess and small claims	156	180
Other	686	717
Property rental expenses	339	204
Total other expenses	5,110	5,170

Notes to the Financial Report For the Year Ended 30 June 2016

	2016 \$'000	2015 \$'000
Note 15 Cash and cash equivalents		
Cash on hand	18	18
Cash at bank	2,637	5,586
Term deposits	37,500	28,250
	<u>40,155</u>	<u>33,854</u>
Council's cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:		
- Trust funds and deposits (Note 25)	3,755	4,434
- Other Reserve funds (Note 28)	885	703
Total restricted funds	<u>4,640</u>	<u>5,137</u>
Total unrestricted cash and cash equivalents	<u>35,515</u>	<u>28,717</u>

Note 16 Trade and other receivables

Current		
Rates debtors	4,846	4,712
Rates pensioner rebate	983	-
Special rate assessment	-	358
Infringement debtors	1,058	991
Provision for doubtful debts - infringements	(835)	(768)
Loans and advances to community organisations	279	5,533
Other debtors	5,135	2,816
Net GST receivable	1,983	1,697
Total current trade and other receivables	<u>13,449</u>	<u>15,339</u>
Non-current		
Special rate scheme	1,187	1,141
Total non-current trade and other receivables	<u>1,187</u>	<u>1,141</u>
Total trade and other receivables	<u>14,636</u>	<u>16,480</u>

(a) Ageing of Receivables

At balance date other debtors representing financial assets were past due but not impaired. These amounts relate to a number of independent customers for whom there is no recent history of default. The ageing of the Council's trade & other receivables (excluding statutory receivables) was:

Current (not yet due)	3,340	6,930
Past due by up to 30 days	584	558
Past due between 31 and 60 days	324	523
Past due by more than 61 days	887	655
Total trade & other receivables	<u>5,135</u>	<u>8,666</u>

(b) Movement in provisions for doubtful debts

Balance at the beginning of the year	768	758
New Provisions recognised during the year	67	10
Balance at end of year	<u>835</u>	<u>768</u>

(c) Ageing of individually impaired Receivables

At balance date, other debtors representing financial assets with a nominal value of \$nil (2015: \$nil) were impaired. The amount of the provision raised against these debtors was \$nil (2015: \$nil). They have individually 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 60 days	-	-
Past due by more than 61 days	835	768
Total trade & other receivables	<u>835</u>	<u>768</u>

Notes to the Financial Report For the Year Ended 30 June 2016

	2016 \$'000	2015 \$'000
Note 17 Other financial assets		
Term deposits (over 90 days)	13,575	2,073
Total current other financial assets	13,575	2,073
Unlisted shares	8	8
Total non-current other financial assets	8	8
Total other financial assets	13,583	2,081
Shares are held in Procurement Australia (MAPS Group Ltd) and Rye and District Community Financial Services Ltd.		
Note 18 Inventories		
Inventories held for sale	138	123
Total inventories	138	123
Note 19 Non current assets classified as held for sale		
Land	2,195	3,326
Total non current assets classified as held for sale	2,195	3,326
Note 20 Other assets		
Prepayments	728	635
Accrued income	1,589	1,889
Total other assets	2,317	2,524

Notes to the Financial Report For the Year Ended 30 June 2016

Note 21 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2016 \$'000	Accumulated Depreciation June 2016 \$'000	WDV 30 June 2016 \$'000	At Fair Value 30 June 2015 \$'000	Accumulated Depreciation June 2015 \$'000	WDV 30 June 2015 \$'000
Land	826,718	-	826,718	796,745	-	796,745
Buildings	286,726	(154,737)	131,989	274,507	(145,818)	128,689
Plant and Equipment	19,704	(12,885)	6,819	19,440	(12,803)	6,637
Infrastructure	1,526,411	(476,244)	1,050,167	1,556,486	(492,490)	1,063,997
Work in progress	13,955	-	13,955	10,701	-	10,701
	2,673,513	(643,865)	2,029,648	2,657,879	(651,111)	2,006,769

Summary of Work in Progress

	Opening WIP \$'000	Additions \$'000	Transfers \$'000	Closing WIP \$'000
Buildings	5,424	3,957	(6,874)	2,507
Plant and Equipment	192	2,636	(1,844)	984
Infrastructure	5,085	22,592	(17,214)	10,464
Total	10,701	29,185	(25,932)	13,955

Notes to the Financial Report For the Year Ended 30 June 2016

Note 21 Property, infrastructure, plant and equipment (cont'd)

Land and Buildings	Note	Land - specialised \$'000	Land - non specialised \$'000	Land Under Roads \$'000	Total Land \$'000	Buildings - specialised \$'000	Buildings - non specialised \$'000	Total Buildings \$'000	Work In Progress \$'000	Total Property \$'000
At fair value 1 July 2015		789,552	6,138	1,055	796,745	267,429	7,078	274,507	5,424	1,076,676
Accumulated depreciation at 1 July 2015		-	-	-	-	(144,757)	(1,061)	(145,818)	-	(145,818)
		789,552	6,138	1,055	796,745	122,672	6,017	128,689	5,424	930,858
Movements in fair value										
Acquisition of assets at fair value		508		66	573	50	-	50	3,957	4,581
Revaluation increments		31,778	2,265	87	34,130	13,902	4,895	18,797	-	52,927
Fair value of assets disposed		(264)		-	(264)	(1,728)	-	(1,728)	-	(1,992)
Impairment losses recognised in operating result		-		-	-	-	-	-	-	-
Transfers *		921	(5,388)	-	(4,466)	6,655	(11,556)	(4,901)	(6,874)	(16,240)
		32,943	(3,123)	152	29,973	18,879	(6,661)	12,219	(2,917)	39,274
Movements in accumulated depreciation										
Depreciation and amortisation		-	-	-	-	(4,652)	-	(4,652)	-	(4,652)
Accumulated depreciation of disposals		-	-	-	-	1,361	-	1,361	-	1,361
Revaluation (increments)/decrements		-	-	-	-	(6,362)	(3,069)	(9,431)	-	(9,431)
Transfers *		-	-	-	-	-	3,804	3,804	-	3,804
		-	-	-	-	(9,653)	736	(8,918)	-	(8,918)
At fair value 30 June 2016		822,495	3,015	1,207	826,718	286,309	417	286,726	2,507	1,115,950
Accumulated depreciation at 30 June 2016		-	-	-	-	(154,410)	(325)	(154,736)	-	(154,736)
		822,495	3,015	1,207	826,718	131,898	92	131,990	2,507	961,214

* Transfers amount includes assets that have been moved from Property, infrastructure, plant and equipment into Investment property on which Council earns income.

Notes to the Financial Report
For the Year Ended 30 June 2016

Note 21 Property, infrastructure, plant and equipment (cont'd)

Plant and Equipment	Note	Plant and equipment \$'000	Furniture and fittings \$'000	Information technology \$'000	Artworks \$'000	Library books \$'000	Work In Progress \$'000	Total plant and equipment \$'000
At fair value 1 July 2015		6,143	2,985	907	2,518	6,887	192	19,632
Accumulated depreciation at 1 July 2015		(5,245)	(2,432)	(860)	-	(4,266)	-	(12,803)
		898	553	47	2,518	2,621	192	6,829
Movements in fair value								
Acquisition of assets at fair value		-	-	-	-	-	2,636	2,636
Revaluation increments/(decrements)		-	-	-	-	-	-	-
Fair value of assets disposed		(165)	(0)	(9)	-	(1,433)	-	(1,608)
Impairment losses recognised in operating result		-	-	-	-	-	-	-
Transfers		480	63	23	-	1,305	(1,844)	28
		315	63	14	-	(127)	792	1,056
Movements in accumulated depreciation								
Depreciation and amortisation		(190)	(181)	(21)	-	(1,239)	-	(1,630)
Accumulated depreciation of disposals		106	0	9	-	1,433	-	1,549
Revaluation (increments)/decrements		-	-	-	-	-	-	-
Transfers		-	-	-	-	-	-	-
		(84)	(181)	(11)	-	194	-	(82)
At fair value 30 June 2016		6,458	3,048	921	2,518	6,760	984	20,688
Accumulated depreciation at 30 June 2016		(5,329)	(2,613)	(871)	-	(4,072)	-	(12,885)
		1,129	435	50	2,518	2,688	984	7,803

Notes to the Financial Report For the Year Ended 30 June 2016

Note 21 Property, infrastructure, plant and equipment (cont'd)

	Infrastructure	Note	Roads \$'000	Drainage \$'000	Bridges \$'000	Footpaths and cycleways \$'000	Recreational, leisure and community \$'000	Parks open spaces and streetscapes \$'000	Marine structures \$'000	Other Infrastructure \$'000	Work In Progress \$'000	Total Infrastructure \$'000
At fair value 1 July 2015			825,105	502,150	2,785	100,445	19,984	80,287	4,533	21,196	5,085	1,561,570
Accumulated depreciation at 1 July 2015			(229,108)	(146,425)	(1,557)	(48,737)	(12,333)	(41,767)	(2,250)	(10,313)	-	(492,490)
			595,997	355,725	1,228	51,708	7,651	38,520	2,283	10,883	5,085	1,069,080
Movements in fair value												
Acquisition of assets at fair value			1,043	1,542	-	258	18	767	-	-	22,592	26,220
Revaluation increments/(decrements)			(30,559)	14,420	(1,388)	(3,969)	1,805	2,204	53	(5,087)	-	(22,521)
Fair value of assets disposed			(16,153)	(4,570)	-	(795)	(1,272)	(5,513)	(169)	(3)	-	(28,475)
Impairment losses recognised in operating result			-	-	-	-	-	-	-	-	-	-
Transfers			16,207	3,023	-	(309)	291	(4,720)	-	2,802	(17,214)	80
			(29,464)	14,415	(1,388)	(4,814)	842	(7,262)	(116)	(2,289)	5,379	(24,696)
Movements in accumulated depreciation												
Depreciation and amortisation			(8,642)	(5,276)	(29)	(1,991)	(687)	(2,439)	(83)	(616)	-	(19,763)
Accumulated depreciation of disposals			11,725	1,731	-	534	1,096	3,326	20	101	-	18,534
Revaluation (increments)/decrements			16,963	(5,865)	833	5,183	(2,107)	914	(28)	1,587	-	17,479
Transfers			(2,180)	-	-	98	-	2,206	-	(127)	-	(3)
			17,866	(9,410)	804	3,823	(1,697)	4,007	(91)	945	-	16,247
At fair value 30 June 2016			795,642	516,565	1,397	95,631	20,826	73,025	4,417	18,908	10,464	1,536,874
Accumulated depreciation at 30 June 2016			(211,242)	(155,835)	(753)	(44,913)	(14,030)	(37,760)	(2,341)	(9,368)	-	(476,244)
			584,399	360,731	644	50,717	6,796	35,265	2,076	9,540	10,464	1,060,631

Notes to the Financial Report For the Year Ended 30 June 2016

Note 21 Property, infrastructure, plant and equipment cont'd

Valuation of land and buildings

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

Specialised land is valued at fair value using site values adjusted for engloba (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.

Refer to Note 1 (e) for explanation of asset classifications level 1, level 2 and level 3.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2016 are as follows:

	Level 1	Level 2	Level 3	Total
Land - specialised	-	-	822,495	822,495
Land - non specialised	-	3,015	-	3,015
Land Under Roads	-	-	1,207	1,207
Buildings - specialised	-	-	131,898	131,898
Buildings - non specialised	-	92	-	92
Total	-	3,107	955,601	958,708

Valuation of infrastructure

Valuation of infrastructure assets has been performed by Council's Asset Management Team.

The valuation is at fair value based on 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 2016 are as follows:

	Level 1	Level 2	Level 3	Total
Roads	-	-	584,399	584,399
Drainage	-	-	360,731	360,731
Bridges	-	-	644	644
Footpath & Cycleways	-	-	50,717	50,717
Recreational, Leisure and Community Facilities	-	-	6,796	6,796
Parks, Open Space and Streetscapes	-	-	35,265	35,265
Marine Structures	-	-	2,076	2,076
Other infrastructure	-	-	9,541	9,541
Total	-	-	1,050,168	1,050,168

Note 21 Property, infrastructure, plant and equipment cont'd**2016
\$'000****2015
\$'000***Description of significant unobservable inputs into level 3 valuations*

Specialised land and land under roads are 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 \$3.74 and \$4,750 per square metre.

Specialised buildings are valued using a depreciated 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 \$145 to \$6,200 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 depreciated 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 3 years to 230 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.

Reconciliation of specialised land

Land under roads

1,207

1,055

Land - specialised

822,495

789,552

Total specialised land**823,703****790,607**

Notes to the Financial Report For the Year Ended 30 June 2016

	2016 \$'000	2015 \$'000
Note 22 Investment property		
Balance at beginning of financial year	-	-
Transfer from Property, plant and equipment *	9,360	-
Balance at end of financial year	<u>9,360</u>	<u>-</u>
<i>Valuation of investment property</i>		
Valuation of investment property has been determined in accordance with our qualified Council valuer Lauren Ashley AAPI, 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.		
* During the year the Council transferred Investment property from Property, infrastructure, plant and equipment on which Council earns income.		
Note 23 Intangible assets		
Software	1,150	1,272
Total intangible assets	<u>1,150</u>	<u>1,272</u>
Gross carrying amount		
Balance at the beginning of the year	4,125	4,086
Additions from internal developments	-	39
Balance at the end of the financial year	<u>4,125</u>	<u>4,125</u>
Accumulated amortisation and impairment		
Balance at the beginning of the year	2,853	2,734
Amortisation expense	122	119
Balance at the end of the financial year	<u>2,975</u>	<u>2,853</u>
Net book value at the end of the financial year	<u>1,150</u>	<u>1,272</u>
Note 24 Trade and other payables		
Trade payables	10,370	2,003
Accrued expenses	4,828	10,927
Employee costs	-	386
Prepaid Income	204	8
Total trade and other payables	<u>15,402</u>	<u>13,324</u>
Note 25 Trust funds and deposits		
Fire services levy	450	1,287
Bank guarantees	261	272
Bonds/deposits	755	723
General	121	109
Hillview Quarries Restoration Fund	477	477
Rate recoveries	435	435
Subdivision maintenance deposits	883	914
Retention amounts	373	217
Total trust funds and deposits	<u>3,755</u>	<u>4,434</u>
<i>Purpose and nature of items</i>		
Refundable deposits - Deposits are taken by council as a form of surety in a number of circumstances, including in relation to building works, tender deposits, contract deposits and the use of civic facilities.		
Fire Service Levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the state government in line with that process.		
Retention Amounts - Council has a contractual right to retain certain amounts until a contractor has met certain requirements or a related warrant or defect period has elapsed. Subject to the satisfactory completion of the contractual obligations, or the elapsing of time, these amounts will be paid to the relevant contractor in line with Council's contractual obligations.		

Notes to the Financial Report For the Year Ended 30 June 2016

Note 26 Provisions

	Employee	Landfill	Native	Total
		restoration	vegetation	
	\$ '000	\$ '000	management	\$ '000
			\$ '000	
2016				
Balance at beginning of the financial year	13,893	1,685	800	16,378
Additional provisions	5,599	200	-	5,799
Amounts used	(6,658)	-	(104)	(6,762)
Balance at the end of the financial year	12,834	1,885	696	15,415
2015				
Balance at beginning of the financial year	13,968	1,485	703	16,156
Additional provisions	6,845	200	296	7,341
Amounts used	(6,920)	-	(199)	(7,119)
Balance at the end of the financial year	13,893	1,685	800	16,378

	2016	2015
	\$'000	\$'000
(a) Employee provisions		
Current provisions expected to be wholly settled within 12		
Annual leave	3,270	3,440
Long service leave	4,239	4,595
Redundancies	115	293
	7,624	8,328
Current provisions expected to be wholly settled after 12 months		
Annual leave	572	633
Long service leave	3,126	3,443
	3,698	4,076
Total current employee provisions	11,322	12,404
Non-current		
Long service leave	1,512	1,489
Total non-current employee provisions	1,512	1,489
Aggregate carrying amount of employee provisions:		
Current	11,322	12,404
Non-current	1,512	1,489
Total aggregate carrying amount of employee provisions	12,834	13,893
(b) Landfill restoration		
Non-current	1,885	1,685
	1,885	1,685
(c) Native vegetation management		
Current	142	182
Non-current	554	618
	696	800

Notes to the Financial Report For the Year Ended 30 June 2016

	2016 \$'000	2015 \$'000
Note 27 Interest-bearing loans and borrowings		
Current		
Borrowings - secured	7,257	7,537
	<u>7,257</u>	<u>7,537</u>
Non-current		
Borrowings - secured	19,657	26,829
	<u>19,657</u>	<u>26,829</u>
Total	<u>26,914</u>	<u>34,366</u>
 (a) The maturity profile for Council's borrowings is:		
Not later than one year	7,257	7,537
Later than one year and not later than five years	16,158	21,011
Later than five years	3,499	5,818
	<u>26,914</u>	<u>34,366</u>

Borrowings are secured by general rates.

Notes to the Financial Report For the Year Ended 30 June 2016

Note 28 Reserves

	Balance at beginning of reporting period	Increment	(Decrement)	Balance at end of reporting period
(a) Asset revaluation reserves	\$'000	\$'000	\$'000	\$'000
2016				
Property				
Land	558,016	32,369	-	590,385
Land Under Roads	162	87	-	249
Buildings	36,129	7,050	-	43,179
	<u>594,307</u>	<u>39,506</u>	<u>-</u>	<u>633,813</u>
Infrastructure				
Roads	193,798	-	(13,597)	180,201
Drainage	228,620	8,555	-	237,175
Bridges	655	-	(555)	100
Footpaths and cycleways	22,277	1,214	-	23,491
Recreational, leisure and community facilities	3,709	-	(302)	3,407
Parks, open space and streetscapes	14,577	3,118	-	17,695
Marine structures	843	25	-	868
Other infrastructure	6,146	-	(3,500)	2,646
	<u>470,625</u>	<u>12,912</u>	<u>(17,954)</u>	<u>465,582</u>
Total asset revaluation reserves	1,064,932	52,418	(17,954)	1,099,395
2015				
Property				
Land	558,016	-	-	558,016
Land Under Roads	-	162	-	162
Buildings	36,129	-	-	36,129
	<u>594,145</u>	<u>162</u>	<u>-</u>	<u>594,307</u>
Infrastructure				
Roads	208,005	4,801	-	212,806
Drainage	224,849	3,771	-	228,620
Other infrastructure	37,950	-	(8,751)	29,199
	<u>470,804</u>	<u>8,572</u>	<u>(8,751)</u>	<u>470,625</u>
Total asset revaluation reserves	1,064,949	8,734	(8,751)	1,064,932

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

	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				
2016				
Sustainability energy fund	264	275	(93)	446
Recreation land reserve	39	-	-	39
Municipal emergency reserve	400	-	-	400
Total Other reserves	703	275	(93)	885
2015				
Sustainability energy fund	134	275	(145)	264
Recreation land reserve	350	-	(311)	39
Municipal emergency reserve	400	-	-	400
Total Other reserves	884	275	(456)	703

Notes to the Financial Report For the Year Ended 30 June 2016

Note 28 Reserves (cont'd) (b) Other reserves (cont'd)

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.

Funds available as at 30 June 2016: \$446k (\$264k in 2015).

Recreation Land Reserve

The purpose of this reserve is to provide for the purchase of land and/or improvements to places of recreation. Funds available as at 30 June 2016: \$39k (\$39k in 2015).

Municipal Emergency Reserve

The purpose of this reserve is to have an ability to finance the recovery response from unplanned emergency management events. Funds available as at 30 June 2016: \$400k (\$400k in 2015).

Notes to the Financial Report For the Year Ended 30 June 2016

	2016 \$'000	2015 \$'000
Note 29 Reconciliation of cash flows from operating activities to surplus		
Surplus for the year	19,305	15,306
Depreciation/amortisation	26,166	27,373
Net loss on disposal of property, infrastructure, plant and equipment	10,284	4,911
Contributions - Non-monetary assets	(3,788)	(1,259)
Other	(134)	71
Items in financing activities		
Borrowing costs	1,649	1,965
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	1,844	(2,105)
(Increase)/decrease in other assets	207	(959)
(Decrease)/increase in trade and other payables	2,082	(4,028)
(Increase)/decrease in trust funds and deposits	(679)	101
(Increase)/decrease in inventories	(15)	7
Increase/(decrease) in provisions	(963)	222
Net cash provided by operating activities	<u>55,958</u>	<u>41,606</u>
Note 30 Financing arrangements		
Bank overdraft	5,000	5,000
Bank loans	27,253	34,366
Credit card facilities	200	200
Asset finance - leasing	3,000	3,000
Total facilities	<u>35,453</u>	<u>42,566</u>
Used facilities	<u>27,798</u>	<u>34,993</u>
Unused facilities	<u>7,655</u>	<u>7,573</u>

Notes to the Financial Report For the Year Ended 30 June 2016

Note 31 Commitments

The Council has entered into the following commitments:

2016	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
Operating					
Cleansing - SIMS	10,166	10,522	33,826	24,570	79,084
Parks and Roadsides - SIMS	11,260	11,654	37,466	27,214	87,594
Furniture and Signs - SIMS	3,338	3,455	11,108	8,068	25,969
Buildings - SIMS	7,619	7,886	25,352	18,415	59,272
Safer Local Roads	11,161	11,552	37,138	-	59,851
Garbage Collection	6,650	3,652	-	-	10,302
Green Waste	2,464	1,069	-	-	3,533
Landfill & Transfer Station Management	2,474	378	-	-	2,852
Recycling	4,117	4,261	4,410	-	12,790
Telecommunications and IT	69	69	138	-	276
Consulting	528	172	172	-	872
Internal Audit	176	-	-	-	176
VEC Local Government Elections	848	-	-	-	848
Total	60,869	54,669	149,611	78,267	343,419
Capital					
Buildings	1,026	12	28	-	1,066
Libraries	5	3	-	-	9
Recreation Facilities	2,413	4	-	-	2,416
Roads	3,832	-	-	-	3,832
Footpaths & Street Scapes	960	-	-	-	960
Drainage	203	-	-	-	203
Artworks	117	-	-	-	117
Parks, open space and streetscapes	62	-	-	-	62
Total	8,618	19	28	-	8,665

2015	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
Operating					
Cleansing - SIMS	10,009	10,360	33,306	36,927	90,602
Parks and Roadsides - SIMS	9,142	9,462	30,420	33,727	82,751
Furniture and Signs - SIMS	3,342	3,459	11,122	12,331	30,254
Buildings - SIMS	7,572	7,837	25,194	27,933	68,536
Safer Local Roads	11,671	12,079	38,835	13,861	76,446
Garbage Collection	6,208	6,425	12,850	-	25,483
Green Waste	6,170	13	-	-	6,183
Landfill & Transfer Station Management	5,353	11	-	-	5,364
Bushland & Conservation Programs	168	-	-	-	168
Recycling	948	2	-	-	950
Climate Change Projects	75	-	-	-	75
Drainage Studies & Flood Mapping	77	-	-	-	77
Total	60,735	49,648	151,727	124,779	386,889
Capital					
Buildings	559	-	-	-	559
Recreation Facilities	1,402	50	-	-	1,452
Roads	2,079	-	-	-	2,079
Footpaths	15	-	-	-	15
Drainage	987	-	-	-	987
Total	5,042	50	-	-	5,092

Notes to the Financial Report For the Year Ended 30 June 2016

	2016 \$'000	2015 \$'000
Note 32 Operating leases		
(a) Operating lease commitments		
At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):		
Not later than one year	1,473	1,986
Later than one year and not later than five years	1,546	2,162
Later than five years	257	34
	3,276	4,182

(b) 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 minimum rentals receivable under non-cancellable operating leases are as follows:

Not later than one year	1,357	1,126
Later than one year and not later than five years	2,737	2,227
Later than five years	1,703	1,517
	5,797	4,870

Note 33 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 categories, Vision MySuper/Vision Super Saver, receive 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 2016, this was 9.5% as required under Superannuation Guarantee legislation).

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.

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 2015, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 105.8%. To determine the VBI, the fund Actuary used the following long-term assumptions:

Net investment returns 7.0% pa
Salary information 4.25% pa
Price inflation (CPI) 2.5% pa.

Notes to the Financial Report For the Year Ended 30 June 2016

Note 33 Superannuation (cont'd)

Vision Super has advised that the estimated VBI at 30 June 2016 was 102%. The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2015 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Employer contributions

Regular contributions

On the basis of the results of the 2015 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 2016, this rate was 9.5% of members' salaries (9.5% in 2014/2015). This rate will increase in line with any increase to the contribution rate. 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.

Funding calls

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

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall. Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. If there is a surplus in the Fund, the surplus cannot be returned to the participating employers. In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

2015 Interim actuarial investigation surplus amounts

The Fund's interim actuarial investigation as at 30 June 2015 identified the following in the defined benefit category of which Council is a contributing employer:

- A VBI surplus of \$130.8 million; and
- A total service liability surplus of \$239 million.

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 2015. 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. Council was notified of the 30 June 2015 VBI during August 2015.

Superannuation contributions

Contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2016 are detailed below:

Scheme	Type of Scheme	Rate	2016 \$'000	2015 \$'000
Vision Super	Defined Benefits	9.50%	316	441
Vision Super	Accumulation	9.50%	3,835	3,456
			4,151	3,897

In addition to the above contributions, Mornington Peninsula Shire has paid unfunded liability payments to Vision Super totalling \$nil (2014/15 \$nil). There were \$Nil contributions outstanding and \$Nil loans issued from or to the above schemes as at 30 June 2016. The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2017 is \$273k.

Notes to the Financial Report For the Year Ended 30 June 2016

Note 34 Contingent liabilities and contingent assets

Guarantees for loans to other entities

	2016 \$'000	2015 \$'000
The Mornington Peninsula Shire has guaranteed loans of:		
Mornington District Basketball Association \$650,000	350	399
Dromana Bowling Club Inc. \$280,000	3	35
Hastings Bowls Club Inc. \$300,000	141	186
Somers Tennis Club \$38,000	-	4
Mt Eliza Bowls Club \$364,000	225	364
Somerville Bowls Club \$140,000	43	41
	762	1,030

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

Council resolved to act as guarantor (Council Minute 2.5 on 16/05/2005) for the Mornington District Basketball Association, to secure a loan of \$650,000 from the ANZ Bank, Mornington, (loan was refinanced with Bendigo Bank during 2013) to build a three (3) court stadium at the Mornington Secondary College. Council has a contingent liability of \$349,898.78 as at 30 June 2016 (\$399,283.53 in 2015).

Council resolved to act as guarantor (Council Minute 2.4 on 19/12/2006) for the Dromana Bowling Club Inc., to secure a loan of \$280,000 from the Bendigo Bank – Rye, for major refurbishment of two (2) bowling greens at their Club, converting them to a synthetic surface. Council has a contingent liability of \$2,571 as at 30 June 2016 (\$35,128.79 in 2015).

Council resolved to act as guarantor (Council Minute 2.6 on 13/02/2012) for the Hastings Bowls Club Inc., to secure a loan of \$300,000 from the Bendigo Bank – Hastings for the refurbishment/extension to the Hastings Bowls Club. Council has a contingent liability of \$141,146.63 as at 30 June 2016 (\$185,611.87 in 2015).

Council resolved to act as guarantor (Council Minute 2.5 on 23/04/2012) for the Somers Tennis Club Inc., to secure a loan of \$38,000 from the Bendigo Bank – Balnarring, for the resurfacing of two tennis courts at the Somers Tennis Club. Council has a contingent liability of \$nil as at 30 June 2016 (\$4,396.59 in 2015).

Council resolved to act as guarantor (Special Purpose Committee Minute 3.2 on 21/07/2014) for the Mt Eliza Bowls Club, to secure a loan of \$364,000 from the Bendigo Bank, for converting 2 grass greens to synthetic surface at their Club. Council has a contingent liability of \$225,000 as at 30 June 2016 (\$364,000 in 2015).

Council resolved to act as guarantor (Special Purpose Committee Minute 3.2 on 21/07/2014) for the Somerville Bowls Club, to secure a loan of \$144,000 from the Bendigo Bank, for an upgrade and repairs of synthetic greens at their Club. During 2015-2016, Somerville Bowls Club redrew payments made in advance on their loan. Council has a contingent liability of \$43,247.32 as at 30 June 2016 (\$41,303.98 in 2015).

Notes to the Financial Report For the Year Ended 30 June 2016

Note 35 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 borrowings. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in Note 1 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 1989*. Council manages interest rate risk by adopting an investment policy that ensures:

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

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

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

(c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss. Council have exposure to credit risk on some financial assets included in the balance sheet. 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 34.

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

Notes to the Financial Report For the Year Ended 30 June 2016

Note 35 Financial instruments (cont'd)

(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 34, 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 27.

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

(e) Fair value

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.

(f) 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 +2% and -1% in market interest rates (AUD) from year-end rates of 2.8%.

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 2016

Note 36 Related party transactions

(i) Responsible Persons

Names of persons holding the position of a Responsible Person at the Council at any time during the year are:

Councillors	Councillor Graham Pittock (Mayor from 10 November 2015)
	Councillor Bev Colomb (Mayor from 1 July 2015 to 10 November 2015)
	Councillor Lynn Bowden (Resigned on 2 May 2016)
	Councillor Andrew Dixon
	Councillor Anne Shaw
	Councillor Antonella Celi
	Councillor David Garnock
	Councillor David Gibb
	Councillor Hugh Fraser
	Councillor Tim Rodgers
	Councillor Tim Wood
Chief Executive Officer	Carl Cowie

(ii) Remuneration of Responsible Persons

The numbers of Responsible Persons whose total remuneration from Council and any related entities, excluding retirement benefits, fall within the following bands:

	2016 No.	2015 No.
\$20,000 - \$29,999	9	9
\$40,000 - \$49,999	-	1
\$50,000 - \$59,999	1	-
\$60,000 - \$69,999	1	1
\$130,000 - \$139,999	-	1
\$180,000 - \$189,999	-	1
\$380,000 - \$389,999	1	-
	12	13
Total Remuneration for the reporting year for Responsible Persons included above amounted to:	757	678

(iii) Senior Officers Remuneration

A Senior Officer other than a Responsible Person, is an officer of Council who:

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$139,000 (2015: \$136,000).

The number of Senior Officers other than the Responsible Persons, are shown below in their relevant income bands:

Income Range:	2016 No.	2015 No.
\$0 - \$99,999	2	9
\$100,000 - \$129,999	2	5
\$130,000 - \$139,999	1	-
\$140,000 - \$149,999	-	2
\$150,000 - \$159,999	5	4
\$160,000 - \$169,999	4	7
\$170,000 - \$179,999	2	1
\$180,000 - \$189,999	1	-
\$190,000 - \$199,999	-	1
\$200,000 - \$209,999	2	-
\$230,000 - \$239,999	-	1
\$260,000 - \$269,999	-	1
\$310,000 - \$319,999	1	-
	20	31

Total Remuneration for the reporting year for Senior Officers included above, amounted to:

3,214 3,966

(iv) Responsible persons retirement benefits

The aggregate amount paid during the reporting period by Council in connection with the retirement of responsible persons was \$nil (2015 - \$nil).

Notes to the Financial Report For the Year Ended 30 June 2016

Note 36 Related party transactions (cont'd)

(v) Loans to responsible persons

No loans have been made, guaranteed or secured by the council to a responsible person of the council, or a related party of a responsible person during the reporting year (2015 - \$nil).

(vi) Transactions with responsible persons

During the period Council entered into the following transactions with responsible persons or related parties of responsible persons.

Responsible Officer	Position held (including related parties of responsible officer)	Supplier/entity	Nature of transactions (on normal commercial terms)	Transaction Amount (\$'000)
Councillor Anne Shaw Councillor Antonella Celi Councillor Graham Pittock	Trustee	Mornington Peninsula Cemetery Trust	Amount received from Services provided by Council	26
Councillor Bev Colomb	President	Association of Bayside Municipalities	Annual Membership Subscription fees	12

Note 37 Events occurring after balance date

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

Note 38 Prior period errors

Trade and other receivables

A prior year accounting error of \$317k that occurred in 2014 has been corrected in the current year.

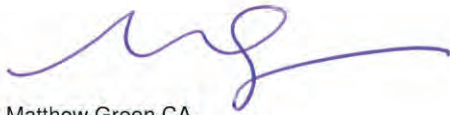
Property, infrastructure, plant and equipment

Due to historical data collection methods, the value of infrastructure assets were misstated. Council has started the process of capturing all assets with spatial reference in the asset register. During the year Council has identified and recognised assets of \$12,384k due to mismatch in the asset register. In addition, Council has determined to write-off assets of \$28,666k which are without address or spatial reference, resulting in a net adjustment of \$16,282k. These errors have been corrected by restating each of the affected financial statement line items for the prior year. The impact is set out in the tables below:

Balance Sheet Extract	As reported \$'000	Prior Period Error \$'000	Restated \$'000
Current assets			
Trade and other receivables	15,656	(317)	15,339
Total current assets	57,556	(317)	57,239
Non-current assets			
Property, infrastructure, plant and equipment	2,023,051	(16,282)	2,006,769
Total non-current assets	2,025,472	(16,282)	2,009,190
Total assets	2,083,028	(16,599)	2,066,429
Net assets	2,014,526	(16,599)	1,997,927
Equity			
Accumulated surplus	948,891	(16,599)	932,292
Total Equity	2,014,526	(16,599)	1,997,927

Certification of the Financial Statements

In my opinion the accompanying financial statements have been prepared in accordance with the *Local Government Act 1989*, the *Local Government (Planning and Reporting) Regulations 2014*, Australian Accounting Standards and other mandatory professional reporting requirements.



Matthew Green CA
Principal Accounting Officer

Date : 12 September 2016
Rosebud

In our opinion the accompanying financial statements present fairly the financial transactions of the Mornington Peninsula Shire for the year ended 30 June 2016 and the financial position of the Council as at that date.

As at the date of signing, we are not aware of any circumstances which 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 2014* to certify the financial statements in their final form.



Cr Graham Pittock
Councillor

Date : 12 September 2016
Rosebud



Cr Bev Colomb
Councillor

Date : 12 September 2016
Rosebud



Carl Cowie
Chief Executive Officer

Date : 12 September 2016
Rosebud

INDEPENDENT AUDITOR'S REPORT

To the Councillors, Mornington Peninsula Shire Council

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 of the Mornington Peninsula Shire Council which comprises the comprehensive income statement, balance sheet, statement of changes in equity, statement of cash flows, statement of capital works, notes comprising a summary of the significant accounting policies and other explanatory information, and the certification of the financial statements.

The Councillors' Responsibility for the Financial Report

The Councillors of the Mornington Peninsula Shire Council are responsible for the preparation and the fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Local Government Act 1989*.

The Councillors are responsible for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994* and the *Local Government Act 1989*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Councillors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, I and my staff and delegates complied with the applicable independence requirements of the Australian Auditing Standards and relevant ethical pronouncements.

Opinion

In my opinion the financial report presents fairly, in all material respects, the financial position of the Mornington Peninsula Shire Council as at 30 June 2016 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Local Government Act 1989*.

MELBOURNE
20 September 2016


R Andrew Greaves
Auditor-General

Performance Statement



Mornington Peninsula Shire

Performance Statement

For the year ended 30 June 2016

Performance Statement

For the year ended 30 June 2016

Description of municipality

Our Place

The Mornington Peninsula is located just over an hour's drive from the city, on Melbourne's 'doorstep', and is often described as 'Melbourne's playground'.

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 Melbourne's premier holiday and retirement destinations and has magnificent landscapes, coasts and beaches that are of state significance and attract 4.7 million visitors every year.

Our Community

The Shire has 40 towns and villages spread across the peninsula, with the majority of the residential population living along the coastline. The Shire has an estimated permanent resident population of 155,015, 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. By 2021 the population of the peninsula is forecast to reach 165,215 permanent residents.¹

Our Environment

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

Our Economy

The Shire has a strong \$11.6 billion local economy, with \$6.3 billion in gross regional product. There are 13,825 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; contributing 11 per cent (directly and indirectly) to the region's Gross Regional Product and employment.

¹ I.D. Consulting Pty Ltd, *Population and household forecasts: 2011 to 2036*, April 2015, <<http://forecast.id.com.au/mornington-peninsula/population-summary>>.

Sustainable Capacity Indicators

For the year ended 30 June 2016

<i>Indicator/measure</i>	Results		Material Variations
	2015	2016	
Population			
<i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$1,258.89	\$1,288.86	
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$7,981.65	\$7,767.51	
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	90.15	90.49	
Own-source revenue			
<i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$1,109.97	\$1,172.34	
Recurrent grants			The variance is mainly due to early receipt of 2016 Financial Assistance Grant in FY 2015
<i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$187.04	\$124.87	
Disadvantage			
<i>Relative socio-economic disadvantage</i> [Index of Relative Socio-economic Disadvantage by decile]	8.00	8.00	
Definitions			
"adjusted underlying revenue" means total income other than:			
(a) non-recurrent grants used to fund capital expenditure; and			
(b) non-monetary asset contributions; and			
(c) contributions to fund capital expenditure from sources other than those referred to above			
"infrastructure" means non-current property, plant and equipment excluding land			
"local road" means a sealed or unsealed road for which the council is the responsible road authority under the <i>Road Management Act 2004</i>			
"population" means the resident population estimated by council			
"own-source revenue" means adjusted underlying revenue other than revenue that is not under the control of council (including government grants)			
"relative socio-economic disadvantage", in relation to a municipality, means the relative socio-economic disadvantage, expressed as a decile for the relevant financial year, of the area in which the municipality is located according to the Index of Relative Socio-Economic Disadvantage (Catalogue Number 2033.0.55.001) of SEIFA			
"SEIFA" means the Socio-Economic Indexes for Areas published from time to time by the Australian Bureau of Statistics on its Internet website			
"unrestricted cash" means all cash and cash equivalents other than restricted cash.			

Service Performance Indicators

For the year ended 30 June 2016

Service/indicator/measure	Results		Material Variations
	2015	2016	
Aquatic facilities			
Utilisation			
<i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	1.81	1.76	Attendance at Pelican Park Recreation Centre was down on 2015, led by the adult entry and family categories declining by 10 and 15 per cent respectively.
Animal management			
Health and safety			
<i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	50.00	40.00	The lower number of prosecutions is attributed to the Prosecution Officer taking Long Service Leave for a number of months during 2015/16. In the officer's absence, legal proceedings for routine matters were held over until the officer returned.
Food safety			
Health and safety			
<i>Critical and major non-compliance notifications</i> [Number of critical non-compliance notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance notifications and major non-compliance notifications about food premises] x100	92.16%	89.55%	
Governance			
Satisfaction			
<i>Satisfaction with council decisions</i> [Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]	57.00	56.26	
Home and community care			
Participation			
<i>Participation in HACC service</i> [Number of people that received a HACC service / Municipal target population for HACC services] x100	41.91%	35.86%	The number of residents requesting Home and Community Care can vary as it relies firstly on the level of need for support from individuals in any one year and whether they choose to seek government subsidised support services or support from other sources.
Participation			
<i>Participation in HACC service by CALD people</i> [Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100	30.56%	27.78%	As above

Service/indicator/measure	Results		Material Variations
	2015	2016	
Libraries			
Participation			
Active library members [Number of active library members / Municipal population] x100	18.73%	19.31%	
Maternal and 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	73.39%	-	Data unavailable by reporting date for extraction from Municipal Association of Victoria’s CDIS system. Data will be published in 2016/17 Annual Report.
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	76.04%	-	Data unavailable by reporting date for extraction from Municipal Association of Victoria’s CDIS system. Data will be published in 2016/17 Annual Report.
Roads			
Satisfaction			
Satisfaction with sealed local roads [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]	58.00	55.37	The Shire's rating, although a decrease from last year, is 1 point higher than the state-wide result.
Statutory Planning			
Decision making			
Council planning decisions upheld at VCAT [Number of VCAT decisions that did not set aside council’s decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100	56.67%	67.65%	There has been a greater success rate at VCAT this financial year, due to a greater understanding of the Mornington Peninsula Localised Planning Statement and the importance this plays in local planning decisions.
Waste Collection			
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	49.53%	50.01%	

Definitions

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

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

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

"annual report" means an annual report prepared by a council under sections 131, 132 and 133 of the Act

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

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

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

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

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

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

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

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

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

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

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

"population" means the resident population estimated by council

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

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

Financial Performance Indicators

For the year ended 30 June 2016

Dimension/ <i>indicator/measure</i>	Results		Forecasts				Material Variations
	2015	2016	2017	2018	2019	2020	
Efficiency							
Revenue level							
<i>Average residential rate per residential property assessment</i> [Residential rate revenue / Number of residential property assessments]	\$1,390.69	\$1,455.96	\$1,494.61	\$1,516.19	\$1,554.09	\$1,576.17	
Expenditure level							
<i>Expenses per property assessment</i> [Total expenses / Number of property assessments]	\$1,968.85	\$1,933.77	\$2,001.16	\$2,034.94	\$2,101.01	\$2,149.25	
Workforce turnover							
<i>Resignations and terminations compared to average staff</i> [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	18.66%	15.65%	10.48%	10.48%	10.48%	10.48%	Variance due to restructure commencing in 2015.
Liquidity							
Working capital							
<i>Current assets compared to current liabilities</i> [Current assets / Current liabilities] x100	151.94%	189.63%	114.16%	138.11%	147.20%	167.85%	The variance is mainly due to increase in Cash and Cash Equivalents balance as the Council was successful in securing additional Capital Grants for projects that will be completed in the following year.

Dimension/ <i>indicator/measure</i>	Results		Forecasts				Material Variations
	2015	2016	2017	2018	2019	2020	
Unrestricted cash <i>Unrestricted cash compared to current liabilities</i> [Unrestricted cash / Current liabilities] x100	83.14%	131.93%	52.42%	68.99%	77.76%	89.12%	This favourable balance is due to additional funds received for Capital Projects and delayed projects that will be completed in the following year.
Obligations Asset renewal <i>Asset renewal compared to depreciation</i> [Asset renewal expenses / Asset depreciation] x100	74.08%	58.80%	65.29%	56.41%	62.07%	58.87%	The expenditure on asset renewal is based on the Council's asset renewal and maintenance program.
Loans and borrowings <i>Loans and borrowings compared to rates</i> [Interest bearing loans and borrowings / Rate revenue] x100	24.36%	18.33%	12.71%	7.65%	5.58%	3.58%	The Council has a debt reduction strategy and has not borrowed in the current year.
Loans and borrowings <i>Loans and borrowings repayments compared to rates</i> [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100	12.52%	6.24%	5.94%	5.41%	2.30%	2.17%	The Council has a debt reduction strategy and due to loans expired during the year, repayments were reduced.
Indebtedness <i>Non-current liabilities compared to own source revenue</i> [Non-current liabilities / Own source revenue] x100	17.94%	13.77%	8.60%	6.88%	5.21%	3.99%	Variance is mainly due to reduction of Council's debt.

Dimension/ <i>indicator/measure</i>	Results		Forecasts				Material Variations
	2015	2016	2017	2018	2019	2020	
Operating position							
Adjusted underlying result							
<i>Adjusted underlying surplus (or deficit)</i> [Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100	5.21%	3.56%	6.17%	3.94%	3.21%	2.40%	
Stability							
Rates concentration							
<i>Rates compared to adjusted underlying revenue</i> [Rate revenue / Adjusted underlying revenue] x100	69.06%	74.73%	72.09%	73.56%	73.58%	73.60%	
Rates effort							
<i>Rates compared to property values</i> [Rate revenue / Capital improved value of rateable properties in the municipality] x100	0.24%	0.25%	0.24%	0.24%	0.24%	0.24%	

Definitions

"adjusted underlying revenue" means total income other than:

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

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

"asset renewal expenditure" means expenditure on an existing asset or on replacing an existing asset that returns the service capability of the asset to its original capability

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

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

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

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

"non-recurrent grant" means a grant obtained on the condition that it be expended in a specified manner and is not expected to be received again during the period covered by a council's Strategic Resource Plan

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

"population" means the resident population estimated by council

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

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

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

"restricted cash" means cash and cash equivalents, within the meaning of the AAS, that are not available for use other than for a purpose for which it is restricted, and includes cash to be used to fund capital works expenditure from the previous financial year

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

Other Information

For the year ended 30 June 2016

1. Basis of preparation

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

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

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

The forecast figures included in the performance statement are those adopted by council in its strategic resource plan and which forms part of the council plan. The strategic resource plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The strategic resource plan can be obtained by contacting council.

Certification of the Performance Statement

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



Matthew Green CA
Principal Accounting Officer
Dated: 12 September 2016

In our opinion, the accompanying performance statement of the Mornington Peninsula Shire Council for the year ended 30 June 2016 presents fairly the results of council's performance in accordance with the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.

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

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

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



Cr Graham Pittock
Mayor
Dated: 12 September 2016



Cr Bev Colomb
Deputy Mayor
Dated: 12 September 2016



Carl Cowie
Chief Executive Officer
Dated: 12 September 2016

INDEPENDENT AUDITOR'S REPORT

To the Councillors, Mornington Peninsula Shire Council

The Performance Statement

I have audited the accompanying performance statement for the year ended 30 June 2016 of the Mornington Peninsula Shire Council which comprises the statement, the related notes and the certification of the performance statement.

The Councillors' Responsibility for the Performance Statement

The Councillors of the Mornington Peninsula Shire Council are responsible for the preparation and fair presentation of the performance statement in accordance with the *Local Government Act 1989* and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the performance statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Local Government Act 1989*, my responsibility is to express an opinion on the performance statement based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the performance statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the performance statement. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the performance statement, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the performance statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the overall presentation of the performance statement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, I and my staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion, the performance statement of the Mornington Peninsula Shire Council in respect of the 30 June 2016 financial year presents fairly, in all material respects, in accordance with the *Local Government Act 1989*.

MELBOURNE
20 September 2016


R Andrew Greaves
Auditor-General