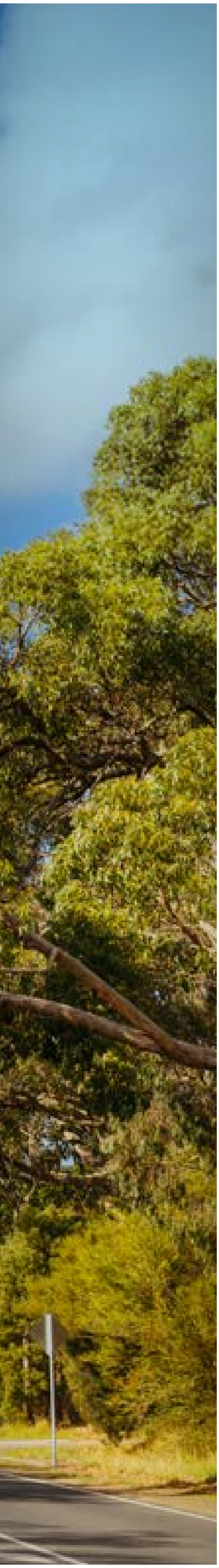
Financial Plan

Mornington Peninsula Shire

2025–26 to 2035-36

Acknowledgement of Country

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



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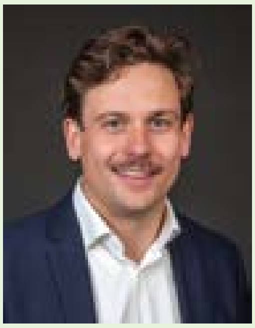
Our Councillors

Cr. Kate Roper
Beek Beek Ward



Cr. Max Patton
Benbenjie Ward

Cr. Anthony Marsh
Briars Ward

Cr. Patrick Binyon
Brokil Ward

Cr. David Gill
Coolart Ward

Cr. Stephen Batty
Kackeraboite Ward

Cr. Bruce Ranken
Moorooduc Ward

Cr. Andrea Allen
Nepean Ward

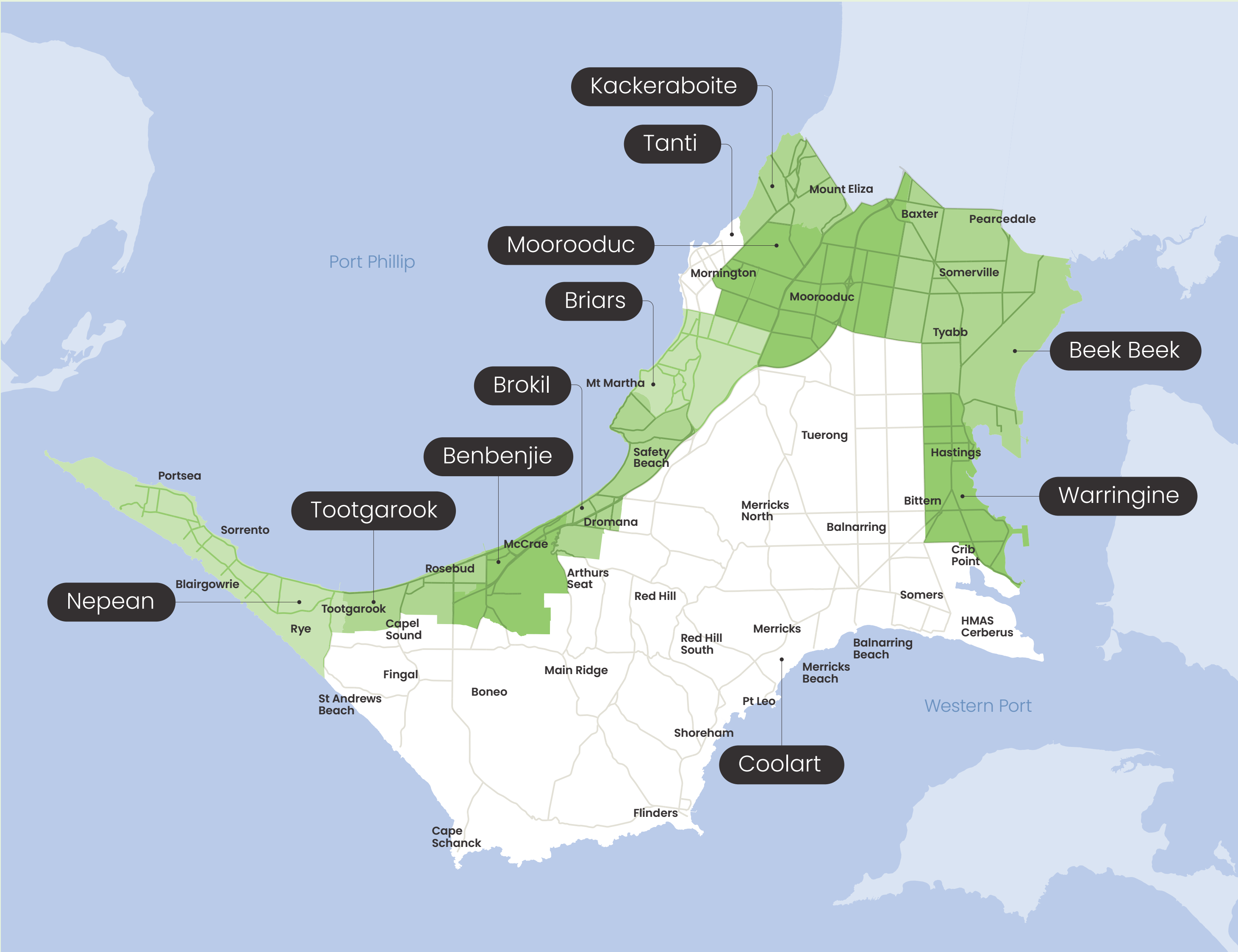
Cr. Paul Pingiaro
Tanti Ward

Cr. Cam Williams
Tootgarook Ward

Cr. Michael Stephens
Warringine Ward

For more information visit:
mornpen.vic.gov.au/ourcouncillors

Our Wards



Kackeraboite
Tanti
Mooroodoc
Briars
Brokil
Benbenjie
Tootgarook
Nepean
Beek Beek
Warringine
Coolart
Port Phillip
Western Port
Mount Eliza
Baxter
Pearcedale
Mornington
Somerville
Moorooduc
Tyabb
Mt Martha
Tuerong
Safety Beach
Hastings
Portsea
Merricks North
Bittern
Sorrento
Dromana
Balnarring
McCrae
Crib Point
Rosebud
Arthurs Seat
Blairgowrie
Red Hill
Somers
Tootgarook
Capel Sound
HMAS Cerberus
Rye
Merricks
Red Hill South
Balnarring Beach
Merricks Beach
Fingal
Main Ridge
Boneo
St Andrews Beach
Pt Leo
Shoreham
Flinders
Cape Schanck

About the Mornington Peninsula

The Mornington Peninsula is located on the land of the Bunurong people. It sits on the fringe of Melbourne's outer southern suburbs and spans 723 square kilometres, with 192 kilometres of coastline along Port Phillip Bay, Western Port and Bass Strait. The Peninsula is around 70 per cent rural and Green Wedge, with the remaining 30 per cent a mix of urban and commercial areas. There are 40 townships and villages.

The region includes more than 1,735 kilometres of roads, 725 kilometres of footpaths, 342 kilometres of walking trails, and 106 kilometres of cycling trails. The Peninsula has a population of more than 175,000 people, with significant seasonal population increases due to tourism and holidaymakers. Townships span from Mount Eliza to Portsea, and from Baxter and Hastings to Crib Point and Balnarring. Larger population centres such as Mornington, Rosebud, Hastings and Sorrento are complemented by smaller communities such as Flinders, Merricks, Red Hill, Somers, Shoreham, St Andrews Beach and Tuerong.

The Peninsula is known for its distinct coastal villages, sandy beaches, lush parklands, vibrant arts scene and a proud First Nations history, which is reflected in Bunurong cultural heritage and significant sites.

Mornington Peninsula Shire Council is an 'interface Council'—a classification that recognises the community does not yet have full access to many services available in metropolitan Melbourne, often requiring residents to travel outside the municipality for key services.

For more information, visit:
mornpen.vic.gov.au/ourpeninsula

$515 million capital expenditure

$3.8 billion of property, infrastructure and equipment assets

$11.3 billion in Gross Regional Product

62,311 jobs

17,072 businesses

Our Values

The Mornington Peninsula Shire is committed to upholding the highest standards of performance, behaviour and service. To guide us in achieving exceptional outcomes for the community, we follow five core organisational values that are integral to everything we do.

Integrity

We take ownership and responsibility for our decisions; keep our promises; and hold each other accountable to the highest standards of performance.

Courage

We give honest advice; make tough calls with conviction; stand by our decisions; admit if we get it wrong; and challenge ourselves to explore new ways of thinking.

Openness

We share knowledge and learning for the benefit of all; actively engage with our community; and are transparent in our decision making.

Respect

We treat everyone with dignity, fairness and empathy; look out for our safety and wellbeing; and nurture positive and inclusive relationships.

Excellence

We provide exceptional customer service; strive for innovative team outcomes for the betterment of our community; and step up to lead where we recognise an opportunity for improvement.

Our Services

Mornington Peninsula Shire is primarily a service-based organisation. We deliver about 150 services (including both services delivered directly to the community and internal support services) in support of achieving our Community Vision. These are grouped into 40 high-level service areas, including the following 22 that directly engage with the community.

We aim to deliver high-quality services that balance community needs with strategic direction, innovation and long-term financial sustainability.

Liveable Communities

- Economic Development and Business Support
- Land Use Planning
- Open Space
- Transport Connections

Community Health and Safety

- Animal Management
- Building Safety
- Child and Family Health
- Community Safety
- Emergency Management
- Public Health
- Public Works

Community Wellbeing and Connection

- Arts and Cultural Development
- Community Development
- Community Services
- Early Years
- Libraries
- Positive Ageing
- Recreation and Leisure
- Youth Services

Sustainable Environment

- Circular Economy and Waste Management
- Climate Action and Advocacy
- Environment Management

Strategic Overview

Integrated Strategic Planning and Reporting Framework

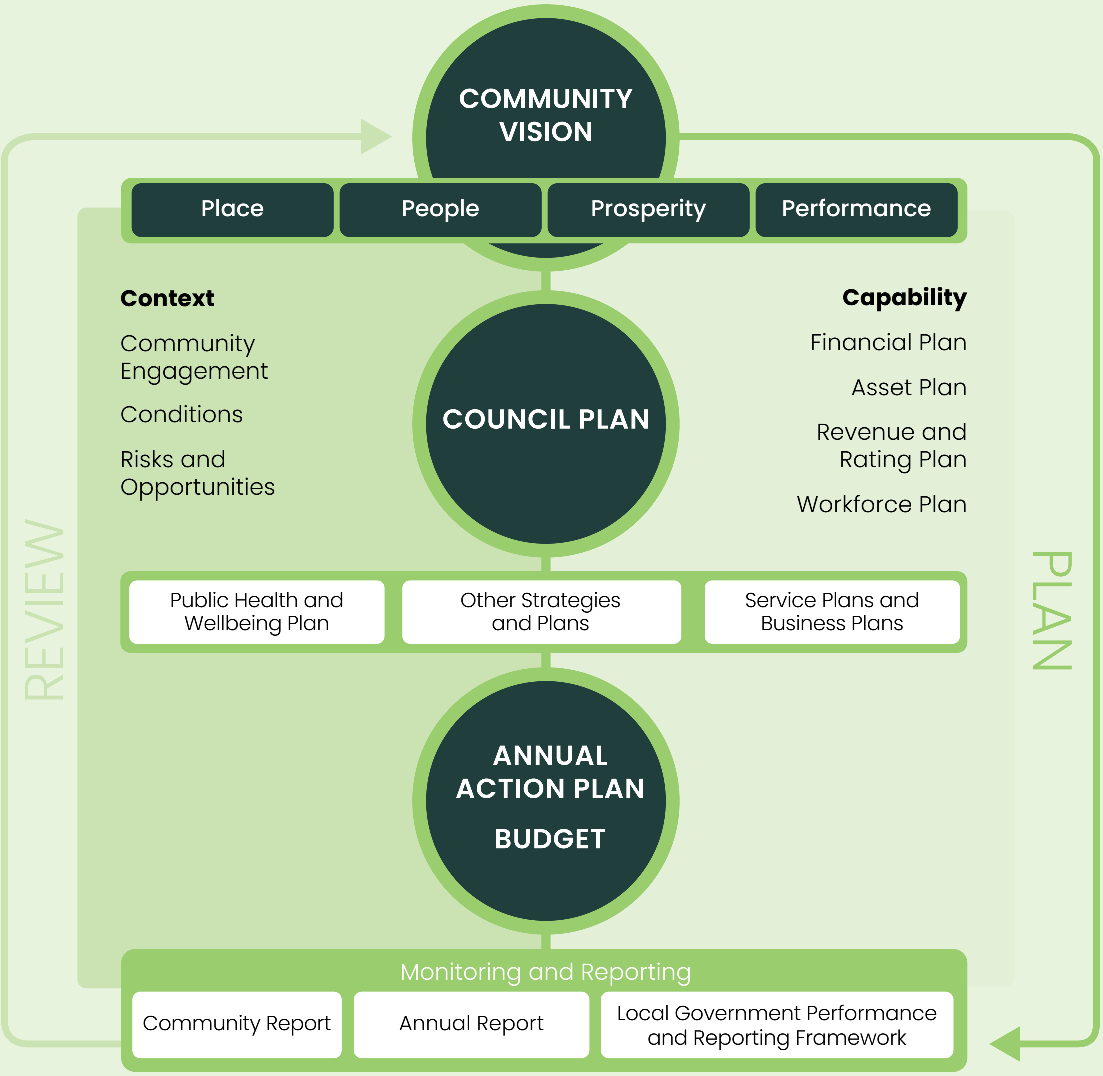
Under the *Local Government Act 2020*, Councils are required to:

- Align all strategic planning with the Community Vision.
- Use an integrated approach to planning, monitoring and performance reporting.

To meet these requirements, we use the Integrated Strategic Planning and Reporting Framework. This helps us to stay focused on achieving our shared Community Vision and ensures we regularly monitor our progress and report back to the community.

The Financial Plan, together with the annual budget, forms part of the capability section of the Framework, which outlines the resources available to deliver on the Council Plan and Community Vision.

Under the Framework, we report on financial performance quarterly through Community Reports. Each year, we also publish an Annual Report detailing progress on delivering the Council Plan, along with end-of-year financial and performance statements.



Legislative Requirements

Under Section 91 of the *Local Government Act 2020*, Council is required to develop and adopt a Financial Plan for a period of at least 10 years. The specific legislative requirements set out in the Act are as follows:

1. A Council must develop, adopt and keep in force a Financial Plan in accordance with its deliberative engagement practices.
2. The scope of a Financial Plan is a period of at least the next 10 financial years.
3. A Financial Plan must include the following in the manner and form prescribed by the regulations –
   a. statements describing the financial resources required to give effect to the Council Plan and other strategic plans of the Council.
   b. information about the decisions and assumptions that underpin the forecasts in the statements specified in paragraph (a).
   c. statements describing any other resource requirements that the Council considers appropriate to include in the Financial Plan.
   d. any other matters prescribed by the regulations.
4. A Council must develop or review the Financial Plan in accordance with its deliberative engagement practices and adopt the Financial Plan by 31 October in the year following a general election.
5. The Financial Plan adopted under subsection (4) has effect from 1 July in the year following a general election.

Financial Management Principles

The Financial Plan complies with the Act's financial management principles:

1. The principles are—
   a. revenue, expenses, assets, liabilities, investments and financial transactions must be managed in accordance with a Council's financial policies and strategic plans;
   b. financial risks must be monitored and managed prudently having regard to economic circumstances;
   c. financial policies and strategic plans, including the Revenue and Rating Plan, must seek to provide stability and predictability in the financial impact on the municipal community;
   d. accounts and records that explain the financial operations and financial position of the Council must be kept.
2. For the purposes of the financial management principles, financial risk includes any risk relating to the following—
   a. the financial viability of the Council;
   b. the management of current and future liabilities of the Council;
   c. the beneficial enterprises of the Council.

Community Vision

Welcome (Wominjeka).

We celebrate, protect and enhance our unique blend of coast, hinterland, Green Wedge and heritage – fostering our diverse culture and connected villages, townships and community.

We are committed to supporting community groups, sustainable and balanced growth, a vibrant local economy, fit-for-purpose infrastructure, and ensuring a prosperous, safe, accessible and inclusive future for all.

Our Community Vision can be themed into the following groupings, forming Council's strategic direction.

Place

Celebrate, protect and enhance our unique blend of coast, hinterland, Green Wedge and connected villages and townships.

People

A safe, accessible, inclusive and engaged community that fosters our diverse culture, supporting health and wellbeing and a connected and compassionate society for all.

Prosperity

Enabling balanced growth through innovation, empowering community groups and volunteers, and fostering a resilient, thriving and vibrant local economy.

Performance

A transparent, accountable council delivering measurable, community-centred services that are cost-effective, fit-for-purpose, future-proofed and responsive to community needs.

Council Plan

The Council Plan sets our strategic direction for the next four years. It is made up of several parts, including strategic objectives and strategies, that together show how we will deliver on our shared Community Vision.

Place – Strategic Direction 1

Strategic Objective 1.1:
Protected, resilient and enhanced natural environments.

Strategic Objective 1.2:
Connected townships with integrated and accessible transport and well-maintained infrastructure.

People – Strategic Direction 2

Strategic Objective 2.1:
A safe, accessible, inclusive and healthy community.

Strategic Objective 2.2:
An engaged and connected community.

Prosperity – Strategic Direction 3

Strategic Objective 3.1:
A vibrant, innovative and thriving local economy.

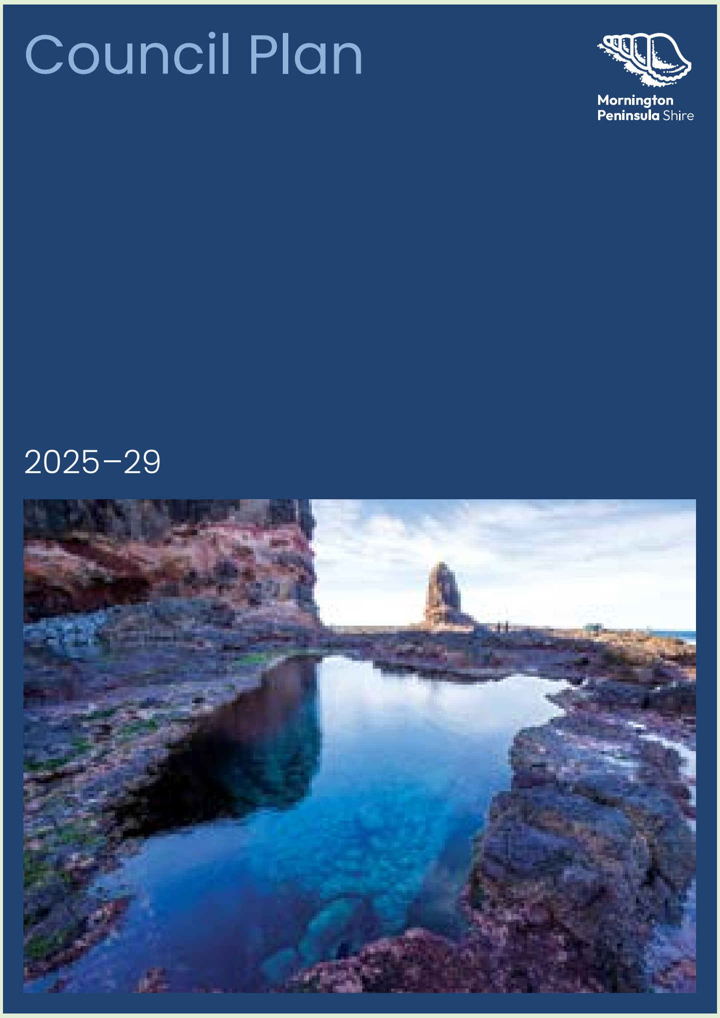
Strategic Objective 3.2:
Valued partnerships and empowered community groups and volunteers.

Performance – Strategic Direction 4

Strategic Objective 4.1:
A financially sustainable, high-performing and well-governed Council.

Strategic Objective 4.2:
Community-centred, responsive, and fit-for-purpose services.

To read our Council Plan, visit:
mornpen.vic.gov.au/councilplan



Plan Overview

The Financial Plan is a key strategic plan of Council, guided by financial strategies and performance indicators adopted throughout its term. It establishes the framework for financial decision-making and guides how Council delivers services, develops infrastructure and assets, and implements strategies and actions.

The Financial Plan aims to ensure Council remains financially sustainable while continuing to deliver essential services and maintain and construct community infrastructure and assets. Financial sustainability is based on the principle that each generation 'pays their way' for the services, infrastructure and assets it uses. Council does this by 'breaking even' (day-to-day expenses equal day-to-day income). If Council records an annual operating deficit, future generations will subsidise current service costs and be responsible for funding worn-out assets.

This Financial Plan has been developed to not only to meet our legislative requirements under the Local Government Act, but also to assist in projecting the financial position of Mornington Peninsula Shire from 2025–26 to 2035–36, based on information available at the time.

In developing the Financial Plan, several key assumptions were applied.

- The 2025–26 annual budget forms the basis for Year One (2026–27) of the Plan. Years One to Ten present 10 years of financial projections underpinned by this base data. The model assumes that service levels will remain materially unchanged over the period, with some exceptions outlined below:
    - The 2025–26 budget has incorporated $10 million in recurrent savings, along with the $7.2 million in savings achieved in 2024–25.
    - Financial sustainability modelling identified that if the Shire continued as is without change, there could be a cash deficit in 10 years. This Plan therefore assumes that the Waste Service Charge (set by the Treasurer of Victoria and the Environment Protection Authority) and best-practice guidelines will not require immediate implementation and incorporates several financial levers to increase revenue opportunities and reduce operational expenditure.
    - Provision has been made for outlays for new or upgraded assets across this 10-year period that will enhance service levels.
    - Varied or additional services may be added over time in response to changes in community needs and preferences. It is assumed that any variations in service demand will not impact the financial bottom line unless otherwise stated.
    - Council will continue to pursue grant funding opportunities as they arise. The Plan estimates $5 million in non-recurrent capital grants from State and Federal Governments.
    - Additional operating or capital grants may lead to increased service levels.

Purpose and Objectives

The purpose of the Financial Plan is to provide a 10-year projection that ensures financial sustainability and sets out how delivery of Council's strategic direction, as outlined in the Council Plan, will be funded to achieve our Community Vision.

The objective is to create a responsible Plan that protects services and ratepayers while safeguarding the Council's capacity for growth.

Over the 10-year timeframe, the Financial Plan aims to:

- Maintain core services while retaining the capacity to respond to emerging service demands. This may be challenging in a rate capping environment.
- Maintain a strong cash position to ensure long-term financial sustainability. Future years of the Plan will present challenges under rate capping.
- Achieve operating surpluses after adjustments for one-off (non-recurring) events.
- Reduce debt levels, both as a percentage and in dollar terms, in line with the Asset Plan.
- Maintain long-term financial sustainability indicators within the target bands of the Local Government Performance Reporting Framework, and the low-medium risk levels as defined by the Victorian Auditor General's Office (VAGO) sustainability indicators.
- Maintain and replace existing assets at a rate consistent with their consumption and condition.
- Address unexpected expenditure, such as unfunded defined benefits superannuation liabilities.
- Actively manage staff numbers to ensure efficient service delivery.

Development of the Plan

We developed this Plan with the help of more than 3,000 community members who shared their ideas, concerns, and priorities with us in early 2025.

These conversations took place as part of a two-month community engagement process that also helped shape the Council Plan, Public Health and Wellbeing Plan and Asset Plan. We used a mix of broad and deliberative engagement methods to better understand the challenges our community faces and the opportunities we can work on together.

Council is committed to involving the Mornington Peninsula community, wherever possible, in decisions that affect them. This engagement was a testament to that commitment, bringing together valuable community insights to guide our planning for the future.

How we engaged

We connected with people in a range of ways to ensure a broad and diverse mix of voices were heard:

- 1,569 responses to our online survey:
- 930 conversations at our 18 pop-up locations.
- 262 postcards completed by primary school aged children.
- 44 children took part in kindergarten group activities.
- 70 responses to our youth survey (12-17 years).
- 3 in person Community Conversations as part of our deliberative engagement.

We heard from people across all ages, genders, backgrounds and abilities—reflecting the diversity of the Mornington Peninsula.

What we heard

Community members told us their top priorities are:

- Better management of Shire roads and infrastructure.
- Improvements to how Council operates, including better financial management.
- Protecting our natural environment and the Green Wedge.
- Ongoing management of waste services.
- Better transport options including path and trails.

You can read more about what we heard in the Community Engagement Findings Report at: **mornpen.vic.gov.au/councilplan**

Key Factors

The key influences and assumptions are based on annual escalations and movements for each line item of the Comprehensive Income Statement for the 10 years from 2026–27 to 2035–36.

It is important that the Financial Plan reflects the most recent economic data and forecasts. A review is conducted annually to ensure the underlying parameters and assumptions remain reasonable considering current economic conditions and expectations. The key factors influencing this Plan are summarised below, with detailed assumptions provided in the 'Other Matters Impacting 10-year Projections' section.

- **Demographics of the Mornington Peninsula:** Population growth and an ageing community create new expectations for long-term service provision. Council's annual review of the Plan ensures the latest forecasts and economic data are incorporated.
- **Urban and rural character:** The Peninsula's urban and rural areas generate different expectations from protecting the environment and meeting the needs of growing townships.
- **Unforeseen changes:** Economic and political changes, including the Consumer Price Index, State and Federal grant availability, residential development, ageing infrastructure, new business activity, changes to levies, and climate-related impacts from storm or Force Majeure Events such as flooding or bushfires, may affect future demands.
- **Recurrent grant funding shortfall:** Recurrent grants make up 4.5 per cent of Councils total revenue. They are tied to specific purposes and often do not cover the true cost of the service they support.
- **Impact of rate capping:**
    - Rates and charges are Council's most significant revenue source, comprising roughly 81 per cent of annual operating income and 77 per cent of total income.
    - The Victorian Government's Fair Go Rates System (FGRS) restricts Council's ability to raise revenue above the rate cap without approval from the Essential Services Commission for a variation. This has heightened focus on long-term financial sustainability.
    - Council's priorities remain maintaining service delivery, investing in community assets, and increasing 'non-rate' income to reduce reliance on rates.
- **Defined-benefit superannuation:** While most staff are now under defined-contribution plans, the Shire retains obligations for eligible employees under defined-benefit schemes. This liability must continue to be monitored, as it directly impacts profits.

Key Findings

The Financial Plan projects that:

- Council's net assets are forecast to increase from $3.71 billion in 2025–26 to $3.82 billion by 2035–36, driven by capital investment in infrastructure.
- Expenditure on key programs and services is forecast at $3.58 billion over the next 10 years.
- Underlying surpluses are projected every year throughout the 10-year Plan. These will be directed towards funding essential capital infrastructure to support the municipality, particularly in growth areas.
- Council will invest $515 million in capital works over the next 10 years, with a major component dedicated to renewing and maintaining existing assets.
- A net benefit of $68 million is predicted through ongoing efficiencies, income generation and financial sustainability measures.
- Leisure centres, parks and reserves will continue to be maintained.
- Council's $3.7 billion in property, infrastructure, plant and equipment assets (replacement value) will be maintained.

Financial Plan Context

The Financial Plan context describes the context and external/internal environment considerations in determining the 10-year financial projections and assumptions.

Financial Policy Statements

This section defines the policy statements, and associated measures, that demonstrates Council's financial sustainability to fund the aspirations of the Community Vision and the Council Plan.

Policy Statement	Measure	Target	2025-26	2026-27
Consistent underlying surplus results.	Adjusted underlying result greater than $0	$0	($11,518)	($7,178)
Ensure Council maintains sufficient working capital to meet its debt obligations as they fall due.	Current Assets / Current Liabilities greater than 1.25	1.25	2.14	2.05
Allocate adequate funds towards renewal capital to replace assets and infrastructure as they reach the end of their service life.	Asset renewal and upgrade expenses / Depreciation above 100%	100%	63%	99%
That Council applies loan funding to new capital and maintains total borrowings in line with rate income and growth of the municipality.	Total borrowings / Rate revenue to remain below 60%	60%	14%	12%
Council maintains sufficient unrestricted cash to ensure ongoing liquidity as well as to address unforeseen cash imposts if required.	Unrestricted cash / current liabilities to be maintained above 80%	80%	105%	79%
Council generates sufficient revenue from rates plus fees and charges to ensure a consistent funding for new and renewal capital.	Capital Outlays as a % of Own Source Revenue to remain above 30%	30%	26%	31%

	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
	($6,828)	$253	($4,292)	$1,699	($107)	$6,249	$495	$6,592	$5,882
	1.67	1.53	1.50	1.54	1.53	1.55	1.55	1.58	1.59
	106%	101%	93%	100%	106%	114%	112%	117%	126%
	11%	9%	8%	6%	5%	5%	4%	3%	2%
	56%	56%	68%	82%	85%	82%	85%	81%	86%
	31%	27%	20%	22%	20%	22%	20%	21%	20%

Assumptions to the Financial Plan Statements

This section presents information regarding the assumptions to the Comprehensive Income Statement for the 10 years from 2026–27 to 2035–36, which comprise the annual escalations/ movement for each line item of the Comprehensive Income Statement.

Escalation Factors movement	%	2026-27	2027-28	2028-29
CPI	Percentage	2.75%	2.50%	2.50%
Population growth	Percentage	0.25%	0.25%	0.25%
Rates and charges	Percentage	2.75%	2.50%	2.50%
Statutory fees and fines	Percentage	2.75%	2.50%	2.50%
User fees	Percentage	3.75%	3.50%	3.50%
Grants – operating	Percentage	2.75%	2.50%	2.50%
Grants – capital	($'000)	5,000	5,000	5,000
Contributions – monetary	($'000)	2,000	2,000	2,000
Other income	Percentage	2.75%	2.50%	2.50%
Employee costs	Percentage	2.98%	2.75%	2.75%
Materials and services	Percentage	3.75%	3.50%	3.50%
Other expenses	Percentage	2.75%	2.50%	2.50%

The points below provide context on how assumptions have been determined for forward financial planning and projections. These assumptions may change year to year, depending on internal and external environmental factors. A good example of such was the flow on effects of COVID-19 and its underlying financial implications.

While Council aims to achieve financial sustainability and community outcomes, the 10-year assumptions must remain sufficiently flexible to respond to an ever-changing environment.

In addition, the following three financial levers under development are included in the 10-year assumptions, to help ensure financial sustainability. These are outlined in the table below and in the following sections.

Financial Lever Assumptions		2026-27	2027-28	2028-29
User fees	Percentage	3.00%	-	-
Asset sales	($'000)	–	2,000	7,000
Efficiency dividends	($'000)	–	(1,000)	(1,000)

2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
5,000	5,000	5,000	5,000	5,000	5,000	5,000
2,000	2,000	2,000	2,000	2,000	2,000	2,000
2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
–	–	–	–	–	–	–
2,000	7,000	2,000	7,000	–	5,000	
(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)

Rates and Charges

Rates revenue is Council's largest source of income. Under the State Government Fair Go Rates System (FGRS), the base rate revenue can only increase by the set rate cap. For the 2025–26 financial year, base rate revenue will increase by 3 per cent.

The Minister for Local Government sets the average rate cap for each upcoming financial year. For this Plan, estimated future annual increases are 2.75 per cent in Year 1, followed by 2.5 per cent per annum in line with the Victorian State Budget CPI assumption have been included for the ensuing years of the Financial Plan. These projections also include an expected 0.25 per cent per annum growth (additional properties) as a result of supplementary rates.

The Waste Service Charge applies equally to all properties and is intended to recover the full cost of waste services including collection, disposal, street sweeping, footpath sweeping, beach cleaning, State Government landfill levy, plus street and drain litter collection. It is projected to increase in line with the rate cap in this Financial Plan. However, any external or internal changes that increase costs are not factored into the bottom line, as this charge is not subject to the rate cap.

In December 2023, the Minister for Local Government issued Local Government Service Rates and Charges: Minister's Good Practice Guidelines for their use. These guidelines are currently being reviewed by the current Minister and for that reason, we have assumed there are no changes for the purposes of long-term financial modelling. However, if these were to be implemented, then the annual impact could be over $15 million in reduced annual revenue.

Statutory Fees and Fines

Local councils must collect statutory fees on behalf of the State Government, including the Emergency Services Volunteer Fund (ESVF, previously Fire Services Property Levy), the swimming pool and spa registration fees and the Animal Registration Levy. The fees are outside Council's control and are therefore forecast in the Financial Plan on a best-estimate basis, using CPI plus growth.

User Fees

User fees are charges paid by those using Council's facilities or services, such as foreshore camping, hall hire and leisure and recreation centres. A full list of user fees for the 2025–26 budget year is provided in Appendix A of the annual budget.

A financial lever has been included to increase user fee income in Year 1 by an additional 3 per cent.

The baseline assumption for user fee income is increased by CPI plus 1 per cent. This is not necessarily a price increase rather can be through volume increases of existing fees, restructuring fees and new fees. The assumption in the plan is for a further increase in Year One of 3 per cent above CPI + 1 per cent through these additional measures.

Grants

Council receives both tied (specific purpose) grants and untied Financial Assistance Grant Funding through the Victorian Local Government Grants Commission (VLGGC).

Operating grants are funds from state and federal sources to deliver Council services such as aged care and disability, financial assistance and delivered meals. These are forecast to increase in line with CPI levels.

Capital grants are funds from state and federal sources for Council's capital works program. These can vary significantly each year depending on the types of works included in the capital works program. For example, the Federal Government's Roads to Recovery program. For the purposes of the Financial Plan, an annual receipt of $5 million non-recurrent capital grants has been included in financial projections.

Contributions

Monetary contributions come from developers (in accordance with planning permits issued for property development) and specific contributions (typically from government departments) towards capital works and priority projects.

Non-monetary contributions are non-cash transactions and represent the value of transferred infrastructure assets within a subdivision handed to Council for future care and maintenance.

These contributions represent funds to enable Council to provide the necessary infrastructure and infrastructure improvements to accommodate development growth. The contributions are for specific purposes and often require Council to outlay funds for infrastructure works, often before receipt of this income source.

Monetary contributions have been forecast as $2 million each year.

Other Income

Other income includes interest on funds plus the recovery income from a variety of sources and investment property rental income managed as part of its investment portfolio. Long-term forecasts assume annual increases in line with CPI.

Employee Costs

The 2025–26 budget includes $5 million in employee savings, as per the Council decision made during the budget process. These savings are still to be implemented, but the baseline assumption is they will be made recurrently. It also includes a 2.7 per cent increase for employee costs, reflecting Enterprise Bargaining Agreement salary increases plus 0.5 per cent banding growth.

From 2026–27 to 2035–36, employee costs are projected to increase in line with 90 per cent rate cap assumption based on the current Enterprise Agreement and 0.5 per cent banding growth.

This model does not include the risk of a defined benefit superannuation call. If such a call were made, then borrowings could be considered by Council and paid back over a period of time. There is no way to confirm if a superannuation call is going to be made in the future or the likely amount required. It could be possible that a call would result in a payment of $10 million.

Materials and Services

Material and services costs include maintenance and repairs of Council buildings, roads, drains and footpaths, which are more governed by market forces based on availability than CPI. This category also covers utilities, materials for meals on wheels and consumable for a range of services. Council also utilises external expertise on a range of matters, including legal services and audits. These costs are kept to within CPI levels year on year.

Depreciation and Amortisation

Depreciation estimates are based on Council’s asset recognition and depreciation periods as set in the Annual Financial Accounts. Depreciation has been further increased by the indexing of the replacement cost of Council’s fixed assets.

Borrowing Costs

Borrowing costs comprise the interest expense to service Council’s loan portfolio that is described in Section 6.1 Borrowing Plan. Borrowings will only be used to fund capital works or initiatives that deliver a financial return on investment.

Other Expenses

Other expenses include administration costs such as Councillor allowances, election costs, sponsorships, partnerships, community grants, leases, Emergency Services and Volunteers Fund (ESVF), audit fees and other day-to-day operating costs.

Property Sales

The Shire holds $3.7 billion in assets, including ageing stock that requires increasing maintenance, renewal, or in some cases closure. Asset utilisation analysis is required to better align infrastructure with community demand.

The Financial Plan assumes $32 million in asset sales spread across Years Two to Nine. This is a one-off cash measure that may also reduce future maintenance and renewal costs. Modelling assumes that 50 per cent of proceeds are reinvested in the capital works program and 50 per cent are applied to help Council's overall position.

Efficiency Dividends

The financial lever for efficiency dividends is based on a saving of $1 million cumulatively from Years Two to Ten. For modelling purposes, this has been included as a cost reduction, however these dividends could be achieved through additional income streams, grant funding or service changes. These would be based on decisions made strategically through the annual budget process.

Other Matters Impacting 10-year Projections

Cost Shifting

Cost shifting has been a major financial issue for local government and remains a significant risk to Council's ability to deliver services and maintain financial sustainability.

Cost shifting occurs when Local Government provides a service to the community on behalf of the State and Federal Governments but is not adequately funded to cover the real cost of delivery. Over time, this shortfall widens as costs rise but funding does not keep pace.

In 2023-24, cost shifting added approximately $38 million in operating costs for the Shire, or $234 million over five years. The most impacted services include:

- Foreshore management
- Emergency management
- Climate change response
- Statutory planning
- Libraries
- Kindergartens

Rate Capping

The Victorian Government introduced the Fair Go Rates System (2015) to limit the amount councils can increase rates each year without seeking additional approval. The Minister for Local Government sets the average rate cap for the following rating year based on the forecast change in the consumer price index (CPI). The annual cap cannot be increased without the permission of the Essential Services Commission.

Since its inception, the Fair Go Rates System has challenged Council's long-term financial sustainability. It limited our ability to raise revenue to maintain service delivery levels and invest in community assets.

Rates are Council's most significant revenue source, accounting for 81 per cent of annual income. Rate capping restricts our capacity to adjust income in line with inflation, threatening financial sustainability and the delivery of essential services. Councils with lower average rates when the cap was introduced face financial challenges sooner than others.

For the Shire, with an average rates income of $1,653 per rateable property in 2024-25, the effects of reduced income are already evident. Our average rate is approximately $350 lower than other Interface Councils and $400 below the state average, representing a loss of around $40-42 million in annual rates income. Over time, lower average rates contribute to a decline in service levels due to the compounding effect of the cap.

Financial Assistance Grants

We are one of 18 councils receiving the minimum general-purpose grant, at just $25.60 per capita.

The current grant allocation methodology is inadequate. Council's ability to generate rates revenue is overstated. The Commission's consideration of tourism's impact is insufficient; with over 8 million tourists annually, adjustments for seasonal residents do not reflect the true pressure on our services.

Additionally, managing our coastal areas is a significant challenge, as Council is responsible for a large portion of Victorian Crown land, requiring an annual investment of $11.7 million primarily for maintenance. Minimal funding is available for infrastructure upgrades.

New Infrastructure Pressures

A 2022 survey conducted by the Municipal Association of Victoria on infrastructure delivery challenges found that over 80 per cent of Victorian councils reported a decline in the responsiveness of industry tenders compared to the previous 12 months.

Key findings from the 2022 survey included: [1]

- The cost of delivering infrastructure, particularly construction, has increased rapidly over 2021–22.
- Shortages of services, materials, and skill are leading challenges.
- Infrastructure pipelines in Victoria and Australia are exceeding the capacity of industry to deliver.
- Local government's asset-to-revenue ratio differs significantly from other levels of government.
- Councils have large assets to manage, yet significant constraints on revenue (including imposed limits on own-sourced revenue such as the rate-cap and statutory fees).
- Flexibility in grant funding and increases to untied grants are seen by councils as the most promising response to these challenges.

Over the next five years, demand on Council's capital works program is expected to rise due to failing infrastructure and assets and community demand, while government grants are likely to diminish. Council has already experienced escalated expenses in its capital works program due to limited contractor availability, material supply chain disruptions, and labour shortages.

Relying primarily on government grants to fund infrastructure projects presents a significant risk. With uncertainties around state and federal budgets, policy changes and political priorities, funding availability may be limited. Despite this risk, Council will continue to strategically seek State and Federal Government grants to support new infrastructure projects.

1 Municipal Association of Victoria (2022), Infrastructure pressures affecting Victorian councils. MAV infrastructure pressures survey - summary report - Oct 2022.docx

Maintaining Existing Assets

Council manages $3.7 billion of essential municipal and community assets.

The major threat to Council's financial sustainability is the long-term ability to maintain assets at an adequate level. Council's Asset Plan delivery program is restricted by financial affordability, which enables us to 'scrape by' and fails to account for the true financial obligations necessary to sustain the current service levels of our infrastructure over the next decade and beyond. These challenges are compounded by surging costs of infrastructure delivery and construction.

Council as a 'Last Resort' Provider

Councils often step in as a 'last resort' provider when other levels of government or the market withdraws (or exits) from delivering a community service. This usually occurs when the service is essential or considered important by the community. Typically, councils do not receive sufficient funding to deliver these services and often struggle to maintain continuity.

If Council did not step in, the community would miss out on vital services including school crossing supervisors and aged care services. Moving forward, Council, alongside our community, will need to make difficult decisions about the role of local government in delivering certain services.

Community Expectations and Service Landscape

As our community evolves, the demands of residents naturally change. Public awareness and understanding of local government vary, some may expect councils to deliver only basic services often expressed as "roads, rates and rubbish."

In response to these changing dynamics, it is important for our Council to proactively adapt and engage with stakeholders to meet these increasing expectations while fulfilling our core roles in service and infrastructure delivery. It will mean Council's service mix, service levels and operating models will need to respond and change.

Currently, Council lacks the financial capacity to undertake ('take on') any services and may even need to reduce some existing services. A comprehensive service planning and review program will be central to Council's financial sustainability over the next 10 years.

VAGO developed a framework to categorise the range of Council services. Scope and delivery methods vary across Victorian councils, with the greatest variation in the 'community expectation' and 'Council discretion' categories:

Service Category	Council Responsibility	Service Delivery Examples
Statutory obligation	Council is legally required to provide the service	Rates, roads, animal management, food safety, maternal and child health, building and planning, waste collection.
Statutory discretion	Legislation gives Council the option to deliver the service, but it is not mandatory to do so.	Economic development and community grants.
Community expectation	Due to market failure and community demand, Council is expected (by community) to provide the service and it would be extremely difficult for Council to exit the service.	Library services, sportsgrounds, and pavilions.
Council discretion	Although it is not legally required to do so, Council provides the service to meet an identified community need that other organisations may be able to provide.	Markets, arts and cultural activities, events, sister-city relations, childcare, aged services, environmental education, youth programs.

Transformation

COVID-19 accelerated the need for digital services and remote working capabilities, as Council and the community adapted rapidly to lockdowns and restrictions. Our community now reasonably expects online access to Council services, such as paying rates or fines, applying for permits, and booking waste collection.

Council operates a series of legacy Information and Communications Technology (ICT) systems that require upgrades to improve integration, efficiency and service responsiveness, data analytics capabilities and data protection. A significant investment program to uplift digital capabilities over the next five years is nearing completion, but ongoing investment will be required to realise its full value and ensure Council can meet future community needs.

Emerging technologies, including Artificial Intelligence, are expected to disrupt to how Council operates and interacts with the community. Continued exploration, upskilling and adoption of these technologies will be necessary to harness opportunities and maintain service effectiveness.

Responding to a Changing Climate

As extreme weather events increase in intensity and frequency, the need for significant strategic investment in climate change adaptation and mitigation is growing within the sector.

Victorian legislation recognises the role of local government in helping communities adapt to climate change and reduce emissions. Changes to the *Local Government Act 2020* have strengthened the need to consider climate change risk in council decision-making processes.

A changing climate affects all areas of Council operations; from planning to parks and recreation, maintaining assets, to delivering community services. The bushfires of 2019 and the flooding of the Australian east coast in 2022 highlighted the potential disruption to communities, key infrastructure, and services from extreme events.

Emerging and Changing Conditions

In addition to the factors outlined above, other current or emerging conditions can affect the organisation's ability to achieve financial sustainability. These include, but are not limited to:

- Global disruptions reshaping supply chains with escalating costs and longer lead times.
- Growing lack of trust in governance with a rise in extreme and polarising views.
- Legislation not keeping pace with growing community needs.
- Degree of change in relation to elected representatives.
- Green Wedge and coastal status, which place demand and constraints on Council.

The conditions are monitored quarterly to evaluate whether they have a material impact on the Mornington Peninsula and to determine any appropriate action required to respond to a changing or emerging condition.

Financial Plan Statements

This section presents information regarding the Financial Plan Statements for the 10 years from 2025–26 to 2035–36, including:

- Comprehensive Income Statement
- Balance Sheet
- Statement of Changes in Equity
- Statement of Cash Flows
- Statement of Capital Works
- Statement of Human Resources

Comprehensive Income Statement

	Adopted Budget 2025-26 $'000	2026-27 $'000	2027-28 $'000	2028-29 $'000
Income/Revenue				
Rates and charges	237,913	244,060	250,657	257,432
Statutory fees and fines	10,378	10,663	10,930	11,203
User fees	23,868	25,479	26,371	27,294
Grants - Operating	15,344	15,766	16,160	16,564
Grants - Capital	16,445	7,783	7,978	8,177
Contributions - monetary	9,537	2,055	2,106	2,159
Contributions - non-monetary	4,474	3,000	3,000	3,000
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	-	-	2,000	7,000
Other income	8,383	9,031	8,669	8,811
Total income/revenue	**326,342**	**317,838**	**327,871**	**341,641**
Expenses				
Employee costs	96,504	99,375	101,608	103,902
Materials and services	156,225	163,636	170,404	174,363
Depreciation	47,389	44,472	43,870	44,024
Amortisation - intangible assets	91	40	40	40
Depreciation - right of use assets	627	-	-	-
Borrowing costs	726	916	804	711
Finance Costs - leases	13	-	-	-
Other expenses	8,879	8,440	9,708	9,952
Total expenses	**310,454**	**316,879**	**326,433**	**332,991**
Surplus/(deficit) for the year	**15,888**	**959**	**1,438**	**8,650**
Total comprehensive result	**15,888**	**959**	**1,438**	**8,650**
Adjusted Underlying Surplus (Deficit)	**(11,518)**	**(7,178)**	**(6,828)**	**253**

2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
$'000	$'000	$'000	$'000	$'000	$'000	$'000
264,391	271,538	278,879	286,418	294,161	302,114	310,282
11,483	11,770	12,065	12,366	12,675	12,992	13,317
28,249	29,238	30,261	31,320	32,417	33,551	34,725
16,978	17,403	17,838	18,284	18,741	19,209	19,690
8,382	8,591	8,806	9,026	9,252	9,483	9,720
2,213	2,268	2,325	2,383	2,443	2,504	2,566
3,000	3,000	3,000	3,000	3,000	3,000	3,000
2,000	7,000	2,000	7,000	–	5,000	–
7,956	7,105	7,258	7,414	7,575	7,739	7,908
344,653	**357,914**	**362,431**	**377,212**	**380,263**	**395,593**	**401,208**
106,259	108,681	111,170	113,727	116,355	119,055	121,829
179,483	183,770	189,195	194,797	200,582	206,557	212,726
43,815	44,082	42,165	42,065	42,082	42,254	39,237
40	40	40	40	40	40	40
–	–	–	–	–	–	–
614	513	436	388	339	289	242
–	–	–	–	–	–	–
10,201	10,457	10,720	10,989	11,264	11,547	11,837
340,412	**347,544**	**353,725**	**362,005**	**370,662**	**379,741**	**385,911**
4,240	**10,370**	**8,706**	**15,207**	**9,602**	**15,852**	**15,298**
4,240	**10,370**	**8,706**	**15,207**	**9,602**	**15,852**	**15,298**
(4,292)	**1,699**	**(107)**	**6,249**	**495**	**6,592**	**5,882**

Balance Sheet

	Adopted Budget 2025-26 $'000	2026-27 $'000	2027-28 $'000	2028-29 $'000
Assets				
Current assets				
Cash and cash equivalents	25,159	100,367	75,930	66,326
Trade and other receivables	19,234	24,426	25,030	25,788
Other financial assets	92,982	-	-	-
Inventories	192	199	206	213
Prepayments	3,493	3,624	3,880	3,977
Other assets	3,684	3,785	3,751	3,882
Total current assets	**144,743**	**132,402**	**108,797**	**100,187**
Non-current assets				
Trade and other receivables				
Other financial assets	45	45	45	45
Property, infrastructure, plant & equipment	3,710,512	3,717,279	3,739,715	3,754,152
Right-of-use assets	2,089	2,089	2,089	2,089
Investment property	10,041	10,041	10,041	10,041
Intangible assets	791	751	712	672
Total non-current assets	**3,723,478**	**3,730,206**	**3,752,602**	**3,766,999**
Total assets	**3,868,222**	**3,862,608**	**3,861,399**	**3,867,186**
Liabilities				
Current liabilities				
Trade and other payables	16,000	14,199	14,734	15,119
Trust funds and deposits	9,179	9,179	9,179	9,179
Contract and other liabilities	25,607	24,903	24,280	23,673
Provisions	13,286	12,622	12,969	13,325
Interest-bearing liabilities	2,668	2,915	3,008	3,105
Lease liabilities	902	902	902	902
Total current liabilities	**67,642**	**64,720**	**65,072**	**65,304**

2029-30 $'000	2030-31 $'000	2031-32 $'000	2032-33 $'000	2033-34 $'000	2034-35 $'000	2035-36 $'000
63,817	63,527	65,761	63,886	65,935	63,780	67,167
26,498	27,226	24,799	28,744	26,253	30,347	27,641
–	–	–	–	–	–	–
221	229	237	245	253	262	271
4,076	4,178	4,283	4,390	4,500	4,612	4,727
4,018	4,159	4,304	4,455	4,611	4,772	4,939
98,630	**99,319**	**99,384**	**101,720**	**101,552**	**103,773**	**104,746**
45	45	45	45	45	45	45
3,757,108	3,763,805	3,770,628	3,781,762	3,789,741	3,801,941	3,815,147
2,089	2,089	2,089	2,089	2,089	2,089	2,089
10,041	10,041	10,041	10,041	10,041	10,041	10,041
633	593	554	514	475	435	396
3,769,916	**3,776,574**	**3,783,357**	**3,794,451**	**3,802,391**	**3,814,551**	**3,827,718**
3,868,546	**3,875,893**	**3,882,740**	**3,896,171**	**3,903,943**	**3,918,324**	**3,932,464**
15,560	15,932	16,354	16,880	17,378	17,891	18,370
9,179	9,179	9,179	9,179	9,179	9,179	9,179
23,081	22,504	21,942	21,393	20,858	20,337	19,828
13,692	14,068	14,455	14,853	15,261	15,681	16,112
3,206	2,115	2,163	2,212	1,894	1,573	1,619
902	902	902	902	902	902	902
65,620	**64,701**	**64,995**	**65,419**	**65,472**	**65,562**	**66,012**

	Adopted Budget 2025-26 $'000	2026-27 $'000	2027-28 $'000	2028-29 $'000
Non-current liabilities				
Trust funds and deposits	159	159	159	159
Provisions	15,243	15,224	15,234	15,244
Interest-bearing liabilities	30,284	26,651	23,643	20,537
Lease liabilities	817	817	817	817
Total non-current liabilities	**46,503**	**42,851**	**39,853**	**36,757**
Total liabilities	**114,145**	**107,572**	**104,925**	**102,061**
Net assets	**3,754,077**	**3,755,036**	**3,756,474**	**3,765,124**
Equity				
Accumulated surplus	1,085,077	1,096,036	1,107,474	1,126,124
Reserves	2,669,000	2,659,000	2,649,000	2,639,000
Total equity	**3,754,077**	**3,755,036**	**3,756,474**	**3,765,124**

2029-30 $'000	2030-31 $'000	2031-32 $'000	2032-33 $'000	2033-34 $'000	2034-35 $'000	2035-36 $'000
159	159	159	159	159	159	159
15,254	15,265	15,276	15,287	15,298	15,310	15,322
17,331	15,216	13,053	10,841	8,948	7,375	5,756
817	817	817	817	817	817	817
33,562	**31,457**	**29,305**	**27,104**	**25,222**	**23,661**	**22,053**
99,181	**96,158**	**94,300**	**92,524**	**90,694**	**89,223**	**88,065**
3,769,365	**3,779,735**	**3,788,440**	**3,803,647**	**3,813,249**	**3,829,101**	**3,844,398**
1,140,365	1,159,735	1,168,440	1,183,647	1,193,249	1,209,101	1,224,398
2,629,000	2,620,000	2,620,000	2,620,000	2,620,000	2,620,000	2,620,000
3,769,365	**3,779,735**	**3,788,440**	**3,803,647**	**3,813,249**	**3,829,101**	**3,844,398**

Statement of Changes in Equity

	Total $'000	Accumulated Surplus $'000	Revaluation Reserve $'000	Other Reserves $'000
2026 Budget				
Balance at beginning of the financial year	3,738,189	1,069,189	2,618,661	50,339
Surplus/(deficit) for the year	15,888	15,888	-	-
Net asset revaluation gain/(loss)	-	-	-	-
Transfers to other reserves	-	-	-	-
Transfers from other reserves		-	-	-
Balance at end of the financial year	**3,754,077**	**1,085,077**	**2,618,661**	**50,339**
2027				
Balance at beginning of the financial year	3,754,077	1,085,077	2,618,661	50,339
Surplus/(deficit) for the year	959	10,959	-	(10,000)
Balance at end of the financial year	**3,755,036**	**1,096,036**	**2,618,661**	**40,339**
2028				
Balance at beginning of the financial year	3,755,036	1,096,036	2,618,661	40,339
Surplus/(deficit) for the year	1,438	11,438	-	(10,000)
Balance at end of the financial year	**3,756,474**	**1,107,474**	**2,618,661**	**30,339**
2029				
Balance at beginning of the financial year	3,756,474	1,107,474	2,618,661	30,339
Surplus/(deficit) for the year	8,650	18,650	-	(10,000)
Balance at end of the financial year	**3,765,124**	**1,126,124**	**2,618,661**	**20,339**
2030				
Balance at beginning of the financial year	3,765,124	1,126,124	2,618,661	20,339
Surplus/(deficit) for the year	4,240	14,240	-	(10,000)
Balance at end of the financial year	**3,769,365**	**1,140,365**	**2,618,661**	**10,339**

	Total $'000	Accumulated Surplus $'000	Revaluation Reserve $'000	Other Reserves $'000
2031				
Balance at beginning of the financial year	3,769,365	1,140,365	2,618,661	10,339
Surplus/(deficit) for the year	10,370	19,370	-	(9,000)
Balance at end of the financial year	**3,779,735**	**1,159,735**	**2,618,661**	**1,339**
2032				
Balance at beginning of the financial year	3,779,735	1,159,735	2,618,661	1,339
Surplus/(deficit) for the year	8,706	8,706	-	-
Balance at end of the financial year	**3,788,440**	**1,168,440**	**2,618,661**	**1,339**
2033				
Balance at beginning of the financial year	3,788,440	1,168,440	2,618,661	1,339
Surplus/(deficit) for the year	15,207	15,207	-	-
Balance at end of the financial year	**3,803,647**	**1,183,647**	**2,618,661**	**1,339**
2034				
Balance at beginning of the financial year	3,803,647	1,183,647	2,618,661	1,339
Surplus/(deficit) for the year	9,602	9,602	-	-
Balance at end of the financial year	**3,813,249**	**1,193,249**	**2,618,661**	**1,339**
2035				
Balance at beginning of the financial year	3,813,249	1,193,249	2,618,661	1,339
Surplus/(deficit) for the year	15,852	15,852	-	-
Balance at end of the financial year	**3,829,101**	**1,209,101**	**2,618,661**	**1,339**
2036				
Balance at beginning of the financial year	3,829,101	1,209,101	2,618,661	1,339
Surplus/(deficit) for the year	15,298	15,298	-	-
Balance at end of the financial year	**3,844,398**	**1,224,398**	**2,618,661**	**1,339**

Statement of Cash Flows

	Adopted Budget 2025-26 $'000	2026-27 $'000	2027-28 $'000	2028-29 $'000
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities				
Rates and charges	237,913	238,239	249,495	256,134
Statutory fees and fines	10,378	10,635	10,906	11,180
User fees	23,868	25,412	26,312	27,236
Grants - operating	15,344	15,724	16,124	16,530
Grants - capital	16,445	7,763	7,960	8,160
Interest received	3,000	3,500	3,000	3,000
Other receipts	14,920	7,566	9,753	14,939
Employee costs	(96,504)	(99,423)	(101,654)	(103,949)
Materials and services	(156,225)	(165,428)	(169,970)	(174,086)
Other payments	(8,879)	(9,223)	(9,339)	(9,568)
Net cash provided by/(used in) operating activities	60,260	34,767	42,588	49,575
Cash flows from investing activities				
Payments for property, infrastructure, plant and equipment	(50,734)	(60,706)	(63,306)	(55,460)
Net cash provided by/ (used in) investing activities	(50,734)	(60,706)	(63,306)	(55,460)
Cash flows from financing activities				
Finance costs	(726)	(916)	(804)	(711)
Repayment of borrowings	(2,668)	(3,386)	(2,915)	(3,008)
Interest paid - lease liability	(12)	-	-	-
Repayment of lease liabilities	(961)	-	-	-
Net cash provided by/(used in) financing activities	(4,367)	(4,302)	(3,719)	(3,719)
Net increase/(decrease) in cash & cash equivalents	5,159	(30,241)	(24,437)	(9,604)
Cash and cash equivalents at the beginning of the financial year	125,449	130,608	100,367	75,930
Cash and cash equivalents at the end of the financial year	130,608	100,367	75,930	66,326

2029-30 $'000	2030-31 $'000	2031-32 $'000	2032-33 $'000	2033-34 $'000	2034-35 $'000	2035-36 $'000
Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
263,144	270,289	280,786	281,971	296,147	297,533	312,500
11,460	11,748	12,042	12,344	12,654	12,971	13,296
28,192	29,182	30,205	31,265	32,361	33,496	34,671
16,944	17,370	17,805	18,252	18,709	19,178	19,659
8,365	8,575	8,790	9,010	9,236	9,468	9,705
2,000	1,000	1,000	1,000	1,000	1,000	1,000
10,149	15,344	10,563	15,769	9,002	14,220	9,458
(106,307)	(108,732)	(111,222)	(113,781)	(116,410)	(119,112)	(121,888)
(179,149)	(183,511)	(188,888)	(194,394)	(200,211)	(206,173)	(212,379)
(9,814)	(10,055)	(10,308)	(10,561)	(10,828)	(11,099)	(11,379)
44,982	51,209	50,773	50,874	51,661	51,481	54,645
(43,772)	(47,780)	(45,988)	(50,198)	(47,061)	(51,453)	(49,444)
(43,772)	(47,780)	(45,988)	(50,198)	(47,061)	(51,453)	(49,444)
(614)	(513)	(436)	(388)	(339)	(289)	(242)
(3,105)	(3,206)	(2,115)	(2,163)	(2,212)	(1,894)	(1,573)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(3,719)	(3,719)	(2,551)	(2,551)	(2,551)	(2,183)	(1,815)
(2,509)	(290)	2,234	(1,875)	2,049	(2,155)	3,386
66,326	63,817	63,527	65,761	63,886	65,935	63,780
63,817	63,527	65,761	63,886	65,935	63,780	67,167

Statement of Capital Works

	Adopted Budget 2025-26 $'000	2026-27 $'000	2027-28 $'000	2028-29 $'000
Property				
Land	7,820	108	106	70
Total land	**7,820**	**108**	**106**	**70**
Buildings	15,299	23,800	25,579	22,978
Total buildings	**15,299**	**23,800**	**25,579**	**22,978**
Total property	**23,119**	**23,908**	**25,686**	**23,048**
Plant and equipment				
Plant, machinery and equipment	681	67	66	43
Fixtures, fittings and furniture	194	143	141	92
Computers and telecommunications	-	634	626	411
Library books	1,096	1,902	1,877	1,232
Total plant and equipment	**1,971**	**2,746**	**2,709**	**1,778**
Infrastructure				
Roads	13,155	15,571	15,934	13,738
Bridges	100	57	60	63
Footpaths and cycleways	3,912	3,798	3,874	3,802
Drainage	2,758	4,015	4,125	3,306
Recreational, leisure and community facilities	3,607	3,948	4,091	3,763
Parks, open space and streetscapes	2,012	6,636	6,800	5,946
Marine Structures	100	-	-	-
Artworks	-	27	27	17
Total infrastructure	**25,644**	**34,052**	**34,912**	**30,634**
Total capital works expenditure	**50,734**	**60,706**	**63,306**	**55,460**

2029-30 $'000	2030-31 $'000	2031-32 $'000	2032-33 $'000	2033-34 $'000	2034-35 $'000	2035-36 $'000
19	24	9	16	-	12	1
19	**24**	**9**	**16**	**-**	**12**	**1**
18,100	19,799	19,363	21,640	20,106	22,147	21,363
18,100	**19,799**	**19,363**	**21,640**	**20,106**	**22,147**	**21,363**
18,119	**19,824**	**19,372**	**21,655**	**20,106**	**22,159**	**21,363**
11	15	6	10	-	7	0
25	32	12	21	-	15	1
109	144	52	92	-	68	4
327	431	157	277	-	204	11
472	**621**	**227**	**399**	**-**	**294**	**16**
10,771	11,437	10,540	11,410	10,807	12,158	11,637
66	70	73	77	79	85	87
4,255	4,987	5,660	5,830	5,893	6,104	6,208
2,255	2,439	2,121	2,328	2,017	2,458	2,256
3,160	3,453	3,264	3,459	3,504	2,904	2,782
4,669	4,944	4,728	5,037	4,655	5,290	5,094
-	-	-	-	-	-	-
5	6	2	4	-	3	0
25,181	**27,335**	**26,389**	**28,144**	**26,955**	**29,001**	**28,064**
43,772	**47,780**	**45,988**	**50,198**	**47,061**	**51,453**	**49,444**

	Adopted Budget 2025-26 $'000	2026-27 $'000	2027-28 $'000	2028-29 $'000
Represented by:				
New asset expenditure	20,752	14,996	14,792	9,711
Asset renewal expenditure	22,853	29,465	32,488	35,230
Asset upgrade expenditure	6,953	14,371	14,176	9,306
Asset expansion expenditure	176	1,874	1,849	1,214
Total capital works expenditure	**50,734**	**60,706**	**63,306**	**55,460**
Funding sources represented by:				
Grants	16,445	7,783	7,978	8,177
Contributions	9,062	-	-	-
Council cash	25,227	52,923	55,328	47,283
Borrowings	-	-	-	-
Total capital works expenditure	**50,734**	**60,706**	**63,306**	**55,460**

Statement of Human Resources

Staff expenditure	2025-26 $'000	2026-27 $'000	2027-28 $'000	2028-29 $'000
Staff expenditure				
Total staff expenditure	**96,504**	**99,375**	**101,608**	**103,902**

Staff numbers	2025-26 FTE	2026-27 FTE	2027-28 FTE	2028-29 FTE
Employees (based on draft 25-26 budget Perm & Temp)	792	792	792	792
Total staff numbers (Perm & Temp)	**792**	**792**	**792**	**792**
Gender split:				
F	516	516	516	516
M	275	275	275	275
X	1	1	1	1

	2029-30 $'000	2030-31 $'000	2031-32 $'000	2032-33 $'000	2033-34 $'000	2034-35 $'000	2035-36 $'000
	2,579	3,394	1,241	2,180	–	1,605	87
	38,398	40,710	43,402	45,657	47,061	48,109	49,263
	2,472	3,252	1,190	2,089	–	1,538	83
	322	424	155	272	–	201	11
	43,772	**47,780**	**45,988**	**50,198**	**47,061**	**51,453**	**49,444**
	8,382	8,591	8,806	9,026	9,252	9,483	9,720
	–	–	–	–	–	–	–
	35,390	39,188	37,182	41,172	37,809	41,970	39,723
	–	–	–	–	–	–	–
	43,772	**47,780**	**45,988**	**50,198**	**47,061**	**51,453**	**49,444**

	2029-30 $'000	2030-31 $'000	2031-32 $'000	2032-33 $'000	2033-34 $'000	2034-35 $'000	2035-36 $'000
	106,259	**108,681**	**111,170**	**113,727**	**116,355**	**119,055**	**121,829**

	2029-30 FTE	2030-31 FTE	2031-32 FTE	2032-33 FTE	2033-34 FTE	2034-35 FTE	2035-36 FTE
	792	792	792	792	792	792	792
	792	**792**	**792**	**792**	**792**	**792**	**792**
	516	516	516	516	516	516	516
	275	275	275	275	275	275	275
	1	1	1	1	1	1	1

Financial Performance Indicators

The following table highlights Council's projected performance across a range of key financial performance indicators. These indicators provide an analysis of Council's 10-year financial projections and should be interpreted in the context of the organisation's objectives and financial management principles.

Indicator	Measure
Operating position	
Adjusted underlying result (an adjusted underlying surplus is generated in the ordinary course of business)	**Adjusted underlying surplus (or deficit)** Adjusted underlying surplus (deficit)/Adjusted underlying revenue
Liquidity	
Working Capital (sufficient working capital is available to pay bills as and when they fall due)	**Current assets compared to current liabilities** Current assets/current liabilities
Unrestricted cash (sufficient cash that is free of restrictions is available to pay bills as and when they fall due)	**Unrestricted cash compared to current liabilities** Unrestricted cash/current liabilities
Obligations	
Loans and borrowings (level of interest bearing loans and borrowings is appropriate to the size and nature of Council's activities)	**Loans and borrowings compared to rates** Interest bearing loans and borrowings/rate revenue
Loans and borrowings (level of interest bearing loans and borrowings is appropriate to the size and nature of Council's activities)	**Loans and borrowings repayments compared to rates** Interest and principal repayments on interest bearing loans and borrowings/rate revenue
Indebtedness (level of long term liabilities is appropriate to the size and nature of a Council's activities)	**Non-current liabilities compared to own-source revenue** Non-current liabilities/own source revenue
Asset renewal (assets are renewed as planned)	**Asset renewal compared to depreciation** Asset renewal and upgrade expense/Asset depreciation
Stability	
w(revenue is generated from a range of sources)	**Rates compared to adjusted underlying revenue** **Rate revenue/adjusted underlying revenue**
Rates effort (rating level is set based on the community's capacity to pay)	**Rates compared to property values** Rate revenue/CIV of rateable properties in the municipality

2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35
(3.77)%	(2.34)%	(2.15)%	0.08%	(1.29)%	0.49%	(0.03)%	1.71%	0.13%	1.72%
214%	205%	167%	153%	150%	154%	153%	155%	155%	158%
105%	79%	56%	56%	68%	82%	85%	82%	85%	81%
17.1%	14.9%	13.1%	11.3%	9.6%	7.8%	6.7%	5.6%	4.5%	3.6%
2.2%	1.8%	1.8%	1.7%	1.7%	1.1%	1.1%	1.1%	0.9%	0.7%
16.5%	14.7%	13.3%	11.7%	10.6%	9.6%	8.8%	7.8%	7.2%	6.5%
48%	66%	74%	80%	88%	92%	103%	109%	113%	114%
64%	64%	64%	63%	64%	63%	64%	63%	65%	64%
0.14%	0.15%	0.15%	0.16%	0.16%	0.17%	0.17%	0.18%	0.18%	0.19%

Strategies and Plans

This section describes the strategies and plans that support the 10-year financial projections included to the Financial Plan.

Borrowing Strategy

The issue of borrowings is complex, and the decision to borrow depends on several important factors. Borrowing for new projects that have long-term value or a return on investment ensures that debt repayments are spread fairly across the generations of ratepayers who will benefit from them.

Debt reduction has been a key financial strategy over the last decade. This has enabled former loan repayments to be injected into the capital works program on an ongoing basis. Reducing debt has also increased Council's flexibility to respond to unforeseen events and provided the capacity to fund large capital projects, such as the Yawa Aquatic Centre.

Current Debt Position

Total borrowings as at 30 June 2025 is $29.9 million.

Loan	Initial Amount	Start Date	Expiring	Projected 20 June 2025 Balances	Annual payments (principle & interest)
Loan 17	$ 3,000,000.00	21/06/2011	20/06/2026	$ 319,215.27	$ 337,529.64
Loan 21	$ 30,400,000.00	02/09/2019	21/08/2039	$ 22,800,000.00	$ 2,298,051.02
Loan 22	$ 10,000,000.00	26/09/2019	01/11/2033	$ 6,784,266.54	$797,309.88
				$ 29,903,481.81	

Council has budgeted for new borrowings of $6.16 million in 2024-25; however, this was reduced by $1 million during the FY25 mid-year reforecast. These borrowings are expected to be deferred until 2025-26.

Strategy

Borrowings will be considered as an option to fund the acquisition of assets where a detailed business case, factoring in actual and opportunity costs, indicates that borrowing is the most economical funding method and that recurrent operating and maintenance costs can be met within the operating budget.

Borrowing will not be used to fund ongoing operational expenditure. It will only be undertaken to support capital items identified as part of the approved extended 10-year capital works program that could not otherwise be funded from ongoing income sources.

Treasury Management Approach and Investment Strategy

Council's adopted Investments Policy outlines its management of financial resources, including cash and investment.

Council's approach to liquidity levels, allocation of surplus cash, treasury management instruments, and tools to ensure sufficient liquidity when needed are all driven by Council's Investment Policy.

The approach to acceptable investment risk levels, as well as the risks associated with different investment types, such as those of different Authorised Deposit Institutions and other securities in accordance with section 103 of the *Local Government Act 2020* are also guided by Council's Investment Policy.

Reserves Strategy

Council maintains several reserves to separately identify funds for specific future purposes. A number of these are actively used and current, while others have not been used for some time and/or contain small amounts of reserved funds.

Reserves outlined in the Financial Plan are listed below:

Sustainable Energy (Fund) Reserve

The purpose of this reserve is to provide funds to sustainably reduce the impact of energy use on global warming through the implementation of:

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

Recreation Land Reserve

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

Municipal Emergency Reserve

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

Developer Contribution Plan (DCP) Reserve

The DCP Reserve accumulates developers' funds paid to Council in respect of developments within particular plan areas. These funds are used to contribute towards the payment of a multi-year capital works program.

Storm Water in-lieu Contribution Reserve

The purpose of this reserve is to hold voluntary contributions received from developments and subdivisions for future investment stormwater management works. These works help protect the environment and meet obligations under the Victorian Planning Policy.

Emergency Response Reserve

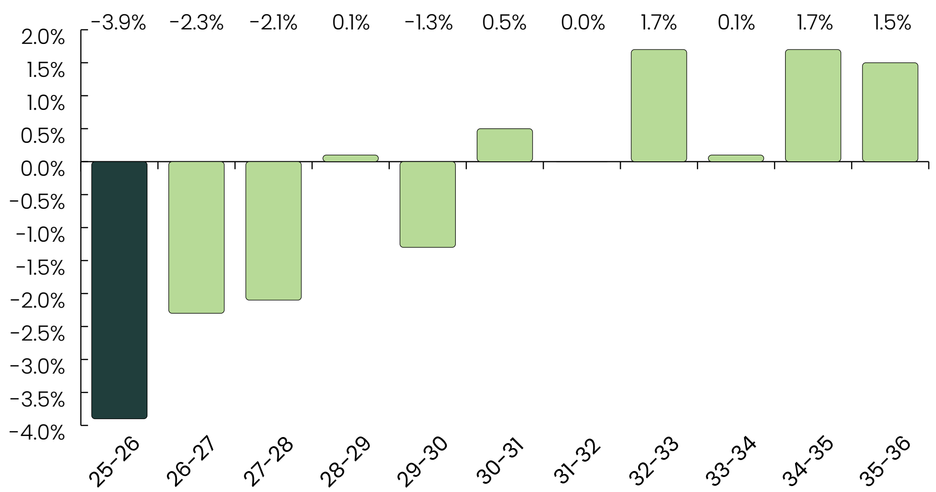
The purpose of this reserve is to allocate dedicated funding that can be drawn upon to respond to emergency events impacting the Peninsula.

Appendix: Financial Performance

Operating position

Definition	Measures whether a Council is able to generate an adjusted underlying surplus.
Objective	Generate an adjusted underlying surplus.
Indicator	Adjusted underlying result.
Rationale	Indicator of the broad objective that an adjusted underlying surplus should be generated in the ordinary course of business. A surplus or increasing surplus suggests an improvement in the operating position.
Measure 1 (OPI)	Adjusted underlying surplus (or deficit)
Definition	Defined as the underlying surplus (or deficit) as a percentage of adjusted underlying revenue
Computation	Adjusted underlying surplus (or deficit) / Adjusted underlying revenue
Target	> 0%

Adjusted underlying result

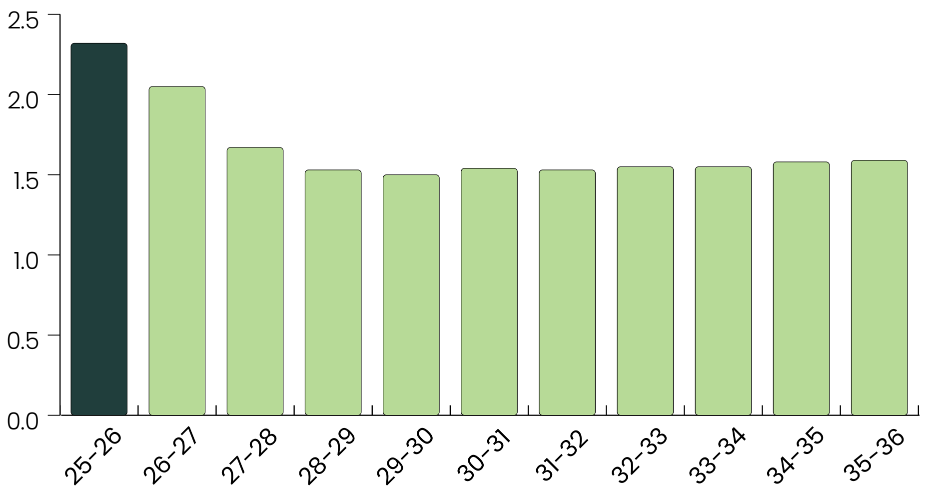


Council's adjusted underlying result is well below target in Years 1 to 2 due to several financial sustainability measures taking effect throughout the 10-year period. From Years 5 onwards, it remains steady between (0.1 per cent) and 1.7 per cent.

Liquidity

Definition	Measures whether a Council is able to generate sufficient cash to pay bills on time.
Objective	Generate sufficient cash to pay bills on time.
Indicator	Working capital.
Rationale	Indicator of the broad objective that sufficient working capital is available to pay bills as and when they fall due. High or increasing level of working capital suggests an improvement in liquidity.
Measure 2 (LI)	Current assets compared to current liabilities
Definition	Defined as current assets as a percentage of current liabilities.
Computation	Current assets / Current liabilities
Target	1 – 4

Working Capital

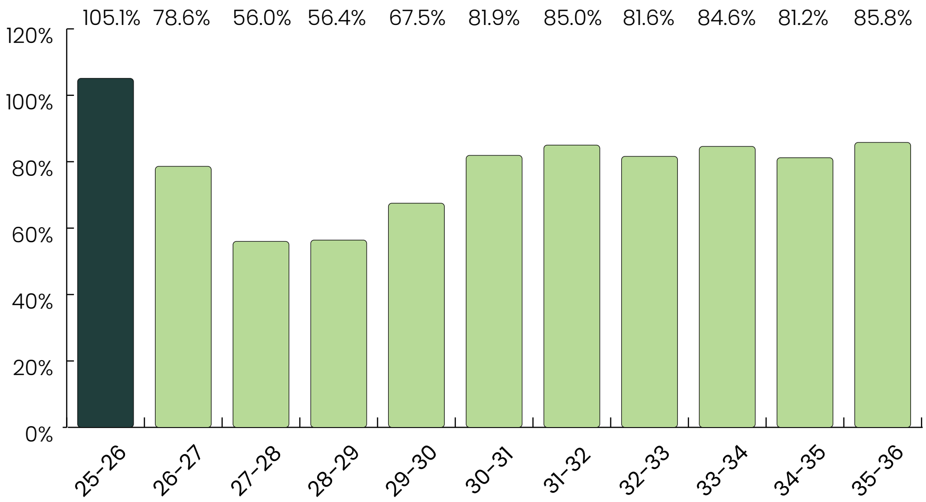


The working capital trend declines in the first 3 years then steadies at 1.4 due to cash reducing from carry forward capital works.

Unrestricted Cash

Indicator	Unrestricted cash.
Rationale	Indicator of the broad objective that sufficient cash which is free of restrictions is available to pay bills as and when they fall due. High or increasing level of unrestricted cash suggests an improvement in liquidity.
Measure 3 (L3)	Unrestricted cash compared to current liabilities.
Definition	Defined as unrestricted cash as a percentage of current liabilities.
Computation	Unrestricted cash / Current liabilities
Target	10% - 300%

Unrestricted cash

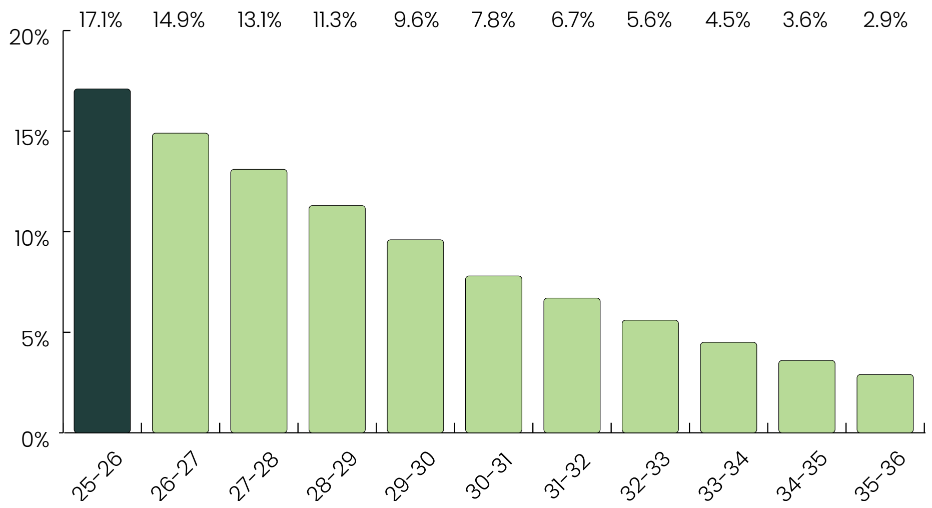


The unrestricted cash trend is driven by the cash balance, which is forecasted to decrease following the expenditure of capital works carry-forwards from 2025-26.

Obligations

Definition	Measures whether the level of debt and other long-term obligations is appropriate to the size and nature of the Council's activities.
Objective	Appropriate level of long-term obligations.
Indicator	Loans and borrowings.
Rationale	Indicator of the broad objective that the level of interest-bearing loans and borrowings should be appropriate to the size and nature of a council's activities. Low or decreasing level of loans and borrowings suggests an improvement in the capacity to meet long term obligations.
Measure 4 (O2)	Loans and borrowings compared to rates.
Definition	Defined as interest bearing loans and borrowings as a percentage of rate revenue.
Computation	Interest bearing loans and borrowings / Rate revenue
Target	0% - 70%

Loans and Borrowings

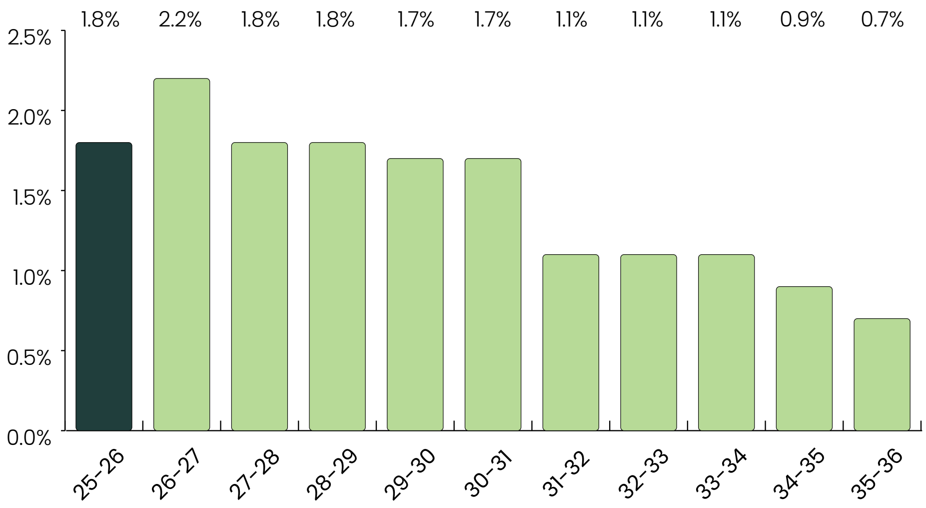


Loans and borrowings as a percentage of rate revenue are declining. The balance of interest-bearing loans and borrowings in the 2024-25 financial year is $29.9 million. This balance is due to loans for the construction of the Yawa Aquatic Centre. These loans are being paid in line with the repayment schedule and due to be fully paid by 2038–39.

Loans and Borrowings

Measure 5 (O3)	Loans and borrowings repayments compared to rates.
Definition	Defined as interest and principal repayments on interest bearing loans and
borrowings as a percentage of rate revenue.	Unrestricted cash compared to current liabilities.
Computation	Interest and principal repayments on interest bearing loans and borrowings / Rate revenue
Target	0% - 10%

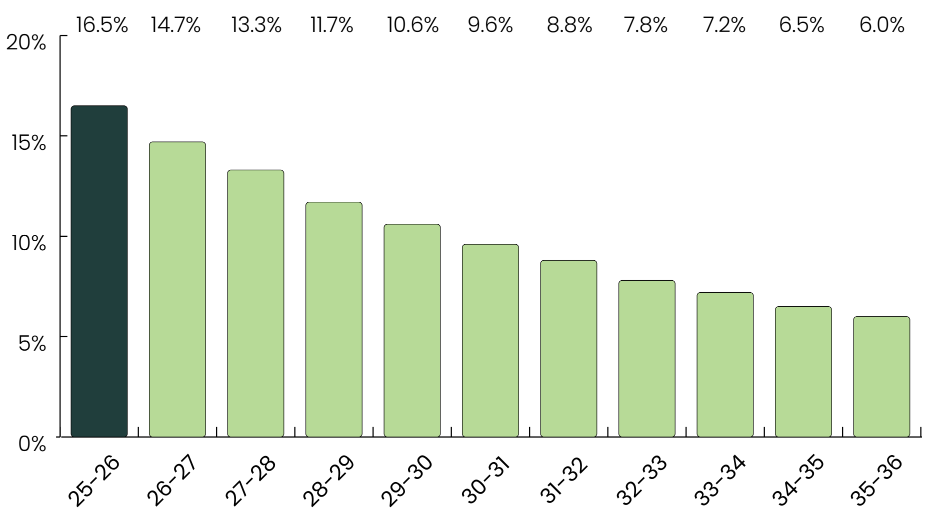
Loans and borrowings repayments



All current loans are due to be repaid by 2039. The higher interest loans have been fully repaid with the final one due in 2026. This balance is being paid down in line with the loan repayment schedule.

Indicator	Indebtedness
Rationale	Indicator of the broad objective that the level of long-term liabilities should be appropriate to the size and nature of a Council's activities. Low or decreasing level of long-term liabilities suggests an improvement in the capacity to meet long term obligations.
Measure 6 (O4)	Non-current liabilities compared to own source revenue.
Definition	Defined as non-current liabilities as a percentage of own source revenue.
Computation	Non-current liabilities / Own source revenue
Target	2% - 70%

Indebtedness

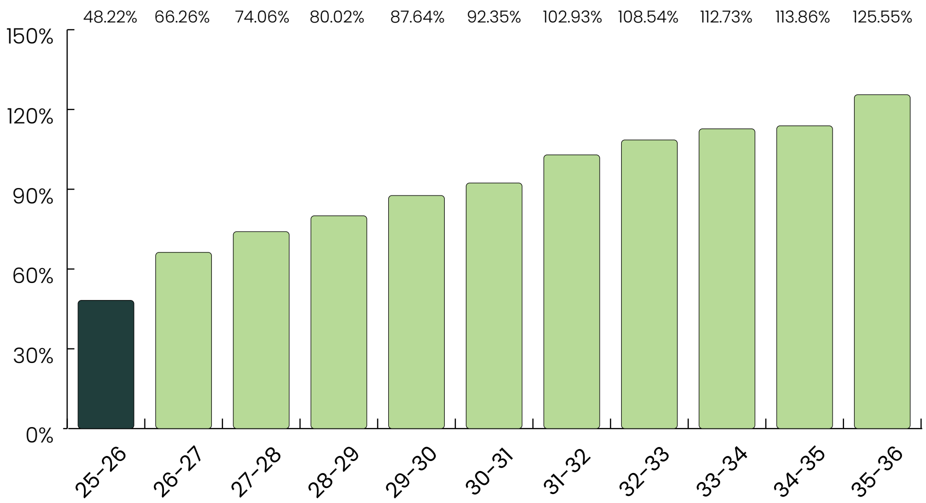


The positive trend for indebtedness is two-fold. Non-current liabilities continue to decrease year-on-year as borrowings are paid down. Own-source revenue continues to increase year-on-year due to rate revenue rising in line with the rate cap and increase in user fees.

Asset Renewal

Indicator	Asset renewal
Rationale	Indicator of the broad objective that assets should be renewed as planned. High or increasing level of planned asset renewal being met suggests an improvement in the capacity to meet long term obligations.
Measure 7 (O1)	Asset renewal compared to depreciation.
Definition	Defined as asset renewal expenses as a percentage of depreciation.
Computation	Asset renewal expenses / Asset depreciation
Target	40% - 130%

Asset renewal

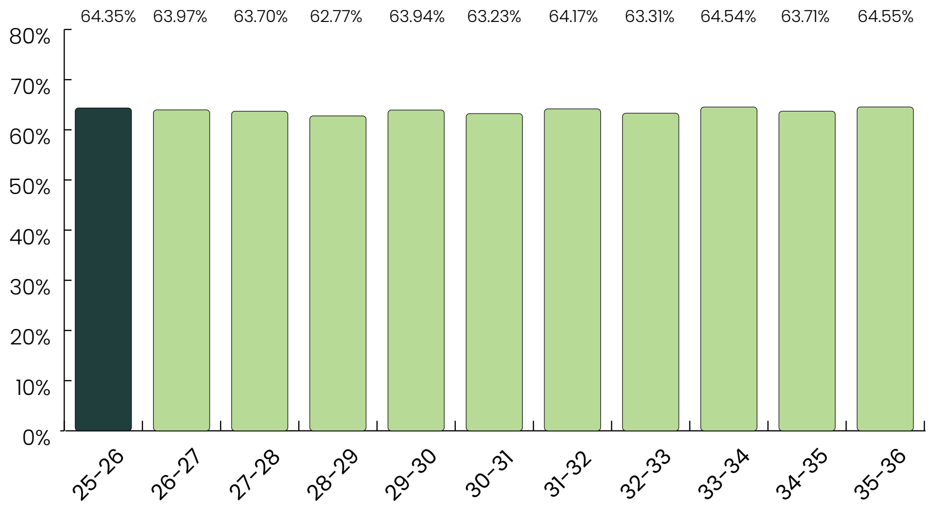


Investment in capital works expenditure increases year-on-year as a proportion of revenue, thereby causing an increase in renewal and upgrade expenditure and depreciation. Council is committed to prioritising the upkeep of existing assets before investing in new assets. The Financial Plan is based on achieving 100 per cent of the asset renewal modelling per the Asset Plan.

Stability

Definition	Measures whether a Council is able to generate revenue from a range of sources.
Objective	Generate revenue from a range of sources.
Indicator	Rates concentration.
Rationale	Indicator of the broad objective that revenue should be generated from a range of sources. High or increasing range of revenue sources suggests an improvement in stability.
Measure 8 (S1)	Rates compared to adjusted underlying revenue.
Definition	Defined as rate revenue as a percentage of adjusted underlying revenue.
Computation	Rate revenue / Adjusted underlying revenue
Target	30% - 80%

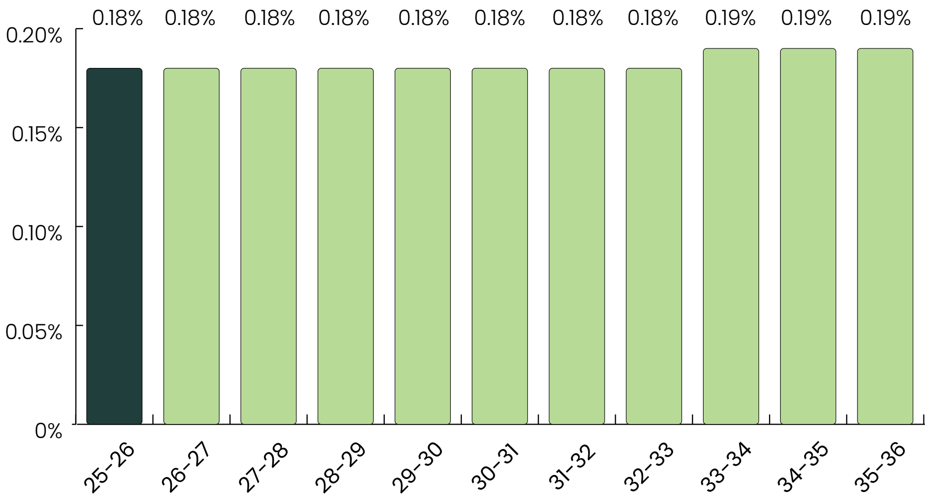
Rates concentration



Council's reliance on rate revenue continues to increase. Council is currently developing financial sustainability measures to investigate other revenue sources as well as continuing to identify cost and efficiency savings.

Indicator	Rates effort.
Rationale	Indicator of the broad objective that the rating level should be set based on the community's capacity to pay. Low or decreasing level of rates suggests an improvement in the rating burden.
Measure 9 (S2)	Rates compared to property values.
Definition	Defined as rate revenue as a percentage of the capital improved value of rateable properties in the municipality.
Computation	Rate revenue / Capital improved value of rateable properties in the municipality
Target	0.15% - 0.75%

Rates effort

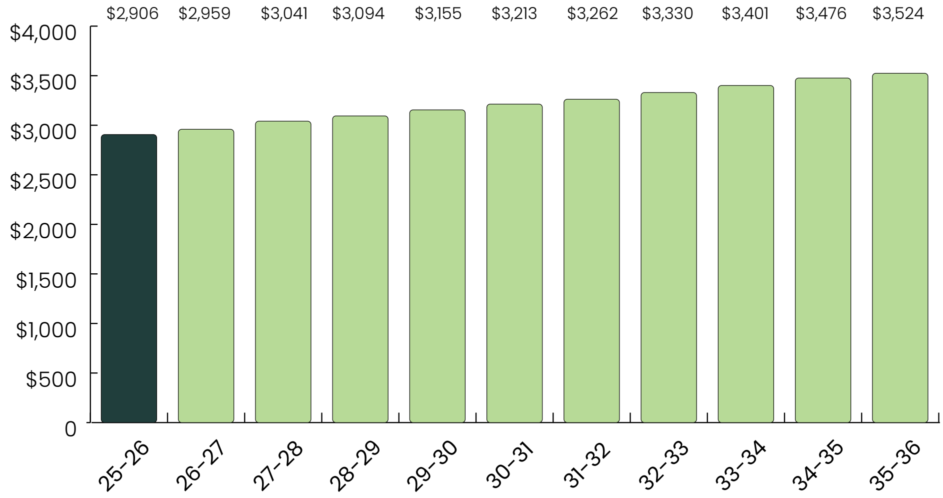


The rates effort indicator is stable as rate revenue and CIV (Capital improved value) are predicted to increase at the same rate.

Efficiency

Definition	Measures whether a Council is using resources efficiently.
Objective	Use resources efficiently.
Indicator	Expenditure level.
Rationale	Indicator of the broad objective that resources should be used efficiently in the delivery of services. Low or decreasing level of expenditure suggests an improvement in organisational efficiency.
Measure 10 (E2)	Expenses per property assessment.
Definition	Defined as total expenses per property assessment.
Computation	Total expenses / Number of property assessments
Target	$2,000 - $5,000

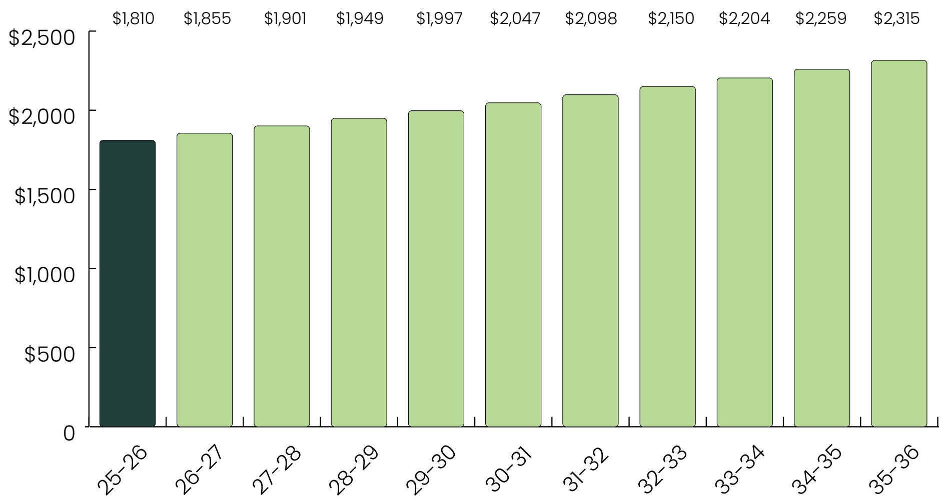
Expenditure level



Council always seeks to deliver the highest quality services in the most efficient way and has contained expenditure per property assessment through its goal for ongoing savings.

Indicator	Revenue level.
Rationale	Indicator of the broad objective that resources should be used efficiently in the delivery of services. Low or decreasing level of rates suggests an improvement in organisational efficiency.
Measure 11 (E1)	Average residential rate per residential property assessment.
Definition	Defined as residential rate revenue per residential property assessment.
Computation	Residential rate revenue / Number of residential property assessments
Target	$1,800 - $2,300

Revenue level



Council strives to deliver the highest quality services in the most efficient way and has contained expenditure per property assessment through its goal for ongoing savings.

Contact Mornington Peninsula Shire

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