



MUNICIPAL ASSOCIATION OF VICTORIA

ANNUAL REPORT
2015-16

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About the MAV

The Parliament of Victoria passed the *Municipal Association Act in 1907*, officially recognising the MAV as the voice of local government in the state. Our role is to promote the efficient carrying out of municipal government throughout the state of Victoria and to watch over and protect the interests, rights and privileges of municipal corporations.

Today, the MAV is an influential force supporting a strong and strategically positioned local government sector. Our role is to represent and advocate the interests of local government, lobby for a 'fairer deal' for councils, raise the sector's profile, ensure its long-term security and provide policy advice, strategic advice, capacity building programs and insurance services to local government.

The MAV is a membership association, accountable to its constituent members through State Council and an elected Board. Membership of the MAV is discretionary (78 Victorian councils are current financial members), and participation in our insurance schemes, procurement program, events and other activities is voluntary.

About this report

This MAV Annual Report documents the activities and achievements of the MAV for the 2015-16 financial year and celebrates the benefits that are delivered for all member councils when we work together as a sector. It includes a detailed picture of the governance and financial activities of the Association, and reports on our performance in delivering the objectives and activities set out in our Strategic Work Plan 2015-16.

The operations of both the MAV, MAV Insurance and LGE Health are presented in this combined report.

We encourage and welcome member feedback so we can continue to improve the way we report our performance.

About our members

Local government is interwoven in the fabric of community life. It is the most trusted level of government and has a vital leadership role to play in facilitating economic development and improving quality of life for the people it serves.

Victorian local government is made up of 79 councils representing over 5.5 million people. They operate with a legislative and electoral mandate to manage local issues and plan for the community's needs. In partnership with their communities, councils manage more than \$79 billion worth of community infrastructure and assets.

Victorian local government has annual revenue of \$8.7 billion. Councils employ more than 43,500 people and provide more than 100 different services to people who live, work and visit in their area. Key functions include health and community services; land use; planning; environmental services; recreational and cultural services; local roads, footpaths and street lighting services; domestic animal management; and emergency management planning.

Accessing this report

This Annual Report is available from mav.asn.au in accessible PDF form. Printed copies are available upon request. Enquiries and comments about this report should be directed to comms@mav.asn.au.

Acknowledgment of land

We acknowledge Aboriginal people as the traditional owners of the land and we pay our respects to their Elders, past and present.

We support local government's capacity and knowledge to strengthen relationships with Victoria's Aboriginal communities and for it to encourage greater unity, knowledge, cultural awareness and respect for the first occupants of our land – through its strong community links and local representation.



MUNICIPAL ASSOCIATION OF VICTORIA

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MUNICIPAL ASSOCIATION OF VICTORIA

ANNUAL REPORT
2015-16

COLOGY



OVERVIEW



Our Charter

Our Charter

We are the MAV – the voice of local government in Victoria since 1879. Our purpose is to advocate for local government interests; build the capacity of councils; protect and support the viability of councils and promote the role of local government.

We value:

- > Integrity
- > Collaboration
- > Accountability
- > Innovation
- > Respect.

Our role is to:

- > Represent and advocate for local government interests
- > Establish and maintain alliances with key stakeholders
- > Respond to arising issues
- > Mediate, facilitate and advise
- > Lead sector development
- > Support councillor development
- > Host and facilitate educational and training events
- > Provide collaborative procurement opportunities
- > Provide insurance services.

We are successful when:

- > Our members receive a high value return for their subscription
- > Our people are inspired by a sense of purpose and accomplishment
- > Our members, consultation networks and suppliers value their relationship with us
- > Our operational discipline and financial strength ensures our ongoing role in serving our members efficiently and effectively.

President's message

PRE



This MAV Annual Report celebrates the benefits that the MAV has delivered for and with our member councils in 2015-16.

It includes outcome summaries for the priorities and activities of our Strategic Work Plan 2015-16, along with easy-to-read performance highlights and detailed financial reports. I'm pleased to report that issues identified through strategic planning consultation sessions with our members have been addressed, delivering a number of outstanding outcomes for the sector.

The cornerstone of this year's highlights was securing \$133 million in State funding for maternal and child health services. This represents an increase of 15.8 per cent which effectively restores the 50:50 funding partnership. Extensive data costing work undertaken with MAV members, and subsequent negotiations with the State, also secured annual indexation of 2.5 per cent. Most importantly, maternal and child health will no longer be considered a lapsing program that requires periodic renegotiation, thus providing funding certainty for councils in this vital area.

Other significant funding wins for emergency management, land use planning, age-friendly projects and kindergartens contributed to a total of more than \$300 million in service benefits that were unlocked for MAV members in the past year.

In the lead up to the federal election, the MAV engaged with party leaders to seek commitments to eight local government priorities that will increase funding for local government infrastructure, roads, freight, climate change adaptation, kindergartens, aged care and core Financial Assistance Grants. Our efforts, in partnership with the ALGA, significantly progressed negotiations to restore indexation of Financial Assistance Grants from 2017.

I invite you to review the snapshot of performance highlights provided on the next pages of this report to appreciate the scale and scope of what can be achieved by working together as a sector. You can review details of all our Strategic Work Plan outcomes on pages 32-49. I would like to acknowledge the enthusiastic participation of our member councils in achieving these impressive outcomes for the sector.

One of this year's priorities was to find an approach to rate capping that delivers fair and workable outcomes for both councils and communities. The MAV's Rate Capping Taskforce reviewed the draft Rates Capping and Variation Framework from the Essential Services Commission (ESC) and confirmed concerns about the proposed framework and its potential long-term effect on the sector. Subsequent Taskforce submissions to the ESC were informed by extensive input from 42 member councils. This work is ongoing.

To prepare for the rate cap regime, the MAV provided advice to councils on how to have better conversations with communities about budget priorities and cost reduction initiatives including debt structuring, asset management, joint procurement, resource sharing and digital innovation. We also worked with media outlets to achieve wider community understanding of the rate capping impacts and produced a suite of resources to assist member councils explain the State's rate cap policy to their communities.

The ESC's variation process has proven costly and time consuming for councils. With the first year now complete, our Taskforce is reviewing the ESC decisions to inform our next actions.

The MAV is also continuing to work on a range of programs with councils that can realise cost savings and find smarter ways of doing business, many of which you can read about in the CEO's message on pages 8-9.

RESIDENT

On the home front, MAV worked hard to successfully implement all of the recommendations from the Victorian Auditor-General's Office 2015 report into the *Effectiveness of Support for Local Government*. We're also establishing performance measures to more clearly define how we are delivering for our members.

In May, on behalf of 31 members, we submitted our application to the Victorian WorkCover Authority to establish the MAV WorkCare self-insurance scheme. It is expected that the scheme will improve workplace health and safety outcomes and achieve financial savings for councils.

The MAV is actively engaged in the development and implementation of a range of health and safety initiatives to ensure our workplace remains safe for all employees, contractors and visitors, including members of the public. During the year, the MAV has reviewed its health and safety policy, sought external advice on our Health and Safety Management System and undergone an audit by WorkSafe Victoria. The findings from these initiatives form the basis for improving our health and safety.

The MAV principles of gender equality, preventing violence against women, Aboriginal reconciliation, addressing climate change and welcoming refugees were once again supported with funding wins and successful activities throughout the year. Our Aboriginal employment adviser provided a central source of advice to councils on Aboriginal affairs and helped to boost Indigenous employment within local government. We secured funding to provide grants to councils for local initiatives to help prevent violence against women, supported by continuation of a funded MAV policy position for a further 12 months.

In an effort to improve community understanding of local government and encourage community participation in council elections, the MAV ran an extensive *Stand for Council* campaign in the lead-up to the October 2016 council elections. Statewide print, digital and social media advertising, together with editorial coverage and website resources were successful in promoting the valuable roles of local government in community life. As a part of the campaign, more than 80 information sessions were booked by councils to provide information to prospective candidates.

In closing, I would like to acknowledge the contributions made by all councillors as our current term of office draws to a close. In 2015, 52 councillors received an MAV *Councillor Service Award*, in recognition of 10, 15, 25 or 30 years of service to a local community in an elected role. On behalf of the MAV and the communities you serve, I thank and congratulate you all.

It is with great pride that I commend and present the MAV Annual Report 2015-16 to you. I trust you will find it to be an accessible and informative account of the benefits the MAV has delivered for its members over the past year.

CR BILL MCARTHUR

President

Snapshot of Performance Highlights

In 2015-16, Victorian councils contributed **\$2.7 million** in membership subscriptions to the MAV.

In 2015-16 the MAV helped to unlock in excess of **\$300 million** in member service benefits including:



NEW PARTNERSHIPS AND AGREEMENTS



MAV representation provides councils with a stronger voice to negotiate on behalf of local communities

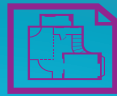
Local Government Act Review Task Force

Established a task force to guide our input to the Local Government Act Review

Local Government Digital Transformation Task Force

Including council CEOs, State and Federal government

Review of planning fees



Worked with councils to inform the Regulatory Impact Statement

Home and Community Care Bilateral Agreement



Signed by Commonwealth and Victorian governments includes guaranteed funding

Social procurement certification



MAV Procurement and Social Traders improve employment opportunities for marginalised groups

Major roads efficient street lighting



Working with VicRoads to install 200,000 energy efficient street lights

Open Council Data Toolkit



Victorian councils now lead local government open data publishing nationally

Professional development



132 MAV conferences and training events attended by 8,220 council staff and councillors

Child Information Data System



Transferred 44 councils and 1.68 million client records to new system

NEW EFFICIENCIES



MAV-led collaboration and innovation helps councils to provide more efficient community services

Asset management capability



75 per cent of Victorian councils attain core competency status through MAV STEP program

Local Government Funding Vehicle (second issuance)



over 10 years, up to \$100 million value to councils

Collaborative procurement



13 tenders reducing council costs for IT, fleet, office supplies and street lighting

LEAP procurement continuous improvement



24 councils identify budget savings, improve probity and strengthen performance

Energy efficient street lighting



80 per cent of Victorian councils have completed installations, significantly reducing emissions and costs

Note: The performance highlights presented on this page represent outcomes achieved by the MAV in collaboration with numerous stakeholder groups including councils, the Australian Local Government Association, industry groups, unions, and state and federal government departments. Refer to pages 32-49 for details of MAV Strategic Work Plan outcomes for 2015-16.

CEO's message



It has been a year of significant progress in addressing key sector challenges and improving processes at the MAV.

Following an expression of interest process, we appointed Deloitte to undertake an independent review of the MAV Governance Framework. The first phase of the review confirmed no material gaps when comparing MAV governance policies to best practice.

Deloitte also found that the MAV had reviewed and updated all policies and procedures highlighted in last year's VAGO report, and had leveraged relevant best practice guidance to improve the strength of the controls within our business processes.

I would like to acknowledge the efforts of the MAV team in adopting and embracing improvements to more than 30 internal governance policies, procedures, frameworks and plans to address all VAGO recommendations.

Another key initiative for the year was to enter into the 'General Insurance Agreement' with Jardine Lloyd Thompson (JLT). The Agreement is a replacement of the open-ended agreement of 17 July 1987 whereby MAV licenced the MAV Broking Service to JLT. For the fifteen-year term of the Agreement, the Association agrees to not directly or indirectly provide insurance broking services to local government bodies in Victoria or to persons who are associated with or employed by local government bodies. The Agreement provides that JLT pay an annual licence fee to MAV consistent with the 1987 Agreement. The annual licence fee received by the Association for the 2016 year was \$1.3 million. In addition to the annual fee, the MAV received an upfront fee of \$4 million for the performance of several contract conditions under the Agreement. As at 30 June 2016 the Association had fully satisfied these conditions. In addition to providing greater clarity of respective obligations

and certainty of term, the agreement also provided MAV with an injection of much needed capital.

In response to the Local Government Act Review, we established a Taskforce so that our members, and not the State Government, can drive the reform process. The Taskforce identified principles relevant to the relationship between State and local government that should inform the new Act, and noted key concerns for feedback from our members ahead of the September 2016 deadline for responses to the government's direction's paper.

The MAV has worked tirelessly with councils and the Essential Services Commission to influence the final design of the rate cap model and have supported councils with advice, forums, media representation and community education resources. The MAV Rate Capping Taskforce is now reviewing the outcomes of the first year of the cap and will continue to advocate for council and community interests in an environment of high media interest and political pressure.

A key component of our response to the rate capping issue is to encourage innovation and collaboration to achieve new efficiencies across the sector. In March 2016 we established the *Local Government Digital Transformation Taskforce* – a leadership group comprising council CEOs, senior Victorian and Australian Government representatives and private sector experts. Its role is to champion business transformation, enabled by digital means. It is the first multi-stakeholder group of its type in Australia.

Digital transformation of council business services has the capacity to improve efficiency and productivity within councils; provide funding and partnership opportunities; streamline interoperability with other levels of government; and improve citizen engagement and access to services. Taskforce recommendations will be implemented over the next few months.

In a year of significant outcomes, the MAV team achieved maternal and child health funding certainty for councils, by securing \$133 million and restoring the 50:50 funding partnership. We also worked with member councils to secure a Home and Community Care Bilateral Agreement between the Victorian and Commonwealth governments that guarantees funding until 30 June 2019; and progressed a 10-year agreement with the State for early childhood and family services, which will provide long-term funding certainty for local government beyond the political cycle.

Other advocacy successes included a long-awaited review of planning fees, which could deliver up to \$40 million to councils. We also secured \$4.2 million for strategic land use planning, \$14.4 million in State funding for kindergarten infrastructure and operations, \$4.6 million for emergency management and negotiated an array of important new partnerships and agreements that set the scene for future wins for councils.

Collaborative procurement outcomes delivered by the MAV included 13 key tenders that reduce council costs for IT, fleet, office supplies, recruitment, marketing and street lighting.

The capacity of the sector was increased through participation in our *STEP Asset Management Program*, with three quarters of Victorian councils attaining core competency status as assessed by the national framework. Twenty-four councils are now participating in our *LEAP Procurement Development Program*, which promises to yield similar capability gains for councils in the procurement area, and our *Open Council Data Toolkit*, has assisted 28 Victorian councils to publish open data – making Victoria the most prolific publisher of open local government data in the nation.

The second issuance of the *Local Government Funding Vehicle (LGFV)* was launched with a volume of A\$100 million, providing 16 councils with access to 10-year fixed rate,

interest only loans. By accessing the capital markets, councils save significantly compared with traditional bank borrowing. The *LGFV* is available to all member councils.

This year we migrated 44 councils and more than 1.68 million client records to our *Child Development Information System*. As the transition is completed, the system will provide more reliable, consistent, secure and targeted information to councils, with a holistic picture of the needs of children and their families. We've also continued the roll-out of *Patchwork* – our award-winning online resource to improve agency coordination in assisting vulnerable people.

Local government is facing an unprecedented rate of change in the way it delivers services to the community. The changes will affect every area of council business and will be driven by rapidly escalating customer expectations, advances in information technology and fiscal constraints exacerbated over the next few years by rate-capping.

To thrive in this new environment, councils will need to change many business processes, employee roles and community engagement practices. Councils are at various stages of maturity in positioning themselves to embrace these changes.

The MAV is committed to working with members to navigate this challenging terrain with confidence and efficiency. Now, more than ever, there is much to be gained by pooling our collective wisdom, sharing ideas and exploring opportunities to collaborate to achieve common goals.

It is a critical time for local government in Victoria. The outcomes presented in this report demonstrate that with a unified purpose and voice, great things can be achieved. I look forward to continuing the journey together.

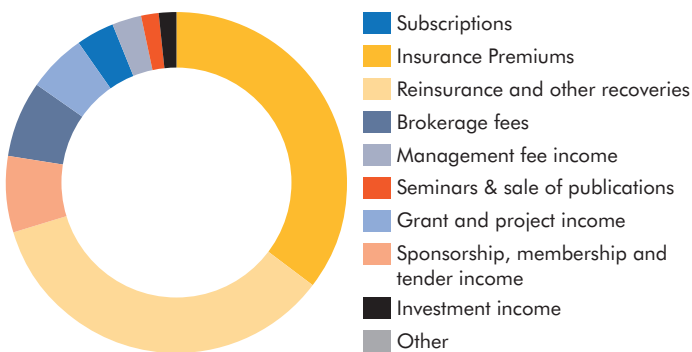
ROB SPENCE
Chief Executive Officer

Financial Overview

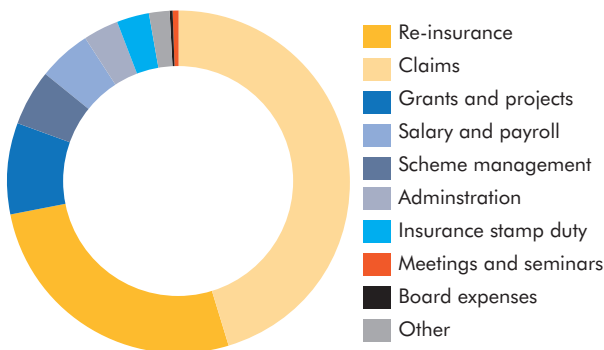
Report on financial results for the year ended 30 June 2016

In accordance with the requirements of the *Municipal Association Act 1907*, and applicable accounting standards, the economic activity of the MAV and MAV Insurance is reported to members as an economic entity within the annual accounts. The combined activities are shown as the combined accounts and the MAV, being the parent entity, is shown separately as the MAV General Fund.

REVENUE BY CATEGORY 2015-16



EXPENDITURE BY CATEGORY 2015-16



Municipal Association of Victoria

The MAV financial statements include the activities of:

1. MAV Grants: The MAV administers grant funds for and on behalf of its members, for the benefit of both local government and the Victorian community
2. Projects and Events: The MAV organises events for members and undertakes projects with the assistance of, and for the benefit of, members
3. MAV Procurement: Provides procurement services and training for MAV members
4. MAV Insurance: Operates the Liability Mutual Insurance Scheme (LMI) and the Commercial Crime Fund
5. LGE Health Plan: Operates the LGE Health Plan for the benefit of local government employees and their families.

The financial result of the MAV General Fund in 2016 was significantly impacted by:

1. The net expenditure of \$3.26 million incurred against the cash balance held for government grants
2. Renegotiated the General Insurance Agreement with JLT resulting in an additional \$4 million income for the MAV.

The operating surplus of the General Fund for the year was \$304,211 (2015 \$3,343,424).

The net assets of the MAV General Fund, excluding the MAV Insurance business, increased to \$8.456 million from \$8.15 million in 2015.

MAV CONSOLIDATED FINANCIAL STRUCTURE

MAV	MAV INSURANCE
MAV Grants	Liability Mutual Insurance Scheme
MAV Procurement	
MAV Projects & Events	
MAV Core Operations	Commercial Crime Insurance Scheme

MAV Grants

The MAV delivered on several significant projects during the year that were funded by grants from both the Australian and Victorian governments.

During 2016, the MAV received a further \$4.787 million in grants and other grant-related income (2015 \$10.4 million) and expended \$8.043 million (2015 \$7.031 million) in order to deliver the outcomes required by the grants.

As at 30 June 2016, the MAV had a commitment to spend \$4.88 million (2015 \$8.27 million).

MAV Projects and Events

MAV delivered more than 120 conferences, events and projects during the year. The MAV subsidised these member conferences and events. The total subsidy provided by the MAV for the 2016 financial year was \$412,837.

MAV Procurement

The objective of MAV Procurement is to assist members to access significant benefits through improved purchasing and procurement processes and activities.

The year saw the continued development and expansion of MAV Procurement. This entity continues to improve and make major gains in contracted services resulting in improved purchasing performance, leading to significant operational and financial benefits to councils. The initial investment by the MAV in establishing MAV Procurement was repaid during the 2015 financial year.

This year, MAV Procurement continued to grow and consolidate its position in the sector. Gross revenue increased by 17 per cent over last year and participation across all councils remains at a high level. MAV Procurement has been involved in an increasing number of tenders providing major cost savings for the sector. In addition, a range of subsidised training programs continues to be provided for members. MAV Procurement continues to invest directly in a number of sector-wide initiatives including the street lighting project, the Child Development Information System (CDIS), the LEAP continuous improvement program and the Local Government Funding Vehicle (LGFV). A deficit of \$27,636 was incurred for 2016 (2015 surplus \$238,973).

MAV Insurance

MAV Insurance consists of the Liability Mutual Insurance Scheme (LMI) and the Commercial Crime Fund (the Fund). The Association is required under the *Municipal Association Act 1907* to provide public liability and professional indemnity insurance to local government and other statutory authorities. The MAV Board is responsible for the insurance activities of the MAV and it has established the MAV Insurance Board (MAVIB) to provide oversight of the LMI and Commercial Crime schemes.

One of the aims of the MAVIB is to ensure members have the widest insurance cover on all activities undertaken by local government, and that the insurance limits reflect the inherent risks attached to council operations while offering the most competitive premiums in the insurance market.

MAV Insurance incurred a combined surplus for 2016 of \$247,335 (2015 deficit \$411,664). This represents a significant improvement in the underlying financial position of the scheme due to a reduction in claims – both paid and incurred throughout the year, an increase in the scheme's contributions and lower costs arising from changed reinsurance. The scheme continues to operate in a difficult financial environment – low interest rates change actuarial parameters and have led to lower than expected investment earnings for the year.

The following table provides a normalised net result from insurance operations. This removes the effect of changes to actuarial parameters and the lower than anticipated investment earnings. This indicates that for the LMI and Commercial Crime schemes, the combined normalised net result from insurance operations was a surplus of \$1,353,335.

Reported deficit	(\$247,335)
Impact on result from external factors	
Difference between actual investment returns and long-term expected returns	\$359,000
Change in inflation assumptions and discount rates	\$747,000
Normalised Net Result from Insurance operations	\$1,353,335

In addition, the actuary calculates the capital position of the scheme based on the underlying performance from insurance operations. This identifies the amount of capital the scheme has when applying long-term discount and inflation rates to the scheme's liabilities. The intention of the Board is to manage the scheme in the members' interests and this involves establishing contributions based on the underlying financial position of the scheme. The current low interest rate environment has placed a significant drag on the scheme's balance sheet. If the economic fundamentals were to reflect the long-term forecasts contained within the Commonwealth Government's Intergovernmental Report, the capital position of the LMI scheme would be improved by \$2.156m to \$1.032m.

Capital position 2015-16	LMI	Commercial Crime
Performance from insurance operations	(\$1,123,188)	\$112,523
Impact on result from external factors		
Difference between long-term discount rates and long-term expected discount and inflation rates	\$2,156,000	-
Normalised capital position	\$1,032,812	\$112,523

The MAV has developed a three-year plan to return the scheme to a positive capital position. This plan includes a review of the scheme's investment strategy, its costs and its reinsurance strategy while retaining the benefits of Liability Mutual Insurance for the sector.

MAV Insurance holds cash in the bank and in liquid investments amounting to \$25.4 million. This amount is held in order to pay future claims.

LGE Health Plan

The LGE Health Plan commenced in May 2009. Since that time its employer membership has grown to include 73 Victorian councils, 13 Tasmanian councils and 11 water authorities. At 30 June 2016 there were 2,974 employee members covering 6,118 family members taking advantage of the benefits offered by the Plan.

Up to 30 June 2016, there have been 2,910 claims for refund of hospital excesses paid, totalling \$946,401. In the 2016 financial year alone, 569 claims for refund of hospital excesses have been paid, totalling \$194,508.



GOVERNANCE



Governance

The MAV was incorporated in 1907 by an Act of State Parliament.

The Act defines our purpose, sets out how we operate and empowers our members to make rules to further clarify our role and processes. It requires the MAV to set rules for:

- > the management of the Association
- > the regulation of proceedings
- > fixing the annual subscription paid by each municipality
- > fixing of contributions to the Municipal Officers' Fidelity Guarantee Fund (Crime Fund)
- > other matters affecting the management of the Association.

State Council

The Act provides that each member council may appoint a councillor as its representative, and these representatives constitute the Association. The representatives come together twice a year to form State Council, which sets the policy direction of the MAV.

The State Council Annual General Meeting was held in October 2015. Members received a report from the President on the activities of the MAV and the MAV's consolidated financial statements were endorsed at this meeting.

At the May 2016 State Council meeting, delegates approved the 2016-17 Strategic Work Plan for the MAV. For a list of MAV representatives at 30 June 2016 see page 35. Details of all State Council adopted resolutions for the reporting period are available at mav.asn.au.

STRATEGIC WORK PLAN 2015-16 PRIORITY ISSUES

Identified through consultation with our members

Rate capping

Financial Assistance Grant indexation & federation and taxation reform

The value perception of local government

Innovation, efficiency and productivity of local government

State and federal government funding & partnership obligations

The wellbeing of our communities

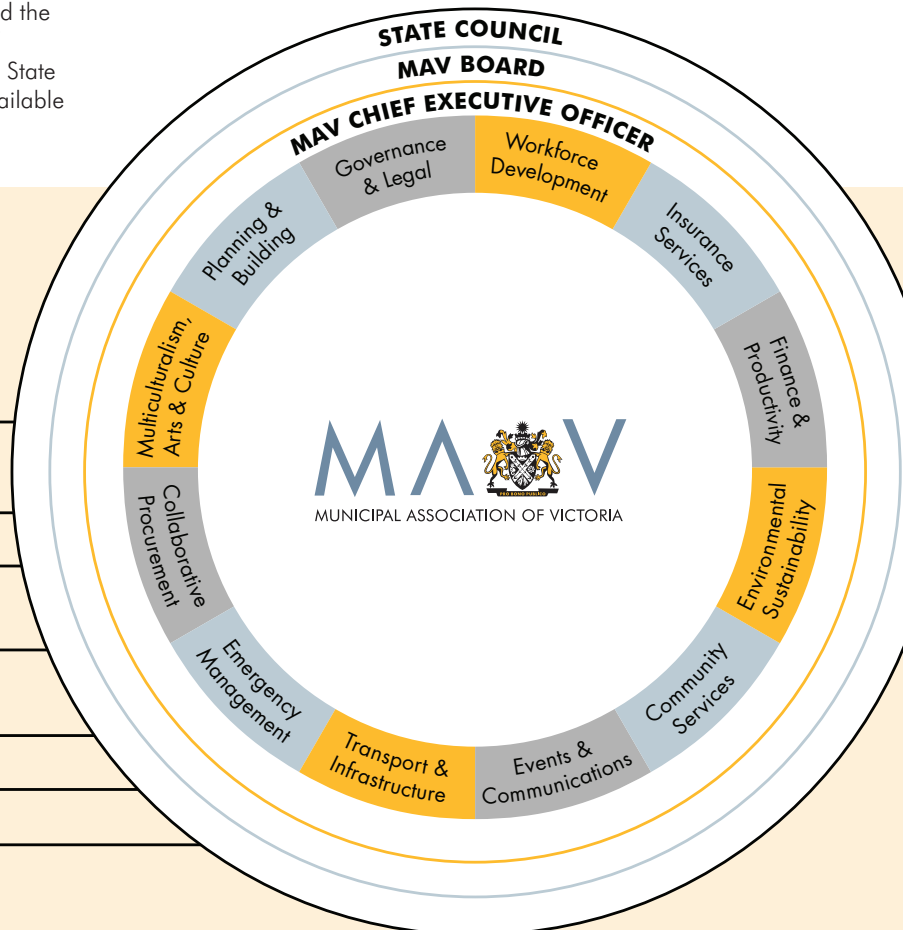
Improving MAV processes and outcomes

MAV Board

The MAV Board consists of 13 members who are elected for a two-year term. Twelve board members are elected to represent a geographic grouping of councils. The appointed representatives in each grouping elect their regional board member. The 13th member of the board is the President, who is popularly elected by the representatives of all member councils. The functions of the Board are prescribed by the Rules, and include ensuring the directions set by State Council are met, setting the budget and overseeing the manner by which the MAV engages with its membership. The term of the current MAV Board will end in March 2017.

The Board's key responsibilities are to:

- > define the detail of policies, objectives and strategies determined by State Council
- > set and evaluate directions, priorities and performance standards for the MAV
- > liaise with MAV representatives from their regions
- > appoint the CEO and monitor his or her performance.



MAV Board

for the year ended 30 June 2016

Cr Bill McArthur

Golden Plains Shire Council
PRESIDENT

MAV Audit Committee
MAV Insurance Board
Councillor 1991- 94 (Grenville), 1996
- present (Golden Plains)
Mayor 2004-05
Vice President, Australian Local
Government Association

Cr Coral Ross

Boroondara City Council
DEPUTY PRESIDENT
METROPOLITAN
METROPOLITAN SOUTH EAST
REPRESENTATIVE

Deputy Chair, Human Services
Committee
Board member, Australian Local
Government Association
Councillor 2002 - present
Mayor 2007-08, 2013-14, 2014-15
President, Australian Local
Government Women's Association
(Victoria)
President, Australian Local
Government Women's Association

Cr David Clark

Pyrenees Shire Council
DEPUTY PRESIDENT RURAL
RURAL SOUTH CENTRAL
REPRESENTATIVE

Deputy Chair, Multicultural Committee
Councillor 1992 - 1994, 1996 - 2004
2008 - present
Mayor 1999, 2003-04, 2004, 2009-10
MAV Audit Committee
Coordinator for the Upper Loddon and
Upper Mount Emu Creek Landcare
Networks
Treasurer, Central Highlands LLEN
Chair, North Central Catchment
Management Authority
Chair, Victorian Farm Tree and Land
Care Association
Treasurer, Conservation Volunteers
Australia



Cr Angela Altair

Hobsons Bay City Council
METROPOLITAN WEST
REPRESENTATIVE

Chair, Arts and Culture Committee
Deputy Chair, Transport &
Infrastructure Committee
Councillor 1999 - present
Mayor 2002-03, 2012-13
Deputy Mayor 2007-08, 2008-09
Victorian Adaptation and Sustainability
Partnership Ministerial Advisory
Committee

Cr Mark Byatt*

Wodonga City
Council
RURAL NORTH EAST
REPRESENTATIVE

Chair, Professional Development
Reference Group
Councillor 2008 - present
Mayor 2008-13

*Resigned 4 June 2016

Cr Helen Coleman

Nilumbik Shire Council
INTERFACE REPRESENTATIVE

Chair, Environment Committee
Councillor 2004 - present
Mayor 2010-11, 2014-15

Cr Rod Fyffe

Greater Bendigo City Council

RURAL NORTH CENTRAL REPRESENTATIVE

MAV Insurance Board
Chair, Multicultural Committee
Deputy Chair, Arts and Culture Committee
Deputy Chair, Emergency Management Committee
Councillor 1996 - present
Mayor 2003-04, 2004-05, 2010-11
Australian Packaging Covenant Council

Cr Malcolm Hole

Wellington Shire Council

RURAL GIPPSLAND REPRESENTATIVE

Chair, Emergency Management Committee
Chair, Wellington Shire Remuneration Committee
Chair, Wellington Live Stock Exchange Committee
Councillor 2000 - present
Mayor 2002-03, 2006-07

Cr Geoff Lake

Monash City Council

METROPOLITAN SOUTH REPRESENTATIVE

Councillor 2000 - present
Mayor 2002-03, 2003-04, 2013-14
Trustee Director (nominated by MAV), Vision Super, 2009 - present
Deputy Chair and Chair of Investment Committee, Vision Super, 2014 - present
Director, Hawkesbridge Capital (appointed by Vision Super), 2012 - present
Director, Australian Institute of Superannuation Trustees (appointed following nomination by Vision Super), 2015 - present
President, Municipal Association of Victoria, 2004-06
President, Australian Local Government Association, 2008-10

Cr Gary Norton

Swan Hill Rural City Council

RURAL NORTH WEST REPRESENTATIVE

Chair, Transport and Infrastructure Committee
Councillor 2003 - present
Mayor 2007-08
Chair, North West Municipalities Association



Cr Tom Melican

Banyule City Council

METROPOLITAN EAST REPRESENTATIVE

Deputy Chair, Environment Committee
Mayor, 2008-09, 2011-12
Councillor, 2003 - present

Cr Ruth Gstrein

Corangamite Shire Council

RURAL SOUTH WEST REPRESENTATIVE

Chair, Planning Committee
Councillor 2002 - present
Mayor 2006-07, 2007-08, 2008-09
Corangamite Regional Library Corporation
Regional Development Australia (Barwon South West)

Cr Bernadene Voss

Port Phillip City Council

METROPOLITAN CENTRAL REPRESENTATIVE

Chair, Human Services Committee
Deputy Chair, Planning Committee
Deputy Chair, Professional Development Reference Group
MAV Audit Committee (alternate)
Councillor 2012 - present

Board meeting attendance 2015-16

	JUL	AUG	SEP	OCT	NOV	DEC	FEB	APR	MAY	JUN
Bill McArthur	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Angela Altair	✓	✓	X	✓	✓	✓	✓	✓	✓	✓
David Clark	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Rod Fyffe	✓	X	✓	✓	✓	✓	✓	✓	✓	✓
Ruth Gstrein	X	✓	✓	✓	✓	✓	✓	✓	✓	X
Geoff Lake	✓	✓	✓	✓	✓	✓	✓	✓	✓	X
Gary Norton	✓	✓	X	✓	✓	✓	✓	✓	✓	✓
Coral Ross	✓	✓	X	✓	✓	✓	✓	✓	✓	✓
Mark Byatt	✓	X	X	✓	✓	✓	✓	X	✓	X
Helen Coleman	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Malcolm Hole	✓	✓	X	✓	✓	✓	X	✓	✓	✓
Tom Melican	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Bernadene Voss	X	X	✓	✓	✓	✓	✓	✓	✓	✓

No meeting held in January

Board allowances and expenses

The Board Allowance and Expense Policy provides for board members to receive an annual allowance, paid quarterly in advance. Board members are provided with a data allowance for accessing business papers via iPads and can claim out-of-pocket expenses for travel, parking, accommodation, meals and child-care when undertaking duties as a board member. Expenses also reflect costs associated with representations on the Australian Local Government Association Board, Ministerial Advisory Council on Public Libraries, State Library Advisory Committee on Public Libraries and the Australian Packaging Covenant Council. The policy also allows for board members to attend MAV events including the Annual Conference, Councillor Development Weekend, Asset Management Conference and Future of Local Government Summit. Board expenses represent 0.41 per cent of the total expenditure of the MAV.

	ANNUAL ALLOWANCE	DATA ALLOWANCES	EXPENSES	TOTAL
Bill McArthur ^*	64,512.00	394.00	20,754.36	85,660.36
David Clark	13,300.00	394.00	6,566.87	20,260.87
Coral Ross*	13,300.00	394.00	5,186.31	18,880.31
Ruth Gstrein	9,056.00	394.00	7,401.31	16,851.31
Geoff Lake	9,056.00	394.00	1,708.27	11,158.27
Rod Fyffe	9,056.00	394.00	9,229.27	18,679.27
Angela Altair	9,056.00	394.00	1,772.88	11,222.88
Gary Norton	9,056.00	394.00	11,114.19	20,564.19
Helen Coleman	9,056.00	394.00	2,525.17	11,975.17
Bernadene Voss	9,056.00	394.00	450.00	9,900.00
Tom Melican	9,056.00	394.00	3,840.09	13,290.09
Malcolm Hole	9,056.00	394.00	9,336.11	18,786.11
Mark Byatt	9,056.00	394.00	5,033.30	14,483.30
Mary Lalios	0	0	152	152.00

^ President Cr Bill McArthur was also provided with full private use of a motor vehicle at a cost of \$26,757.20

* includes expenses relating to ALGA Board positions

The amounts listed do not correlate to the allowance and expense payment figures in the financial statements as they include some payments made to board members for expenses incurred in 2014-15 and claimed in 2015-16. Some expenses are also charged to other areas in the MAV accounts. Payments for expenses were made directly to board members, to their council for travel where they have utilised a council fleet vehicle, or directly to the hotel for some accommodation expenses. It should be noted that board members may lodge claims after 30 June 2016 for expenses incurred in the 2015-16 year, details of which will be reflected in the 2016-17 Annual Report.

Compliance

In addition to the requirements of the *Municipal Association Act 1907* and MAV Rules, the MAV must comply with certain regulations and obligations applicable to statutory and public bodies. The MAV is also required to comply with the provisions of its Australian Financial Services Licence (AFSL). The MAV has established a significant compliance and governance structure to ensure it meets its obligations under the AFSL. This structure includes a compliance and risk management strategy, plan and table, and disaster recovery and business continuity plan. An electronic risk management and compliance system operates within MAV Insurance to ensure compliance with its AFSL obligations. Compliance with this system is audited annually by the MAV's independent external auditor, and findings are reported to both the MAV Insurance Board and the MAV Board.

Audit Committee

The Audit Committee is an advisory committee established at the direction of the MAV Board in 2004. The Committee operates under a charter approved by the Board, which was reviewed and updated in 2013. Its primary objective is to assist MAV management in maintaining good governance, compliant financial reporting, management of risk, maintaining a reliable system of internal controls and monitoring organisational performance.

The Committee meets quarterly and additional meetings are convened as required. The Committee comprises three independent members and two board members. Terry Makings term as Chair was extended to December 2015, at which time he retired having served the maximum independent member term. The Board appointed Michelle Dowsett as the new Chair and Sue Friend was appointed as the new independent member, commencing May 2016. Michael Ulbrick, reappointed in September 2013 continued as an independent member. The Board was represented by the MAV President, Cr Bill McArthur, and Deputy President (Rural) Cr David Clark, with Cr Bernadene Voss the alternate for both the President and Cr Clark.

In addition to monitoring the financial and risk management performance of the MAV, and reviewing the annual work program of the internal and external auditors, in 2015-16 the MAV Audit Committee continued to monitor the organisation's response to the recommendations arising from the VAGO audit and considered a number of new and reviewed policies. The Committee reviewed the Contract Management audit, the Information Technology – Security and Access Controls audit and the Information Technology – Event Credit Card Security Card audit. It reviewed and recommended approval of the financial statements. It also reviewed the performance of the MAV's external auditor and made recommendations on the tender and assessment for the internal audit tender.

Independent committee members receive a sitting fee for each meeting attended. In 2015-16 the sitting fees were:

Chair:

\$974 (2015 calendar year) and \$1,003 (2016 calendar year)

Independent committee members:

\$649 (2015 calendar year) and \$668.50 (2016 calendar year).

Listening and learning

How we determine our annual work plan

The MAV's annual Strategic Work Plan sets out our work program for the year. The issues and actions within it are identified in consultation with our member councils. For this reporting period, eight consultation sessions were conducted in seven locations across Victoria.

MAV staff also have significant input into development of the plan. The staff are informed by constant interaction with member councils in their areas of expertise, as well as by input and advice from more than 20 expert committees established and supported by the MAV to inform major policy and project areas (see pages 18-21 for more information about MAV Committees).

The MAV Strategic Work Plan 2015-16 identified seven priority issues for the reporting period:

1. Rate capping
2. Financial Assistance Grant indexation & federation and taxation reform
3. The value perception of local government
4. Innovation, efficiency and productivity of local government
5. State and federal government funding & partnership obligations
6. The wellbeing of our communities

Details of activities and outcomes in addressing these issues are presented in the Detailed Performance Report on pages 26-49.

Improving MAV processes and outcomes

Last year, the Victorian Auditor-General's Office (VAGO) tabled its report *Effectiveness of Support for Local Government*. This report examined the support services provided by Local Government Victoria (LGV) and a selection of services provided by the MAV to local government.

The VAGO Audit survey found that councils were satisfied with their level of engagement and approval of the MAV's work. It also found that members place a high importance on the MAV operating separately to government. Councils rated the independence of the MAV as fundamental in advocating for local government and promoting the sector's interest.

As we reported last year, the survey also identified a number of MAV processes and practices that required improvement.

The MAV Board acknowledged the importance of the matters raised by VAGO and resolved to fully address all matters raised in the report, including:

- > Ongoing independence of the MAV
- > Review of the *Municipal Association Act*
- > MAV operations and governance
- > Monitoring and evaluation of support activities
- > Maintenance of effective working relationships with State Government.

During the 2015-16 reporting period, all of the matters raised by VAGO were fully addressed. Independent assessment of the MAV's

performance in the design of the new and amended policies responding to the recommendations was completed by Deloitte, who found that the MAV:

- > Reviewed and updated all policies and procedures highlighted through the VAGO report
- > Leveraged relevant best practice guidance recommended by VAGO, and in the absence of VAGO guidance has used public sector guidance where relevant
- > Improved the strength of controls embedded within business processes to an adequate level in the context of the risk environment.

Outcomes from the Deloitte review of the implementation of policies will be reported to State Council in September 2016.

For further details of MAV performance improvements, refer to Priority issue 7, on page 48.

Planning and reporting

Our strategic planning process has evolved over the past two years as we seek to increase the value (and reduce the number) of individual activities. We've been successful in reducing the number of State Council resolutions and work plan activities by nearly 25 per cent during this time. Next year's annual report will see a further refinement, and will feature just 44 focused activities, grouped to address five sector priorities.

This year's transitional report addresses 126 issues that were identified by our members during consultation for the annual Strategic Work Plan 2015-16. All activities align with one or more of our strategic objectives and directly contribute to addressing the seven priority issues for 2015-16.

Over the same reporting period, State Council generated 103 resolutions. In determining how each resolution was actioned, the Board considered how these additional activities would impact on the staff's capacity to deliver the agreed strategic work plan.

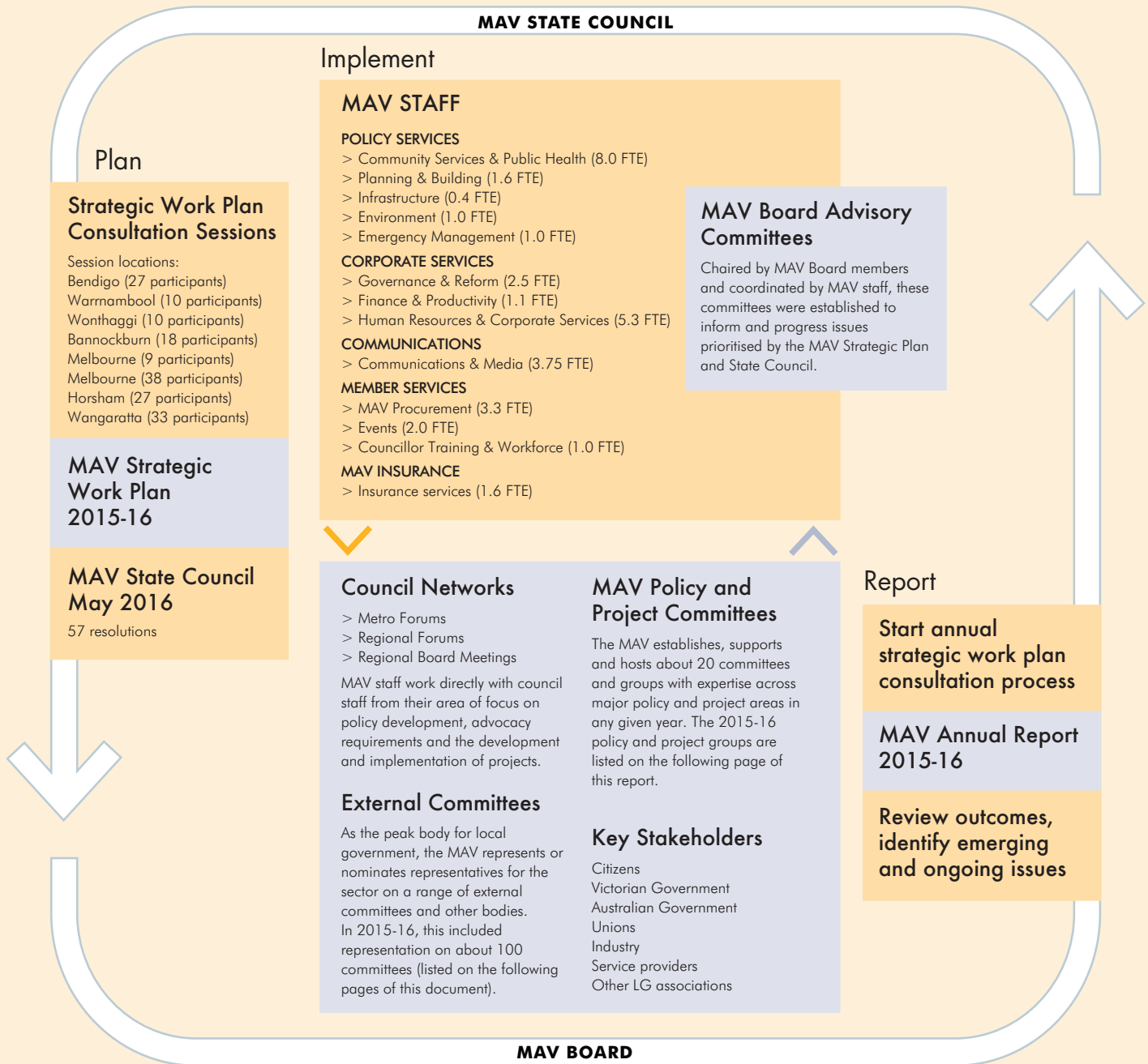
Consultation

MAV consultation networks are vast and varied. MAV staff consult with council staff on matters of policy and process on a daily basis. The MAV also coordinates more than a hundred policy and project committees, taskforces, advisory committees and groups to ensure our processes and policies are consultative and representative of our members' needs.

At Board and CEO level, our networks include elected and appointed members, as well as representatives from all levels of government, unions, industry, service providers and fellow local government and member associations.

The strength of MAV relationships is critical to providing the best outcomes for our members. In order to be a strong voice for local government, we must ensure that short-term gains for the sector do not come at the expense of long-term stakeholder relations. The value of this advocacy foundation is difficult to quantify, but fundamental to our success.

CONSULTATION FRAMEWORK



Board Advisory Committees

Eight Board Advisory Committees inform and progress issues impacting on local government as prioritised by the MAV Strategic Plan and State Council. Each committee is Chaired by an MAV Board member.

The current MAV Board advisory committees are:

- > MAV Arts and Culture Committee
- > MAV Emergency Management Committee
- > MAV Environment Committee
- > MAV Human Services Committee
- > MAV Multicultural Committee
- > MAV Planning Committee
- > MAV Professional Development Reference Group
- > MAV Transport and Infrastructure Committee

Other MAV Committees

The MAV also establishes, supports and hosts other committees with expertise across major policy areas and projects, including:

Financial Assistance Grants and Rate Capping Taskforce

Provides guidance to the MAV on its advocacy to increase Financial Assistance Grants and inform the MAV's work on rate capping issues.

Local Government Digital Transformation Taskforce

A leadership group established by the MAV in March 2016. Comprised of council CEOs, senior Victorian and Australian Government representatives and selected private sector and civic sector experts, its role is to champion local government business transformation, enabled through digital means. It is the first multi-stakeholder group of its type in Australia.

Local Government Information Governance Committee

The LGIG Committee works to improve the efficiency and effectiveness of information governance and records management.

Local Government Spatial Reference Group

The LGSRG supports, promotes and lobbies on behalf of the local government spatial sector to drive appropriate and effective capability across all councils.

MAV Future of Local Government

Identifies preferred strategic directions for the sector so it can deliver improved outcomes for Victorian communities in a more sustainable manner in the future. It also identifies collaborative opportunities for the sector.

MAV CEOs and Mayors Windfarm Joint Working Group

Engages councils to improve the assessment, compliance and public confidence in wind farm development.

MAV Defined Benefit Superannuation Taskforce

Develops and guides MAV policy and advocacy responses to Defined Benefit Superannuation shortfalls.

MAV Early Years Advisory Group

Guides the MAV on issues relating to early years policy, service provision and planning.

MAV Aged Care and Disability Reform Group

Guides MAV advocacy on policy reform in aged care and disability services, and supports councils in planning and change management.

MAV Local Government Gambling, Alcohol and Other Drugs Issues Forum

Brings councils and other relevant stakeholders together to build the capacity of the local government sector to manage, prevent and reduce harms associated with gambling, alcohol and other drug use.

MAV Local Government Act Review and Municipal Association Act and Rules Review Taskforces

Allows constructive dialogue regarding multiple perspectives and provides the capacity for the approach taken by MAV to ensure that differing impacts of particular issues are addressed in draft Discussion Papers.

MAV Planning Consultative Committee

Enables constructive multi-stakeholder dialogue, ensuring that a broad range of stakeholder perspectives on planning are represented in draft Discussion Papers.

MAV Preventing Violence Against Women Leadership Group

Provides advice on progressing the MAV leadership agenda on preventing violence against women, and building capacity with councils at a strategic level.

MAV Preventing Violence Against Women Network

Brings councils and other relevant stakeholders together to share knowledge that develop skills and expertise to strengthen the capacity of the sector to drive change.

MAV Swift Consortium Management Group

Manages the ongoing implementation of the contract for supply and operation of a shared management system for public libraries.

MAV Technology

Plans, coordinates and supports information and communication technology initiatives that deliver better council services and reduce costs.

MAV Tobacco Advisory Group

Advises the MAV as required on issues relating to local government tobacco enforcement and education activities.

External Committees

As the peak body for local government, the MAV represents or nominates representatives for the sector on a range of external committees and other bodies. In 2015-16, these included:

100 Resilient Cities Steering Committee
Aboriginal Maternal and Child Health Committee
ANZAC Commemorative Naming Program Committee
Australian Packaging Covenant Council
Building Regulation Advisory Committee
Building Working Group
Community Based Emergency Management Project Control Group
Commissioner for Environmental Sustainability's Reference Group
Consultative Committee: Taxi and Hire Car Industry Reforms
Cultural Development Network Board
Dental Health Services Victoria Population Health Committee
Department of Education and Training – Early Childhood Development Advisory Group
Department of Premier & Cabinet – Translating and Interpreting External Advisory Group
Destination Excellence Building Industry Group
Development Assessment Forum
Earth Resources Ministerial Advisory Committee
Electric Line Clearance Consultative Committee
Emergency Management Joint Public Information Committee
EPA Victoria Business Reference Group
Essential Services Commission – Engagement Technical Working Group
GovHack Victoria
HACC Departmental Advisory Committee
Influenza Pandemic Planning Steering Committee
Infringements Standing Advisory Committee
Intensive Animal Industries Interdepartmental Committee

Landfill Rehabilitation Costs Working Group
Local Government Aboriginal Partnerships Project Steering Committee
Local Government Performance Reporting Steering Committee
Marrung Central Governance Committee
Melbourne Water – Flood Strategy Implementation Advisory Committee
Municipal Emergency Management Enhancement Group
National Aged Care Home Support Advisory Group
National Local Government Cultural Forum
Open Government Partnership – Australia
PTV Accessibility Strategic Reference Group
PTV Public Transport Operators Committee
Public Service Medal Committee
Relief and Recovery Communications Working Group
Road Freight Advisory Council
State Crisis and Resilience Council (SCRC)
SCRC Capability and Response Sub-committee
SCRC Recovery Sub-committee
SCRC Risk and Resilience Sub-committee
State Elder Abuse Prevention and Response Advisory Group
State Emergency Management Team
State Emergency Relief Group
State Environmental Protection Policy (Water) Stakeholder Reference Committee
State Fire Management Planning Committee
State Gender and Disaster Taskforce
State Library Advisory Committee on Public Libraries
State Roadmap for Reform Ministerial Advisory Group
State Vulnerable Children and Youth Implementation Group
TAC Community Road Safety Grant Program Reference Group
TAC Local Government Small Scale Infrastructure Grants Program
VicRoads Community Road Safety Partnership Program
VicRoads Rural Reference Group
VicRoads Safety Alliance
VicRoads Smartroads Reference Group

Victorian Adaptation and Sustainability Partnership Grants Project Control Group
Victorian Adaptation and Sustainability Partnership Ministerial Advisory Committee
Victorian Children's Council
Victorian Coastal Strategy Implementation Coordination Committee
Victorian Commission for Liquor and Gambling Regulation – Liquor Licensing Community Stakeholder Forum
Victorian Cycling Strategy Reference Group
Victorian Emergency Animal Welfare Committee
Victorian Emergency Communication Committee
Victorian Flood Warning Consultative Committee
Victorian Floodplain Management Strategy Interdepartmental Stakeholder Reference Group
Victorian Food Regulators Forum
Victorian Litter Action Alliance
Victorian Ministerial Freight Advisory Council
Victorian Pedestrian Advisory Council
Victorian Pollution Operation Group – State Marine Pollution Committee
Victorian Prevention and Population Health Advisory Board
Victorian Primary and Community Health Network
Victorian Railway Crossing Safety Steering Committee
Victorian Rural Drainage Strategy Interdepartmental Reference Group
Victorian School Safety Panel
Victorian Waterways Strategy Stakeholder Reference Committee
Waste Governance Reform State Transition Committee
Worksafe Stakeholder Reference Group



People are the foundation of the MAV.

We value our people and encourage and facilitate their development to support the continued performance of the Association.

OUR PEOPLE

Organisational Structure

Human Resources

The MAV retained a mix of staff and consultants to advocate our members' interests, raise the profile of the sector, provide advice and capacity-building programs to support local government activities, and supply insurance and procurement services to councils. In 2015-16 the staffing profile of the MAV included:

29 full-time and 11 part-time staff who focus on delivering the MAV's Strategic Work Plan endorsed by State Council and maintain representation of Victorian local government views to other governments and stakeholders.

Three full-time and five part-time grant-funded staff who deliver specific projects and programs to councils funded by the Victorian or Australian Government, or external organisations.

Nine specialist consultants who supplement the skills of staff and assist in areas such as insurance, financial management, information technology and policy advice.

Staff recruitment and selection is underpinned by the principles of merit and equity. The MAV values diversity and employs young people, mature-age workers, working parents, people with disabilities, and people from Aboriginal/Torres Strait Islander and non-English speaking backgrounds. We take a creative approach to working together and providing quality services.

CEO Profile

Rob Spence is a qualified accountant; appointed CEO of the MAV in 1997, following successful terms as CEO of two metropolitan Victorian councils. Prior to joining local government, he held a number of senior executive and board positions with the State public service including the Department of Local Government, the State Electricity Commission, Victorian Coal Corporation, Victorian Solar Energy Council and the Victoria Grants Commission.

Rob currently represents the sector as a member of the Victorian State Crisis and Resilience Council (legislated), a member of the Minister's Freight Advisory Council, board member (and former Chair) of Vision Super, co-Chair of the Expert Advisory Committee for Maternal and Child Health, member of the Victorian Children's Council, Chair and CEO of MAV's Local Government Funding Vehicle, and board member of MAV Insurance.

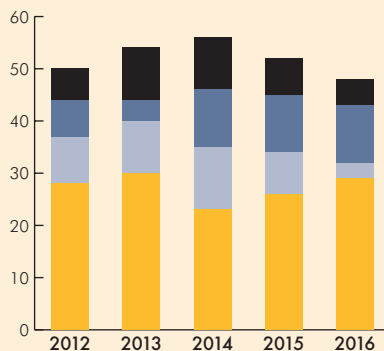
ORGANISATIONAL STRUCTURE

MAV BOARD					
CHIEF EXECUTIVE OFFICER Rob Spence					
DEPUTY CEO & GENERAL COUNSEL Alison Lyon					
POLICY SERVICES	CORPORATE	MEMBER SERVICES	COMMUNICATIONS	INSURANCE	HOSTED ORGANISATIONS
MANAGER ENVIRONMENT Claire Dunn	MANAGER HR & CORPORATE SERVICES Alison Standish	MANAGER MEMBER SERVICES Cameron Spence	MANAGER MEDIA & COMMUNICATIONS Debbie Jones	MANAGER INSURANCE, RESEARCH & STRATEGY Owen Harvey-Beavis	PUBLIC LIBRARIES VICTORIA NETWORK Karen Ward-Smith
MANAGER SOCIAL POLICY Clare Hargreaves					SWIFT LIBRARY CONSORTIUM Lloyd Brady
MANAGER EMERGENCY MANAGEMENT Emma Lake					ASSOCIATION OF BAYSIDE MUNICIPALITIES Jacquie White
MANAGER PLANNING, BUILDING & INFRASTRUCTURE Gareth Hatley					BUILT ENVIRONMENT SUSTAINABILITY SCORECARD Shannon Best
MANAGER WORKFORCE & RISK MANAGEMENT Geoff Pawsey					COUNCIL ALLIANCE FOR A SUSTAINABLE BUILT ENVIRONMENT Natasha Palich
MANAGER WATER & ABORIGINAL AFFAIRS Rosemary Hancock					

STAFF PROFILE

FULL TIME STAFF
■ MAV funded
■ Grant funded

PART TIME STAFF
■ MAV funded
■ Grant funded



MAV Staff

MAV MANAGEMENT

Rob Spence

Chief Executive Officer

Alison Lyon

Deputy Chief Executive Officer, General Counsel

Claire Dunn

Manager, Environment

Emma Fitzclarence Lake

Manager, Emergency Management Policy

Clare Hargreaves

Manager, Social Policy

Owen Harvey-Beavis

Manager, Insurance, Research and Strategy



Gareth Hatley

Manager, Planning, Building and Infrastructure

Debbie Jones

Manager, Media and Communications

Geoff Pawsey

Manager, Workforce and Risk Management

Cameron Spence

Manager, Member Services

Alison Standish

Manager, Human Resources and Corporate Services

Rosemary Hancock

Manager, Water and Aboriginal affairs

MAV CORE STAFF

Rylee Agius

Corporate Services Officer

Zara Ahmed

Procurement Coordinator

Polly Banks

Executive Assistant to CEO

Reshu Basnyat

Corporate Services Officer

Alvin Bautista

Online Communications Coordinator

Olivia Boddeus

Governance and Legal Support Officer

Renai De Giusti

Events Coordinator

Steve Downs

Business Manager Relationships, MAV Procurement (Part Time)

Kathryn Duffy

Strategic Communications Adviser, Insurance

Rachel Ferretto

Procurement Development Officer

Steve Goldsworthy

Governance Adviser (Part Time)

Michael Green

Electronic Records Officer (Part Time)

Leah Hall

Finance Officer

Alison Hawkins

Contract Manager, MAV Procurement

Trevor Koops

Economist

Gavin Mahoney

Senior Project Officer

Kristine Minghella

MAV Insurance Counsel (Part Time)

Candice Ong

Payroll and Finance Officer

Stephanie O'Brien

Media and Communications Adviser

Kevin Peachey

Policy Adviser, Transport and Emergency Management

Julie Saylor-Briggs

Councillor Development Officer

John Smith

Insurance Claims Adviser (Part Time)

Paul Taylor

Contract Manager, MAV Procurement

Julie-Ann Undrill

Manager, Events and Sponsorship

Steve Vasilevski

IT Coordinator

Talei Winning

Corporate Services Officer

MAV GRANT-FUNDED STAFF

Naree Atkinson

Planning Policy Adviser (Part Time)

Jan Barrett

Early Years Project Adviser (Part Time)

Jan Black

Policy Adviser (Part Time)

Jan Bruce

Positive Ageing Adviser (Part Time)

Jeanette Draper

Positive Ageing Adviser (Part Time)

Jocelyn Fuller

HACC Policy Adviser (Part Time)

Kim Howland

MCH Senior Policy Adviser

Cameron Huntington

Environmental Health Officer, Streatrader

Reinard Irawan

Systems Support Coordinator, CDIS

Mark Jennings

Environmental Health Officer

Nicky Kindler

Senior Policy and Engagement Officer

Catherine Morland

Administration Officer, Social Policy (Part Time)

Kellie Nagle

Policy Adviser Prevention of Violence Against Women (Part Time)

Bianca Nutt

Diversity Policy Adviser (Part Time)

Lidia Thorpe

Aboriginal Employment Adviser

HOSTED ORGANISATIONS

Shannon Best

Manager, Built Environment Sustainability Scorecard (Part Time)

Lloyd Brady

Systems Administrator, SWIFT Library Consortium

Natasha Palich

Coordinator, Council Alliance for a Sustainable Built Environment (Part Time)

Karen Ward-Smith

Executive Officer, Public Libraries Victoria Network (Part Time)

Jacquie White

Executive Officer, Association of Bayside Municipalities (Part Time)

MAV Council Representatives

as at 30 June 2016

Alpine Shire Council

Cr Ron Janas

Ararat Rural City Council

Cr Paul Hooper

Ballarat City Council

Cr Vicki Coltman

Banyule City Council

Cr Tom Melican

Bass Coast Shire Council

Cr Kimberley Brown

Baw Baw Shire Council

Cr Joe Gauci

Bayside City Council

Cr Felicity Frederico

Benalla Rural City Council

Cr Justin King

Boroondara City Council

Cr Coral Ross

Brimbank City Council

Mr John Watson

Buloke Shire Council

Cr Reid Mather

Campaspe Shire Council

Cr Leigh Wilson

Cardinia Shire Council

Cr Jodie Owen

Casey City Council

Cr Mick Morland

Central Goldfields Shire Council

Cr Barry Rinaldi

Colac Otway Shire Council

Cr Stephen Hart

Corangamite Shire Council

Cr Ruth Gstrein

Darebin City Council

Cr Vince Fontana

East Gippsland Shire Council

Cr Peter Neal

Gannawarra Shire Council

Cr Brian Gibson

Glen Eira City Council

Cr Margaret Esakoff

Glenelg Shire Council

Cr Max Oberlander

Golden Plains Shire Council

Cr Nathan Hansford

Greater Bendigo City Council

Cr Rod Fyffe

Greater Dandenong City Council

Cr Peter Brown

Greater Geelong City Council [To be announced]

Greater Shepparton City Council

Cr Dinny Adem

Hepburn Shire Council

Cr Pierre Niclas

Hindmarsh Shire Council

Cr Debra Nelson

Hobsons Bay City Council

Cr Angela Altair

Horsham Rural City Council

Cr Heather Phillips

Hume City Council

Cr Adem Atmaca

Indigo Shire Council

Cr James Trener

Kingston City Council

Cr Tasmin Bearsley

Knox City Council

Cr Peter Lockwood

Latrobe City Council

Cr Dale Harriman

Loddon Shire Council

Cr Gavan Holt

Macedon Ranges Shire Council

Cr Henry McLaughlin

Manningham City Council

Cr Paul McLeish

Mansfield Shire Council

Cr Paul Sladdin

Maribyrnong City Council

Cr Catherine Cumming

Maroondah City Council

Cr Les Willmott

Melbourne City Council

Cr Stephen Mayne

Melton City Council

Cr Kathy Majdlik

Mildura Rural City Council

Cr Glenn Milne

Mitchell Shire Council

Cr Sue Marstaeller

Moira Shire Council

Cr Gary Cleveland

Monash City Council

Cr Geoff Lake

Moonee Valley City Council

Cr John Sipek

Moorabool Shire Council

Cr Tom Sullivan

Moreland City Council

Cr Oscar Yildiz

Mornington Peninsula Shire Council

Cr Hugh Fraser

Mount Alexander Shire Council

Cr Sharon Telford

Moyne Shire Council

Cr Colin Ryan

Murrindindi Shire Council

Cr Margaret Rae

Nillumbik Shire Council

Cr Helen Coleman

Northern Grampians Shire Council

Cr Murray Emerson

Port Philip City Council

Cr Bernadene Voss

Pyrenees Shire Council

Cr David Clark

Queenscliffe Borough Council

Cr Helene Cameron

South Gippsland Shire Council

Cr Robert Newton

Southern Grampians Shire Council

Cr Peter Dark

Stonnington City Council

Cr Jami Klisaris

Strathbogie Shire Council

Cr Colleen Furlanetto

Surf Coast Shire Council

Cr Eve Fisher

Swan Hill Rural City Council

Cr Gary Norton

Towong Shire Council

Cr Mary Fraser

Wangaratta Rural City Council

Mrs Ailsa Fox

Warrnambool City Council

Cr Kylie Gaston

Wellington Shire Council

Cr Malcolm Hole

West Wimmera Shire Council

Cr Annette Jones

Whitehorse City Council

Cr Phillip Daw

Whittlesea City Council

Cr Mary Laliou

Wodonga City Council

Cr Michael Fraser

Wyndham City Council

Cr John Gibbons

Yarra City Council

Cr Roberto Colanzi

Yarra Ranges Shire Council

Cr Jason Callanan

Yarriambiack Shire Council

Cr Kylie Zanker



MAV TECHNOLOGY

DETAILED PERFORMANCE REPORT



Providing value for our members

This section of the Annual Report details how the outcomes of 126 activities endorsed by our membership contribute to addressing our seven priority issues for 2015-16. If you would prefer just the highlights, please refer to the MAV work team overview on the following two pages, or to the performance highlights presented on pages 6-7 of this report.

Hosted organisations

Association of Bayside Municipalities

ABM is formally recognised by the MAV as the key representative of local government in relation to the sustainable management and health of Port Phillip Bay. The ABM represents the interests of the 10 councils with frontage to Port Phillip Bay on various coastal and marine issues.

Council Alliance for a Sustainable Built Environment

CASBE is an association of more than 25 Victorian rural and urban councils focused on applying ecologically sustainable development principles to the built environment through the statutory planning system.

National Timber Council Association

NTCA is an incorporated local government association formed to provide local government with a national body advocating on timber and forestry issues that impact on councils nationally.

Public Libraries Victoria Network

PLVN works with key stakeholders including the Australian Library and Information Association and the state public library associations to engage with aggregators and publishers to address common issues.

Timber Towns Victoria

TTV is an incorporated local government association representing the interests of councils in relation to forestry on both public and private land. The Association's primary function is to provide a forum for local government to address the management of forests and forest industries and the effects on local communities.

Activities outside our work plan

The political environment in which we operate requires us to move quickly in response to the changing needs and priorities of local government. In addition to planned activities of the Strategic Work Plan, the MAV also assists councils to respond to unplanned events that arise throughout the year.

The MAV has a strong reputation in both the state and federal arenas as a credible lobbyist with a significant track record in representing the interests of local government. Building and maintaining this reputation requires diplomacy and respect, even while campaigning passionately for our members' priority issues.

It's important to note that a significant amount of MAV staff time is spent responding to unplanned council, councillor and council officer requests for advice and support. This key function of the MAV is currently not represented in our formal reporting framework.

Measuring our performance

The way we measure our performance is changing. This report includes qualitative assessments of:

- > Activity outcomes of the Strategic Work Plan 2015-16 (pages 32-49)
- > Financial performance (pages 10-11 and 67-126)
- > Continuous improvement outcomes (pages 48-49)

In future reports, we will increase the number of outcome measures for progress against each of our strategic objectives. It is difficult to measure advocacy outcomes as a positive result can be defined in a number of ways (retaining our relationship/building credibility/achieving the desired result for the issue at hand, etc.). It is also true that many key issues for local government are ongoing and therefore unlikely to be "delivered" in a single reporting period (for example: financial sustainability, innovation and promoting the role of local government).

The MAV reviewed the performance measures of other member associations both here and overseas, and also engaged the services of Ernst & Young to help identify practical and meaningful success measures for use in future reports to our members. As a result of this work, a new reporting framework will be introduced for the 2016-17 reporting period.

MAV work team overview

The MAV supports council service delivery through policy analysis, advice and advocacy, project support and management, and by building collaborative relationships with key stakeholders including other levels of government.

Key outcomes for each MAV work area in 2015-16 were:

GOVERNANCE & REFORM



MAV's Governance and Reform team works to support the development, adoption and implementation of high-quality governance processes, protocols, conduct and relationships across the local government sector. Work in this area included providing sector-wide advice on governance issues and assisting individual councils with a broad range of internal and external governance matters.

In 2015-16, key achievements included completing a significant body of work to improve the strength of MAV controls embedded in our policies and procedures highlighted through the VAGO report; reassessing and improving a number of other policies within the organisation; working with the Acting Freedom of Information Commissioner on the inaugural Local Government FOI Practitioner Forum; supporting the two Act review Taskforces established by the Board; negotiating improved terms and conditions in the Melbourne Water shared pathway agreement template; and delivery of a submission to the State Government's *Local Government Act Review* discussion paper.

FINANCE & PRODUCTIVITY



The MAV Finance and Productivity team works with local government to help the sector secure its financial future. Our work involved advocating for the sector's economic and financial needs, and arguing for greater recognition of local government's role in a range of government funding programs. We also work with our members to improve their financial autonomy.

In 2015-16, key achievements included coordinating a *Financial Assistance Grants and Rate Capping Taskforce* that influenced the final design of the rate-capping model, with legislation incorporating our request for the Minister to have the flexibility to set different caps; that a cap can (not must) be set by the Minister; and the ability to grant a partial variation to the rate cap. We also partnered with the ALGA to secure restoration of indexation for Financial Assistance Grants from 2017, including rallying 70 per cent of Victorian councils to pass a formal resolution to support the campaign; delivered the 2016-17 Victorian Council Model Budget to assist councils with budget reporting; and engaged with party leaders ahead of the Federal election to seek commitments to eight local government priorities to benefit all communities through increased funding for local infrastructure, roads, freight, climate adaptation, kindergartens, aged care and core financial assistance grants.

SECTOR DEVELOPMENT



The Future of Local Government (FOLG) group works with councils to identify and implement preferred future directions for the sector. We seek to achieve the vision of *A more productive local government delivering better outcomes to a more engaged community* by addressing capacity, capability and credibility challenges. The MAV is working with our members towards a smart councils approach (do more with less via collaboration and innovation).

In 2015-16 the key FOLG achievements included developing a framework for better integrating service delivery and asset management in the new rate capping environment; contributing to the development of a sector-wide strategy for technology; identifying further projects for collaboration; improving the productivity of freight vehicles through the establishment of regional road groups and associated priority work plans; and significantly reducing the time taken to process heavy vehicle permits down to less than two days for most councils. We also collaborated with the ALGA to identify preferred future directions for local government transport strategies and funding, especially relating to heavy vehicles.

ENVIRONMENT



This year the MAV Environment team focused on representing local government interests in multiple State-led environment-related reviews and reforms. In consultation with the sector, the environment team prepared nine Board-endorsed written submissions, participated on at least eight review reference groups, in addition to undertaking a range of other advocacy and capacity-building activities.

Key achievements included partnering with Melbourne Water to develop a Melbourne Water Local Government Charter to improve responsiveness to local government service requests; securing funding for a dedicated resource to engage with councils on water policy; influencing the Australian Energy Regulator's decision not to reclassify all dedicated public street lighting as 'negotiated services' for 2016-2020 (thereby ensuring continued regulatory oversight of distribution business' charges); successfully advocating for inclusion of street lighting as an eligible activity under the Victorian Energy Efficiency Target Scheme; influencing government policy development in relation to renewable energy, water management, climate change legislative arrangements, the future of the Environment Protection Authority (EPA), native vegetation management, and waste and resource recovery. The team also developed a local government perspective for the Victorian Government long-term water plan and successfully lobbied the EPA to retain some level of advice to councils to assist them to manage on-site domestic wastewater regulation following the EPA's cessation of providing certificates of approval for septic systems.

EMERGENCY MANAGEMENT



The MAV's Emergency Management staff support and advocate for councils in the areas of emergency planning and management, improving council collaboration and natural disaster funding reform.

Key achievements in 2015-16 included presenting a consolidated local government position in response to the State's proposed Emergency Management Legislation Amendment (Planning) Bill; commissioning an independent analysis of the benefits and costs of collaborative approaches to emergency management by local government in partnership with Local Government Victoria (LGV); hosting the third annual VCOSS MAV Emergency Management Forum; securing the removal of references to Municipal Emergency Coordination Centres from the Emergency Management Manual Victoria; representing local government on the Victorian Floodplain Management Strategy Interdepartmental Stakeholder Reference Group; initiating a review into the Essential Water Replacement Policy and Guidelines; and initiating a review into the Schedule 13 Permit to burn policy.

COMMUNITY SERVICES & PUBLIC HEALTH



The MAV's Community Services and Public Health teams delivered outcomes for members in areas including Home and Community Care (HACC), disability, positive ageing, vulnerable people, public libraries, cultural diversity, the arts, maternal and child health (MCH), early years and youth, alcohol and smoking, gaming, food safety and preventing violence against women.

Key achievements in 2015-16 included securing \$133 million for the MCH service and restoring the 50/50 funding ratio with the State (following detailed research and intensive negotiation by the MAV); statewide rolling out of the new MCH Child Development Information System (CDIS) and planning for CDIS to interface with kindergarten central enrolment; facilitating standardisation and expansion of kindergarten central enrolment; securing agreement by the State to developing a 10 year Early Childhood and Family Services Compact with local government; injection of \$14.4 million into kindergarten infrastructure and operations; implementation of the Early Childhood Agreement for Children in Out-Of-Home Care and improving links for councils with child protection services; \$450,000 in grants for preventing violence against women and rolling out the international award winning Patchwork agency linking tool statewide. The MAV also facilitated the area partnerships structure with the State to support councils' work in health and human services, including responding to the Family Violence Royal Commission recommendations; secured ongoing commitment to develop a Tripartite Agreement between the Commonwealth, State and the MAV on HACC to support Victorian councils' and communities' interests in the transition of community aged care to the Commonwealth; obtained \$225,000 to provide assistance to councils with the National Disability Insurance Scheme (NDIS) roll out; signed the Age Friendly Victoria Declaration with the State; implemented the Aboriginal HACC trainee project with selected councils; promoted cultural diversity and advocated on additional refugee intake; celebrated the 10 year successful implementation of the Swift Library Management Consortium; brokered a new partnership under the Creative State for four years of funding to the MAV to provide arts and cultural facilitation and creative industries advice to councils; advocated for legislative changes to gambling laws and supported the 'Enough Pokies' campaign; disbursed \$1.2 million provided by DHHS to assist councils implement smoking laws; and secured funding to employ a dedicated Aboriginal employment adviser.

PLANNING & BUILDING



The MAV's Planning and Building team aims to influence the State Government's policy and reform agenda, while building the capacity of the sector through our annual work plan. We also provided management support to the Association of Bayside Municipalities, Timber Towns Victoria, National Timber Councils Association and the Council Alliance for a Sustainable Built Environment.

Key achievements included finalising the long awaited review of planning fees which will restore annual indexation to planning fees, and return an estimated \$40 million per annum to councils (according to the Regulatory Impact Statement); working with councils to negotiate amendments on the Statement of Intent between the Victorian Building Authority on enforcement under the Building Act; establishing several working groups to provide direct feedback into the State's Reform agenda for infrastructure, building legislation, better apartments and planning fees; preparing numerous submissions to State Government reform initiatives; and hosting a series of forums and conferences to build sector capacity on planning and building matters, attended by hundreds of practitioners and councillors.

TRANSPORT & INFRASTRUCTURE



The MAV's Transport & Infrastructure team aims to demonstrate the importance of the planning and infrastructure requirements of communities to maximise economic opportunities, manage growth and ensure Victorian councils' financial sustainability.

Key achievements included successfully advocating for local government road funding - \$25 million Local Roads to Market Program; supporting advocacy for the \$416 million Murray Basin Rail Project funding; successfully advocated for VicRoads to undertake a School Crossing Supervisor funding review; worked closely with Infrastructure Victoria to assist in their understanding of council infrastructure assets and provided two submissions to inform the development of Victoria's 30-year infrastructure plan; working with government departments to provide the sector with several policy workshops to help local government inform future policy and legislation; and hosting a series forums and briefings to build capacity of the sector.

MEMBER SERVICES



The MAV's Member Services team incorporates MAV Procurement, MAV Training and MAV Events. These business units are not-for-profit units of the MAV focused on achieving better outcomes for local government.

In 2015-16, key achievements of MAV Procurement included the delivery of key tenders including Neutral Vendor Recruitment Managed Service, Marketing Services and Printing, Debt Recovery, Contaminated Land and Landfill Consultancy and Environmental Audit Services, IT Professional Services, Web Content Management, Permanent Recruitment, VMware, Corporate Wardrobe, Plant Machinery Equipment and Specialised Truck Bodies.

We also:

- conducted the second issuance of the Local Government Funding Vehicle (LGFV) – Australia's first aggregated funding vehicle for local government which was launched with a volume of A\$100 million, providing 16 councils with access to 10-year fixed rate, interest only loans;
- rolled-out the LEAP continuous improvement procurement development program to 24 councils, including the first entire region undertaking the program, the Gippsland Local Government Network (GLGN);
- rolled-out the Child Development Information System (CDIS) – a sector-wide Maternal and Child Health information system accessed by more than 50 councils and regional health alliances to transform the way MCH services are delivered;
- delivered 31 training courses across the state to more than 300 participants, covering a range of topics including Contract Management Essentials in Local Government, Evaluation and Contract Establishment, Planning and Specification Development, Probity and Risk Management and Procurement Essentials.

In 2015-16, MAV's Councillor Training & Workforce development team key achievements included:

- facilitating 20 participants graduating from the Diploma of Local Government; conducting the 2015 Councillor Development Weekend held at RACV Torquay, with 150 participants;
- ongoing delivery of sector specific training topics including Planning & Building, Meeting Procedures, Media Skills, Dealing with Difficult People, Financial Training – Demystifying the financial framework;
- the Graduate Diploma of Management Swinburne University cohorts 3 & 4 (which will be completed from July 2016 and March 2017);
- awarding the 2016 McArthur Fellowship to Cr Peter Harkin from Corangamite Shire Council; and
- conducting more than 80 Stand for Council information sessions across the state.

MAV Events aims to increase the capability and effectiveness of the sector by delivering events that provide professional development opportunities, collaboration between member councils and an understanding of emerging services.

In 2015-16, MAV Events delivered over 120 events that were attended by 8,174 delegates. Twenty-eight per cent were social and community events; infrastructure, planning and building events represented 15 per cent; governance events represented 14 per cent and professional development represented 12 per cent. Other local government key event areas included environment, technology, insurance and procurement. MAV events initiated in 2015-16 included the National Local Government Human Resources Conference, Transforming Local Government in an Innovation Era and Resilient Cities and Communities: the New Global Imperative.

TECHNOLOGY



MAV Technology aims to demonstrate leadership in information and communications technology (ICT) to support effective delivery of council and community services. Key achievements for 2015-16 included:

- delivery of ICT best practice and research tools including *Cloud Services Research & Guidelines*, *Implementing Public Wifi Services for Local Government* and the *Open Council Data Toolkit*;
- supporting the establishment of the *Local Government Digital Transformation Task Force*;
- assisting the rollout of the *Child Development Information System* and progressing the proposed *Victorian Local Government Enablement Platform* proof of concept;
- hosting ICT forums in regional locations and an internationally-renowned annual conference and trade expo and expanding our 300+ person Yammer network to facilitate the sharing of ICT resources, ideas and solutions;
- encouraging innovation through the MAV Technology Awards for Excellence;
- delivering group ICT procurement savings in partnership with MAV Procurement; and
- advocating for improved, cost-effective access to telecommunications infrastructure particularly in rural and remote areas in partnership with the ALGA.

CORPORATE SERVICES



MAV's Corporate Services team provides administration, ICT, human resources and corporate policy services to ensure the MAV operates efficiently and transparently.

Key achievements in 2015-16 included providing administrative services for MAV staff and consultants; providing training and professional development opportunities for staff; coordinating stakeholder meetings; providing IT services and support; ensuring the Association's health and safety compliance with all legislative requirements; staff recruitment and transition activities; and improving efficiency, accountability and transparency through the review and amendment of MAV policies and procedures.

COMMUNICATIONS & MEDIA



The MAV's Communications and Media team facilitates the sharing of knowledge from all MAV work areas to our members and other stakeholders. They strive to influence commentary as the voice of local government and improve community understanding and appreciation of the value of local government.

In 2015-16, implementation of a dedicated social media plan helped to grow the MAV's social voice by 28.7 per cent on LinkedIn, 15.5 per cent on Twitter and 20.8 per cent on Facebook; improved perceptions of local government by sharing interesting posts about the breadth and diversity of ways that councils are enhancing the daily lives of their communities; and securing a commitment from other state Local Government Associations to host a *National Local Government Twitter Day*. The team also reviewed the learnings from perceptions campaigns and methods undertaken interstate and overseas; managed proactive and reactive media relations to generate 1,487 MAV mentions in print, broadcast and radio media reports across the state, solidifying our role as the voice of local government; continued five per cent growth in subscribers to the weekly MAV Bulletin and increased website visitors by more than six per cent; and expanded member access to resources on the members-only website by 30 per cent. The communications team coordinated sector advocacy on key issues relating to the federal election, including campaigns to restore financial assistance grants, secure federal funding for kindergartens and a tripartite home and community care transition plan; raised the profile of rate capping issues, cost shifting, and the Alliance for Gambling Reform; and delivered the statewide 'Stand for Council' media, advertising and social media campaign in partnership with members and media partner, Leader Community News to attract more diverse candidate nominations for council elections. Other achievements included delivering a strategic reporting tool to improve our Strategic Work Plan outcomes to members; developing a records management tool; implementing a new event registration system to reduce administrative costs and improve councils' ability to self-manage their councillor credit points; and delivery of local government staff training in Google Analytics and Writing for the Web.

COMMUNICATIONS CHANNEL	2014-15	2015-16	GROWTH
LinkedIn followers	1,592	2,050	28.7%
Twitter followers	3,224	3,726	15.5%
Facebook followers	1,958	2,366	20.8%
Website sessions	199,750	212,709	6.5%
Website visitors	117,563	125,115	6.4%
Website page views	772,664	781,850	1.2%
Members-only website sessions	4,152	5,406	30.2%
Members-only website visitors	2,241	2,589	15.5%
Members-only website page views	26,328	27,989	6.3%

INSURANCE

MAV Insurance outcomes are presented from page 50 of this report.

Strategic work plan outcomes

The MAV's activities were guided by our Strategic Work Plan 2015-16, which was adopted by State Council in May 2015, following an extensive consultation process with member councils.

The Work Plan includes seven priority issues, to be addressed through the delivery of 126 activities.

The following pages present status reports on each of these activities, grouped according to their contribution towards achieving our strategic objectives and addressing our priority issues.

STRATEGIC OBJECTIVE

Advocate Local Government Interests

PRIORITY 1: RATE CAPPING

OUTCOME SUMMARY

The new State Government made a pre-election promise to cap council rates, while also promising that the cap would not result in job losses or service cuts. Local government is a major employer; a major force for economic development; and a major provider of community services, particularly in rural areas.

According to Standard and Poor's, rate capping in NSW resulted in 'significant infrastructure backlogs, deteriorating asset quality and lower levels of service'. The proposed rate cap in Victoria threatens to produce a similar outcome, particularly for rural councils with few alternative revenue streams.

The MAV worked with the State Government, the Essential Services Commission (ESC) and other key stakeholders to find a viable solution, in an environment of high media interest and political pressure. As detailed in the supporting activities section below, outcomes included:

- > more equitable and fair mechanisms for councils to seek increases
- > measures to ensure rate capping does not further blow out the infrastructure gap across the sector
- > clarification of delivery arrangements for services where funding responsibility is shared with other levels of government
- > resources for councils to help communities to understand the services provided through council rates, and the impacts of rate capping.

SUPPORTING ACTIVITIES

STATUS

OUTCOME SUMMARY

GOVERNANCE & REFORM

1a	Refine the Local Government Index based on contemporary data that will underpin advocacy on financial sustainability and rate capping.	Delivered	Final report received and data used to inform multiple submissions to the ESC and Parliamentary Enquiry into rate capping, to support the financial sustainability of councils.
1b	Support the activities of the Financial Assistance Grants and Rate Capping Taskforce.	Delivered	FAGs & Rate Capping Taskforce progressing effectively. Taskforce members identified concerns, agreed on actions, and informed MAV advocacy and submissions to influence the ESC rate capping model. The Taskforce will review outcomes from the first year of rate-capping to plan next phase of the campaign to ensure fairness for councils and their communities.
1c	Engage with, and make submissions on behalf of councils to Essential Services Commission on the rate capping processes.	Delivered	Submissions were provided to the ESC's issues paper and draft report, influencing the final model to better represent community interests.

FINANCE & PRODUCTIVITY

1d	Work with State Government to define rate capping parameters that result in workable outcomes for councils and their communities.	Ongoing	First iteration of variation process now complete. MAV engaged with the independent review of the variation process and provided an additional submission to the Parliamentary Inquiry to influence changes to the rate cap model; and ensure the variation process is simplified and more transparent in its assessment criteria.
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COMMUNICATIONS & MEDIA

1e	Develop and run campaigns profiling the good work and high value of local government.	Ongoing	Published 2015 media rates package to inform and improve media reporting and public understanding about rates, cost shifting and other cost pressures facing council budgets. Implementation of rate capping, Financial Assistance Grants, cost shifting and Stand for Council 2016 campaigns ongoing. Rate capping resources developed for councils and communities.
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**PRIORITY 2:
FINANCIAL ASSISTANCE GRANTS INDEXATION
& FEDERATION AND TAXATION REFORM**

OUTCOME SUMMARY

The Federal Government's three-year indexation freeze, announced in its 2014-15 budget, will adversely impact Victorian councils by \$134 million over the next four years. Rural communities will be hardest hit by this decision, as Financial Assistance Grants comprise up to 31 per cent of rural shires' total budgeted revenue. The MAV will participate in a multi-stakeholder national campaign to restore indexation.

The national Federation and Taxation White Paper processes will go to the heart of how Australia's federation and tax systems work, and will redefine local government's place in them. Local government must be involved in the process to ensure there is adequate funding and resourcing assigned to infrastructure and services for local communities.

The MAV worked with stakeholders, including national and state local government associations, and our member councils to ensure:

- > commitment from the Federal Government to lift the freeze on FAG indexation in 2017, achieved through a multi-stakeholder national federal election and advocacy campaign in partnership with the Australian Local Government Association (ALGA).
- > National Federation and Taxation White Paper reviews were concluded following the change of government.

SUPPORTING ACTIVITIES

STATUS

OUTCOME SUMMARY

GOVERNANCE & REFORM

2a	Develop a credible Local Government Index based on contemporary data that will underpin advocacy on financial sustainability and rate capping.	✓ Delivered	Refer to Activity 1a.
2b	Support the activities of the Financial Assistance Grants and Rate Capping Taskforce.	✓ Delivered	Refer to Activity 1b.
2c	Influence and shape the government's legislative agenda.	✓ Delivered	Worked in partnership with ALGA to influence the legislative agenda of the Commonwealth Government and made submissions to relevant State Government parliamentary committee enquiries and legislative reviews, including the Local Government Act Review.
2d	Represent the interests of local government in the review of Federation & Taxation systems.	✓ Delivered	Reviews concluded following 2015 federal election resulting in a change of government.

FINANCE & PRODUCTIVITY

2e	Advocate for the restoration of indexation of Financial Assistance Grants (FAGs).	➤ Ongoing	Councils nationally continue to endorse a resolution for the renewal of FAGs indexation; 70 per cent of Victorian councils passed a formal resolution to support the campaign. Federal election campaign advocacy to political parties and election candidates in partnership with ALGA and member councils, with resources developed by the MAV. Commitment received from COAG that the funding of local government will remain a Commonwealth responsibility. Campaign to build awareness of the value of FAGs continuing through ALGA.
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Promote the Role of Local Government

PRIORITY 3: THE VALUE PERCEPTION OF LOCAL GOVERNMENT

Local government is the most trusted tier of government, yet the least understood by communities.

Councils need community appreciation of the value and scope of services that they provide to increase, so they can leverage community support for local government in negotiating with other levels of government, and gain greater flexibility in aligning council service fees with council service value.

OUTCOME SUMMARY

The MAV worked with councils to develop and deliver a range of sector-wide resources, campaigns and initiatives aimed to improve the value perceptions of local government by communities and other levels of government. Key outcomes for the year included:

- > More than 90 per cent of councils participated in the 'Stand for Council' campaign, including hosting candidate information sessions and utilising resources provided by the MAV to attract a diversity of new candidate nominations and broaden community understanding about the role of local government
- > MAV's social media coverage profiling of the value of local government increased by: LinkedIn (27 per cent), Facebook (18 per cent), Twitter (14 per cent).
- > More than 1,400 media reports including MAV commentary promoting, defending and explaining the roles, services and challenges faced by councils
- > Hosting a workshop with media outlets to better inform their understanding and reporting about council budgets, rate capping, cost shifting and property revaluations
- > Published three editions of CiVic Magazine profiling the innovative work of Victorian councils.

SUPPORTING ACTIVITIES

STATUS OUTCOME SUMMARY

FINANCE & PRODUCTIVITY

3a Increase appreciation of the value of local government to communities and other levels of government.

 Ongoing

Cost shifting/rate capping advocacy generated strong media interest and resulted in numerous high profile stories to mass audiences, as well as a number of opinion pieces published by influential third parties supporting the position of local government.

Refer also to Activities 3b, 3c, 3e and 3h – 3l.

COUNCILLOR TRAINING

3b Develop and commence Stand for Council campaign.

 Delivered

Implementation of 2016 campaign ongoing to encourage community participation in October 2016 council elections, and to increase diversity of nominations to better reflect community diversity. Statewide print, digital and social media advertising, together with editorial coverage and website resources helped to promote the valuable roles of local government in community life. More than 80 information sessions have been booked by member councils to provide information to prospective candidates.

3c Overcome barriers to participation.

 Delivered

Diversified locations and session times for *Councillor Fundamentals* program.

Promoted in-house delivery of training options.


Continued to explore online training delivery.

3d Develop partnerships for high level training.



 Delivered

Created a new partnership for delivery of the *Diploma of Local Government* (Elected Members).






COUNCILLOR TRAINING (continued)

3e Attract, prepare and induct a diversity of councillors.	 Ongoing	<p>Developed and conducted candidate briefing sessions for requesting councils.</p> <p>Commenced development of induction package for new and returning councillors following 2016 council elections.</p> <p>Promoted the principles of the Victorian Local Government Women's Charter to increase the number of women standing for council at the 2016 local government elections.</p>
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EVENTS

3f Provide collaboration and knowledge sharing opportunities.	 Delivered	<p>Worked with other inter and intra state stakeholders to host national travelling events that reach a wider audience.</p> <p>Attracted high quality speakers and developed thought-provoking program content to encourage discussion, learning and innovation.</p>
3g Increase understanding of emerging services.	 Delivered	<p>Provided additional value to delegates through the engagement of innovative and relevant sponsors and exhibitors.</p>

COMMUNICATIONS & MEDIA

3h Increase member and stakeholder engagement through social media.	 Delivered	<p>Social media plan implemented, which helped to grow the MAV's social voice by 28.7 per cent on LinkedIn, 15.5 per cent on Twitter and 20.8 per cent on Facebook. Social media training sessions offered to councils. 2016 National Twitter Day agreed with ALGA and state LGAs for 3 August. Social media engagement statistics reported to the Board each month.</p>
3i Develop and run campaigns profiling the good work and high value of local government.	 Delivered	<p>Refer to Activity 1e.</p>
3j Advocacy of sector-wide local government value perception communications initiatives.	 Ongoing	<p>Stand for Council campaign underway. CiVic magazine published. National Twitter Day agreed for 3 Aug 2016. Community perceptions of LG research project to be undertaken first quarter of 2016-17. Working with government agencies to improve common messaging to communities on a range of services and initiatives, and distribution of State resources and tools to councils.</p>
3k Redevelop website and improve mobile interface to better represent local government in a changing technology environment.	 Delivered	<p>Rollout of new event management system complete, and planning commenced for MAV website redevelopment project. RFQ documentation being updated and a review of our website architecture is underway.</p>
3l Improve online presence.	 Delivered	<p>Enhanced profile of MAV business units to ensure councils are utilising the full value of member services and products available to them. Cosmetic improvements made in 2015-16 (ahead of a full web redevelopment project) helped to drive increased use of the MAV members-only extranet and access to resources published on our website.</p>

Build the capacity of councils

PRIORITY 4: INNOVATION, EFFICIENCY AND PRODUCTIVITY OF LOCAL GOVERNMENT

In an environment of rising community expectations and continuing revenue cuts for all levels of government, councils will need to work smarter and in collaboration to deliver services to their communities. By using technology as an enabler, councils can deliver services for less cost, and negotiate new strategic partnering arrangements with state and federal governments.

Multi-stakeholder collaboration is required to address sector sustainability issues including labour costs and skills shortages. We must work together to maximise business improvement opportunities by embracing technology changes and increasing cost-saving collaborative procurement initiatives.

OUTCOME SUMMARY

MAV facilitated and encouraged sector-wide collaboration by developing opportunities for knowledge sharing and capacity building, including transformative and innovative initiatives. Key outcomes included:

- > establishment of the *Local Government Digital Transformation Task Force*
- > roll out of the Child Information Development System across more than 50 councils
- > significant improvements achieved in asset management and procurement capability through MAV's STEP and LEAP programs
- > significant council savings achieved through the second issuance of the Local Government Funding Vehicle
- > council costs reduced through a range of collaborative MAV Procurement arrangements
- > further development of the *Victorian Local Government Enablement Platform* proof of concept
- > Open Data publishing rates increased to be the highest in the nation.

SUPPORTING ACTIVITIES



STATUS

OUTCOME SUMMARY

GOVERNANCE & REFORM

4a	Develop the Victorian Local Government Enablement Platform to facilitate sector-wide collaboration.	✓ Delivered	Established the Local Government Digital Transformation Task Force in March 2016. Preparations continue for proof of concept in late 2016.
4b	Progress the <i>Councils of the Future Group</i> (Future of Local Government Program).	✓ Delivered	Conducted master classes and CEO roundtables to discuss strategic issues including leadership, technology and financial sustainability. Two council groups are participating in national community engagement pilots to identify ways to give the community a stronger voice in council decision-making.
4c	Use <i>Future of Local Government</i> conferences and workshops (events) to share knowledge of good practices and innovation.	✓ Delivered	Planning FOLG national event in 2016.
4d	Leverage technology for sector reform.	✓ Delivered	Provided technology research and best practice advice (refer to Activities 4bb – 4gg).
4e	Increase strategic collaboration.	➤ Ongoing	Improved communication with local government associations to facilitate the sharing and development of knowledge and skills. Independently assessed Local Government Performance Reporting Framework indicators. Facilitated and encouraged regional partnerships work.

FINANCE & PRODUCTIVITY

4f	Drive savings by increasing aggregated procurement.	 Delivered	MAV Procurement continued to identify and implement aggregated procurement opportunities (refer to Activities 4r – 4w).
4g	Promote financial sustainability.	 Ongoing	Delivered self-insurance model for worker's compensation.



PUBLIC HEALTH & SAFETY

4h	Commence implementation of the new Maternal and Child Health Information System.	 Delivered	The new MCH Child Development Information System (CDIS) was rolled out to 50 councils and planning commenced for CDIS to interface with kindergarten central enrolment.
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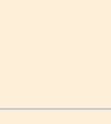
PLANNING & BUILDING

4i	Work with councils to improve performance through the MAV planning improvement program and other initiatives.	 Delivered	MAV Planning Improvement Program Pilot complete, and standard referral agreements developed in collaboration with councils and the CFA.
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TRANSPORT & INFRASTRUCTURE

4j	Use the <i>STEP Asset Management and Financial Sustainability Program</i> to encourage common data models, procurement processes and systems.	 Delivered	Asset management capability continued to improve, with 75 five per cent of Victorian councils attaining core competency status as assessed by the national framework, though the MAV Step Asset Management and Financial Sustainability Program.
4k	Build capacity through innovation and best practice.	 Ongoing	Developed a paper capturing council examples of innovation practice in transport policy. Delivered transport and infrastructure events.

EMERGENCY MANAGEMENT

4l	Support regional planning and cluster models.	 Ongoing	The MAV and Local Government Victoria commissioned an independent analysis of the benefits and costs of collaborative approaches to emergency management by councils. Published the Collaborative Emergency Management report in October 2015. Continued to support Northern Victoria Cluster Pilot project, which concluded in April 2016.
4m	Work with councils to improve Crisisworks software to meet local government needs and integrate with State systems.	 Ongoing	Crisisworks Version 4 launched and councils are progressively transitioning from V3 to V4. The MAV continues to administer the Joint Management Panel, which oversees the system's development. A Crisisworks satisfaction survey was issued to participant councils. Based on survey results, the MAV renewed the Crisisworks project for a further two years.

WORKFORCE

4n	Work with LGPro and other local government associations to review and address cost of labour issues.	➤ Ongoing	The MAV contributed to the research phase of this project. The project is ongoing.
4o	Support the development of a sector-wide plan for transformation change in human capital management.	➤ Ongoing	The MAV Procurement contract for a recruitment neutral vendor managed service delivers cost savings, enhanced workforce reporting and improved transactional efficiency in the sourcing of temporary labour.
4p	Support initiatives that leverage cloud and mobile technology to share skills and standardise processes across the sector.	➤ Ongoing	Opportunities for skill sharing, process and data standardisation have been progressed by supporting the development of regional road data standards, improving capability in asset management and strategic procurement through the STEP and LEAP programs, the development and promotion of open data publishing standards and the development and roll-out of collaborative procurement opportunities. The Digital Transformation Taskforce has identified opportunities for sector-wide collaboration to transform selected business processes.
4q	Address critical skill shortages for local government.	➤ Ongoing	Building insight into current and anticipated skill requirements and shortages through analysis of survey data collected from councils.

PROCUREMENT

4r	Develop and deliver tenders and contracts for key council service delivery resources.	✓ Delivered	Tenders conducted: permanent recruitment, web CMS, contaminated land management, IT professional services. Recently finalised VMware tender. Planning underway for Parks and Playgrounds tender, and Civil Construction and General Hardware contracts.
4s	Implement the LEAP Procurement Development program and identify opportunities for continuous improvement.	✓ Delivered	Twenty seven councils are now participating in LEAP, which analyses council, regional and statewide spend, capability and practices data to identify opportunities for greater collaboration, efficiency, support to local economies, and enhanced value and probity management outcomes.
4t	Develop guidelines to standardise processes across the sector.	✓ Delivered	A council steering group has been established to inform the project. Focus to date has included standardised RFT and RFQ templates.
4u	Develop the local government enablement platform proof of concept and strategy.	✓ Delivered	Established Local Government Digital Transformation Task Force in March 2016. Preparations continue for POC in late 2016.
4v	Leverage the combined purchasing power of councils.	✓ Delivered	Worked with providers to establish innovative and efficient delivery models. Worked with regions to identify and implement regional procurement opportunities.
4w	Improve the procurement capacity of councils.	✓ Delivered	Developed and offered training courses to build capacity in procurement and contract management.




INSURANCE

4x	Advocate for greater protections for councils, including for water claims.	✓ Delivered	<p>Review of the <i>Water Act</i> ongoing. Delays experienced following the change of government. Advocacy to the State on local government issues continuing.</p> <p>Shared pathway agreement established with Melbourne Water.</p> <p>Wrongs Act amendments that are disadvantageous to the sector have been implemented.</p>
4y	Rollout WorkCare self-insurance initiative.	➤ Ongoing	<p>31 Members have elected to join the Scheme. WorkSafe has conducted OH&S audit on a sample of six members and the MAV. MAV lodged the application for a self-insurance licence with WorkSafe in May. The MAV and WorkSafe are working through the various elements of the application with the view to receive approval for a self-insurance licence and commence the Scheme on 1 July 2017.</p>
4z	Improve the Liability Mutual Insurance scheme's financial base.	✓ Delivered	<p>Negotiated favourable reinsurance contracts.</p> <p>Reviewed internal cost structures.</p> <p>Conducted a tender for the scheme's investment service provider.</p>
4aa	Improve the sector's risk management.	➤ Ongoing	<p>Implemented second phase of LMI's revised risk management services.</p>



TECHNOLOGY

4bb	Support the development and implementation of Local Government Enablement Platform.	✓ Delivered	<p>Completed key performance measures for proof-of-concept (POC) in consultation with participating councils and Telstra. Negotiated inclusion of federated wifi pilot into POC scope.</p> <p>Determined final requirements for completion by all parties, prior to commencement of the POC.</p>
4cc	Support the establishment of open data standards for local government to improve integration with other levels of government and engagement with communities.	✓ Delivered	<p>Developed and launched the MAV Technology Open Council Data Toolkit in February to help more councils start their open data journey and ensure that consistent standards are established. Victorian councils are now the most prolific publishers of local government open data in Australia. The toolkit has also been shared with international LG ICT societies, building opportunities for further international collaboration.</p> <p>MAV Technology committed to sponsoring GovHack for the fourth year in a row, offering prizes for the most effective use of local government open data to improve council and community services.</p>
4dd	Support council ICT practitioners to adapt to changing technologies and roles.	✓ Delivered	<p>Planning for 2016 MAV Technology National Conference 2020 <i>Vision</i> underway and will include discussion of new technologies, business imperatives and roles.</p> <p>Local Government Digital Transformation Task Force has been established to develop a roadmap for business transformation enabled by digital.</p>

TECHNOLOGY (continued)

4ee Provide ICT research and best practice tools.	 Delivered	<p>Open Council Data Policy toolkit usage has dramatically increased the number of councils publishing open data.</p> <p>Cloud Services Research and Guidelines launched to councils in March 2016.</p> <p>Online resource library / improved digital presence - development continues as part of planned MAV website restructure.</p> <p>VLGEP (Enablement Platform) proof-of-concept preparation continued.</p>
4ff Increase council knowledge of technology impacts.	 Delivered	<p>Increased visibility of local government technology opportunities with councils and with other levels of government (refer to Activities 4cc, 4dd and 6z).</p>
4gg Improve the ICT efficiency of council operations.	 Delivered	<p>Supported collaborative ICT procurement initiatives.</p>

EVENTS

4hh Improve marketing efforts to retain existing and attract new delegates to key events to encourage council knowledge sharing, innovation, efficiency and productivity gains.	 Delivered	<p>Currently working on rebranding and relaunch of councillor development program. New event registration system launched in mid 2016.</p>
4ii Increase the capability and effectiveness of the sector.	 Ongoing	<p>Worked with councils and internal stakeholders to identify new events of relevance and benefit to the sector.</p> <p>Provided transitional training and support for councillors.</p>

**PRIORITY 5:
THE WELLBEING OF OUR COMMUNITIES**

Local government is well placed to observe, advise on and address issues that impact the wellbeing of the people in our communities. The diversity of these issues is reflected by the range of socio-economic and environmental services provided by councils and includes access to transport, education, food, health services, community connection, volunteering and support services. Councils must also address the ever-increasing waste, water and climate change issues that will continue to impact people’s lives and councils’ budgets, infrastructure and planning rules.

OUTCOME SUMMARY

MAV advocacy and policy development in planning, environment, transport, public health, emergency management and community services resulted in:

- > Whole-of-government partnerships based on mutual respect, open and honest dialogue, and recognition of our shared roles in serving the people of Victoria
- > More consultation on policy affecting local government community service delivery obligations in order to ensure the sustainability of council infrastructure, facilities and services; inform policy and reform agendas; and clarify roles and responsibilities in the delivery of key community services.

SUPPORTING ACTIVITIES

STATUS

OUTCOME SUMMARY

COMMUNITY SERVICES

5a	Work to secure Commonwealth and State commitment to a Home and Community Care (HACC) Victoria Transition Plan in conjunction with local government.	✓ Delivered	Secured ongoing commitment to develop a Tripartite Agreement between the Commonwealth, State and MAV on HACC to support Victorian councils’ and communities’ interests in the transition of community aged care the Commonwealth, including guaranteed funding until June 2019.
5b	Advocate for the State to retain a planning and management role for HACC services and coordination of regional HACC assessment and service system planning.	✓ Delivered	Refer to Activity 5a.
5c	Advocate for sustained funding for programs such as Community Building and Youth Services.	✓ Delivered	<p>Secured \$2.2 million over four years for age-friendly projects led by councils, as part of the State’s commitment to the Age Friendly Declaration signed by MAV and the government.</p> <p>Implemented the Aboriginal HACC trainee project with selected councils.</p> <p>Promoted cultural diversity and advocated on additional refugee intake.</p> <p>Celebrated the 10-year successful implementation of the Swift Library Management Consortium.</p> <p>Brokered a new partnership under the Creative State for four years of funding for the MAV to provide arts and cultural facilitation and creative industries advice to councils.</p> <p>Rolled out the international award-winning Patchwork agency linking tool statewide.</p>

PUBLIC HEALTH & SAFETY

5d	Strengthen the capacity of councils to support communities to redress the burden of pokies.	✓ Delivered	Successfully advocated for the introduction of a licensing system for rooming house proprietors by the Victorian Government. Supported the ‘Enough Pokies’ campaign and ongoing participation in the Alliance for Gambling Reform campaign and advocacy.
5e	Advocate for investment in local government towards the primary prevention of violence against women.	✓ Delivered	Secured \$450,000 in grants for council initiatives to prevent violence against women. Responded to the Family Violence Royal Commission recommendations.

PUBLIC HEALTH & SAFETY (continued)

5f	Advocate for continued support for councils to fulfil their role in promoting the health and well-being of communities.	✓ Delivered	Refer to Activities 4h, 5a-5i and 6a-6f.
5g	Strengthen and improve health and safety services.	✓ Delivered	Represented local government on the Victorian Food Regulators Forum.
5h	Advocate support for councils' leadership role.	✓ Delivered	Secured a 10-year agreement with the State for early childhood and family services incorporating maternal and child health, kindergartens, early years planning and infrastructure, plus councils' work with vulnerable families to provide long-term funding and program certainty for local government beyond the political cycle.
5i	Innovate to improve collaboration.	✓ Delivered	Negotiated for the statewide expansion of the <i>Patchwork</i> public service sector linking program. Supported expansion of the Casserole Club food sharing/ social isolation program to additional councils.


TRANSPORT & INFRASTRUCTURE

5j	Support greater freight efficiency to reduce road congestion and improve economic development.	✓ Delivered	Working with Infrastructure Australia and ALGA to develop a national plan.
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ENVIRONMENT

5k	Advocate for improved clarity around council roles and responsibilities in relation to climate change adaptation and onsite domestic wastewater management.	✓ Delivered	In collaboration with the Association of Bayside Municipalities, secured \$800,000 from the State to assist Port Phillip Bay councils to respond and adapt to coastal climate change, including developing a framework and practical responses for managing coastal hazards. Secured a funded position at the MAV to coordinate local government input to the development and implementation of a new Victoria Water Plan, as well as explore innovative water solutions through better collaboration. Achieved modifications to the Code of Practice for Onsite Wastewater Management to mitigate the EPA's cessation of providing certificates of approval for septic systems. Also refer to Activity 6s.
5l	Advocate for local government roles and responsibilities in environmental management that are aligned with councils' strengths, capacity and capabilities.	✓ Delivered	Influenced the Federal Parliament's Select Committee Inquiry on Wind Turbines, advocating for wind farm noise monitoring and compliance requirements to be transferred to state-based Environmental Protection Authorities. Successfully advocated against the Australian Energy Regulator proposal to reclassify all dedicated public street lighting as 'negotiated services' for 2016-2020, ensuring continued regulatory oversight and Distributed Network Services Providers being held to account on pricing issues.
5m	Advocate for a renewed and strengthened Sustainability Accord to enable councils to work together with the State Government on community adaptation initiatives.	✓ Delivered	Council officers indicated little or no support for another formal agreement. DELWP has indicated it also doesn't see the need for another agreement despite advocacy from the greenhouse alliances and the MAV.

EMERGENCY MANAGEMENT

5n	Advocate for a review of Neighbourhood Safer Places and Community Fire Refuges policy and legislation, including the development of a comprehensive integrated approach to shelter options, warnings and community education.	 Ongoing	Will continue to advocate where appropriate.
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WORKFORCE

5o	Promote the Victorian Local Government Aboriginal Employment Framework.	 Delivered	Achieved an increase in Aboriginal people employed in Victorian councils, including influencing the design and implementation of the HACC Indigenous worker assistance program and the creation of health promotion positions in councils.
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PROCUREMENT

5p	Support council policy objectives.	 Delivered	Implemented social enterprise panel to enhance local and social outcomes through council procurement practices. Worked with stakeholder groups to identify where procurement can support strategic opportunities.
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TECHNOLOGY

5q	Advocate for faster, cost effective Internet access for councils, particularly in regional and remote areas.	 Delivered	Continued to share ALGA news regarding Federal Government NBN and mobile black spot activities and encouraging MAV Technology member participation through our Yammer network. Increased discussions with vendors regarding solutions for cost effective regional access to fast internet.
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Protect and support the viability of councils

PRIORITY 6:

STATE AND FEDERAL GOVERNMENT FUNDING & PARTNERSHIP OBLIGATIONS

Councils manage and maintain local infrastructure and facilities, and deliver a surprisingly diverse range of services that the people of Victoria rely upon to go about their daily lives.

When state and federal government budgets make cuts, people turn even more to their council to access high quality, reliable, low cost public services. As these service demands grow, so do council costs, yet funding from other levels of government fails to adequately cover these growing costs.

OUTCOME SUMMARY

The MAV worked to build closer working relationships with the Victorian and Australian Governments to advance the shared interests of all levels of government in providing better outcomes for our communities. Key outcomes included:



- > Restoration of 50:50 funding of Maternal and Child Health services
- > Home and Community Care Bilateral Agreement signed by Commonwealth and Victorian governments, including guaranteed funding
- > Securing the promised doubling of Roads to Recovery funding for delivery to councils in 2016-17
- > Secured a long-awaited review of planning fees and worked with the State Government and member councils to inform the Regulatory Impact Statement
- > Established the Local Government Digital Transformation Task Force.

SUPPORTING ACTIVITIES



STATUS

OUTCOME SUMMARY

FINANCE & PRODUCTIVITY

6a	Advocate for the reinstatement of funding equivalent to the former Country Roads and Bridges program and the Local Infrastructure program.	 Delivered	Advocacy undertaken through MAV submissions to Infrastructure Victoria's 30-year strategy and the Parliamentary Inquiry into Rural and Regional Councils. Program not reinstated but government commitment to invest 10 per cent (\$970 million) from Port of Melbourne lease proceeds in rural and regional infrastructure projects. No details about allocations, but MAV advocacy is ongoing to secure additional funding for local rural roads.
6b	Advocate to state and federal governments to continue funding pensioner discount on rates.	 Delivered	2016-17 State Budget includes funding for continuation of pensioner rates concessions. Pensioner rebate funded for 2016-17.

COMMUNITY SERVICES

6c	Negotiate with government in regard to funding reform of community services.	 Delivered	Refer to Activities 4h, 5a-5i and 6a-6f.
6d	Participate in identifying, planning and supporting State capital funding priorities with councils for early childhood facilities.	 Delivered	Secured a 10-year agreement with the State for early childhood and family services incorporating maternal and child health, kindergartens, early years planning and infrastructure, plus councils' work with vulnerable families to provide long-term funding and program certainty for local government beyond the political cycle.

COMMUNITY SERVICES (Continued)

6e	Negotiate fairer funding for public libraries.	<p>➤ Ongoing</p> <p>State position is aimed at supporting councils to be self-sufficient in library operations through shared services, however no tangible investment in shared services has been forthcoming to date. No appetite from the State to provide additional funding for recurrent activities.</p> <p>MAV proactively engaging with the Minister to advocate for appropriate investment, including recognition of the Swift consortium as an existing successful library management shared platform supported by the MAV.</p>
6f	Advocate for an ongoing national partnership on funding of 15 hours of kindergarten.	<p>➤ Ongoing</p> <p>Ongoing national partnership sought through dedicated federal election advocacy campaign by MAV and Victorian councils. Campaign resources developed by MAV to assist councils with local advocacy.</p> <p>Detailed analysis of council costs by the MAV and ongoing advocacy helped to secure \$10 million in State funding for kindergarten infrastructure in growth areas and \$4.4 million operational funding to support small rural kindergartens.</p>








PUBLIC HEALTH & SAFETY

6g	Strengthen and improve the Maternal and Child Health service and negotiate renewed Memorandum of Understanding and increased unit price with the State.	<p>✓ Delivered</p> <p>Following detailed research and intensive negotiation by the MAV, secured \$133 million for the MCH service, restoring the 50:50 funding partnership ratio with the State.</p>
6h	Advocate for an improved funding model for council provision of immunisation services.	<p>✓ Delivered</p> <p>Attention raised about the cost pressures on councils to deliver immunisation services.</p>

PLANNING & BUILDING

6i	Represent local government interests in State planning and building related reviews and reforms.	<p>✓ Delivered</p> <p>Secured a long-awaited review of planning fees, and worked with the Department and 19 member councils on detailed costs to inform the Regulatory Impact Statement (RIS). The RIS is proposing an option with full cost recovery for many planning fees, as well as annual fee indexation, which together could deliver an estimated \$40 million annual increase in fees to councils.</p> <p>Formed a technical working group of member councils to provide feedback on the State's new system of standard levies for infrastructure contributions, resulting in the State resolving a majority of issues identified by group members.</p>
6j	Support councils to improve services.	<p>✓ Delivered</p> <p>Advocated for funding to assist councils undertake strategic land use planning, resulting in \$4.2 million allocated in the 2016 State Budget.</p> <p>Refined approach to enforcement of planning permit conditions in the bushfire management overlay.</p> <p>Streamlined permit assessment by facilitating the development of agreements between councils and referral agencies.</p>
6k	Influence policy and reform agenda.	<p>✓ Delivered</p> <p>Advocated for a review and introduction of new planning and subdivision fees prior to the introduction of rate capping.</p> <p>Created an evidence base to inform future reform of the Victoria Planning Provisions.</p>

TRANSPORT & INFRASTRUCTURE

6l	Advocate for a statewide, long term and adequately resourced integrated transport infrastructure plan.	 Delivered	<p>Infrastructure Victoria will be required to publicly release a 30-year infrastructure strategy detailing short, medium and long-term needs and priorities by the end of next year. The government will develop a five-year infrastructure plan outlining its priority projects and funding commitments, and Infrastructure Victoria will assess the government's progress against this plan.</p> <p>At the request of the MAV, Infrastructure Victoria has established a local government reference group to provide advice on the formation of the 30 year infrastructure plan, and the MAV provided submissions to Infrastructure Victoria's consultation processes.</p>
6m	Advocate for the reinstatement of funding equivalent to the former Country Roads and Bridges program and the Local Infrastructure program.	 Delivered	Refer to Activity 6a.
6n	Advocate for an independent and transparent process and governance model for infrastructure evaluation, prioritisation and decision-making .	 Delivered	Refer to Activity 5j.
6o	Advocate for growth area infrastructure funding.	 Delivered	<p>Featured in our submission to Infrastructure Victoria's Options Paper.</p> <p>Work continues with growth area councils and the Department of Environment, Land, Water and Planning on Infrastructure Contributions Reform, and MAV has sought State support for indexation of the community infrastructure charge. We understand our proposal has been supported and a legislative amendment will be introduced next year.</p>
6p	Advocate for a cooperative approach to freight strategies.	 Delivered	Worked with regional groups of councils to identify freight networks and priority works projects to support the Federal Government's direction of funding 'gaps' in the road network and retaining Roads to Recovery funding for base 'community service obligation' requirements.
6q	Advocate for rural and regional infrastructure funding.	 Ongoing	<p>Supported regional road groups to commence the collection of regional road data to inform a strategic, long-term approach to regional road and transport planning that identifies local roads of regional significance for targeted funding from the Federal Government.</p> <p>Ongoing advocacy for a portion of the 10 per cent (\$970 million) of proceeds from the Port of Melbourne lease committed to rural and regional Victoria to be directed towards council road and infrastructure projects.</p>
6r	Support advocacy for federal Roads to Recovery program funding.	 Delivered	<p>Advocated alongside the ALGA to ensure the promised doubling of Roads to Recovery funding was delivered to councils in 2016-17.</p> <p>Federal election advocacy sought commitment from political parties for permanent doubling of Roads to Recovery funding.</p>

ENVIRONMENT

6s	Represent local government interests in State environment-related reviews and reforms.	✓ Delivered	Coordinated sector responses to a multitude of State-led environment reviews and reforms underway including submissions to the Renewable Energy Roadmap and the Climate Change Act review, which have been picked up by the government in their response. We also welcome inclusion of street lighting as an eligible activity under the Victorian Energy Efficiency Target Scheme, as advocated by the MAV.
6t	Advocate for long-term funding for council roadside weed and pest management activities.	✓ Delivered	Participated in the DELWP Native Vegetation Clearing Regulations Working Group to protect local government's interests, ensuring councils' preferred outcomes were reflected in the State's native vegetation regulation discussion paper.
6u	Advocate for greater investment of Sustainability Fund savings into council waste management and sustainability projects and programs.	➤ Ongoing	MAV advocacy undertaken through submissions, meetings and securing high profile media stories focusing on the government's failure to reinvest landfill levies into local waste reduction and sustainability projects. A Ministerial Advisory Committee independent review of the EPA agreed that landfill levies are failing in their primary duty to reduce waste going to landfill, however the Minister ruled out moving away from using the levy to fund the EPA.
6v	Advocate for greater capacity to explore integrated water management solutions.	✓ Delivered	Secured funding for a dedicated staff resource for 12 months.

EMERGENCY MANAGEMENT

6w	Advocate for a review of all legislation that allocates emergency management responsibilities to councils.	➤ Ongoing	Councils and the MAV made submissions to the Emergency Management Legislation Amendment (Planning) Bill 2016. The MAV's submission was informed by a facilitated workshop and member feedback on our draft submission. The MAV is advocating direct council involvement in the drafting of the guidelines.
6x	Work with councils and the State on an agreed role for local government in emergency management that aligns with their capability and capacity.	➤ Ongoing	The MAV is a member of LGV's Local Government Emergency Management Capability and Capacity project working group. The MAV's position paper on the Role of Councils in Emergency Management was updated in late 2015 and informed input into the LGV project.
6y	Advocate for a sustainable model of State and Federal funding support for council mitigation and recovery activities following release of the Productivity Commission's inquiry into natural disaster funding arrangements.	➤ Ongoing	Negotiations were on hold during the federal election period. The State continues to negotiate with the Commonwealth on the new funding model.
6z	Advocate to increase resources.	➤ Ongoing	Advocated for a review of funding arrangements for SES volunteer units. Government has agreed a more sustainable funding model is needed and discussions are ongoing about the review.

TECHNOLOGY

6aa	Partner with fellow local government ICT societies, industry, educators and government to deliver priority ICT projects.	✓ Delivered	Progressed implementation of a multi-national local government ICT project to record and monitor ICT vendors and products used by Victorian councils. Contributed to the establishment of the Local Government Digital Transformation Task Force. Partnership with Telstra continues in developing the Victorian Local Government Enablement Platform proof-of-concept.
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Improve policies and processes

<p>PRIORITY 7: IMPROVING MAV PROCESSES AND OUTCOMES</p> <p>The 2015 Victorian Auditor-General's Office report <i>Effectiveness of Support for Local Government</i> examined a number of services provided by the MAV to local government.</p> <p>The two key outcomes from the VAGO report for the MAV were:</p> <ul style="list-style-type: none"> > strengthening of our resolve to remain an independent membership association that pursues the priorities defined by our members > implementation of improvements to our internal processes and practices, particularly how we document them. 	<p>OUTCOME SUMMARY</p> <p>Improvement processes implemented by the MAV over the reporting period have resulted in:</p> <ul style="list-style-type: none"> > delivery of all VAGO report recommendations > consideration of the preferred legal structure of the MAV > MAV's Board, governance and performance reflect better practice > support for councils strengthened through improved processes > improved performance reporting > more effective and productive strategic planning and State Council processes > improved collaboration with LGV > member satisfaction sustained or improved.
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SUPPORTING ACTIVITIES

STATUS

OUTCOME SUMMARY

PROTECT THE INDEPENDENCE AND INFLUENCE OF THE MAV

<p>7a Review the Association's legal structure to protect the independence and influence of the MAV.</p>	<p>➤ Ongoing</p>	<p>The Board has determined a preferred legal structure which will be considered by the Municipal Association Rules and Act Review Taskforce and members in 2016-17.</p>
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ENSURE THAT THE MAV'S BOARD, GOVERNANCE AND PERFORMANCE REFLECT BETTER PRACTICE

<p>7b Fully address all matters raised in the VAGO report.</p>	<p>✓ Delivered</p>	<p>All policies and procedures highlighted through the VAGO audit have been reviewed and updated to accord with better practice, as confirmed by an independent review of MAV's governance framework (and 30 related policies) as conducted by Deloitte.</p>
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IMPROVE PROCESSES TO STRENGTHEN SUPPORT FOR COUNCILS

<p>7c Review the MAV's strategic planning and State Council processes to improve the strategic value of our activities.</p>	<p>➤ Ongoing</p>	<p>MAV's Strategic Work Plan format was revised to respond to Ernst & Young advice on improvements to how the MAV plans and measures its activities. The review of State Council processes will form part of the Municipal Association Act and Rules review to occur in 2016-17 and 2017-18.</p>
<p>7d Influence and shape the government's legislative agenda by actively participating in reviews of the Local Government Act and the Municipal Association Act.</p>	<p>➤ Ongoing</p>	<p>MAV held a roundtable on the State's Local Government Act options paper and, after member consultation, lodged a submission. Some matters identified in the submission were addressed in the State's Directions Paper.</p>
<p>7e Work with LGV to develop an agreed work plan under its VSLGA.</p>	<p>➤ Ongoing</p>	<p>Draft plan provided by LGV. Currently under review. Meeting with LGV proposed.</p>

IMPROVE PERFORMANCE REPORTING

7f	Revise the Strategic Work Plan to align with strategic objectives and improve reporting processes.	 Delivered	New reporting framework introduced in 2016-17 Strategic Work Plan, and endorsed by members at May State Council.
7g	Revise the Annual Report to include performance management framework reporting.	 Ongoing	Transition commenced in 2014-15, progressed in 2015-16 and will be fully implemented in 2016-17.



MAV INSURANCE

Message from the Chair

MAV Insurance strengthened the financial position of its two schemes in 2015-16, with the Liability Mutual Insurance scheme achieving a surplus of over \$300k for the year (2015 – deficit of \$305k) and Commercial Crime recording a modest deficit of \$59k.

The conditions challenging all insurers worsened this year, with declining interest rates resulting in discount rates falling and claims inflation slightly increasing. Under normal economic conditions (inflation rate of 3.75 per cent and discount rate of 5.25 per cent), the scheme's capital position would have been improved by \$2.2m, including a net profit of \$1.4m.

IMPACTS ON PROFIT	2015-16	2014-15
Performance from Insurance Operations	1.413	0.574
Impacts on Profit from External Factors:		
Difference between actual investment returns and long-term expected returns	(0.359)	(0.536)
Change in inflation assumptions and discount rates	(0.747)	(0.343)
NET PROFIT	0.307	(0.306)

During the reporting period, we took advantage of our strong position to directly negotiate with our reinsurers in the worldwide market. Our staff are eminently qualified, to not only understand the special needs of our participants, but also to deliver a bespoke insurance program specifically structured to meet those needs. This specialist focus strengthens our capacity to observe and respond to the changing risk exposure of the local government sector.

This year's softer market enabled us to improve pricing for members across the whole insurance program. Following an extensive analysis and review process, the Board also identified ways to reduce operational costs by nearly \$500,000, enabling minimal CPI contribution increases of 1.7 per cent for Victorian participants and 1.4 per cent for those in Tasmania. Members also enjoyed an increase in limits of coverage to \$500m for public liability and \$500m for professional indemnity.

In the last three years, ten councils have opted out of the structured mutual operation to capitalise on offers from commercial providers that appeared attractive in the short-term. These ten members were responsible for a large proportion of the scheme's overall claims. Their departure will result in a short-term drag on LMI, but over the longer term the impact on the Scheme will be positive.

There are clear signs that the insurance market is now hardening. Our combined ratio average of 120 per cent over the past eight years validates the mutual approach that local government and our other participants have chosen. We firmly believe the competition has no ability to match or beat our prices over the medium term.

The Scheme's mutuality, with all its add-ons, underpins the advantages of participation. Our own qualified insurance, financial, legal and administrative staff, plus an eminently qualified legal panel, means we are able to negotiate and engage more effectively on behalf of our members. In its role as local government's advocacy voice, the MAV has a strong and enduring relationship with the State Government. These invaluable participatory advantages are unique to MAV Insurance members.

During the year, we welcomed three independent members to the Board. The insight, skills and experience of Andrew Paul (General Manager of Clarence), John Bennie (CEO of Greater Dandenong) and Steve Crawcour (CEO of Strathbogie) will further strengthen the Board's capacity to continually improve our product and operation, meeting the unique and changing needs of our members.

ANNE MURPHY OAM

MAV Insurance Chair



Performance Highlights

New Liability Mutual Insurance (LMI) scheme limits were introduced for members ahead of the 2016-17 renewal process. Raising the limits has been a major initiative of the scheme and follows the recommendations of the independent limits review conducted by KPMG, and consultation with members. Limits were raised to \$500 million for each liability claim (up from \$400 million) and \$500 million for professional indemnity claims (up from \$300 million). The increase in coverage will ensure that members are protected against current and future catastrophic risks.

The MAV lodged its application for a WorkCare self-insurance scheme licence with the Victorian Work Cover Authority (VWA) in May following the application's endorsement by the Board. The scheme is expected to generate substantial financial savings for members and help improve workplace safety within the sector.

LMI scheme members were again invited to enter the MAV Insurance Risk Management Award. This year the award acknowledged the work and contribution of both a Victorian risk manager and a Tasmanian risk manager. The winning entrants attended the Risk Management Society Annual Conference in San Diego in April and will present on the highlights from the conference at the July Best Practice Forums.

The MAV Insurance Board welcomed three new members in 2015-16. Clarence City Council General Manager Andrew Paul, Greater Dandenong City Council Chief Executive Officer John Bennie and Steve Crawcour Chief Executive from Strathbogie joined the Board following a call for expressions of interest from the sector.

The MAV Insurance team provided free risk management, policy/underwriting and legal liability advice to its members throughout 2015-16. The Risk Management Helpdesk provided advice to members on more than 100 issues and the Underwriting/Policy Coverage Help Desk responded to more than 500 requests/issues from LMI scheme members. In the 2015/2016 financial year MAV Insurance's internal legal counsel responded to more than 300 requests for legal advice from members.

MAV WORKCARE

The MAV lodged its application for a WorkCare self-insurance scheme licence with the Victorian Work Cover Authority (VWA) in May following the application's endorsement by the Board.

Extensive work went into completing the application, a process that involved seeking further independent advice on the scheme's financial sustainability and benefit to members.

Finity actuarial advised the business model for the scheme was sound, as did Deloitte who also independently reviewed the model on behalf of the VWA.

An auditing process involving a random selection of six participant councils and the MAV will take place to enable the VWA to gauge the environment and establish the foundations for the scheme.

Once complete, the VWA will provide prescribed conditions for a self-insurance licence to the MAV for consideration.

The scheme is expected to commence on 1 July 2017.

MAVIB – Governance

The MAV Board has delegated authority and responsibility for MAV Insurance to the MAV Insurance Board (MAVIB). A deed of establishment requires the formation of a management board, formalises duties and powers of delegation by the Board and provides guidance as to the day-to-day operation of the insurance business.

MAVIB members are appointed by the MAV Board from the insurance industry and local government. MAVIB oversees the operation of the insurance schemes and monitors the MAV's compliance with its Australian Financial Services Licence (AFSL).

The MAV holds AFSL No 27143. The MAV and MAV Insurance have AFSL-compliant processes and activities in place to maintain the highest standards of governance, provide operational efficiency and enhance the future viability of MAV Insurance.

The MAVIB carries out oversight and management of the operational activities of MAV Insurance. JLT Pty Ltd provides claims, risk management and reinsurance placement services to MAV Insurance. Taylor Fry is the independent auditor and Henderson Global Partners (Australia) Ltd provides investment services and advice.

MAV Insurance is not subject to Australian Prudential Regulatory Authority (APRA) regulations. However, the MAVIB views compliance with these regulations as being good business governance and practice, and has a policy of complying with APRA regulations where appropriate to a mutual scheme. MAV Insurance is a not-for-profit member entity that is exempt from Income Tax and is not required to pay dividends to any party other than its members.

MAV Insurance Board

for the year ended 30 June 2016

Anne Murphy

APPOINTED 1993

Chair, MAV Insurance Committee 1993-2005
Chair, MAV Insurance Board 2015 – present
Past President, MAV
Principal, Anne Murphy Strategy and Facilitation
Vice President, KYM Employment Services Inc
Vice President, Rotary Club of Camberwell

John Bennie

APPOINTED 2016

Chief Executive Officer, Greater Dandenong City Council
Nearly 40 years working in local government
Past Chair Southern Melbourne Regional Development Australia Committee
LGPro State President (2005-2006)
LGMA National President (2011)
Public Service Medal recipient 2014

Steve Crawcour

APPOINTED 2016

CEO/Acting CEO, Strathbogie Shire Council since 2010
Around 30 years working in Victorian local government
Associate Fellow, Australian Institute of Management
Fellow Local Government Professionals (LGPro)
Member of Australian Institute of Company Directors
Member Safety Institute of Australia

Ron Farrell

APPOINTED 2001

Past Member, Professional Standards Councils (All states and territories)
Past Non-Executive Director, Victorian Managed Insurance Authority
Past General Manager, Australian Eagle Insurance Co Ltd
Past Chairman and Non-Executive Director, Utilities Insurance Co Pty Ltd
Past Non-Executive Director, connect.com.au Pty Ltd
Past Non-Executive Director, Metropolitan Fire and Emergency Services Board



Cr Rod Fyffe OAM

APPOINTED 2004

MAV Board Member
Councillor, Greater Bendigo City Council
Mayor 2003-04, 2004-05, 2010-11, 2015-16

Michael Guilmartin

APPOINTED 2009

Company Director, Lake Eildon Country Club Ltd
Chief Executive Officer, Victorian Managed Insurance Authority 1997-2007
President, Association of Risk Insurance Managers of Australia 1980
Risk Manager, Alcoa of Australia Ltd 1971-97

Cr Bill McArthur

APPOINTED 2009

MAV President
Councillor, Golden Plains Shire Council
Mayor 2004-05
Vice President, Australian Local Government Association

Andrew Paul

APPOINTED 2016

General Manager, Clarence City Council

Nearly 40 years working in local government

Qualifications in applied science, management

Graduate of Williamson Community Leadership Program

Fellow of the Australian Institute of Company Directors

Board Member of Cancer Council Tasmania



Rob Spence

APPOINTED 1997

Chief Executive Officer, MAV

Trustee, Vision Super

Member, Victorian Children's Council

Member, Ministerial Freight Advisory Council

Member, State Crisis and Resilience Council

Dr Katrena Stephenson

APPOINTED 2015

Chief Executive Officer, Local Government Association of Tasmania

Board Member (Observer), Local Government Professionals Tasmania

MAV Insurance Board attendance

	AUG	SEP	SEP*	OCT	DEC	FEB	APR	JUN	JUN**	A*	E*
Anne Murphy	✓	✓	✓	✓	X	✓	✓	X	X	6	9
John Bennie								✓	✓	2	2
Steve Crawcour								✓	✓	2	2
Ron Farrell	✓	✓	X	✓	✓	✓	✓	✓	✓	9	9
Cr Rod Fyffe	✓	✓	✓	✓	X	✓	X	✓	✓	7	9
Michael Guilmartin	✓	✓	✓	✓	✓	✓	✓	✓	✓	9	9
Cr Bill McArthur	✓	X	✓	✓	✓	✓	✓	✓	✓	8	9
Andrew Paul							✓	✓	✓	3	3
Rob Spence	✓	✓	✓	✓	✓	✓	✓	✓	✓	9	9
Dr Katrena Stephenson	X	X	✓	✓	X	✓	X	✓	✓	5	9

* September financials

** June contributions

A* Attended

E* Eligible

Board sitting fees

Independent Board members receive a sitting fee for each meeting attended. In 2015-16 the sitting fee was:

Chair – \$1,019

Independent Board Member – \$716

In addition, a one off sum of \$1,379 per independent member for meetings and other duties over and above the standard five meetings per year.

MAV Insurance Team

Rob Spence

Alison Lyon

**Owen
Harvey-Beavis**



**Kristine
Minghella**

John Smith

MAV BOARD				
CHIEF EXECUTIVE OFFICER Rob Spence				
DEPUTY CEO & GENERAL COUNSEL Alison Lyon				
MANAGER INSURANCE, RESEARCH AND STRATEGY Owen Harvey-Beavis	LEGAL MAV INSURANCE COUNSEL Kristine Minghella	CLAIMS CLAIMS ADVISER John Smith	SERVICE PROVIDERS Jardine Lloyd Thompson Taylor Fry Analytics and Actuary Consulting (actuary) Perennial Investment Partners (investment manager) MTA Consulting Pty Ltd (investment adviser) EY (auditor) National Australia Bank Asset Servicing (custodian services)	LEGAL PANEL Minter Ellison DLA Piper Moray & Agnew Ligeti Partners Hunt & Hunt (Tasmania) Shaun McElwaine (Tasmania)

Liability Mutual Insurance Scheme

Overview

The Liability Mutual Insurance (LMI) scheme is managed by MAV Insurance on behalf of members, and is tailored specifically to cover the various risks and exposures experienced by local government.

MAV Insurance's long-term approach for the LMI scheme is to provide members with a reliable product at a stable price, regardless of market conditions. Its not-for-profit structure means any excess revenue is kept in the fund to help keep premiums down, rather than used to pay income tax and dividends to shareholders.

The scheme's policy has independently assessed limits (\$500 million for each liability claim, and \$500 million in professional indemnity claims, which is reinstated once during an insurance year from 30 June 2016 and \$400 million and \$300 million for public liability and professional indemnity claims up to 30 June 2016) to ensure councils are safeguarded against the liabilities attaining to present and future events. It is also backed by a program of high credit rated reinsurers.

MAV Insurance uses claims history and regular monitoring of new and emerging risks and exposures facing councils to inform the LMI scheme's policy and ensure it remains relevant, and able to meet the needs of members.

The LMI scheme's robust insurance policy is supported by a suite of risk management services specifically designed for councils to help them manage their risks, reduce their claims, and keep their communities safe. It includes free legal advice on potential liability risks, targeted appraisals and risk management assessments, claims management support for all claims over excess and the opportunity to learn and improve risk management practices through a range of member events.

The LMI scheme was established in 1993 under the name 'Civic Mutual Plus' to ensure Victorian councils have access to adequate and affordable public liability and professional indemnity insurance. Its formation followed a very hard insurance market that saw commercial insurers unwilling to take on the numerous risks and exposures faced by councils leaving them with unaffordable premiums or major exposures. It was rebranded in 2011.

Membership of the LMI scheme was extended to include Tasmanian bodies in 1996. Victorian and Tasmanian water corporations and other local authorities can also join.

The LMI scheme was formed under a deed of establishment, which is the official agreement between the MAV and members who agree to be bound by the terms of this deed. The deed confirms the terms, conditions, obligations and benefits of the membership of each individual member.

MAV Insurance complies with the Commonwealth Insurance Act 1973 and with the Australian Financial Services Licensing requirements imposed on it as a licensed insurer.

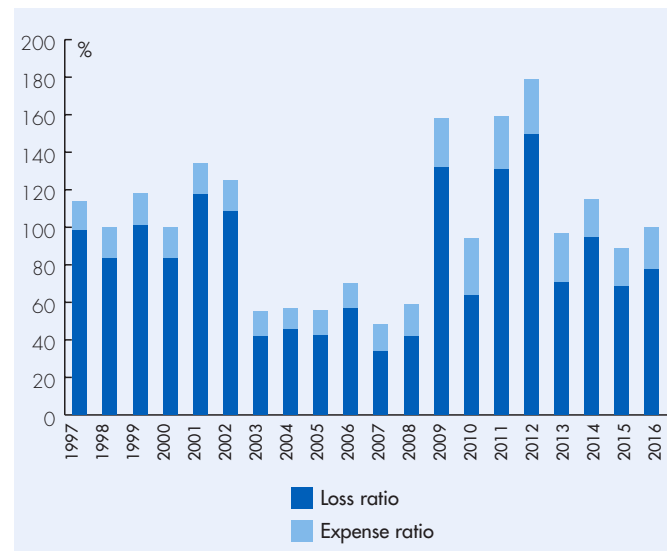
The MAV manages the scheme with the assistance of service providers JLT, Taylor Fry Analytics and Actuary Consulting (actuary), Henderson Global Investors (investment manager), MTA Consulting Pty Ltd (investment adviser), EY (auditor) and National Australia Bank Asset Servicing (custodian services).

Financial performance

An overview of MAV Insurance's financial performance is presented as a component of the MAV's financial overview on pages 10 and 11 of this document.

Detailed financial reports for MAV Insurance are presented on pages 101-126.

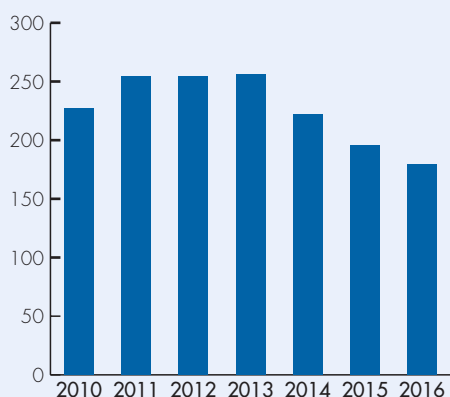
The LMI scheme's performance can be measured through the loss ratio and combined ratio. A loss ratio measures estimated claim losses for each fund year as a ratio of premium (contribution) revenue. A combined ratio includes estimated claim losses and the administrative costs of the scheme. Traditionally this measure will estimate claims based on when they are recognised by the insurer (i.e. on an incurred basis). These figures provide estimates of the performance of each fund year as this provides better performance data given the structure and goal of the scheme.



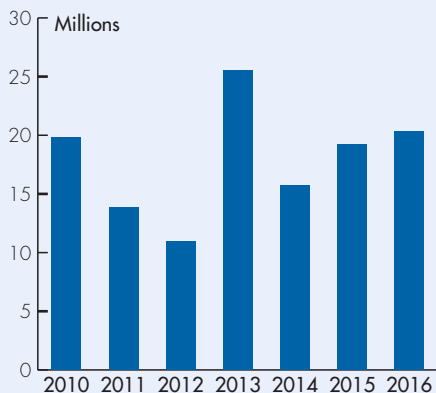
The loss and combined ratios for LMI have averaged around 120 per cent since the 2009 fund year, with recent improvements due to premium increases, fewer catastrophic claims, a reduction in the number of smaller claims and reduced costs to the scheme. This indicates that over the past seven years, the scheme has provided significant additional benefit that cannot be matched by private insurers.

Claims trend

NEW CLAIMS LODGMENTS



TOTAL CLAIMS PAYMENTS



The scheme's claim lodgement remains stable with a decrease in the number of claims lodged compared to the previous year. This is the second lowest number of claims lodged with the scheme during a financial year in the scheme's history. The slight increase in payments compared to the previous year was influenced by the settlement of a large claim related to a shared pathways accident.

There are currently 297 claims awaiting settlement which is the lowest in the scheme's history. The average size of claims awaiting settlement remains high though due to the smaller proportion of property damage claims.

This year claim lodgements again highlighted the breadth of, and potential for, significant liability exposures faced by our members. Claim lodgements continue to reflect the high exposure responsibilities our members face on a day to day basis such as tree management, building and planning, infrastructure management, event management, public health and the environment.

Legislation allows public liability and professional indemnity claims to be lodged many years after the occurrence of the event that gave rise to the claim. In 2015-16 the average time between an alleged event and first receipt of a claim was 611 days, but for certain matters it may be in excess of six years.

Policy/underwriting, legal and risk management advice

The LMI scheme's policy is managed by MAV Insurance on behalf of its members, and is designed specifically to cover the various risks and exposures experienced by local government. In addition to this MAV Insurance members also have access to a number of additional services to ensure they can get the information and advice they need to keep their number of claims down, and keep their communities safe.

These services are provided free of charge to members and include access to policy coverage and underwriting advice, liability legal advice and risk management services and learning opportunities.

MAV Insurance regularly provides insights into these aspects of insurance, as well as claims updates and advice, through its Best Practice Forums, MAV Insurance conferences and seminars.

These events are designed to support members and help them reduce their number of claims, and subsequently protect their communities. During 2015-16 MAV Insurance held 14 Best Practice Forums, five Contractor Management seminars and the Victorian and Tasmanian insurance conferences which were attended by around 500 members.

Policy/underwriting

MAV Insurance uses claims history and regular monitoring of new and emerging risks and exposures facing councils to inform the LMI scheme's policy and ensure it remains relevant, and able to meet the needs of members.

Members also have access to a helpdesk service for any concerns they may have about their policy coverage. In 2015-16 this service responded to more than 500 requests for advice.

Legal advice

MAV Insurance provided free legal advice to members on their liability risks including statutory interpretation, potential liability, policy coverage and risk management strategies. In the 2015-16 financial year MAV Insurance's internal legal counsel responded to more than 300 requests for legal advice from members. Key topics included the Road Management Act, Indemnities and contractual provisions, liability in relation to trees, and event management.

Members were able to attend legal presentations at Best Practice Forums and seminars on event entry/participation forms, Road Management Plans and the Road Management Act, Child Safe Organisations and in Tasmania - Segways and hoverboards.

MAV Insurance members have access to a number of risk management manuals and circulars which are regularly reviewed to ensure currency. In 2015-16 a review of legal content contained in the Road Management Guidance Document, Hazards in Proximity to Playgrounds Manual (consultation draft), Inflatable Land-borne Devices Risk Management circular, Aquatic Recreational Equipment Manual, Risks in Sporting Reserves Manual and Skate Parks and BMX Facilities Manual was undertaken.

In addition to this new legal guides/case summaries were added to the MAV members website including Indemnities and Insurance Clauses in Agreements with State Government and recent County Court decisions on occupiers liability.

Risk management

LMI provides a full suite of risk services to support members to reduce their claims exposures. This includes targeted appraisals, compliance reviews, tailored programs to address factors causing claims for individual members, regular best-practice forums, seminars, conferences, and manuals.

The Risk analysis and Response Review (RARR) program – which identifies the systematic causes in those members with the higher claims levels – continued for its second year with members receiving tailored services to help them reduce their risks. A compliance review was introduced for these councils in 2015 to measure their current performance in tree management and road management, and obtain benchmark performance data across this cohort of members.

Members who were not eligible to participate in this program were offered their choice of nominated services, including risk appraisals, audits, procedure and practice reviews, workshops or other required services to help them reduce and manage risks.

The Risk Management Helpdesk provided advice to members on 107 issues over the 2015-16 year – this figure relates to actual advice being provided as opposed to simple telephone queries seeking access to reference documents or website navigation matters for example.

With over 20 years of claims data, the LMI scheme has unparalleled access to information about the causes of public liability and professional indemnity claims facing our members.

Advocacy

MAV Insurance worked with MAV policy teams to advocate on behalf of local government in relation to liability issues affecting councils. This collaboration led to:

- > Providing input into the MAV and council working group in relation to the implementation of Child Safety Standards by councils in performance of their obligations under the child Wellbeing and Safety Amendment (Child Safety Standards) Act 2015
- > Input into the review of building legislation through several meetings with the State Government and the Victorian Municipal Building Surveyors Group
- > Providing feedback to the Coroner in response to the Coroner's findings in the inquest into the death of Patiya May Schriber from a fallen tree. This included, meeting with the Council Arboriculture Victoria (CAV), a group of council arborists to obtain feedback in relation to the Coroner's findings and recommendations from the sector
- > Preparation of submissions in response to the draft Victorian Floodplain Management Strategy. In particular, providing responses to issues concerning liability and urban levees. This resulted in some issues being picked up by the State in its response, including the support for a change to the Water Act to treat councils in the same way as water authorities in relation to liability for flows of water
- > Providing legal advice to the MAV policy team for environment regarding the EPA's proposals regarding on-site wastewater treatment under the EPA Act. In particular providing advice as to potential liability resulting from shift in responsibility from the EPA to councils due to these policy changes
- > Negotiating a more favourable agreement between Melbourne Water and councils for the construction and maintenance by councils of shared pathways on Melbourne Water land. Including mutual indemnity clauses provided by Melbourne Water and the councils for their respective responsibilities under the agreement, which will fall within the cover of the MAV Insurance LMI insurance policy
- > The review of a Memorandum of Understanding to be used by councils for resource sharing in emergencies.

LIABILITY MUTUAL INSURANCE MEMBERS

Victorian Councils

Alpine Shire Council
Ararat Rural City Council
Ballarat City Council
Bass Coast Shire Council
Baw Baw Shire Council
Bayside City Council
Benalla Rural City Council
Boroondara City Council
Brimbank City Council
Buloke Shire Council
Campaspe Shire Council
Cardinia Shire Council
Casey City Council
Central Goldfields Shire Council
Colac Otway Shire Council
Corangamite Shire Council
Dandenong City Council
Darebin City Council
East Gippsland Shire Council
Gannawarra Shire Council
Glenelg Shire Council
Golden Plains Shire Council
Greater Bendigo City Council
Greater Geelong City Council
Greater Shepparton City Council
Hepburn Shire Council
Hindmarsh Shire Council
Hobsons Bay City Council
Horsham Rural City Council
Hume City Council
Indigo Shire Council
Knox City Council
Latrobe City Council
Loddon Shire Council
Macedon Ranges Shire Council
Maribyrnong City Council
Manningham City Council
Mansfield Shire Council
Maroondah City Council

Melbourne City Council
Melton City Council
Mildura Rural City Council
Mitchell Shire Council
Moirra Shire Council
Monash City Council
Moonee Valley City Council
Moorabool Shire Council
Moreland City Council
Mount Alexander Shire Council
Moynes Shire Council
Murrindindi Shire Council
Nillumbik Shire Council
Northern Grampians Shire Council
Port Phillip City Council
Pyrenees Shire Council
Queenscliffe Borough Council
South Gippsland Shire Council
Southern Grampians Shire Council
Stonnington City Council
Strathbogie Shire Council
Surf Coast Shire Council
Swan Hill Rural City Council
Towong Shire Council
Wangaratta Rural City Council
Warrnambool City Council
Wellington Shire Council
West Wimmera Shire Council
Whitehorse City Council
Whittlesea City Council
Wodonga City Council
Yarra City Council
Yarra Ranges Shire Council
Yarriambiack Shire Council

Tasmanian Councils

Break O'Day Council
Brighton Council
Burnie City Council
Central Coast Council
Central Highlands Council
Circular Head Council
Clarence City Council
Derwent Valley Council
Devonport City Council
Dorset Council
Flinders Council
George Town Council
Glamorgan/Spring Bay Council
Glenorchy City Council
Hobart City Council
Huon Valley Council
Kentish Council
King Island Council
Kingborough Council
Latrobe Council
Launceston City Council
Meander Valley Council
Northern Midlands Council
Sorell Council
Southern Midlands Council
Tasman Council
Waratah-Wynyard Council
West Coast Council
West Tamar Council

Other Members

City Wide Service Solutions Pty Ltd
Eastern Regional Libraries Corporation
Goulburn Valley Regional Library Corporation
Local Government Association of Tasmania
Melbourne Wholesale Fish Market
Municipal Association of Victoria
North Central Goldfields Library Service
Queen Victoria Market
Tasmanian Irrigation P/L (formerly Rivers & Water Commission)
Victorian Water Industry Association Inc
West Gippsland Regional Library Service
Whitehorse Manningham Regional Library
Yarra Plenty Regional Library Service

Commercial Crime Fund

Overview

The Commercial Crime Fund covers local authorities against losses from fraudulent or dishonest acts committed by an employee or third party. Like MAV Insurance's LMI scheme, the Commercial Crime Fund is a shared service for the local government sector and operates in a not-for-profit manner.

MAV Commercial Crime Insurance is facilitated for members via a policy issued by Zurich Insurance Australia. This policy is regularly reviewed to ensure it meets the exposures faced by councils and any new and emerging claims trends.

Performance

The Commercial Crime Fund recorded a deficit/surplus of \$59,646 in 2015-16 due to a change in membership numbers and the general excess increased from \$1500 to \$2500.

As of 30 June 2016, the Commercial Crime Fund policy was extended to cover 'fraudulent impersonation' for all members. This cover is not readily made available by insurers and is in response to member's increased exposure to this type of fraud occurring.

Claims

The scheme incurred no new claims for the 2015-16 year.

Risk Management

Incidents of fraud not only have a major impact on the organisation's financial position, but can also result in significant damage to the organisation's reputation with resulting staff morale issues.

MAV Insurance works with its Commercial Crime Fund members to help build their understanding and knowledge of fraudulent activities along with their skills and capacity to prevent and manage such incidents within their councils. During 2015-16 MAV Insurance conducted five fraud awareness seminars around the state to update members in fraud prevention and detection processes. In addition, MAV Insurance reviewed members' fraud policies and fraud control plans when requested, and provided advice to members through the Risk Management Help Desk.

MAV Insurance also encourages Commercial Crime Fund members to regularly test their organisations systems for preventing fraud through their audit committees and internal auditors. The basic concepts of separation of duties, delegation, risk appraisal and risk training need to be embedded in members' operations if they are to be protected from the risk of fraud.

COMMERCIAL CRIME FUND MEMBERS

Victorian Councils

Alpine Shire Council
Ararat Rural City Council
Bass Coast Shire Council
Baw Baw Shire Council
Bayside City Council
Benalla Rural City Council
Boroondara City Council
Brimbank City Council
Buloke Shire Council
Cardinia Shire Council
Casey City Council
Central Goldfields Shire Council
Colac-Otway Shire Council
Corangamite Shire Council
Darebin City Council
East Gippsland Shire Council
Gannawarra Shire Council
Glenelg Shire Council
Golden Plains Shire Council
Greater Bendigo City Council
Greater Geelong City Council
Greater Shepparton City Council
Hepburn Shire Council
Hindmarsh Shire Council
Hobsons Bay City Council
Horsham Rural City Council
Hume City Council
Indigo Shire Council
Knox City Council
Latrobe City Council
Loddon Shire Council
Macedon Ranges Shire Council
Manningham City Council
Mansfield Shire Council
Maribyrnong City Council
Melbourne City Council
Melton City Council
Mildura Rural City Council
Moirra Shire Council
Monash City Council
Moonee Valley City Council
Moorabool Shire Council
Moreland City Council
Mount Alexander Shire Council
Moyne Shire Council
Murrindindi Shire Council
Nillumbik Shire Council
Northern Grampians Shire Council
Port Phillip City Council
Pyrenees Shire Council
Queenscliffe Borough Council
South Gippsland Shire Council
Southern Grampians Shire Council
Stonnington City Council
Strathbogie Shire Council
Surf Coast Shire Council
Swan Hill Rural City Council
Towong Shire Council
Wangaratta Rural City Council
Warrnambool City Council
Wellington Shire Council
West Wimmera Shire Council
Whittlesea City Council
Wodonga City Council
Yarra City Council
Yarriambiack Shire Council

Other Members

Citywide Service Solutions Pty Ltd
Corangamite Regional Library Corporation
Eastern Regional Libraries
Geelong Regional Library Corporation
Municipal Association of Victoria
Queen Victoria Market Pty Ltd & Committee of Management
West Gippsland Regional Library Corporation

LGE Health Plan

The MAV established the LGE Health Plan in 2008 with the aim of providing local government and water industry employees with unique health insurance that provides great cover and value at a discounted rate.

The plan continues to grow since its commencement and now includes 73 Victorian councils, 13 Tasmanian councils, and 11 water authorities.

Employees who join the MAV's LGE Health Plan with hospital excess insurance can have their excess reimbursed tax free if they are hospitalised. This also applies to eligible family members. As of 30 June 2016, there were more than 7,424 individuals with the plan and in 2015-16 over 569 claims for the recovery of hospital excess payments were processed totalling \$194,508.

Free expert health cover advice and guidance is also available through the plan's advisers Choosewell Corporate. This includes reviewing an individual's (and their family's) insurance needs, checking if their current cover is appropriate, examining options to improve cover and lower premiums, ensuring the correct Government rebate is being claimed, and that they are not paying for services they don't need.

LGE HEALTH PLAN MEMBERS

Victorian Councils

Alpine Shire Council
Ararat Shire Council
Banyule City Council
Bass Coast Shire Council
Baw Baw Shire Council
Bayside City Council
Benalla Rural City Council
Boroondara City Council
Brimbank City Council
Buloke Shire Council
Cardinia Shire Council
Casey City Council
Central Goldfields Shire Council
Colac Otway Shire Council
Corangamite Shire Council
Darebin City Council
East Gippsland Shire Council
Frankston City Council
Gannawarra Shire Council
Glen Eira City Council
Glenelg Shire Council
Golden Plains Shire Council
Greater Bendigo City Council
Greater Dandenong City Council
Greater Geelong City Council
Greater Shepparton City Council
Hepburn Shire Council
Hindmarsh Shire Council
Hobsons Bay City Council
Horsham Rural City Council
Indigo Shire Council
Kingston City Council
Knox City Council
Latrobe City Council
Loddon Shire Council
Macedon Ranges Shire Council
Manningham City Council
Mansfield Shire Council
Maribyrnong City Council
Maroondah City Council
Melton City Council
Mildura Rural City Council
Mitchell Shire Council
Moirra Shire Council
Monash City Council
Moonee Valley City Council
Moorabool Shire Council
Moreland City Council
Mount Alexander Shire Council
Moyne Shire Council
Murrindindi Shire Council
Nillumbik Shire Council
Northern Grampians Shire Council
Port Phillip City Council
Pyrenees Shire Council
Queenscliffe Borough Council
Southern Grampians Shire Council
Stonnington City Council
Strathbogie Shire Council
Surf Coast Shire Council
Swan Hill Rural City Council
Towong Shire Council
Wangaratta Rural City Council
Warrnambool City Council
Wellington Shire Council
West Wimmera Shire Council
Whitehorse City Council
Whittlesea City Council
Wodonga City Council
Wyndham City Council
Yarra City Council
Yarra Ranges Shire Council
Yarriambiack Shire Council

Tasmanian Councils

Clarence City Council
Devonport City Council
Dorset Council
George Town Council
Glamorgan Council
Hobart City Council
Huon Valley Council
Kentish Council
Kingborough Council
Launceston City Council
Meander Valley Council
Northern Midlands Council
West Tamar Council

Water Authorities

Central Highlands Water
Coliban Water
Gippsland Water
Goulburn Valley Water
GMMWater
North East Water
South East Water
South Gippsland Water
Wannon Water
Western Water
Westernport Water

Other Members

Municipal Association of Victoria
Local Government Association
of Tasmania



DETAILED FINANCIAL REPORTS



Guide to the financial statements

Components of the financial report

The financial report contains three main sections:

- > financial statements
- > notes to the financial statements
- > statements by the directors and auditor.

The financial statements consist of three main statements – income statement, balance sheet and statement of cash flows.

The notes to the financial statements detail the Association's accounting policies and set out the detailed values that are carried into the financial statements.

The statements by directors and auditor provide the views of the directors of the MAV and the independent auditor on the financial report.

The statement by directors confirms the view of the directors that the financial report presents fairly in all material respects, the financial performance and financial position of the Association, and also confirms that the Association can pay its debts as and when they fall due.

The audit report by the independent auditor expresses the auditor's opinion on whether the financial statements present fairly in all material respects, the financial position of the Association as at 30 June 2015, and the results of the various business operations and cash flows for the year ended 30 June 2016, in accordance with accounting standards and other mandatory professional reporting requirements.

Financial statements

1. INCOME STATEMENT

The income statement shows:

- > the MAV's revenue from its various activities
- > expenses incurred in running the MAV and its business activities.

These expenses relate only to the business operations and do not include costs associated with the purchase of assets. The expense item 'depreciation' spreads the cost of the assets over the estimated life of the assets. The most important figure is the surplus for the year. Where it is positive, this means that revenues were greater than expenses.

2. BALANCE SHEET

The balance sheet shows the assets the Association owns and the liabilities it owes at 30 June. The balance sheet separates the assets and liabilities into current and non-current. Current means those assets or liabilities that will be either collected or that fall due within the next 12 months. The components of the balance sheet are:

2.1 CURRENT AND NON-CURRENT ASSETS

Cash assets include cash held in the bank, petty cash, cash deposits and cash investments. Receivables are monies owed to the Association.

Prepayments are payments made in the current financial year which relate to the next financial year. For example, annual subscriptions, etc.

Property, plant and equipment represents the value of the equipment, furniture and fittings, computers, website and intranet, and motor vehicles owned by the Association.

Intangible assets are trademarks, educational programs and other intellectual property owned by the Association.

2.2 CURRENT AND NON-CURRENT LIABILITIES

Bank overdraft indicates the amount the Association owes its bankers on its daily operating account.

Payables are monies owed by the Association to its suppliers as at 30 June.

Premiums in advance are insurance premiums relating to the next financial year billed to members of the insurance fund before 30 June.

Provision for employee entitlements is the accounting term for annual leave, long service leave and retirement gratuities owed to staff.

Provision for claims outstanding represents insurance claims reported by members, together with an estimate of claims incurred but not yet reported, including an estimate of the costs of settlement for these claims.

2.3 NET ASSETS

This term describes the difference between total assets and total liabilities. It represents the net worth of the Association as at 30 June.

3. STATEMENT OF CASH FLOWS

The statement of cash flows summarises cash payments and cash receipts for the year. The values may differ from those shown in the income statement because the income statement is prepared on an accrual basis. Cash is derived from, and is used in, two main areas:

3.1 CASH FLOWS FROM OPERATING ACTIVITIES

Receipts relate to all cash received into the Association's bank account from members and others who owed money to the Association in the form of fees or premiums. Receipts also include interest earned from the Association's cash investments. It does not include receipts from the sale of assets.

Payments relate to all cash paid out of the Association's bank account to staff, creditors and others. It does not include cash paid for the purchase of assets.

3.2 CASH FLOWS FROM INVESTING ACTIVITIES

This relates to cash receipts and cash payments resulting from either the sale or purchase of property, plant and equipment. The statement of cash flows concludes with cash at end of year, which indicates the cash the Association has at 30 June to meet its debts and liabilities.

Notes to the financial statements

To enable the reader to understand the basis on which the values shown in the statements are established, it is necessary to provide details of the Association's accounting policies. These are described in note 2. Apart from the accounting policies, the notes also give details behind many of the summary figures contained in the statements. The note numbers are shown beside the relevant items in the income statement, balance sheet and the statement of cash flows.

Where the Association wishes to disclose information which cannot be incorporated into the statements, this is shown in the notes. The notes should be read at the same time as the financial statements in order to get a full and clear picture of the financial statements.

Statement by directors

The statement by directors is made by two directors on behalf of the Board of the Municipal Association of Victoria. The statement states that, in the opinion of the Board, the financial statements present a true and fair view of the operations of the Association and that the Association can pay its debts as and when they fall due.

Independent audit report

This report is the independent auditor's opinion on the financial statements. It provides the reader of the financial statements a completely independent opinion of the financial statements of the Association. The opinion covers all statutory and accounting standards compliance requirements, as well as providing a view on the truth and fairness of the financial statements.

MUNICIPAL ASSOCIATION OF VICTORIA



FINANCIAL REPORT
2015-16

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	COMBINED		MAV - GENERAL FUND	
		2016	2015	2016	2015
		\$	\$	\$	\$
REVENUE	4	72,448,757	54,728,013	19,316,709	21,707,415
		72,448,757	54,728,013	19,316,709	21,707,415
EXPENSES	5(b)	72,183,353	52,123,237	19,298,641	18,690,974
NET SURPLUS/(DEFICIT)	3	265,404	2,604,776	18,068	3,016,441
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME(LOSS) FOR THE PERIOD		265,404	2,604,776	18,068	3,016,441

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	NOTE	COMBINED		MAV - GENERAL FUND	
		2016	2015	2016	2015
		\$	\$	\$	\$
Cash and cash equivalents	9(a)	7,767,894	10,425,972	7,054,452	9,270,888
Investments		24,686,375	27,236,239	-	-
Trade and other receivables	10,2(f)	53,692,629	54,494,945	10,666,022	6,381,634
Prepayments		157,114	401,780	156,568	400,924
TOTAL CURRENT ASSETS		86,304,012	92,558,936	17,877,042	16,053,446
NON-CURRENT ASSETS					
Trade and other receivables	10,2(f)	63,334,124	49,957,504	-	-
Property, plant and equipment	12,2(h)	431,270	462,420	368,130	367,715
Intangibles	13,2(h)	44,611	102,297	44,611	83,015
TOTAL NON-CURRENT ASSETS		63,810,005	50,522,221	412,741	450,730
TOTAL ASSETS		150,114,017	143,081,157	18,289,783	16,504,176
CURRENT LIABILITIES					
Trade and other payables		11,608,745	9,470,924	7,871,946	6,045,597
Premiums in advance	11	22,938,145	26,791,081	-	-
Provision for employee entitlements	17	958,067	902,940	958,067	902,940
Provision for claims outstanding	14(a),2(f)	20,146,330	20,394,346	-	-
Other current liabilities		597,445	613,909	597,445	613,909
TOTAL CURRENT LIABILITIES		56,248,732	58,173,200	9,427,458	7,562,446
NON-CURRENT LIABILITIES					
Provision for employee entitlements	17	70,649	69,529	70,649	69,529
Provision for claims outstanding	14(a),2(f)	86,013,620	77,224,223	-	-
Unfunded superannuation liability	18,2(o)	518,034	547,765	518,034	547,765
Other non-current liabilities		430,608	499,470	430,608	499,470
TOTAL NON-CURRENT LIABILITIES		87,032,911	78,340,987	1,019,291	1,116,764
TOTAL LIABILITIES		143,281,643	136,514,187	10,446,749	8,679,210
NET ASSETS		6,832,374	6,566,970	7,843,034	7,824,966
EQUITY		6,832,374	6,566,970	7,843,034	7,824,966

The accompanying notes form an integral part of these statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	COMBINED		MAV - GENERAL FUND	
		2016	2015	2016	2015
		\$	\$	\$	\$
RETAINED EARNINGS					
Balance at beginning of year		6,566,970	3,962,194	7,824,966	4,808,525
Surplus from ordinary activities		265,404	2,604,776	18,068	3,016,441
BALANCE AT END OF YEAR		6,832,374	6,566,970	7,843,034	7,824,966

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	COMBINED		MAV - GENERAL FUND	
		2016	2015	2016	2015
		\$	\$	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES					
RECEIPTS					
Subscriptions, grants and fees		45,187,384	51,972,696	23,114,178	24,655,554
Investment income		389,950	332,932	331,090	219,208
Reinsurance and other recoveries		14,856,577	13,522,839	-	-
PAYMENTS					
Suppliers		(45,681,509)	(45,079,214)	(25,514,858)	(21,913,310)
Claim payments		(20,763,634)	(19,869,444)	-	-
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	9(b)	(6,011,232)	879,808	(2,069,590)	2,961,452
CASH FLOW FROM INVESTING ACTIVITIES					
Proceeds from redemption of investments		3,500,000	1,000,000	-	-
Proceeds from sale of fixed assets		31,609	15,000	31,609	15,000
Payments for fixed assets & intangibles		(178,455)	(158,043)	(178,455)	(158,043)
NET CASH USED IN INVESTING ACTIVITIES		3,353,154	856,957	(146,846)	(143,043)
NET (DECREASE)/INCREASE IN CASH HELD		(2,658,078)	1,736,766	(2,216,436)	2,818,409
Cash at beginning of year		10,425,972	8,689,206	9,270,888	6,452,479
CASH AT END OF YEAR	9(a)	7,767,894	10,425,972	7,054,452	9,270,888

The accompanying notes form an integral part of these statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1. CORPORATE INFORMATION

The combined financial report of Municipal Association of Victoria for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on the date shown on the attached Statement by Directors.

The Municipal Association of Victoria is an association incorporated by an Act of the Parliament of Victoria, Australia, known as the *Municipal Association Act 1907*.

The nature of the operations and principal activities of the Municipal Association of Victoria are:

- to promote the efficient carrying out of municipal government throughout the State of Victoria and watch over and protect the interests, rights and privileges of municipal corporations
- to arrange fidelity insurance for local government
- arranging contracts of insurance
- to provide a public liability insurance scheme for local government.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards and Interpretations issued and effective

Accounting Standards and Interpretations that have recently been issued or amended and are effective and have been adopted by the Group for the annual reporting period, ending 30 June 2016 are outlined in the table below:

Reference	Title summary	Application date of standard	Impact on group financial report	Application date for group
AASB 2013-9	Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments	1 January 2015	Nil	1 July 2015
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.	1 July 2015	Nil	1 July 2015

Accounting Standards and Interpretations issued but not yet effective

Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period, ending 30 June 2016 are outlined in the table below:

Reference	Title summary	Application date of standard	Impact on group financial report	Application date for group
AASB 9	Financial Instruments	1 January 2018	Impact not yet assessed	1 July 2018
AASB 15	Revenue from Contracts with Customers	1 July 2017	Impact not yet assessed	1 July 2017
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 & AASB 138)	1 January 2016	Nil	1 July 2016
AASB 1057	Application of Australian Accounting Standards	1 January 2016	Nil	1 July 2016
AASB 2015-2	Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101	1 January 2016	Nil	1 July 2016
AASB 16	Leases	1 January 2019	Impact not yet assessed	1 July 2019

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

(a) Basis of preparation

The financial report is a general purpose financial report which has been drawn up in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The principal accounting policies adopted in preparing the financial report are stated to assist in a general understanding of the financial report. Accounting policies have been consistently applied unless otherwise indicated.

The financial report is presented in Australian dollars. The Municipal Association of Victoria is a not-for-profit entity.

The accounts have been prepared on the accruals basis using historical costs and, except where stated, do not take into account current valuations of assets.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standard (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(c) Principles of the combined entity

The financial report comprises the economic entity of the Municipal Association of Victoria and its controlled entities the Local Government Mutual Liability Insurance Scheme (trading as Liability Mutual Insurance - LMI) and the Commercial Crime Fund.

A controlled entity is any entity controlled by the Municipal Association of Victoria (incorporated under the *Municipal Association Act 1907*). Control exists where the Municipal Association of Victoria has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with the Municipal Association of Victoria to achieve the objectives of the Municipal Association of Victoria.

The effects of all transactions between entities in the combined entity have been eliminated.

The financial statements of the divisions are prepared for the same reporting period as the Municipal Association of Victoria, using consistent accounting policies.

All interdivisional balances and transactions, including unrealised profits arising from intra-divisional transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

The equity in the insurance businesses of Liability Mutual Insurance and the Commercial Crime Fund represent the assets of the members of each of the insurance mutuals and are not available to the members of the Association.

(d) Income tax

The Municipal Association of Victoria is a State and Territory Body (STB) and is exempt from income tax, in accordance with Division 1AB of Part III of the Income Tax Assessment Act.

(e) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(f) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts, other than outstanding reinsurance recoveries, more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(g) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

(h) Property, equipment, motor vehicles and intangible assets

Property, equipment, leasehold improvements and motor vehicles are carried at cost less, where applicable, accumulated depreciation. On disposal the difference between the sales proceeds and the carrying amount of the asset is recognised as a gain or loss.

The depreciable amount of all fixed assets are depreciated/amortised on a straight line basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

THE FOLLOWING DEPRECIATION RATES ARE IN USE:	ANNUAL RATE
Leasehold improvements at cost	10%
Furniture and equipment at cost	20% - 33%
Motor vehicles at cost	20%
Information technology equipment at cost	33%
Website at cost	20%
Educational programs at cost	20%

INTANGIBLE ASSETS

The website and educational programs are treated as intangible assets with a finite life and is amortised over the useful life and tested for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in the accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in statement of comprehensive income in the expense category 'Amortisation'. The Association does not have any intangible assets with indefinite useful lives.

(i) Leases

A distinction is made between finance leases which, effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property, without transferring the legal ownership, and operating leases under which the lessor effectively retains substantially all the risks and benefits.

Where assets are acquired by means of finance leases, the present value of minimum lease payments is established as an asset at the beginning of the lease term and amortised on a straight line basis over the expected economic life. A corresponding liability is also established and each lease payment is allocated between such liability and interest expense.

Operating lease payments are charged to expense on a basis which is representative of the pattern of benefits derived from the leased property. Lease incentives received under operating leases are recognised as a liability.

Lease incentives received have been recognised as a liability. This liability recognised in respect of the lease incentive will be reduced by allocating lease rental payments between rental expense and reduction of the liability.

(j) Employee entitlements

The liabilities arising in respect of employee entitlements (note 17) are measured at their nominal amounts: wages and salaries, annual leave and sick leave regardless of whether they are expected to be settled within twelve months of balance date.

Other employee entitlements are expected to be settled within twelve months of balance date.

All other employee entitlements, including long service leave, are measured at the present value of the estimated future cash outflows in respect of services provided up to balance date. Liabilities are determined after taking into consideration estimated future increase in wages and salaries and past experience regarding staff leave. Related on-costs are included.

Contributions made to an employee superannuation fund are charged as expenses when incurred.

(k) Revenue recognition

Grant and Project revenue - Grants are recognised as revenue when the Association obtains control over the assets comprising the contribution. Control over the grants is normally obtained upon their receipt or upon prior notification that a grant has been secured. Project revenue is recognised on an accrual basis.

Subscriptions - Subscriptions are recognised on an accrual basis.

Sponsorship, management and rental income - Income is recognised on an accrual basis

Brokerage income - Brokerage income comprise amounts received from third parties for the placement of insurance for members.

Management fee income - Management fees are received for managing grants, projects and MAV Insurance activities.

Investment income - Investment income consists of interest which is recognised on a time-proportionate basis that takes into account the effective interest rate on the financial asset and movements in unit values in cash and fixed interest funds which are carried at fair value through the Statement of Comprehensive Income.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

(l) Investments

Investments are valued at net market value at Statement of Financial Position date.

(m) Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(n) Cash flows

For the purposes of the statement of cash flows, cash includes cash in hand, deposits held at call with banks and investments in cash and fixed interests funds net of outstanding bank overdrafts.

(o) Superannuation

The amount charged to the Statement of Comprehensive Income in respect of superannuation represents contributions made or due by The Association to the relevant superannuation plans in respect to the services of The Association's staff (both past and present). Superannuation contributions are made to the plans based on the relevant rules of each plan and any relevant compulsory superannuation requirements that The Association is required to comply with.

(p) Fair Value Measurement

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the 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

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

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the MAV 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. MAV does not have any level 3 financial assets.

Cash at Bank is considered level 1 financial assets.

Investments are holdings in managed investment funds that are not traded in a market considered active. The fair value of these assets is regularly revalued by the Investment Manager based on observable inputs or derivable from observable inputs. These are considered level 2 financial assets. The carrying amounts of financial assets and financial liabilities represent their approximate net fair value. All maturity dates are within twelve months. For the purpose of fair value disclosures, the MAV 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.

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
2016				
Cash at Bank	7,767,896	-	-	7,767,896
Other Financial Assets	-	24,686,375	-	24,686,375
TOTAL	7,767,896	24,686,375	-	32,454,271
2015				
Cash at Bank	10,425,972	-	-	10,425,972
Other Financial Assets	-	27,236,239	-	27,236,239
TOTAL	10,425,972	27,236,239	-	37,662,211

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

(a) Correction of a Prior Period Error

MAV have incurred costs in relation to the establishment of the MAV WorkCare Scheme ('the WorkCare Scheme').

Prior to 1 July 2015, the net costs associated with the establishment of the WorkCare Scheme were capitalised in the statement of financial position within unearned revenue. The adjustments to capitalise the costs were recognised in the Statement of Comprehensive Income as an increase in Grant and Project income. During the financial year, it was determined that MAV does not have the contractual right in accordance with the Accounting Standards to recover these costs from the WorkCare Scheme as the WorkCare Scheme does not exist at the balance sheet date. As a consequence, revenue was overstated and unearned revenue was understated in the prior period. MAV intends to recover the net costs associated with the establishment when the WorkCare Scheme commences operations in the future.

Impact on prior year amounts

The impact of the prior period restatement on the net surplus for the year ended 30 June 2015 is as follows:

	COMBINED 2015 \$	MAV - GENERAL FUND 2015 \$
RECONCILIATION OF NET SURPLUS		
Net surplus before change in accounting policy	2,931,759	3,343,424
Restatement	326,983	326,983
Net surplus after change in accounting policy	2,604,776	3,016,441

	2015 (BEFORE) \$	EFFECT OF RESTATEMENT \$	2015 (AFTER) \$
RECONCILIATION OF COMBINED INCOME STATEMENT BEFORE THE PRIOR PERIOD RESTATEMENT AND THAT AFTER THE CHANGE			
Revenue	22,034,398	326,983	21,707,415
Net Surplus	3,343,424	326,983	3,016,441

RECONCILIATION OF COMBINED BALANCE SHEET BEFORE THE PRIOR PERIOD RESTATEMENT AND AFTER THE CHANGE			
LIABILITIES			
Trade and other payables	9,143,941	326,983	9,470,924
TOTAL LIABILITIES	136,187,204	326,983	136,514,187
NET ASSETS	6,893,953	326,983	6,566,970
EQUITY	6,893,953	326,983	6,566,970

RECONCILIATION OF MAV GENERAL FUND INCOME STATEMENT BEFORE THE PRIOR PERIOD RESTATEMENT AND AFTER THE CHANGE			
Revenue	22,034,398	326,983	21,707,415
Net Surplus	3,343,424	326,983	3,016,441

RECONCILIATION OF MAV GENERAL FUND BALANCE SHEET BEFORE THE PRIOR PERIOD RESTATEMENT AND AFTER THE CHANGE			
LIABILITIES			
Trade and other payables	5,718,614	326,983	6,045,597
TOTAL LIABILITIES	8,352,227	326,983	8,679,210
NET ASSETS	8,151,949	326,983	7,824,966
EQUITY	8,151,949	326,983	7,824,966

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

SUMMARY OF ACCOUNTING POLICIES RELATING TO INSURANCE ACTIVITIES

(r) Premiums

Premiums comprise amounts charged to members of the Schemes for policy cover, net of amounts returned to members as bonuses. The earned portion of premiums received is recognised as revenue. Premiums are treated as earned from date of attachment of risk. The pattern of recognition over the policy is based on time, which is considered to closely approximate the pattern of risks undertaken.

(s) Premiums in advance

During the month of June each year, the Schemes issue premium notices to Scheme Members. The risk attaches to the premiums in the next accounting period and accordingly the revenue is recognised each following year commencing 1 July. Prior to each balance date members have committed to participate in either the Scheme or the Fund for the ensuing year and accordingly the premiums are disclosed in the Statement of Financial Position as 'premiums receivable' with an offsetting liability described as 'premiums in advance'.

(t) Claims

Claims-incurred expense and liability for outstanding claims are recognised in respect of direct business. The liability covers claims incurred but not yet paid, incurred but not yet reported claims, and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by reviewing individual claim files and estimating claims not notified and settlement costs using statistical and actuarial techniques. The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all the claims do not have to be paid out in the immediate future. The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal inflation and 'superimposed inflation'. Advice from the MAV's actuary has estimated superimposed inflation to be 3% per annum (2015 3%) for personal injury non-large claims and the discount rate at 1.8% (2015 2.5%).

Superimposed inflation refers to factors such as trends in court awards, for example increases in the level and period of compensation for injury. The expected future payments are then discounted to a present value at the reporting date using discount rates based on the investment opportunities available to the organisation on the amounts of funds sufficient to meet claims as they became payable.

Details of rates applied are disclosed in note 22.

(u) Reinsurance and other recoveries receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not paid, claims incurred but not reported and unexpired risk liabilities are recognised as revenue. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

(v) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) **Premiums** - recognised in the period the fund is at risk.

(ii) **Future reinsurance and other recoveries** - on an accruals basis.

(iii) **Investment income** - on an accruals basis including adjustments made to account for changes in the value of cash backed unit trusts, to account as investment income.

(iv) **Performance bonus** - on an accruals basis when firm evidence is available confirming the amount and indicating payments.

(w) Reinsurance Expense

Reinsurance expense relates to insurance premiums paid to reinsurers in accordance with the established reinsurance strategy of the entity and in order to protect the Insurance businesses from catastrophic and unforeseen claims.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	COMBINED	
		2016 \$	2015 \$
3. CONTRIBUTION TO OPERATING SURPLUS			
CONTRIBUTION FROM INSURANCE ACTIVITIES			
Premium income		26,791,081	30,008,570
Performance bonus	26	-	82,166
Reinsurance expense	2(w)	(17,228,551)	(17,262,821)
NET PREMIUM INCOME		9,562,530	12,827,915
Claims expense	5(a)	(29,304,990)	(9,264,639)
Reinsurance and other recoveries	2(u)	26,502,057	3,179,629
NET CLAIMS EXPENSE	15	(2,802,933)	(6,085,010)
NET UNDERWRITING RESULT		6,759,597	6,742,905
Fees received		189,682	242,076
Investment income		1,008,686	903,884
Administration and general expenses		(7,710,629)	(8,300,526)
INSURANCE ACTIVITY OPERATING SURPLUS		247,336	(411,661)
MAV SURPLUS (DEFICIT)		18,068	3,016,437
OPERATING SURPLUS (DEFICIT)		265,404	2,604,776

	NOTE	COMBINED		MAV - GENERAL FUND	
		2016 \$	2015 \$	2016 \$	2015 \$
4. REVENUE					
REVENUES FROM OPERATING ACTIVITIES					
Subscriptions/premiums		29,600,626	32,755,820	2,835,742	2,773,279
Reinsurance and other recoveries	2(u)	26,502,057	3,179,629	-	-
Performance bonus	26	-	82,166	-	-
Brokerage fees		5,347,326	1,375,789	5,347,326	1,375,789
Management fee income		2,005,029	2,125,650	3,148,607	3,253,272
Seminars and sale of publications		1,308,459	1,259,771	1,308,459	1,259,771
Sponsorship, membership and tender income		2,333,646	2,671,872	2,333,646	2,671,872
Grant and project income	19	4,171,621	10,120,000	4,171,621	10,120,000
Investment income		1,184,884	1,156,985	176,198	253,100
TOTAL REVENUE FROM OPERATING ACTIVITIES		72,453,647	54,727,681	19,321,599	21,707,083
REVENUES FROM NON-OPERATING ACTIVITIES					
Gain on disposal of non-current assets		(4,890)	332	(4,890)	332
TOTAL REVENUE FROM OUTSIDE THE OPERATING ACTIVITIES					
TOTAL REVENUE		72,448,757	54,728,013	19,316,709	21,707,415

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	COMBINED		MAV - GENERAL FUND	
		2016	2015	2016	2015
		\$	\$	\$	\$
5(a) CLAIMS EXPENSES					
Paid		20,763,609	19,869,445		
Outstanding claims at end of financial year	14(a)	106,159,950	97,618,569		
Less: Outstanding claims at beginning of financial year		(97,618,569)	(108,223,375)		
TOTAL CLAIMS EXPENSES	2(f)	29,304,990	9,264,639		
5(b) OPERATING EXPENSES					
The following items have been recognised in the operating surplus:					
Re-insurance expense		17,228,551	17,262,821	-	-
Claims expense		29,304,990	9,264,639	-	-
Claims handling cost		-	-	-	-
Scheme management fee	8	3,303,589	3,223,296	-	-
Administration		2,173,779	2,711,788	1,365,927	1,865,401
ALGA membership		459,514	447,792	459,514	447,792
Amortisation of website and educational programs		57,686	71,058	38,404	38,070
Audit fees	7	172,674	150,661	40,874	22,763
Board of management expenses		256,968	273,917	256,968	273,917
Depreciation of furniture and equipment		17,804	21,184	5,958	9,339
Depreciation of motor vehicles		84,797	79,443	84,797	79,442
Depreciation of information technology equipment		41,826	30,530	41,826	30,530
Depreciation of leasehold improvements		28,678	36,403	8,959	16,337
Grants and projects		9,393,409	8,172,033	9,393,409	8,172,033
Legal & actuarial fees		137,864	113,126	-	-
Meetings and seminars		1,574,001	1,433,271	1,574,001	1,433,271
Operating lease rental expense		433,385	368,531	420,368	355,870
Salary and payroll costs		5,607,636	5,946,209	5,607,636	5,946,209
Stamp duty		1,906,203	2,516,535	-	-
TOTAL EXPENDITURE		72,183,353	52,123,237	19,298,641	18,690,974

Administration costs include the cost of establishing the MAV WorkCare Scheme. Some of these costs were recovered in 2015 with the remainder to be recovered at a future date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE	COMBINED		MAV - GENERAL FUND	
	2016 \$	2015 \$	2016 \$	2015 \$
6. LEASING COMMITMENTS				
Operating lease commitments, being for lease of OCE and OCE colour copiers				
Not later than one year	17,570	25,759	17,570	25,759
Later than one year but not later than five years	1,982	19,553	1,982	19,553
TOTAL LEASE COMMITMENT	19,552	45,312	19,552	45,312
Operating lease commitments, being for lease of leasehold premises:				
Not later than one year	826,744	794,964	826,744	794,964
Later than one year but not later than five years	4,657,113	4,477,974	4,657,113	4,477,974
Later than five years	512,803	1,518,686	512,803	1,518,686
TOTAL LEASE COMMITMENT	5,996,660	6,791,624	5,996,660	6,791,624
During the 2013 financial year the association negotiated a ten-year lease over the property at levels 11 and 12, 60 Collins Street Melbourne with the Reserve Bank of Australia. The lease commenced on 1 January 2013 and included a 12 month's rent free period up to 31 December 2013.				
7. AUDITORS REMUNERATION				
Amounts received or due and receivable for audit services:				
Audit services	172,674	150,661	40,874	22,763
Other services	-	-	-	-
TOTAL AUDITORS REMUNERATION	172,674	150,661	40,874	22,763
8. SCHEME MANAGEMENT FEES				
Scheme management fees are paid to the scheme manager for:				
Re-insurance placement	2,172,427	2,109,152		
Risk management and administrative services	1,131,162	1,114,144		
TOTAL SCHEME MANAGEMENT FEES	5(b) 3,303,589	3,223,296		
9(a) NOTES TO STATEMENT OF CASH FLOWS				
Cash and cash equivalents at balance date as shown in the Statement of Cash Flows are held in Standard & Poor's rated AA- and A- cash deposits and reconciled to the related items in the Statement of Financial Position as follows:				
Cash and cash equivalents	7,767,896	10,425,972	7,054,452	9,270,888
TOTAL CASH AND CASH EQUIVALENTS	7,767,896	10,425,972	7,054,452	9,270,888

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	COMBINED		MAV - GENERAL FUND	
		2016	2015	2016	2015
		\$	\$	\$	\$
9(b) Reconciliation of net cash used in operating activities to operating profit (loss)					
Surplus (Deficit) for year		265,404	2,604,776	18,068	3,016,441
Depreciation		173,105	167,213	141,540	135,648
Amortisation		57,686	71,058	38,404	38,070
(Surplus)/deficit on disposal of assets		4,890	(332)	4,890	(332)
Unrealised gains on investments		(950,137)	(791,705)	-	-
Changes in assets and liabilities					
(Increase)/decrease in accounts receivable	2(f)	(12,574,306)	19,741,404	(4,284,388)	1,710,204
(Increase)/decrease in prepayments		244,667	(290,580)	244,357	(292,130)
Increase/(decrease) in accounts payable		2,137,824	(6,779,675)	1,826,348	(1,593,892)
Increase/(decrease) in provision for employee entitlements		56,247	142,438	56,247	142,438
Increase/(decrease) in outstanding claims	2(f)	8,541,380	(10,604,805)	-	-
Increase/(decrease) in accrued revenue		(3,852,935)	(3,184,988)	-	-
Increase/(decrease) in other liabilities		(115,057)	(194,995)	(115,057)	(194,995)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		(6,011,232)	879,808	(2,069,590)	2,961,452

10. RECEIVABLES

Future reinsurance and other recoveries receivable	2(u)	86,024,302	73,866,185	-	-
Discount to present value		(5,307,873)	(4,795,236)	-	-
		80,716,429	69,070,949	-	-
Less provision for doubtful debts		-	-	-	-
Premiums receivable	2(s)	24,592,429	28,473,575	-	-
Other receivables		11,717,895	6,958,675	10,666,022	6,381,634
TOTAL RECEIVABLES		117,026,753	104,452,449	10,666,022	6,381,634
Represented by:					
Current		53,692,629	54,494,945	10,666,022	6,381,634
Non-current		63,334,124	49,957,504	-	-
TOTAL		117,026,753	104,452,449	10,666,022	6,381,634

The ageing analysis of trade receivables excluding future reinsurance and other recoveries receivable are as follows:

	TOTAL	<30 days	31-60 days	61-90 days	>90 days
2016					
Combined	36,310,324	35,795,174	174,868	42,437	297,845
MAV General Fund	10,666,022	10,150,872	174,868	42,437	297,845
2015					
Combined	35,432,250	35,044,786	175,895	166,205	45,364
MAV General Fund	6,381,634	5,994,170	175,895	166,205	45,364

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE	COMBINED		MAV - GENERAL FUND	
	2016 \$	2015 \$	2016 \$	2015 \$
11. PREMIUMS IN ADVANCE				
Contributions billed in advance	22,938,145	26,791,081	-	-
12. PROPERTY, PLANT AND EQUIPMENT				
Leasehold improvements - at cost	896,716	896,716	717,275	717,275
Less accumulated depreciation	(850,948)	(822,270)	(710,953)	(701,994)
	45,768	74,446	6,322	15,281
Furniture and equipment - at cost	887,403	875,543	789,383	777,523
Less accumulated depreciation	(849,559)	(833,307)	(775,233)	(770,827)
	37,844	42,236	14,150	6,696
Motor vehicles - at cost	442,613	411,037	442,613	411,037
Less accumulated depreciation	(175,492)	(126,183)	(175,492)	(126,183)
	267,121	284,854	267,121	284,854
Information technology equipment - at cost	755,421	693,941	755,421	693,941
Less accumulated depreciation	(674,884)	(633,057)	(674,884)	(633,057)
	80,537	60,884	80,537	60,884
TOTAL PROPERTY, PLANT AND EQUIPMENT	431,270	462,420	368,130	367,715
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the financial year.				
LEASEHOLD IMPROVEMENTS				
Movements during the year				
Beginning of year	74,446	110,849	15,281	31,962
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation	(28,678)	(36,403)	(8,959)	(16,681)
End of year	45,768	74,446	6,322	15,281
FURNITURE AND EQUIPMENT				
Movements during the year				
Beginning of year	42,236	62,307	6,696	14,921
Additions	13,412	1,110	13,412	1,114
Disposals	-	-	-	-
Depreciation	(17,804)	(21,181)	(5,958)	(9,339)
End of year	37,844	42,236	14,150	6,696
MOTOR VEHICLES				
Movements during the year				
Beginning of year	284,854	302,891	284,854	302,891
Additions	103,563	76,074	103,563	76,074
Disposals	(36,499)	(14,668)	(36,499)	(14,668)
Depreciation	(84,797)	(79,443)	(84,797)	(79,443)
End of year	267,121	284,854	267,121	284,854
INFORMATION TECHNOLOGY EQUIPMENT				
Movements during the year				
Beginning of year	60,884	32,555	60,884	32,555
Additions	61,479	58,859	61,479	58,859
Disposals	-	-	-	-
Depreciation	(41,826)	(30,530)	(41,826)	(30,530)
End of year	80,537	60,884	80,537	60,884

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	COMBINED		MAV - GENERAL FUND	
		2016 \$	2015 \$	2016 \$	2015 \$
13. INTANGIBLE ASSETS					
Website and Educational Programs		879,620	879,621	742,169	742,170
Less accumulated amortisation		(835,009)	(777,324)	(697,558)	(659,155)
		44,611	102,297	44,611	83,015
Reconciliation of the carrying amounts of intangible assets at the beginning and end of the financial year.					
INTANGIBLE ASSETS					
Movement during the year					
Beginning of year		102,297	151,355	83,015	99,085
Additions		-	22,000	-	22,000
Disposals		-	-	-	-
Amortisation		(57,686)	(71,058)	(38,404)	(38,070)
End of year		44,611	102,297	44,611	83,015

	NOTE	COMBINED	
		2016 \$	2015 \$
14(a) OUTSTANDING CLAIMS			
Central estimate		112,266,215	104,857,916
Discount to present value		(6,929,174)	(7,927,615)
		105,337,041	96,930,301
Claims handling costs		822,909	688,268
Risk margin	14(b)	-	-
TOTAL OUTSTANDING CLAIMS		106,159,950	97,618,569
Comprising:			
Current		20,146,330	20,394,346
Non-current		86,013,620	77,224,223
TOTAL CLAIMS PROVISION	2(t)	106,159,950	97,618,569

14(b) RISK MARGIN - PROCESS FOR DETERMINING RISK MARGIN

As at 30 June 2016, the MAV Insurance Board determined that the outstanding claims liability is to be held at the 50% probability of sufficiency on the basis of the non-discretionary mutual structure of the LMI Scheme. As a result, a 0% risk margin was applied to the central estimate (2015 0%) to achieve the desired level of sufficiency. Please see Note 22.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

	2016			2015		
	GROSS \$	REINSURANCE \$	NET \$	GROSS \$	REINSURANCE \$	NET \$
14(c) RECONCILIATION OF MOVEMENT IN DISCOUNTED OUTSTANDING CLAIMS LIABILITY						
Outstanding claims brought forward	97,618,569	69,070,951	28,547,618	108,223,375	79,331,994	28,891,381
Changes in assumptions	20,763,612	14,339,202	6,424,410	19,257,189	12,395,635	6,861,554
Increase in claims incurred/recoveries anticipated	8,541,380	12,162,855	(3,621,475)	(9,992,550)	(9,219,006)	(773,544)
Incurred claims recognised in Statement of Comprehensive Income	29,304,992	26,502,057	2,802,935	9,264,639	3,176,629	6,088,010
Claim payments/recoveries during the year	(20,763,611)	(14,856,579)	(5,907,030)	(19,869,445)	(13,437,672)	(6,431,773)
Outstanding claims carried forward	106,159,950	80,716,429	25,443,523	97,618,569	69,070,951	28,547,618
	2016			2015		
	CURRENT YEAR \$	PRIOR YEAR \$	TOTAL \$	CURRENT YEAR \$	PRIOR YEAR \$	TOTAL \$
15. NET CLAIMS INCURRED						
Insurance						
Gross claims and related expenses - undiscounted	22,807,715	5,498,834	28,306,549	23,063,571	(17,662,524)	5,401,047
Discount	(1,660,144)	2,658,587	998,443	(2,025,629)	5,889,221	3,863,592
Gross claims and related expenses - discounted	21,147,571	8,157,421	29,304,992	21,037,942	(11,773,303)	9,264,639
Reinsurance and other recoveries - undiscounted	(16,874,698)	(10,942,042)	(27,816,740)	(7,875,782)	8,885,785	1,010,003
Discount	(286,009)	1,600,692	1,314,683	(1,644,500)	(2,545,132)	(4,189,632)
Reinsurance and other recoveries - discounted	(17,160,707)	(9,341,350)	(26,502,057)	(9,520,282)	6,340,653	(3,179,629)
NET CLAIMS INCURRED	3,986,864	(1,183,929)	2,802,935	11,517,660	(5,432,650)	6,085,010

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

16. CLAIMS DEVELOPMENT TABLE

ACCIDENT YEAR	2012 \$	2013 \$	2014 \$	2015 \$	2016 \$	TOTAL \$
GROSS ESTIMATE OF ULTIMATE CLAIMS COST - LIABILITY MUTUAL INSURANCE						
At end year of accident	21,064,708	23,083,334	22,191,872	22,465,862	22,303,614	
One year later	20,109,939	22,302,009	22,401,912	21,693,885	-	
Two years later	27,742,511	19,817,058	28,143,146	-	-	
Three years later	25,779,374	18,072,661	-	-	-	
Four years later	32,932,635	-	-	-	-	
Current estimate of cumulative claims cost	32,932,635	18,072,661	28,143,146	21,693,885	22,303,614	123,145,941
Cumulative payments	(12,651,347)	(6,700,412)	(5,139,195)	(1,235,130)	(170,458)	(25,896,542)
Outstanding claims - undiscounted	20,281,288	11,372,249	23,003,951	20,458,755	22,133,156	97,249,399
Discount						(6,873,857)
Claims handling expense 2011 and prior						777,995 15,006,413
LIABILITY MUTUAL INSURANCE - TOTAL GROSS OUTSTANDING CLAIMS						106,159,950
COMBINED GROSS OUTSTANDING CLAIMS						106,159,950
NET ESTIMATE OF ULTIMATE CLAIMS COST - LIABILITY MUTUAL INSURANCE						
At end year of accident	8,710,223	8,122,535	4,602,870	12,238,620	3,710,694	
One year later	7,441,671	8,218,920	4,674,158	11,932,830	-	
Two years later	7,975,258	8,074,101	4,707,042	-	-	
Three years later	8,225,322	7,297,209	-	-	-	
Four years later	7,896,496	-	-	-	-	
Current estimate of cumulative claims cost	7,896,496	7,297,209	4,707,042	11,932,830	3,710,694	35,544,271
Cumulative payments	(4,868,399)	(3,254,037)	(2,182,239)	(774,472)	(117,088)	(11,196,235)
Outstanding claims - undiscounted	3,028,097	4,043,172	2,524,803	11,158,358	3,593,606	24,348,036
Discount						(1,645,021)
Claims handling expense 2011 and prior						194,786 2,545,722
LIABILITY MUTUAL INSURANCE - TOTAL NET OUTSTANDING CLAIMS						25,443,523
COMBINED NET OUTSTANDING CLAIMS						25,443,523

These tables show the trend in the balance of outstanding claims.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE	COMBINED		MAV - GENERAL FUND	
	2016	2015	2016	2015
	\$	\$	\$	\$
17. PROVISIONS FOR EMPLOYEE ENTITLEMENTS				
The aggregate amount of employee entitlement liability is comprised of:				
Provisions (current)	958,067	902,940	958,067	902,940
Provisions (non-current)	70,649	69,529	70,649	69,529
TOTAL EMPLOYEE ENTITLEMENTS	1,028,716	972,469	1,028,716	972,469
Reconciliation of the carrying amounts of provision for employee entitlements at the beginning and end of the financial year				
EMPLOYEE ENTITLEMENTS				
Movement during the year				
Balance at beginning of year	972,469	830,032	972,469	830,032
Entitlements Paid	(341,256)	(350,159)	(341,256)	(350,159)
Increase in Provision	397,503	492,596	397,503	492,596
BALANCE AT END OF YEAR	1,028,716	972,469	1,028,716	972,469

18. SUPERANNUATION

The Association 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. The defined benefit section provides lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from the Association and the Association's legal or constructive obligation is limited to these contributions.

Obligations for contributions to the Fund are recognised as an expense in the Statement of Comprehensive Income when they are made or due. The amount of superannuation contributions paid by the Municipal Association of Victoria to Vision Super.

Accumulation Fund and the Defined Benefits Fund during the reporting period was \$455,625 (2015 \$530,629).

Accumulation

The Fund's accumulation category, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2016, this was 9.5% required under the Superannuation Guarantee Legislation). Our commitment to defined contribution plans is limited to making contributions in accordance with our minimum statutory requirements. No further liability accrued to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

While the Superannuation Guarantee contribution rate increased to 9.5% from 1 July 2014, and was to progressively increase to 12% by 2019, based on the 2014 Federal Budget announcement this progressive increase to 12% will be delayed until 2022.

Defined Benefit

As provided under Paragraph 34 of AASB 119, the Association 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 multi-employer sponsored plan.

As a multi-employer sponsored plan, the Fund was established as a mutual scheme to allow for the mobility of the workforce between the participating employers without attaching a specific liability to particular employees and their current employer. Therefore, 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 the Association in the Fund cannot be measured as a percentage compared with other participating employers. While there is an agreed methodology to allocate any shortfalls identified by the Fund Actuary for funding purposes, there is no agreed methodology to allocate benefit liabilities, assets and costs between the participating employers for accounting purposes. Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

Funding arrangements

The Association makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. The Fund's employer funding arrangements comprise of three components:

1. **Regular contributions** – which are ongoing contributions needed to fund the balance of benefits for current members and pensioners;
2. **Funding calls** – which are contributions in respect of each participating employer's share of any funding shortfalls that arise; and
3. **Retrenchment increments** – which are additional contributions to cover the increase in liability arising from retrenchments.

The Association is also required to make additional contributions to cover the contribution tax payable on the contributions referred to above.

Employees are also required to make member contributions to the Fund. As such, assets accumulate in the Fund to meet member benefits, as defined in the Trust Deed, as they accrue.

Employer contributions

REGULAR CONTRIBUTIONS

On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 31 December 2014, the Association 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. This rate is expected to increase in line with the required Superannuation Guarantee contribution rate.

In addition, the Association reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit (the funded resignation or retirement benefit is calculated as the VBI multiplied by the benefit).

FUNDING CALLS

The Fund is required to comply with the superannuation prudential standards. Under the superannuation prudential standard SPS 160, the Fund is required to target full funding of its vested benefits.

There may be circumstances where:

- (a) a fund is in an unsatisfactory financial position at an actuarial investigation (i.e. its vested benefit index (VBI) is less than 100% at the date of the actuarial investigation); or
- (b) a fund's VBI is below its shortfall limit at any time other than at the date of the actuarial investigations.

If either of the above occur, the fund 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. There may be circumstances where the Australian Prudential Regulation Authority (APRA) may approve a period longer than three years.

The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97% VBI.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including the Association) are required to make an employer contribution to cover the shortfall. The methodology used to allocate the shortfall was agreed in 1997 to fairly and reasonably apportion the shortfall between the participating employers.

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.

The pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund are based on:

- (a) The service periods of all active members split between the active members pre-1 July 1993 and post-30 June 1993 service period;
- (b) The service periods of all deferred members split between the deferred members pre-1 July 1993 and post-30 June 1993 service period; and
- (c) The pensioner (including fixed term pension) liabilities which are allocated to the pre-1993 period.

The pre-1 July 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at 30 June 1993.

The post-30 June 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll 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. In the unlikely event that the Fund is wound up and there is a surplus in the Fund, the surplus cannot be applied for the benefit of the defined benefit employers where there are on-going defined benefit obligations. The surplus would be transferred to the fund accepting those defined benefit obligations (including the lifetime pension obligations) of the Fund. 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

Differences between calculations

The Fund surplus or deficit (i.e. the difference between fund assets and liabilities) is calculated differently for funding purposes (i.e. calculating required contributions), for the calculation of accrued benefits as required in AAS 25 and for the values needed for the AASB 119 disclosure in the Association's financial statements. AAS 25 requires that the present value of the defined benefit liability be calculated based on benefits that have accrued in respect of membership of the plan up to the measurement date, with no allowance for future benefits that may accrue.

RETRENCHMENT INCREMENTS

During 2015 -16, the Association was not required to make payments to the Fund in respect of retrenchment increments.

The full actuarial investigation of the Fund's liability for accrued benefits was based on the Fund's position as at 30 June 2014.

This actuarial investigation was completed in December 2014 and confirmed that the Fund's Vested Benefits Index (VBI) was greater than 100% and as a consequence no call on member assets was required.

19. GOVERNMENT GRANTS

The Association receives project monies from various sources including grant monies from various Federal and State Government Departments on behalf of Local Government. Grant monies received have been accounted for as income in accordance with Australian Accounting Standard 1004. At the end of the financial year the Association had commitments to expend grants totalling \$4,883,286 (2015 \$8,272,427) after deducting an estimate of costs of administration.

NOTE	COMBINED		MAV - GENERAL FUND	
	2016	2015	2016	2015
	\$	\$	\$	\$
RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME				
Grant	4,171,621	10,120,000	4,171,621	10,120,000

The Association does not receive any other government assistance.

20. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The group's exposure to interest rate risk and the effective average interest rate for the classes of financial assets is set out below:

	COMBINED		MAV - GENERAL FUND	
	Non-interest earning	Floating interest rate	Non-interest earning	Floating interest rate
	\$	\$	\$	\$
	2016			
FINANCIAL ASSETS				
Cash at bank	-	7,767,896	-	7,054,452
Investments	-	24,686,375	-	-
Trade and other receivables	117,026,753	-	10,666,022	-
TOTAL FINANCIAL ASSETS	117,026,753	32,454,271	10,666,022	7,054,452
Weighted average interest rate		3.4%		2.2%
FINANCIAL LIABILITIES				
Outstanding claims	106,159,950	-	-	-
Unearned premiums/subscriptions	22,938,145	-	-	-
Trade and other payables	11,608,745	-	7,871,946	-
TOTAL FINANCIAL LIABILITIES	140,706,840	-	7,871,946	-
Weighted average interest rate		0%		0%

Cash at Bank is considered level 1 financial assets and Investments are considered level 2 financial assets in accordance with AASB 7 (Financial Instruments). The carrying amounts of financial assets and financial liabilities represent their approximate net fair value. All maturity dates are within twelve months.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

20. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

	COMBINED		MAV - GENERAL FUND	
	Non-interest earning \$	Floating interest rate \$	Non-interest earning \$	Floating interest rate \$
	2015			
FINANCIAL ASSETS				
Cash at bank	-	10,425,972	-	9,270,888
Investments	-	27,236,239	-	-
Trade and other receivables	104,452,449	-	6,381,634	-
TOTAL FINANCIAL ASSETS	104,452,449	37,662,211	6,381,634	9,270,888
Weighted average interest rate		3.1%		3.2%
FINANCIAL LIABILITIES				
Outstanding claims	97,618,569	-	-	-
Unearned premiums/subscriptions	26,791,081	-	-	-
Trade and other payables	9,470,924	-	6,045,597	-
TOTAL FINANCIAL LIABILITIES	133,880,574	-	6,045,597	-
Weighted average interest rate		0%		0%

Cash at Bank is considered level 1 financial assets and investments are considered level 2 financial assets in accordance with AASB 7 (Financial Instruments). The carrying amounts of financial assets and financial liabilities represent their approximate net fair value. All maturity dates are within twelve months.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as at 30 June 2016. Cash flows for financial assets and liabilities without fixed amount or timing are based on conditions existing at 30 June 2016.

The remaining contractual maturities of the financial liabilities are:

	NOTE	COMBINED		MAV - GENERAL FUND	
		2016 \$	2015 \$	2016 \$	2015 \$
3 months or less		22,420,017	20,982,847	7,871,946	5,718,614
3-12 months		33,998,907	37,104,795	1,555,512	1,516,849
1-5 years		63,718,998	62,014,367	1,019,291	1,116,764
Over 5 years		30,072,895	24,012,810	-	-
		150,210,817	144,114,819	10,446,749	8,352,227

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

20. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

LIQUIDITY RISK

Maturity analysis of financial assets and liabilities based on management's expectation.

The risk implied from the values in the table below reflects a balanced view of cash inflows and outflows. These liabilities originate from insurance contracts and other financial assets used in the ongoing operations of the business. These assets are considered in the Association's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable effective controlling of future risks, the Association has established comprehensive risk reporting covering its insurance business that reflects the expectations of the management of expected settlement of financial assets and liabilities.

	<3 months	3-12 months	1-5 years	>5 years	TOTAL
Year ended 30 June 2016	\$	\$	\$	\$	\$
COMBINED FINANCIAL ASSETS					
Cash and cash equivalents	7,767,896	-	-	-	7,767,896
Investments	24,686,375	-	-	-	24,686,375
Trade and other receivables	41,460,607	12,356,309	44,138,901	24,379,352	122,335,169
	73,914,878	12,356,309	44,138,901	24,379,352	154,789,440
COMBINED FINANCIAL LIABILITIES					
Outstanding claims	5,079,130	15,237,391	62,699,707	30,072,895	113,089,123
Unearned premiums/subscriptions	5,734,536	17,203,609	-	-	22,938,145
Trade and other payables	11,606,350	2,396	-	-	11,608,746
Other liabilities	-	1,555,512	1,019,291	-	2,574,803
TOTAL FINANCIAL LIABILITIES	22,420,016	33,998,908	63,718,998	30,072,895	150,210,817
NET MATURITY	51,494,862	(21,642,599)	(19,580,097)	(5,693,543)	4,578,623
Year ended 30 June 2015	\$	\$	\$	\$	\$
COMBINED FINANCIAL ASSETS					
Cash and cash equivalents	10,425,972	-	-	-	10,425,972
Investments	27,236,239	-	-	-	27,236,239
Trade and other receivables	41,166,740	13,506,424	39,786,253	14,789,123	109,248,540
	78,828,951	13,506,424	39,786,253	14,789,123	146,910,751
COMBINED FINANCIAL LIABILITIES					
Outstanding claims	5,158,943	15,476,830	60,897,603	24,012,808	105,546,184
Unearned premiums/subscriptions	6,697,771	20,093,311	-	-	26,791,082
Trade and other payables	9,126,134	17,806	-	-	9,143,940
Other liabilities	-	1,516,849	1,116,764	-	2,633,613
TOTAL FINANCIAL LIABILITIES	20,982,848	37,104,796	62,014,367	24,012,808	144,114,819
NET MATURITY	57,846,103	(23,598,372)	(22,228,114)	(9,223,685)	2,795,932

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

20. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

	<3 months	3-12 months	1-5 years	>5 years	TOTAL
Year ended 30 June 2016	\$	\$	\$	\$	\$
MAV GENERAL FUND					
FINANCIAL ASSETS					
Cash and cash equivalents	7,054,452	-	-	-	7,054,452
Trade and other receivables	10,666,022	-	-	-	10,666,022
	17,720,474	-	-	-	17,720,474
MAV GENERAL FUND					
FINANCIAL LIABILITIES					
Trade and other payables	7,871,946	-	-	-	7,871,946
Other liabilities	-	1,555,512	1,019,291	-	2,574,803
TOTAL FINANCIAL LIABILITIES	7,871,946	1,555,512	1,019,291	-	10,446,749
NET MATURITY	9,848,528	(1,555,512)	(1,019,291)	-	7,273,725
	<3 months	3-12 months	1-5 years	>5 years	TOTAL
Year ended 30 June 2015	\$	\$	\$	\$	\$
MAV GENERAL FUND					
FINANCIAL ASSETS					
Cash and cash equivalents	9,270,888	-	-	-	9,270,888
Trade and other receivables	6,381,634	-	-	-	6,381,634
	15,652,522	-	-	-	15,652,522
MAV GENERAL FUND					
FINANCIAL LIABILITIES					
Trade and other payables	5,718,614	-	-	-	5,718,614
Other liabilities	-	1,516,849	1,116,764	-	2,633,613
TOTAL FINANCIAL LIABILITIES	5,718,614	1,516,849	1,116,764	-	8,352,227
NET MATURITY	9,933,908	(1,516,849)	(1,116,764)	-	7,300,295

20. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

Risk management objectives and policies for mitigating insurance risk

The Association's local government mutual liability scheme (trading as Liability Mutual Insurance) is established by the Municipal Association Act 1907. Membership is available to local government councils and prescribed bodies. The Scheme operates in Victoria & Tasmania to provide services to members in respect of their potential and actual liabilities. A member may seek indemnity from the Scheme in respect of a claim.

Actuarial models, using information from the Scheme's management information systems are used to confirm contributions and monitor claim patterns. Past experience and statistical methods are used as part of the process.

The principal risk is that the frequency and severity of claims is greater than expected. Civil Liability Risk events are, by their nature, random, and the actual number and size of events during any one-year may vary from those estimated using established statistical techniques.

Objectives in managing risk arising from insurance and policies for mitigating those risks

The Scheme has an objective to control insurance risk thereby reducing the volatility of its operating surplus. In addition to the inherent uncertainty of civil liability risks, which can lead to variability in the loss experience, operating surpluses can also be affected by external factors, such as competition and movements in asset values.

The Scheme relies on a strong relationship with its members and actively encourages them to adopt practices of risk management that reduce the incidence of claims to the Scheme.

Reinsurance strategy

The Scheme adopts a conservative approach towards management of risk and does this by utilising various risk transfer options. The MAV Insurance Board determines the level of risk, which is appropriate for the Scheme having regards to ordinary concepts of prudence and regulatory constraints. The risk transfer arrangements adopted by the Scheme include the utilisation of commercial reinsurance / excess arrangements. These arrangements include constant review of both reinsurers' financial strength, and ensuring spread of risk among reinsurers who meet the requirements of the MAV insurance policies. These risk transfer arrangements assist the Scheme to limit exposures to large single claims and catastrophic events. These programs are reviewed each year to ensure that they continue to meet the risk needs of the Scheme.

Terms and conditions of membership

Membership to the Scheme is offered to eligible bodies and renewed annually on 30th June. Payment of the annual contribution confirms continuation of membership. Termination of membership is subject to at least 14 days written notice of intention as laid out by the Scheme Rules.

Product features

The Scheme operates in Victoria & Tasmania. Should a claim be accepted the Scheme provides indemnity to the member for \$400 million Public / Products Liability (\$600 million for Water Authorities) and \$300 million for Professional Indemnity insurance, in excess of any self-insured amount, for any claim incurred anywhere throughout the world.

Operating surpluses arise from the total contributions charged to members less the amounts paid to cover claims and the expenses incurred by the Scheme.

Management of risks

The key insurance risks that affect the Scheme are contribution risk, and claims experience risk.

Contribution risk is the risk that the Scheme does not charge contributions appropriate for the indemnity cover it provides. The Scheme partially manages contribution risk through its proactive approach to risk management that addresses all material risks both financial and non-financial. There are no specific terms and conditions that are expected to have a material impact on the financial statements.

Claims experience risk is managed through the non-financial risk assessment and risk management and reinsurance management process. Claims experience is monitored on an ongoing basis to ensure that any adverse trending is addressed. The Scheme is able to reduce the claims experience risk of severe losses through the reinsurance program, and by managing the concentration of insurance risks. LMI is a non-discretionary mutual fund which, under the Constitution has the ability to obtain contributions from members to pay liabilities and expenses.

Concentration of insurance risks

Insurance risk is managed by taking a long term approach to setting the annual contribution rates that eliminates price fluctuations, through appropriate investment strategy, reinsurance and by maintaining an active state-wide risk management profile. The Scheme keeps abreast of changes in the general economic, legal and commercial environment in which it operates. The Scheme spreads its risk of reinsurance failure by ensuring reinsurers are of high financial quality and can meet their commitments to the Association. The Association maintains policies and strategies and receives advice from an independent actuary on at least an annual basis in order to determine the concentration and amount of risk exposure.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

20. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

		CREDIT RATING						TOTAL
		AAA	AA	AA-	A	Speculative grade	Not rated	
		+/-	+/-	+/-				
		\$m	\$m	\$m	\$m	\$m	\$m	\$m
Reinsurance and other recoveries on outstanding claims	2016	-	-	0.073	31.963	-	0.315	32.351
	2015	-	-	0.18	27.101	-	0.177	27.458
Reinsurance and other recoveries on paid claims	2016	-	-	0.058	1.178	-	-	1.236
	2015	-	-	0.10	1.652	-	0.055	1.808

		PAST DUE BUT NOT IMPAIRED						TOTAL
		Neither past due nor impaired	Less than 3 months	3 to 6 months	6 months to 1 year	Greater than 1 year	Impaired	
		\$m	\$m	\$m	\$m	\$m	\$m	
		\$m	\$m	\$m	\$m	\$m	\$m	\$m
Reinsurance and other recoveries on paid claims	2016	-	1.236	-	-	-	-	1.236
	2015	-	1.753	-	-	-	0.055	1.808

Credit risk

The Scheme is exposed to credit risk on insurance contracts as a result of exposure to reinsurers. The credit risk of reinsurers is managed through the Scheme's Reinsurance Management Strategy and policies that includes regularly monitoring both the financial rating of the reinsurers both prior to and during the reinsurance program and the flow of payments coming from the reinsurers. Investments in cash and cash equivalents at balance date as shown in the Statement of Cash Flows are held in S&P rated AA- and A- rated cash deposits.

Price risk

Investments held are not subject to price risk. Investments are cash at bank and fixed interest funds.

Interest rate risk

MAV Combined is exposed to interest rate risk from its cash and cash equivalents.

Variable	Current rate	Change variable to	Operating surplus (deficit) at 30 June 2016	Total accumulated Funds after the impact of applying variable
	%	%	\$	\$
IMPACT OF CHANGES IN INTEREST RATE ON FINANCIAL ASSETS				
MAV COMBINED				
Base value at 30 June 2016	3.4%		265,404	6,832,374
Interest rate pa		3.9%	310,889	6,877,859
		2.9%	219,919	6,786,889

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

21. ACCOUNTING ESTIMATES AND JUDGEMENTS

The Scheme makes estimates and judgements in respect of certain key assets and liabilities. Estimates and judgements are continually reviewed and are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates and judgements are applied are described below.

21(a) Estimation of outstanding claims liability

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the Statement of Financial Position date, including the cost of claims incurred but not yet reported ('IBNR') to the Scheme. The Scheme takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome may be different from the original liability established.

Provisions are calculated gross of all recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers and any third party.

The determination of an appropriate outstanding claims provision involves:

- (i) Establishing a case estimate for each reported claim at year-end taking into account legal advice where appropriate on larger claims;
- (ii) Allowance for incurred but not reported claims as confirmed by the actuarial review on 30 June 2016;
- (iii) An allowance of 0.8% for claim settlement expenses, as assumed by the Actuary;
- (iv) Allowances for claim inflation of 2.7%, as assumed by the Actuary;
- (v) Allowances for discount at 1.8%, as assumed by the Actuary;
- (vi) A risk margin of 0% of net outstanding claims after the effect of reinsurance has been applied, as assumed by the actuary.

Refer to Note 14 b) for details

Details of specific actuarial assumptions used in deriving the outstanding claims liability at year-end are detailed in note 22.

21(b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts were estimated for each fund year, from the payments to date and estimated outstanding claims history at 30 June 2016, taking into account the reinsurance terms applying to that fund year.

22. ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial assumptions

The following assumptions have been made in determining the outstanding claims liabilities:

	2016	2015
KEY ACTUARIAL ASSUMPTIONS		
Wage inflation	2.7%	2.5%
Claim administration expense	0.8%	0.7%
Discount rate	1.8%	2.5%
Risk margin	0%	0%
Superimposed inflation	3%	3%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

22. ACTUARIAL ASSUMPTIONS AND METHODS (continued)

Process used to determine actuarial assumptions

A description of the processes used to determine the above key actuarial assumptions is provided below:

Liability Mutual Insurance has provided public and professional indemnity insurance to local government bodies in Victoria and Tasmania and other bodies constituted under any Act for any public or local governing purpose since 30/9/1993. The Actuary was supplied with details of all transactions (payments, recoveries, changes of estimates) from 30 September 1993 to 30 June 2016. The individual claim payments and case estimates reconciled closely with totals in Liability Mutual Insurance financial statements for each year of cover. The actuary subdivided the claims data into three claim types (Public Liability, Professional Indemnity and the 2009 Bushfire claims) and made separate estimates of the gross outstanding claims liabilities for each of these claim types. The actuary estimated the gross outstanding claims liabilities for each claim type using 5 different actuarial methods. Large claims (claims above \$250,000) were estimated based on a numbers times average size method and non-large claims were estimated using 4 different actuarial methods- payments per claim incurred, payments per claim finalised, incurred cost development and projection of case estimates. The actuary selected a combination of these methods for estimating the outstanding claims. Payments were projected with a payment pattern, based on past experience. Estimates of outstanding excesses were based on a numbers times average size method and estimates of non-reinsurance recoveries were made by a recoveries per claim method.

Estimates of reinsurance recoveries were made from projected gross payments, excesses and non-reinsurance recoveries, allowing for the different insurance treaties applying to each year. Based on Access Economics June 2016 forecasts for Victorian average weekly claims inflation was assumed to be 2.7%. The discount rate was assumed to be 1.8% pa., derived from the yields on Commonwealth government bonds.

Interest rate risk

VARIABLE	IMPACT OF MOVEMENT IN VARIABLE
Wage inflation	Expected future payments are inflated to take account of inflationary increases. An increase or decrease in the assumed levels of economic inflation would have a corresponding impact on claims expense, with particular reference to longer tail claims.
Discount rate	The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. An increase or decrease in the assumed discount rate will have an opposing impact on total claims expense.
Case estimate development	Case estimates are initially established in accordance with established guidelines and by reference to the known facts. Where new information becomes available the initial case estimate will change. This development movement is applied to open claims and will have a corresponding impact on claims expense.

Wage inflation rate sensitivity

Expected future payments are inflated to take account of inflationary increases. An increase or decrease in the assumed levels of economic inflation would have a corresponding impact on claims expense, with particular reference to longer tail claims.

Variable	Current rate %	Change variable to %	Operating surplus (deficit) at 30 June 2016 \$	Total accumulated funds after the impact of applying variable \$
IMPACT OF CHANGES IN KEY VARIABLES				
LIABILITY MUTUAL INSURANCE				
Base value at 30 June 2016	2.7%		306,981	(1,123,188)
Wage inflation rate pa		3.2%	(71,019)	(1,501,188)
		2.2%	684,981	(745,188)

Interest rate sensitivity

The reinsurance indemnity contracts contain no clauses that expose the Scheme, directly to interest rate risk. The reinsurance contracts are long term arrangements, reviewed and payable annually.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

Variable	Current rate %	Change variable to %	Operating surplus (deficit) at 30 June 2016 \$	Total accumulated funds after the impact of applying variable \$
IMPACT OF CHANGES IN DISCOUNT RATES				
LIABILITY MUTUAL INSURANCE				
Base value at 30 June 2016	1.80%		306,981	(1,123,188)
Discount rate pa		2.30%	736,981	(693,188)
		1.30%	(123,019)	(1,553,188)

Claims handling sensitivity

Future claims handling expenses represent administrative costs relating to the payment of claims incurred to date.

Variable	Current rate %	Change variable to %	Operating surplus (deficit) at 30 June 2016 \$	Total accumulated funds after the impact of applying variable \$
IMPACT OF CHANGES IN CLAIMS ADMINISTRATION EXPENSE				
LIABILITY MUTUAL INSURANCE				
Base value at 30 June 2016	0.8%		306,981	(1,123,188)
Claim administration expense		2.0%	(1,794,019)	(3,224,188)
		-2.0%	2,407,981	977,812

23. CAPITAL MANAGEMENT OBJECTIVES AND ECONOMIC DEPENDENCY

The Association is specifically excluded from the provisions of the Insurance Act and from APRA regulation. There is no externally imposed capital requirement on the Association. The Association's capital management philosophy is focused on capital efficiency and effective risk management to support a progressive business model for the benefit of members of both LMI and the Commercial Crime Fund. The Board of directors and management have in place a strategic plan that is aligned to achieving the Association's capital management philosophy with an objective to return to a net surplus position by 30 June 2019. Key elements of this plan include premium setting, risk management, claims management and reinsurance management. The capital management plan includes a review of the investment strategy and establishing increased flexibility in the scheme cost structures.

The Association operates LMI which is a non-discretionary mutual fund, and under Sections 6.4 and 6.5 of the Constitution the Association has the ability to obtain contributions from members to meet any shortfall in the Provision set aside in respect of that Insurance Year. Section 6.4 of the Constitution, states that each Participant (member) will remain liable to make further contributions to the scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability will continue whether or not the Participant remains a Participant in future Insurance Years.

24. REINSURANCE PERFORMANCE BONUS

The Liability Mutual Insurance Scheme, in conjunction with similar Local Government Self Insured Mutual Liability Schemes around Australia has entered into a profit sharing arrangement with its primary reinsurers, based on the National Local Government claims experience. The arrangement enables any surplus for each year over the five-year reinsurance period to be shared between the various Schemes and the reinsurers on a proportional basis. This arrangement completed in 2015. Performance bonus totalling \$Nil (2015 \$82,166) was received during the year.

25. CONTINGENT LIABILITY

During the normal course of business, MAV Insurance may be exposed to contingent liabilities from litigation arising from its insurance and reinsurance activities, which if they should crystallise may adversely affect the financial position and performance of MAV. Provisions are made for obligations that are probable and able to be quantified.

In June 2014, MAV Insurance committed to purchasing retrospective stop-loss reinsurance for the 2009 and 2011 financial years.

The policies provide coverage for the first \$1 million in claim costs for \$5 million in the aggregate in each of the years. The Liability Mutual Insurance Scheme benefits from the 2009 policy when aggregate claim costs below \$1 million reach \$22 million and the 2011 policy provides coverage when aggregate claim costs reach \$20 million. The effect of the policies is to provide additional protection from adverse development for claim costs below \$1 million. The reinsurance policies commenced at the close of business on 30 June 2014.

The MAV has arranged for its banker, the National Australia Bank, to provide a Bank Guarantee for the sum of \$396,316 to the MAV's landlord, the Reserve Bank of Australia, as security for its lease rental obligations at Levels 11 & 12, 60 Collins Street Melbourne, 3000.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

26. SPECIAL PURPOSE VEHICLE

In October 2014, the Association established a special purpose vehicle, Local Government Funding Vehicle (LGFV), to facilitate the issuing of debt instruments for and on behalf of its members. The Association considers itself the sponsor of this SPV as it was involved in establishment of the pooled borrowing vehicle. The LGFV is designed to aggregate a portfolio of non-amortising fixed rate council loans and issue loan backed bonds with matching maturities arranged by financial institutions.

Upon establishment of each Bond Issuance, the Association incurs costs professional advice in connection with the transaction. These costs are recovered from the SPV so that that Association bears no net costs. The Association is also entitled to earn a fixed fee of up to \$24,000 per annum for the management of the SPV.

The Association has no interest in the SPV at the reporting date, nor has it transferred any assets to the SPV during the reporting period. In the event of a default by participating councils, the Association is not exposed to any loss.

The Directors have determined that the Association does not have control over the SPV under IFRS 10 Consolidated Financial Statements, and as such, the assets and liabilities of the SPV are not included in the financial statements of the Association.

27. GENERAL INSURANCE AGREEMENT

The Association signed the 'General Insurance Agreement' (the Agreement) dated 30 June 2016 with Jardine Lloyd Thompson (JLT). The agreement is a replacement of the agreement dated 17 July 1987 (Existing Agreement). For the 15 year term of the Agreement, the Association agrees to not directly or indirectly provide insurance broking services to local government bodies in Victoria or to persons who are associated with or employed by local government bodies. The agreement provides that JLT pay an annual licence fee to the MAV consistent with the Existing Agreement. The annual licence fee received by the Association for the year ended 30 June 2016 was \$1.3 million. In addition to the annual fee, the Association is to receive an upfront fee of \$4 million for the performance of several conditions under the Agreement. As at 30 June 2016 the Association had fully satisfied these conditions and therefore has recognised the entirety of the up front fees as 'Brokerage Fees'. The balance owing has been recognised as a receivable within 'Trade and other receivables'.

28. REMUNERATION OF KEY MANAGEMENT PERSONNEL

The MAV employed key management personnel and provided these personnel with short term employee benefits and post employment benefits. The MAV also provided delegated authority to the MAV Insurance Board whose independent members were paid sitting fees. These benefits and fees are included in the total benefits outlined below. A proportion of the benefits paid to the MAV key management personnel is recovered from MAV Insurance.

MAV Board Members receive an annual allowance. There are twelve Board members, including two Deputy Presidents, plus the President. They also receive reimbursement of travel costs and a data allowance. All benefits paid have been included in the table below. The key management person is the Chief Executive Officer of the Association.

	Annual Allowance	Data allowance		
	\$	\$		
President	64,512	394		
Deputy Presidents	13,300	394		
Board Members	9,056	394		
			COMBINED	
	2016	2015	MAV - GENERAL FUND	
	\$	\$	2016	2015
	\$	\$	\$	\$
MAV Board Members				
Short term employment benefits	298,621	273,917	298,621	273,917
Post employment benefits	-	-	-	-
MAV Insurance Board Members				
Short term employment benefits	21,421	24,607	-	-
Post employment benefits	-	-	-	-
Key Management Personnel				
Short term employment benefits	321,689	355,562	321,689	355,562
Post employment benefits	30,560	30,493	30,560	30,493
TOTAL SHORT TERM EMPLOYMENT BENEFITS	641,731	610,290	620,310	585,683
TOTAL POST EMPLOYMENT BENEFITS	30,560	30,493	30,493	30,493

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

28. REMUNERATION OF KEY MANAGEMENT PERSONNEL (continued)

Loans to directors

The MAV has a strict policy of not providing loans to directors. No loans were made to or are payable by directors.

Other transactions

There were no other material transactions with directors.

Insurance

The activities of the MAV Board members are covered by the MAV directors' and officers' indemnity insurance policy effected by the Municipal Association of Victoria.

29. RELATED PARTIES

The Municipal Association of Victoria is a body corporate established under the *Municipal Association Act 1907* to provide services for and represent local government authorities in Victoria. The Association and its wholly owned controlled entities trade with its members in the normal course of business and on an arm's length basis. There were no related party transactions during the year.

30. SUBSEQUENT EVENTS

There were no material events subsequent to the year end that require reporting.

STATEMENT BY DIRECTORS

AS AT 30 JUNE 2016

In the opinion of the Directors of the Municipal Association of Victoria:

- (a) the accompanying Statements of Comprehensive Income drawn up so as to present fairly in all material respects the result of the association for the year ended 30 June 2016;
- (b) the accompanying Statement of Financial Position is drawn up so as to present fairly in all material respects the state of affairs of the association as at that date;
- (c) at the date of this statement there are reasonable grounds to believe that the association will be able to pay its debts as and when they fall due; and
- (d) the accompanying Combined Financial Statements present fairly in all material respects the state of affairs of the association as at that date;
- (e) the financial statements and notes also comply with the international financial reporting standards as disclosed in note 2(b).

The financial statements and combined financial statements have been made out in accordance with applicable Accounting Standards and other mandatory professional reporting requirements.

Signed in accordance with the resolution of directors.



Cr. William McArthur
President

Melbourne 7 October 2016



Cr. David Clarke
Director



Robert Spence
Chief Executive Officer



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Melbourne VIC 3000 Australia
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Melbourne VIC 3001

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Independent auditor's report to the members of Municipal Association of Victoria

We have audited the accompanying financial report of Municipal Association of Victoria and its combined entities, which comprises the statements of financial position as at 30 June 2016 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and statement of directors.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and with the Municipal Association Act 1907 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state that the financial report, comprising the financial statements and notes, complies with AASB 101 Presentation of Financial Statements as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the Australian professional accounting bodies.



Opinion

In our opinion:

- (a) the financial report presents fairly, in all material respects the financial position of Municipal Association of Victoria at 30 June 2016 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Municipal Association Act 1907; and
- (b) the financial report also complies with *International Financial Reporting Standards* as issued by the International Accounting Standards Board as disclosed in Note 2(b).

Ernst & Young

Maree Pallisco
Partner
Melbourne
7 October 2016



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Auditor's Independence Declaration to the Directors of Municipal Association of Victoria

In relation to our audit of the financial report of Municipal Association of Victoria and combined entities for the financial year ended 30 June 2016, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Maree Pallisco
Partner
7 October 2016



OTHER INFORMATION

Legal form:

The Municipal Association of Victoria is an association incorporated by the *Municipal Association Act 1907*.

Domicile:

Melbourne, Australia

Address of registered office and principal place of business:

Level 12, 60 Collins Street, Melbourne, 3000, Victoria, Australia

Nature of the operation and principal activities:

The Municipal Association of Victoria represents, promotes and supports the interest of Victorian local government and their communities.

Employees:

Average number of equivalent full time employees during the year is 43.23 EFT.

MAV INSURANCE

MA  V INSURANCE

FINANCIAL REPORT
2015-16

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
		2016	2015	2016	2015	2016	2015
		\$	\$	\$	\$	\$	\$
Premium revenue	3	26,791,081	30,008,570	26,791,081	30,008,570	-	-
Performance bonus	18	-	82,166	-	82,166	-	-
Reinsurance expense	2(s)	(17,228,551)	(17,262,821)	(17,228,551)	(17,262,821)	-	-
NET PREMIUM INCOME		9,562,530	12,827,915	9,562,530	12,827,915	-	-
Claims expense	4(a)	(29,304,990)	(9,264,639)	(29,304,990)	(9,264,639)	-	-
Reinsurance and other recoveries	3	26,502,057	3,179,629	26,502,057	3,176,629	-	3,000
NET CLAIMS EXPENSE	12	(2,802,933)	(6,085,010)	(2,802,933)	(6,088,010)	-	3,000
NET UNDERWRITING RESULT		6,759,597	6,742,905	6,759,597	6,739,905	-	3,000
Management fees	3,20	189,680	242,076	-	-	189,680	242,076
Investment income	3	1,008,686	903,884	1,004,132	893,541	4,554	10,343
Administration and general expenses	4(b)	(7,710,628)	(8,300,529)	(7,456,748)	(7,939,395)	(253,880)	(361,134)
OPERATING PROFIT (LOSS)		247,335	(411,664)	306,981	(305,949)	(59,646)	(105,715)
Other comprehensive income		-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		247,335	(411,664)	306,981	(305,949)	(59,646)	(105,715)

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	NOTE	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
		2016	2015	2016	2015	2016	2015
		\$	\$	\$	\$	\$	\$
CURRENT ASSETS							
Cash and cash equivalents	8(a)	713,445	1,155,084	578,855	936,112	134,590	218,972
Investments		24,686,375	27,236,239	24,686,375	27,236,239	-	-
Trade and other receivables	9	43,270,667	48,714,233	42,651,191	47,936,795	619,476	777,438
TOTAL CURRENT ASSETS		68,670,487	77,105,556	67,916,421	76,109,146	754,066	996,410
NON-CURRENT ASSETS							
Property, plant and equipment	7(a)	63,135	94,702	63,135	94,702	-	-
Intangible assets	7(b)	-	19,282	-	19,282	-	-
Trade and other receivables	9	63,334,124	49,957,504	63,334,124	49,957,504	-	-
TOTAL NON-CURRENT ASSETS		63,397,259	50,071,488	63,397,259	50,071,488	-	-
TOTAL ASSETS		132,067,746	127,177,044	131,313,680	126,180,634	754,066	996,410
CURRENT LIABILITIES							
Trade and other payables		3,980,317	4,025,394	3,338,773	3,201,153	641,544	824,241
Premiums in advance	10	22,938,145	26,791,081	22,938,145	26,791,081	-	-
Provision for claims outstanding	11(a)	20,146,330	20,394,346	20,146,330	20,394,346	-	-
TOTAL CURRENT LIABILITIES		47,064,792	51,210,821	46,423,248	50,386,580	641,544	824,241
NON-CURRENT LIABILITIES							
Provision for claims outstanding	11(a)	86,013,620	77,224,223	86,013,620	77,224,223	-	-
TOTAL NON-CURRENT LIABILITIES		86,013,620	77,224,223	86,013,620	77,224,223	-	-
TOTAL LIABILITIES		133,078,412	128,435,044	132,436,868	127,610,803	641,544	824,241
NET ASSETS		(1,010,665)	(1,258,000)	(1,123,188)	(1,430,169)	112,523	172,169
EQUITY		(1,010,665)	(1,258,000)	(1,123,188)	(1,430,169)	112,523	172,169

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

NOTE	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
RETAINED EARNINGS						
Balance at beginning of year	(1,258,000)	(846,336)	(1,430,169)	(1,124,220)	172,169	277,884
Surplus (loss) from ordinary activities	247,335	(411,664)	306,981	(305,949)	(59,646)	(105,715)
BALANCE AT END OF YEAR	(1,010,665)	(1,258,000)	(1,123,188)	(1,430,169)	112,523	172,169

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES						
RECEIPTS						
Premiums and fees	24,949,019	29,098,123	26,819,293	29,978,932	1,005,542	900,172
Performance bonus	58,860	113,724	53,994	101,836	4,866	11,888
Investment income	-	82,166	-	82,166	-	-
Reinsurance and other recoveries	14,856,577	13,440,673	14,856,577	13,437,673	-	3,000
PAYMENTS						
Suppliers	(23,042,461)	(24,946,885)	(24,823,487)	(25,523,217)	(1,094,790)	(1,204,649)
Claim payments	(20,763,634)	(19,869,444)	(20,763,634)	(19,869,444)	-	-
NET CASH PROVIDED BY/ (USED IN) OPERATING ACTIVITIES	(3,941,639)	(2,081,643)	(3,857,257)	(1,792,054)	(84,382)	(289,589)
	8(b)					
CASH FLOW FROM INVESTING ACTIVITIES						
Proceeds from sale of fixed assets	-	-	-	-	-	-
Payments for fixed assets and intangibles	-	-	-	-	-	-
Proceeds from redemption of investments	3,500,000	1,000,000	3,500,000	1,000,000	-	-
NET CASH USED IN INVESTING ACTIVITIES	3,500,000	1,000,000	3,500,000	1,000,000	-	-
NET INCREASE / (DECREASE) IN CASH HELD						
	(441,639)	(1,081,643)	(357,257)	(792,054)	(84,382)	(289,589)
Cash at beginning of year	1,155,084	2,236,727	936,112	1,728,166	218,972	508,561
CASH AT END OF YEAR	713,445	1,155,084	578,855	936,112	134,590	218,972
	8(a)					

The accompanying notes form an integral part of these statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1. CORPORATE INFORMATION

The combined financial report of MAV Insurance (The Group) for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors of the Municipal Association of Victoria on the date shown on the attached Statement by Directors.

MAV Insurance is the insurance division of the Municipal Association of Victoria. The Municipal Association of Victoria is an association incorporated by an Act of the Parliament of Victoria known as the *Municipal Association Act 1907*.

The nature of the operations and principal activities of MAV Insurance are the provision of public liability, professional indemnity (Liability Mutual Insurance Scheme) and arranging fidelity insurance (Commercial Crime Fund) for its members located in Victoria and Tasmania and community groups within its Council member boundaries.

On 1st July 2010 the Commercial Crime Fund ceased to write insurance business on its own account. From this date the Fund facilitated insurance for its members via a policy issued by Zurich Insurance Australia. The Fund undertook this change in business due to the inability of the Fund to offer the broad terms and conditions currently available in the market. This is due to the restrictions placed on the Fund by the provisions of the *Municipal Association Act 1907*.

The Fund was liable for any claims made against it up to 31 December 2010 for events occurring prior to 1st July 2010. From the 1st January 2011 the Fund is not on risk for any insurance claim that might be made against it.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting standards and interpretations issued but not yet effective

Accounting Standards and Interpretations that have recently been issued or amended and are effective and have been adopted by the Group for the annual reporting period, ending 30 June 2016 are outlined in the table below:

Reference	Title summary	Application date of standard	Impact on group financial report	Application date for group
AASB 2013-9	Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments	1 January 2015	Nil	1 July 2015
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.	1 July 2015	Nil	1 July 2015

Accounting Standards and Interpretations issued but not yet effective

Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period, ending 30 June 2016 are outlined in the table below:

Reference	Title summary	Application date of standard	Impact on group financial report	Application date for group
AASB 9	Financial Instruments	1 January 2018	Impact not yet assessed	1 July 2018
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 & AASB 138)	1 January 2016	Nil	1 July 2016
AASB 1057	Application of Australian Accounting Standards	1 January 2016	Nil	1 July 2016
AASB 2015-2	Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101	1 January 2016	Nil	1 July 2016

(a) Basis of preparation

The financial report is a general purpose financial report which has been drawn up in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The principal accounting policies adopted in preparing the financial report are stated to assist in a general understanding of the financial report. Accounting policies have been consistently applied unless otherwise indicated.

The financial report is presented in Australian dollars. MAV Insurance is a Not for Profit entity.

The accounts have been prepared on the accruals basis using historical costs and, except where stated, do not take into account current valuations of assets.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

(c) The basis of the combined report

The combined financial report relates to the insurance activities of the Municipal Association of Victoria (the Association) being its controlled entities the Local Government Mutual Liability Insurance Scheme (trading as Liability Mutual Insurance, - LMI) 'the Scheme', and the Commercial Crime Fund. The two insurance entities are separate independent entities. Neither insurance entity has control over the other. The effects of all transactions between entities in the Combined entity have been eliminated.

The financial statements of the entities are prepared for the same reporting period as the Municipal Association of Victoria, using consistent accounting policies.

(d) Income tax

The Municipal Association of Victoria is a State and Territory Body (STB) and is exempt from income tax, in accordance with Division 1AB of Part III of the *Income Tax Assessment Act*.

(e) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the Statement of Financial Position.

(f) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised where there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue, other than outstanding reinsurance recoveries, are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(g) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(h) Property, plant, equipment, trademarks and intellectual property

Property, furniture and equipment are carried at cost, less where applicable, accumulated depreciation and impairment.

On disposal of an item of property, furniture and equipment the difference between the sales proceeds and the carrying amount of the asset is recognised as a gain or loss.

All fixed assets are depreciated/amortised on a straight line basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The Following Depreciation And Amortisation Rates Are In Use:

	Annual rate
Leasehold improvements at cost	10%
Property, plant and equipment at cost	20%
Website at cost	20%

The website is treated as an intangible asset with a finite life and is amortised over the useful life and tested for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in the accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in statement of comprehensive income in the expense category 'Amortisation'.

The Association does not have any intangible assets with indefinite useful lives.

(i) Management fees

Management Fees comprise amounts received from members to manage and pay expenses for and on behalf of the Commercial Crime Fund.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

(j) Investment income

Investment income consists of interest which is recognised on a time-proportionate basis that takes into account the effective interest rate on the financial asset and movements in unit values in cash and fixed interest funds which are carried at fair value through the Statement of Comprehensive Income.

(k) Premiums

Premiums comprise amounts charged to members of the Schemes for policy cover, net of amounts returned to members as bonuses. The earned portion of premiums received is recognised as revenue. Premiums are treated as earned from date of attachment of risk. The pattern of recognition over the policy is based on time, which is considered to closely approximate the pattern of risks undertaken.

(l) Premiums in advance

During the month of June each year, the Liability Mutual Insurance Scheme issued premium notices to Scheme members. The risk attaches to the premiums in the next accounting period and accordingly the revenue is recognised each following year commencing 1 July. Prior to each balance date members have committed to participate in either the Scheme or the Fund for the ensuing year and accordingly the premiums are disclosed in the Statement of Financial Position as 'premiums receivable' with an offsetting liability described as 'premiums in advance'.

(m) Claims

Claims-incurred expense and liability for outstanding claims are recognised in respect of direct business. The liability covers claims incurred but not yet paid, incurred but not yet reported claims, and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by reviewing individual claim files and estimating claims not notified and settlement costs using statistical and actuarial techniques. The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all the claims do not have to be paid out in the immediate future. The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal inflation and superimposed inflation. Advice from the MAV's actuary has estimated superimposed inflation to be 3% per annum (2015 3%) for personal injury non large claims and the discount rate at 1.8% (2015 2.5%).

(n) Investments

Investments are valued at net market value at balance date. Investment income includes interest received and receivable on investments and changes in net market values of investments in cash and fixed interest funds.

(o) Cash flows

For the purposes of the Statement of Cash Flows, cash includes cash on hand and deposits held at call with banks and investments in cash and fixed interest funds net of outstanding bank overdrafts.

(p) Reinsurance and other recoveries receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not paid, claims incurred but not reported and unexpired risk liabilities are recognised as revenue. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

(q) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) **Premiums** – recognised in the period the fund is at risk.

(ii) **Future reinsurance and other recoveries** – on an accruals basis.

(iii) **Investment income** – on an accruals basis including, adjustments made to account for changes in the value of cash-backed unit trusts, to account as investment income.

(iv) **Performance bonus** – on an accruals basis when firm evidence is available confirming the amount and indicating payment.

(r) Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(s) Reinsurance expense

Reinsurance expense relates to insurance premiums paid to reinsurers in accordance with the established reinsurance strategy of the entity and in order to protect the insurance businesses from catastrophic and unforeseen claims.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

(f) Fair Value Measurement

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the 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

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

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the MAV 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. MAV does not have any level 3 financial assets.

Cash at Bank is considered level 1 financial assets.

Investments represent holdings in managed investment funds that are not traded in a market considered active. The fair value of these assets is regularly revalued by the Investment Manager based on observable inputs or derivable from observable inputs. These are considered level 2 financial assets. The carrying amounts of financial assets and financial liabilities represent their approximate net fair value. All maturity dates are within twelve months. For the purpose of fair value disclosures, the MAV 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.

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
2016				
Cash and cash equivalents	713,445	-	-	713,445
Investments	-	24,686,375	-	24,686,375
TOTAL	713,445	24,686,375	-	25,399,820
2015				
Cash and cash equivalents	1,155,084	-	-	1,155,084
Investments	-	27,236,239	-	27,236,239
TOTAL	1,155,084	27,236,239	-	28,391,323

	NOTE	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
		2016	2015	2016	2015	2016	2015
		\$	\$	\$	\$	\$	\$
3. REVENUE FROM ORDINARY ACTIVITIES							
REVENUES FROM OPERATING ACTIVITIES							
Premiums		26,791,081	30,008,570	26,791,081	30,008,570	-	-
Performance bonus	18	-	82,166	-	82,166	-	-
Reinsurance and other recoveries	2(p)	26,502,057	3,179,629	26,502,057	3,176,629	-	3,000
Management fees received		189,680	242,076	-	-	189,680	242,076
TOTAL REVENUE FROM OPERATING ACTIVITIES		53,482,818	33,512,441	53,293,138	33,267,365	189,680	245,076
REVENUES FROM NON-OPERATING ACTIVITIES							
Investment income		1,008,686	903,884	1,004,132	893,541	4,554	10,343
TOTAL REVENUE FROM OUTSIDE THE OPERATING ACTIVITIES		1,008,686	903,884	1,004,132	893,541	4,554	10,343
TOTAL REVENUE FROM ORDINARY ACTIVITIES		54,491,504	34,416,325	54,297,270	34,160,906	194,234	255,419

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
		2016	2015	2016	2015	2016	2015
		\$	\$	\$	\$	\$	\$
4(a) CLAIMS EXPENSES							
Paid		20,763,609	19,869,445	20,763,609	19,869,445	-	-
Outstanding claims at end of financial year	11(a) & 2(m)	106,159,950	97,618,569	106,159,950	97,618,569	-	-
Outstanding claims at beginning of financial year		(97,618,569)	(108,223,375)	(97,618,569)	(108,223,375)	-	-
TOTAL CLAIMS EXPENSES		29,304,990	9,264,639	29,304,990	9,264,639	-	-
4(b) Administration and general expenses							
The following items have been recognised in the operating surplus (deficit):							
Administration		2,050,324	2,016,342	2,037,217	2,003,516	13,107	12,826
Actuary and legal fees		137,864	113,126	137,864	113,126	-	-
Audit fees	5	131,800	127,898	123,773	120,177	8,027	7,721
Depreciation furniture and equipment		11,846	11,847	11,846	11,847	-	-
Depreciation leasehold improvements		19,721	19,721	19,721	19,721	-	-
Amortisation intangible assets		19,282	32,988	19,282	32,988	-	-
Scheme management fee	6	3,433,588	3,462,072	3,200,842	3,121,485	232,746	340,587
Stamp duty		1,906,203	2,516,535	1,906,203	2,516,535	-	-
TOTAL EXPENDITURE		7,710,628	8,300,529	7,456,748	7,939,395	253,880	361,134
5. AUDITORS REMUNERATION							
Amounts payable or due and payable for audit services:							
Audit of the entity		131,800	127,898	123,773	120,177	8,027	7,721
Tax compliance		-	-	-	-	-	-
Other services		-	-	-	-	-	-
		131,800	127,898	123,773	120,177	8,027	7,721
6. SCHEME MANAGEMENT FEES							
Included within administration and general expenses are management fees for:							
Reinsurance placement		2,172,427	2,109,152	2,172,427	2,109,152	-	-
Risk management and administrative services		1,261,162	1,352,920	1,028,415	1,012,333	232,746	340,587
TOTAL SCHEME MANAGEMENT FEES		3,433,588	3,462,072	3,200,842	3,121,485	232,746	340,587

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
7(a) PROPERTY, PLANT AND EQUIPMENT						
Leasehold improvements - at cost	179,441	179,441	179,441	179,441	-	-
Less accumulated depreciation	(139,998)	(120,277)	(139,998)	(120,277)	-	-
	39,443	59,164	39,443	59,164	-	-
Furniture and equipment - at cost	98,019	98,020	98,019	98,020	-	-
Less accumulated depreciation	(74,327)	(62,482)	(74,327)	(62,482)	-	-
	23,692	35,538	23,692	35,538	-	-
TOTAL PROPERTY, PLANT AND EQUIPMENT	63,135	94,702	63,135	94,702	-	-
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the financial year.						
LEASEHOLD IMPROVEMENTS						
Movements during the year						
Beginning of year	59,164	78,886	59,164	78,886	-	-
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Depreciation	(19,721)	(19,722)	(19,721)	(19,722)	-	-
End of year	39,443	59,164	39,443	59,164	-	-
PROPERTY, PLANT AND EQUIPMENT						
Movements during the year						
Beginning of year	35,538	47,384	35,538	47,384	-	-
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Depreciation	(11,846)	(11,846)	(11,846)	(11,846)	-	-
End of year	23,692	35,538	23,692	35,538	-	-
7(b) WEBSITE						
Website - at cost	137,451	137,451	137,451	137,451	-	-
Less accumulated amortisation	(137,451)	(118,169)	(137,451)	(118,169)	-	-
	-	19,282	-	19,282	-	-
WEBSITE						
Movements during the year						
Beginning of year	19,282	52,270	19,282	52,270	-	-
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Amortisation	(19,282)	(32,988)	(19,282)	(32,988)	-	-
End of year	-	19,282	-	19,282	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
		2016	2015	2016	2015	2016	2015
		\$	\$	\$	\$	\$	\$
8(a) NOTES TO THE STATEMENT OF CASH FLOWS							
Cash and cash equivalents at balance date as shown in the Statement of Cash Flows are held in Standard & Poor's rated AA- and A- rated cash deposits and are reconciled to the related items in the balance sheet as follows:							
Cash and cash equivalents		713,445	1,155,084	578,855	936,112	134,590	218,972
8(b) Reconciliation of net cash used in operating activities to operating surplus/(deficit)							
Surplus (deficit) for year		247,335	(411,664)	306,981	(305,949)	(59,646)	(105,715)
ADJUSTMENTS FOR:							
Depreciation		31,567	31,568	31,567	31,568	-	-
Amortisation		19,282	32,988	19,282	32,988	-	-
Unrealised gains on investments		(950,136)	(791,705)	(950,136)	(791,705)	-	-
CHANGES IN ASSETS AND LIABILITIES:							
(Increase)/decrease in trade and other receivables	2(f)	(7,933,056)	17,862,984	(8,091,018)	17,951,997	157,962	(89,013)
Increase/(decrease) in trade and other payables		(45,076)	(5,016,021)	137,622	(4,921,160)	(182,698)	(94,861)
Increase/(decrease) in premiums in advance		(3,852,935)	(3,184,988)	(3,852,935)	(3,184,988)	-	-
(Increase)/decrease in provision for reinsurance recoveries		-	-	-	-	-	-
Increase/(decrease) in outstanding claims	2(m)	8,541,380	(10,604,805)	8,541,380	(10,604,805)	-	-
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		(3,941,639)	(2,081,643)	(3,857,257)	(1,792,054)	(84,382)	(289,589)
9. RECEIVABLES							
Future reinsurance and other recoveries receivable	2(p)	86,024,302	73,866,185	86,024,302	73,866,185	-	-
Discount to present value		(5,307,873)	(4,795,236)	(5,307,873)	(4,795,236)	-	-
		80,716,429	69,070,949	80,716,429	69,070,949	-	-
Less provision for doubtful debts		-	-	-	-	-	-
Premiums receivable		24,592,429	28,473,575	24,592,429	28,473,575	-	-
Other receivables		1,295,933	1,127,213	676,457	349,775	619,476	777,438
TOTAL RECEIVABLES		106,604,791	98,671,737	105,985,315	97,894,299	619,476	777,438
Represented by:							
CURRENT		43,270,667	48,714,233	42,651,191	47,936,795	619,476	777,438
NON-CURRENT		63,334,124	49,957,504	63,334,124	49,957,504	-	-
TOTAL		106,604,791	98,671,737	105,985,315	97,894,299	619,476	777,438

Reinsurance recoveries are due from reinsurers with Standard & Poor's ratings of AA- and A. Other recoveries are due from unrated local authorities based in Victoria and Tasmania.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

The ageing analysis of premiums receivable and other receivables are as follows:

	Total	<30 days	31-60 days	61-90 days	>90 days
2016					
Combined	25,888,362	25,888,362	-	-	-
Liability Mutual Insurance	25,268,886	25,268,886	-	-	-
Commercial Crime Fund	619,476	619,476	-	-	-
2015					
Combined	29,600,788	29,600,788	-	-	-
Liability Mutual Insurance	28,823,350	28,823,350	-	-	-
Commercial Crime Fund	777,438	777,438	-	-	-

All premiums receivable and other receivables are due from local authorities based in Victoria and Tasmania.

	NOTE	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
		2016	2015	2016	2015	2016	2015
		\$	\$	\$	\$	\$	\$
10. PREMIUMS IN ADVANCE							
Contributions billed in advance	2(l)	22,938,145	26,791,081	22,938,145	26,791,081	-	-
11(a) OUTSTANDING CLAIMS							
Central estimate	2(m)	112,266,215	104,857,916	112,266,215	104,857,916	-	-
Discount to present value		(6,929,174)	(7,927,615)	(6,929,174)	(7,927,615)	-	-
		105,337,041	96,930,301	105,337,041	96,930,301	-	-
Claims handling costs		822,909	688,268	822,909	688,268	-	-
Risk margin	11(b)	-	-	-	-	-	-
TOTAL OUTSTANDING CLAIMS		106,159,950	97,618,569	106,159,950	97,618,569	-	-
Represented by:							
CURRENT		20,146,330	20,394,346	20,146,330	20,394,346	-	-
NON-CURRENT		86,013,620	77,224,223	86,013,620	77,224,223	-	-
TOTAL CLAIMS PROVISION		106,159,950	97,618,569	106,159,950	97,618,569	-	-

11(b) Risk margin - Process for determining risk margin

As at 30 June 2016, the MAV Insurance Board determined that the outstanding claims liability is to be held at the 50% probability of sufficiency on the basis of the non-discretionary mutual structure of the LMI Scheme. As a result, a 0% risk margin was applied to the central estimate (2015 0%) to achieve the desired level of sufficiency. Please see Note 17.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

11(c) Combined reconciliation of movement in discounted outstanding claims liability

	2016			2015		
	Gross \$	Reinsurance \$	Net \$	Gross \$	Reinsurance \$	Net \$
Outstanding claims brought forward	97,618,569	69,070,951	28,547,618	108,223,375	79,331,994	28,891,381
Changes in assumptions	20,763,610	14,339,202	6,424,408	19,257,188	12,395,635	6,861,554
Increase in claims incurred/recoveries anticipated	8,541,380	12,162,855	(3,621,475)	(9,992,550)	(9,219,006)	(773,544)
Incurred claims recognised in income statement	29,304,990	26,502,057	2,802,933	9,264,638	3,176,629	6,088,010
Claim payments/recoveries during the year	(20,763,609)	(14,856,579)	(5,907,028)	(19,869,444)	(13,437,672)	(6,431,773)
Outstanding claims carried forward	106,159,950	80,716,429	25,443,523	97,618,569	69,070,951	28,547,618

12. NET CLAIMS INCURRED

	2016			2015		
	Current year \$	Prior year \$	Total \$	Current year \$	Prior year \$	Total \$
COMBINED						
Gross claims and related expenses - undiscounted	22,807,715	5,498,834	28,306,549	23,063,571	(17,662,524)	5,401,047
Discount	(1,660,144)	2,658,585	998,441	(2,025,629)	5,889,221	3,863,592
Gross claims and related expenses - discounted	21,147,571	8,157,419	29,304,990	21,037,942	(11,773,303)	9,264,639
Reinsurance and other recoveries - undiscounted	(16,874,698)	(10,942,042)	(27,816,740)	(7,875,782)	8,885,785	1,010,003
Discount	(286,009)	1,600,692	1,314,683	(1,644,500)	(2,545,132)	(4,189,632)
Reinsurance and other recoveries - discounted	(17,160,707)	(9,341,350)	(26,502,057)	(9,520,282)	6,340,653	(3,179,629)
NET CLAIMS INCURRED	3,986,864	(1,183,931)	2,802,933	11,517,660	(5,432,650)	6,085,010
LIABILITY MUTUAL INSURANCE						
Gross claims and related expenses - undiscounted	22,807,715	5,498,834	28,306,549	23,063,571	(17,662,524)	5,401,047
Discount	(1,660,144)	2,658,585	998,441	(2,025,629)	5,889,221	3,863,592
Gross claims and related expenses - discounted	21,147,571	8,157,419	29,304,990	21,037,942	(11,773,303)	9,264,639
Reinsurance and other recoveries - undiscounted	(16,874,698)	(10,942,042)	(27,816,740)	(7,875,782)	8,888,785	1,013,003
Discount	(286,009)	1,600,692	1,314,683	(1,644,500)	(2,545,132)	(4,189,632)
Reinsurance and other recoveries - discounted	(17,160,707)	(9,341,350)	(26,502,057)	(9,520,282)	6,343,653	(3,176,629)
NET CLAIMS INCURRED	3,986,864	(1,183,931)	2,802,933	11,517,659	(5,429,649)	6,088,010
COMMERCIAL CRIME FUND						
Gross claims and related expenses - undiscounted	-	-	-	-	-	-
Discount	-	-	-	-	-	-
Gross claims and related expenses - discounted	-	-	-	-	-	-
Reinsurance and other recoveries - undiscounted	-	-	-	-	(3,000)	(3,000)
Discount	-	-	-	-	-	-
Reinsurance and other recoveries - discounted	-	-	-	-	(3,000)	(3,000)
NET CLAIMS INCURRED	-	-	-	-	(3,000)	(3,000)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

13. CLAIMS DEVELOPMENT TABLE

ACCIDENT YEAR	2012	2013	2014	2015	2016	TOTAL
	\$	\$	\$	\$	\$	\$
GROSS ESTIMATE OF ULTIMATE CLAIMS COST- LIABILITY MUTUAL INSURANCE						
At end year of accident	21,064,708	23,083,334	22,191,872	22,465,862	22,303,614	
One year later	20,109,939	22,302,009	22,401,912	21,693,885	-	
Two years later	27,742,511	19,817,058	28,143,146	-	-	
Three years later	25,779,374	18,072,661	-	-	-	
Four years later	32,932,635	-	-	-	-	
Current estimate of cumulative claims cost	32,932,635	18,072,661	28,143,146	21,693,885	22,303,614	123,145,941
Cumulative payments	(12,651,347)	(6,700,412)	(5,139,195)	(1,235,130)	(170,458)	(25,896,542)
Outstanding claims - undiscounted	20,281,288	11,372,249	23,003,951	20,458,755	22,133,156	97,249,399
Discount						(6,873,857)
Claims handling expense						777,995
2011 and prior						15,006,413
LIABILITY MUTUAL INSURANCE - TOTAL GROSS OUTSTANDING CLAIMS 11(a)						
						106,159,950
COMBINED TOTAL GROSS OUTSTANDING CLAIMS 11(c)						
						106,159,950
NET ESTIMATE OF ULTIMATE CLAIMS COST - LIABILITY MUTUAL INSURANCE						
At end year of accident	8,710,223	8,122,535	4,602,870	12,238,620	3,710,694	
One year later	7,441,671	8,218,920	4,674,158	11,932,830	-	
Two years later	7,975,258	8,074,101	4,707,042	-	-	
Three years later	8,225,322	7,297,209	-	-	-	
Four years later	7,896,496	-	-	-	-	
Current estimate of cumulative claims cost	7,896,496	7,297,209	4,707,042	11,932,830	3,710,694	35,544,271
Cumulative payments	(4,868,399)	(3,254,037)	(2,182,239)	(774,472)	(117,088)	(11,196,235)
Outstanding claims - undiscounted	3,028,097	4,043,172	2,524,803	11,158,358	3,593,606	24,348,036
Discount						(1,645,021)
Claims handling expense						194,786
2011 and prior						2,545,722
LIABILITY MUTUAL INSURANCE - TOTAL NET OUTSTANDING CLAIMS						
						25,443,523
COMBINED TOTAL NET OUTSTANDING CLAIMS 11(c)						
						25,443,523

These tables show the trend in the balance of outstanding claims.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

14. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group's exposure to interest rate risk and the effective average interest rate for the classes of financial assets is set out below:

	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	Non-interest earning	Floating interest rate	Non-interest earning	Floating interest rate	Non-interest earning	Floating interest rate
	\$	\$	\$	\$	\$	\$
2016						
FINANCIAL ASSETS						
Cash and cash equivalents	-	713,445	-	578,855	-	134,590
Investments	-	24,686,375	-	24,686,375	-	-
Trade and other receivables	106,604,791	-	105,985,315	-	619,476	-
TOTAL FINANCIAL ASSETS	106,604,791	25,399,820	105,985,315	25,265,230	619,476	134,590
Weighted average interest rate		3.8%		3.8%		2.6%
FINANCIAL LIABILITIES						
Outstanding claims	106,159,950	-	106,159,950	-	-	-
Unearned premiums/subscriptions	22,938,145	-	22,938,145	-	-	-
Trade and other payables	3,980,317	-	3,338,773	-	641,544	-
TOTAL FINANCIAL LIABILITIES	133,078,412	-	132,436,868	-	641,544	-
Weighted average interest rate		0.0%		0.0%		0.0%
2015						
FINANCIAL ASSETS						
Cash and cash equivalents	-	1,155,084	-	936,112	-	218,972
Investments	-	27,236,239	-	27,236,239	-	-
Trade and other receivables	98,671,737	-	97,894,299	-	777,438	-
TOTAL FINANCIAL ASSETS	98,671,737	28,391,323	97,894,299	28,172,351	777,438	218,972
Weighted average interest rate		3.1%		3.1%		2.8%
FINANCIAL LIABILITIES						
Outstanding claims	97,618,569	-	97,618,569	-	-	-
Unearned premiums/subscriptions	26,791,081	-	26,791,081	-	-	-
Trade and other payables	4,025,394	-	3,201,153	-	824,241	-
TOTAL FINANCIAL LIABILITIES	128,435,044	-	127,610,803	-	824,241	-
Weighted average interest rate		0.00%		0.00%		0.00%

Cash and cash equivalents are considered level 1 financial assets and Investments are considered level 2 financial assets in accordance with AASB 7 (Financial Instruments). The carrying amounts of financial assets and financial liabilities represent their approximate net fair value. All maturity dates are within twelve months.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as at 30 June 2016. Cash flows for financial assets and liabilities without fixed amounts or timing are based on conditions existing at 30 June 2016.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

14. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

The remaining contractual maturities of the financial liabilities are:

NOTE	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
3 months or less	14,791,587	15,864,302	14,150,043	15,040,061	641,544	824,241
3-12 months	32,443,395	35,587,945	32,443,395	35,587,945	-	-
1-5 years	62,699,707	60,897,603	62,699,707	60,897,603	-	-
Over 5 years	30,072,895	24,012,808	30,072,895	24,012,808	-	-
	140,007,584	136,362,658	139,366,040	135,538,417	641,544	824,241

LIQUIDITY RISK

Maturity analysis of financial assets and liabilities based on management's expectation.

The risk implied from the values in the table below, reflects a balanced view of cash inflows and outflows. These liabilities originate from insurance contracts and other financial assets used in the ongoing operations of the business. These assets are considered in the Association's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable effective controlling of future risks, the Association has established a comprehensive risk reporting covering its insurance business that reflects the management of settlement of financial assets and liabilities.

Year ended 30 June 2016	<3 months	3-12 months	1-5 years	>5 years	TOTAL
	\$	\$	\$	\$	\$
COMBINED FINANCIAL ASSETS					
Cash and cash equivalents	713,445	-	-	-	713,445
Investments	24,686,373	-	-	-	24,686,373
Trade and other receivables	31,038,101	12,356,309	44,138,901	24,379,352	111,912,663
	56,437,919	12,356,309	44,138,901	24,379,352	137,312,481
COMBINED FINANCIAL LIABILITIES					
Outstanding claims	5,079,130	15,237,391	62,699,707	30,072,895	113,089,123
Unearned premiums/subscriptions	5,734,536	17,203,609	-	-	22,938,145
Trade and other payables	3,977,920	2,395	-	-	3,980,315
TOTAL FINANCIAL LIABILITIES	14,791,586	32,443,395	62,699,707	30,072,895	140,007,583
NET MATURITY	41,646,333	(20,087,086)	(18,560,806)	(5,693,543)	(2,695,102)

Year ended 30 June 2015	<3 months	3-12 months	1-5 years	>5 years	TOTAL
	\$	\$	\$	\$	\$
COMBINED FINANCIAL ASSETS					
Cash and cash equivalents	1,155,084	-	-	-	1,155,084
Investments	27,236,239				27,236,239
Trade and other receivables	35,385,172	13,506,424	39,786,253	14,789,124	103,466,973
	63,776,495	13,506,424	39,786,253	14,789,124	131,858,296
COMBINED FINANCIAL LIABILITIES					
Outstanding claims	5,158,944	15,476,830	60,897,603	24,012,808	105,546,185
Unearned premiums/subscriptions	6,697,770	20,093,310	-	-	26,791,080
Trade and other payables	4,007,588	17,806	-	-	4,025,394
TOTAL FINANCIAL LIABILITIES	15,864,302	35,587,946	60,897,603	24,012,808	136,362,659
NET MATURITY	47,912,193	(22,081,522)	(21,111,350)	(9,223,684)	(4,504,363)

14. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

Risk management objectives and policies for mitigating insurance risk

The Association's local government mutual liability scheme (trading as Liability Mutual Insurance) is established by legislation contained in the *Municipal Association Act 1907*. Membership is available to local government councils and prescribed bodies. The Scheme operates in Victoria & Tasmania to provide services to members in respect of their potential and actual liabilities. A member may seek indemnity from the Scheme in respect of a claim.

Actuarial models, using information from the Scheme's management information systems are used to confirm contributions and monitor claim patterns. Past experience and statistical methods are used as part of the process.

The principal risk is that the frequency and severity of claims is greater than expected. Civil Liability Risk events are, by their nature, random, and the actual number and size of events during any one-year may vary from those estimated using established statistical techniques.

Objectives in managing risk arising from insurance and policies for mitigating those risks

The Scheme has an objective to control insurance risk thereby reducing the volatility of its operating surplus. In addition to the inherent uncertainty of civil liability risks, which can lead to variability in the loss experience, operating surpluses can also be affected by external factors, such as competition and movements in asset values.

The Scheme relies on a strong relationship with its members and actively encourages them to adopt practices of risk management that reduce the incidence of claims to the Scheme.

Reinsurance strategy

The Scheme adopts a conservative approach towards management of risk and does this by utilising various risk transfer options. The MAV Insurance Board determines the level of risk, which is appropriate for the Scheme having regard to ordinary concepts of prudence and regulatory constraints. The risk transfer arrangements adopted by the Scheme include the utilisation of commercial reinsurance / excess arrangements. These arrangements include constant review of both reinsurers' financial strength, and ensuring spread of risk among reinsurers who meet the requirements of the MAV insurance policies. These risk transfer arrangements assist the Scheme to limit exposures to large single claims and catastrophic events. These programs are reviewed each year to ensure that they continue to meet the risk needs of the Scheme.

Terms and conditions of membership

Membership to the Scheme is offered to eligible bodies and renewed annually on 30th June. Payment of the annual contribution confirms continuation of membership. Termination of membership is subject to at least 14 days written notice of intention as laid out by the Scheme Rules.

Product features

The Scheme operates in Victoria & Tasmania. Should a claim be accepted the Scheme provides indemnity to the member in respect of its civil liabilities for \$400 million Public / Products Liability (\$600 million for Water Authorities) and \$300 million for Professional Indemnity insurance, in excess of any self-insured amount, for any claim incurred anywhere throughout the world.

Operating surpluses and deficits arise from the total contributions charged to members less the amounts paid to cover claims and the expenses incurred by the Scheme.

Management of risks

Contribution risk is the risk that the Scheme does not charge contributions appropriate for the indemnity cover it provides. The Scheme manages contribution risk through its proactive approach to risk management that addresses all material risks both financial and non-financial. There are no specific terms and conditions that are expected to have a material impact on the financial statements.

Claims experience risk is managed through the non-financial risk assessment and risk management and reinsurance management process. Claims experience is monitored on an ongoing basis to ensure that any adverse trending is addressed. The Scheme is able to reduce the claims experience risk of severe losses through the reinsurance program, and by managing the concentration of insurance risks. LMI is a non-discretionary mutual fund which, under the Constitution has the ability to obtain contributions from members to pay liabilities and expenses.

Concentration of insurance risks

Insurance risk is managed by taking a long term approach to setting the annual contribution rates that eliminates price fluctuations, through appropriate investment strategy, reinsurance and by maintaining an active state-wide risk management profile. The Scheme keeps abreast of changes in the general economic, legal and commercial environment in which it operates. The Scheme spreads its risk of reinsurance failure by ensuring reinsurers are of high financial quality and can meet their commitments to the Association. The Association maintains policies and strategies and receives advice from an independent actuary on at least an annual basis in order to determine the concentration and amount of risk exposure.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

14. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

		CREDIT RATING					Not rated	TOTAL
		AAA +/-	AA +/-	AA- +/-	A	Speculative grade		
		\$m	\$m	\$m	\$m	\$m		
Reinsurance and other recoveries on outstanding claims	2016	-	-	0.073	31.963	-	0.315	32.351
	2015	-	-	0.18	27.101	-	0.177	27.458
Reinsurance and other recoveries on paid claims	2016	-	-	0.058	1.178	-	-	1.236
	2015	-	-	0.101	1.652	-	0.055	1.808

		PAST DUE BUT NOT IMPAIRED					Impaired	TOTAL
		Neither past due nor impaired	Less than 3 months	3 to 6 months	6 months to 1 year	Greater than 1 year		
		\$m	\$m	\$m	\$m	\$m		
Reinsurance and other recoveries on paid claims	2016	-	1.236	-	-	-	-	1.236
	2015	-	1.753	-	-	-	0.055	1.808

Credit risk

The Scheme is exposed to credit risk on insurance contracts as a result of exposure to reinsurers. The credit risk of reinsurers is managed through the Scheme's Reinsurance Management Strategy and policies that includes regularly monitoring both the financial rating of the reinsurers both prior to and during the reinsurance program and the flow of payments coming from the reinsurers. Investments in cash and cash equivalents at balance date as shown in the Statement of Cash Flows are held in S&P rated AA- and A- rated cash deposits.

Price risk

Investments held are not subject to price risk. Investments are cash at bank and fixed interest funds.

Interest rate risk

MAV Insurance is exposed to interest rate risk from its cash and cash equivalents.

Variable	Current rate	Change variable to	Operating surplus (deficit) at 30 June 2016	Total accumulated funds after the impact of applying variable
	%	%	\$	\$
IMPACT OF CHANGES IN INTEREST RATE ON FINANCIAL ASSETS				
MAV INSURANCE				
Base value at 30 June 2016	3.8%		247,335	(1,010,665)
Interest rate pa		4.3%	252,006	(1,005,994)
		3.3%	242,664	(1,015,337)

15. ACCOUNTING ESTIMATES AND JUDGEMENTS

The Scheme makes estimates and judgements in respect of certain key assets and liabilities. Estimates and judgements are continually reviewed and are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates and judgements are applied are described below.

15(a) Estimation of outstanding claims liability

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported ('IBNR') to the Scheme. The Scheme takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome may be different from the original liability established.

Provisions are calculated gross of all recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers and any third party.

The determination of an appropriate outstanding claims provision involves:

- (i) Establishing a case estimate for each reported claim at year-end taking into account legal advice where appropriate on larger claims;
- (ii) Allowance for incurred but not reported claims as confirmed by the actuarial review on 30 June 2016;
- (iii) An allowance of 0.8% for claim settlement expenses, as assumed by the Actuary;
- (iv) Allowances for claim inflation of 2.7%, as assumed by the Actuary;
- (v) Allowances for discount at 1.8%, as assumed by the Actuary;
- (vi) A risk margin of 0% of net outstanding claims after the effect of reinsurance has been applied, as assumed by the actuary.

Refer to Note 11 b) for details.

Details of specific actuarial assumptions used in deriving the outstanding claims liability at year-end are detailed in note 16.

15(b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts were estimated for each fund year, from the payments to date and estimated outstanding claims history at 30 June 2016, taking into account the reinsurance terms applying to that fund year.

16. ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial assumptions

The following assumptions have been made in determining the outstanding claims liabilities:

	2016 %	2015 %
KEY ACTUARIAL ASSUMPTIONS		
Wage inflation	2.7%	2.5%
Claim administration expense	0.8%	0.7%
Discount rate	1.8%	2.5%
Risk margin	0%	0%
Superimposed inflation	3%	3%

Process used to determine actuarial assumptions

A description of the processes used to determine the above key actuarial assumptions is provided below:

Liability Mutual Insurance has provided public and professional indemnity insurance to local government bodies in Victoria and Tasmania and other bodies constituted under any Act for any public or local governing purpose since 30 September 1993. The Actuary was supplied with details of all transactions (payments, recoveries, changes of estimates) from 30 September 1993 to 30 June 2016. The individual claim payments and case estimates reconciled closely with totals in Liability Mutual Insurance financial statements for each year of cover. The actuary subdivided the claims data into three claim types (Public Liability, Professional Indemnity and the 2009 Bushfire claims) and made separate estimates of the gross outstanding claims liabilities for each of these claim types. The actuary estimated the gross outstanding claims liabilities for each claim type using 5 different actuarial methods. Large claims (claims above \$250,000) were estimated based on a numbers times average size method and non-large claims were estimated using 4 different actuarial methods- payments per claim incurred, payments per claim finalised, incurred cost development and projection of case estimates. The actuary selected a combination of these methods for estimating the outstanding claims. Payments were projected with a payment pattern, based on past experience. Estimates of outstanding excesses were based on a numbers times average size method and estimates of non-reinsurance recoveries were made by a recoveries per claim method.

Estimates of reinsurance recoveries were made from projected gross payments, excesses and non-reinsurance recoveries, allowing for the different insurance treaties applying to each year. Based on Access Economics June 2016 forecasts for Victorian average weekly wage inflation was assumed to be 2.7%. The discount rate was assumed to be 1.8% pa., derived from the yields on Commonwealth government bonds.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

16. ACTUARIAL ASSUMPTIONS AND METHODS (continued)

The Actuary has assumed a risk margin of 0% of the net liabilities to give a probability of about 50% that the provisions will prove adequate to meet the relevant liabilities.

VARIABLE	IMPACT OF MOVEMENT IN VARIABLE
Wage inflation	Expected future payments are inflated to take account of inflationary increases. An increase or decrease in the assumed levels of economic inflation would have a corresponding impact on claims expense, with particular reference to longer tail claims.
Discount rate	The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. An increase or decrease in the assumed discount rate will have an opposing impact on total claims expense.
Case estimate development	Case estimates are initially established in accordance with established guidelines and by reference to the known facts. Where new information becomes available the initial case estimate will change. This development movement is applied to open claims and will have a corresponding impact on claims expense.

Wage Inflation rate sensitivity

Expected future payments are inflated to take account of inflationary increases. An increase or decrease in the assumed levels of economic inflation would have a corresponding impact on claims expense, with particular reference to longer tail claims.

Variable	Current rate	Change variable to	Operating surplus (deficit) at 30 June 2016	Total accumulated funds after the impact of applying variable
	%	%	\$	\$
IMPACT OF CHANGES IN KEY VARIABLES				
LIABILITY MUTUAL INSURANCE				
Base value at 30 June 2016	2.7%		306,981	(1,123,188)
Wage inflation rate pa		3.2%	(71,019)	(1,501,188)
		2.2%	684,981	(745,188)

Discount rate sensitivity

The reinsurance indemnity contracts contain no clauses that expose the Scheme, directly to interest rate risk. The reinsurance contracts are long term arrangements, reviewed and payable annually.

Variable	Current rate	Change variable to	Operating surplus (deficit) at 30 June 2016	Total accumulated funds after the impact of applying variable
	%	%	\$	\$
IMPACT OF CHANGES IN DISCOUNT RATES				
LIABILITY MUTUAL INSURANCE				
Base value at 30 June 2016	1.8%		306,981	(1,123,188)
Interest rate pa		2.3%	736,981	(693,188)
		1.3%	(123,019)	(1,553,188)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

16. ACTUARIAL ASSUMPTIONS AND METHODS (continued)

Claims handling sensitivity

Future claims handling expenses represent administrative costs relating to the payment of claims incurred to date.

Variable	Current rate	Change variable to	Operating surplus (deficit) at 30 June 2016	Total accumulated funds after the impact of applying variable
	%	%	\$	\$
IMPACT OF CHANGES IN KEY VARIABLES				
LIABILITY MUTUAL INSURANCE				
Base value at 30 June 2016	0.8%		306,981	(1,123,188)
Claim administration expense		2.0%	(1,794,019)	(3,224,188)
		-2.0%	2,407,981	977,812

17. CAPITAL MANAGEMENT AND ECONOMIC DEPENDENCY

The Association is specifically excluded from the provisions of the Insurance Act and from APRA regulation. There is no externally imposed capital requirement on the Association. The Association's capital management philosophy is focused on capital efficiency and effective risk management to support a progressive business model for the benefit of members of both LMI and the Commercial Crime Fund. The Board of directors and management have in place a strategic plan that is aligned to achieving the Association's capital management philosophy with an objective to return to a net surplus position by 30 June 2019. Key elements of this plan include premium setting, risk management, claims management and reinsurance management. Key elements of the capital management plan include a review of the investment strategy and establishing increased flexibility in the scheme cost structures.

The Association operates LMI which is a non-discretionary mutual fund, and under Sections 6.4 and 6.5 of the Constitution the Association has the ability to obtain contributions from members to meet any shortfall in the Provision set aside in respect of that Insurance Year.

Section 6.4 of the Constitution, states that each Participant (member) will remain liable to make further contributions to the scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability will continue whether or not the Participant remains a Participant in future Insurance Years.

18. REINSURANCE PERFORMANCE BONUS

The Liability Insurance Mutual Scheme, in conjunction with similar Local Government Self Insured Mutual Liability Schemes around Australia has entered into a profit sharing arrangement with its primary reinsurers, based on the National Local Government claims experience. The arrangement enables any surplus for each year over the five-year reinsurance period to be shared between the various Schemes and the reinsurers on a proportional basis. This arrangement completed in 2015.

Performance bonus totalling \$NIL (2015 \$82,166) was received during the year.

19. CONTINGENT LIABILITY

During the normal course of business, the Scheme may be exposed to contingent liabilities from litigation arising from its insurance and reinsurance activities, which if they should crystallise may adversely affect the financial position and performance of MAV. Provisions are made for obligations that are probable and able to be quantified.

In June 2014, MAV Insurance committed to purchasing retrospective stop-loss reinsurance for the 2009 and 2011 financial years.

The policies provide coverage for the first \$1 million in claim costs for \$5 million in the aggregate in each of the years. The Liability Mutual Insurance Scheme benefits from the 2009 policy when aggregate claim costs below \$1 million reach \$22 million and the 2011 policy provides coverage when aggregate claim costs reach \$20 million. The effect of the policies is to provide additional protection from adverse development for claim costs below \$1 million. The reinsurance policies commenced at the close of business on 30 June 2014. No other material contingent liabilities have arisen in the year ended 30 June 2016.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

20. RELATED PARTIES

The Municipal Association of Victoria is a body corporate established under the Municipal Association Act of 1907 to provide services for and represent Local Government authorities in Victoria. The Association and its wholly owned controlled entities trade with its members in the normal course of business and on an arm's length basis. The Deed of Establishment provides for the MAV to appoint a Committee of Management (MAV Insurance Board) to be responsible for the administration of the Scheme. Total expenses of \$726,646 (2015 \$852,805) were payable to the Municipal Association of Victoria being payment for administrative support, and overseeing the management of the insurance activities, including the conduct of bi-monthly Board meeting. The Association pays insurance premiums to the Liability Mutual Insurance Scheme \$17,001 (2015 \$16,833) and to the Commercial Crime Fund \$9,196 (2015 \$9,196). Other than this, there were no other related party transactions.

Board members during the year

A. Murphy (OAM) (Independent) Appointed Chairperson 31 March 2015

Cr. W McArthur (MAV President)

R. Farrell (Independent)

M. Guilmartin (Independent)

J. Bennie (Greater Dandenong City Council - Chief Executive Officer) Appointed 2 June 2016

S. Crawcour (Strathbogie City Council - Chief Executive Officer) Appointed 21 April 2016

A. Paul (Clarence City Council - Chief Executive Officer) Appointed 18 April 2016

Dr. K. Stephenson (LGAT - Chief Executive Officer) Appointed 11 September 2015

R. Spence (MAV - Chief Executive Officer)

Cr. R. Fyffe (MAV Representative)

Key management personnel remuneration

	Sitting Fees per meeting	Annual meeting allowance
	\$	\$
Chairperson	1,019	1,379
Independent Board members	716	1,379

	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Short-term remuneration of MAV Insurance Board and key management personnel (Cost of key management personnel is recovered by the MAV)	88,937	156,898	88,937	156,898	-	-
Post employment benefits	6,111	12,197	6,111	12,197	-	-

Loans to Board members

No loans were made to or are payable by Insurance Board Members during the year.

Other transactions

There were no other material transactions with Insurance Board members.

Insurance

The activities of the MAV Insurance Board members are covered by the MAV directors and officers indemnity insurance policy effected by the Municipal Association of Victoria.

21. SUBSEQUENT EVENTS

There were no material events subsequent to the year end that require reporting.

STATEMENT BY BOARD OF MANAGEMENT

In accordance with a resolution of the MAV Insurance Board, we state that:

In the opinion of the members of the MAV Insurance Board:

- (a) the financial statements and notes of the combined entity are drawn up so as to present fairly in all material respects the results of Liability Mutual Insurance and the Commercial Crime Fund for the year ended 30 June 2016;
- (b) the accompanying Statement of Financial Position is drawn up so as to present fairly in all material respects the state of affairs of Liability Mutual Insurance and the Commercial Crime Fund as at that date;
- (c) at the date of this statement there are reasonable grounds to believe that Liability Mutual Insurance and the Commercial Crime Fund will be able to pay its debts as and when they fall due;
- (d) the financial statements and notes also comply with the International Financial Reporting Standards as disclosed in note 2 (b); and

The financial statements have been made out in accordance with applicable accounting standards and other mandatory professional reporting requirements.

On behalf of the MAV Insurance Board



Anne Murphy
MAV Insurance Board Chairman
Melbourne 7 October 2016



Robert Spence
MAV Chief Executive Officer

STATEMENT BY DIRECTORS

AS AT 30 JUNE 2016

In accordance with a resolution of the directors of the Municipal Association of Victoria, we state that:

In the opinion of the Directors:

- (a) the accompanying Statement of Comprehensive Income drawn up so as to present fairly in all material respects the result of the association for the year ended 30 June 2016;
- (b) the accompanying Statement of Financial Position is drawn up so as to present fairly in all material respects the state of affairs of the association as at that date;
- (c) at the date of this statement there are reasonable grounds to believe that the association will be able to pay its debts as and when they fall due; and
- (d) the accompanying Combined Financial Statements present fairly in all material respects the state of affairs of the association as at that date;
- (e) the financial statements and notes also comply with the international financial reporting standards as disclosed in note 2(b).

The financial statements and combined financial statements have been made out in accordance with applicable Accounting Standards and other mandatory professional reporting requirements.

Signed in accordance with the resolution of Directors.



Cr. William McArthur
President

Melbourne 7 October 2016



Cr. David Clarke
Director



Robert Spence
Chief Executive Officer



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Independent auditor's report to the members of MAV Insurance

We have audited the accompanying financial report of MAV Insurance, which comprises the statement of financial position as at 30 June 2016 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and with the Municipal Association Act 1907 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state that the financial report, comprising the financial statements and notes, complies with AASB 101 Presentation of Financial Statements as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the Australian professional accounting bodies.



Opinion

In our opinion:

- (a) the financial report presents fairly, in all material respects the financial position of MAV Insurance at 30 June 2016 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Municipal Association Act 1907; and
- (b) the financial report also complies with *International Financial Reporting Standards* as issued by the International Accounting Standards Board as disclosed in Note 2(b).

Capital Management and Economic Dependency

We draw your attention to note 17 of the financial statements which describes the capital management plan of MAV Insurance with respect to the recovery from the net liability position of the entity, which is impacted by the outstanding claims liability. This note describes the strategy to return to a net asset position and the time period estimated by management to achieve this. We also draw your attention to note 11(b) of the financial statements which details the valuation of the outstanding claims liability as at 30 June 2016, of which a 0% risk margin has been applied. Our opinion is not qualified in respect of this matter.

Ernst & Young

Maree Pallisco
Partner
Melbourne
7 October 2016

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Auditor's Independence Declaration to the Directors of MAV Insurance

In relation to our audit of the financial report of MAV Insurance for the financial year ended 30 June 2016, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Maree Pallisco
Partner
7 October 2016



OTHER INFORMATION

Legal form:

MAV Insurance is the insurance division of the Municipal Association of Victoria. The Municipal Association of Victoria is an association incorporated by the *Municipal Association of Victoria Act 1907*

Domicile:

Melbourne, Australia

Address of registered office:

Level 12, 60 Collins Street, Melbourne, 3000, Victoria, Australia

Principal place of business:

Level 11, 60 Collins Street, Melbourne, 3000, Australia

Nature of the operation and principal activities:

The Municipal Association of Victoria has the power provided to it by the *Municipal Association of Victoria Act 1907* to establish Liability Mutual Insurance and the Commercial Crime Fund in order to provide public liability, professional indemnity and fidelity insurance to local government and water authorities.

Employees:

Nil

MAV LGE HEALTH PLAN



FINANCIAL REPORT
2015-16

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	2016 \$	2015 \$
REVENUE			
REVENUE FROM OPERATING ACTIVITIES			
Administration allowance income		426,587	446,008
Investment income		22,814	19,328
TOTAL REVENUE		449,401	465,336
EXPENSES			
Hospital Excesses refunded		194,564	213,639
Audit fees		7,500	-
TOTAL EXPENSES		202,064	213,639
TOTAL COMPREHENSIVE INCOME(LOSS) FOR THE PERIOD		247,337	251,697

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	NOTE	2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	4(a)	984,476	734,914
Trade and other receivables	5,2(e)	57,326	50,747
TOTAL CURRENT ASSETS		1,041,802	785,661
TOTAL ASSETS		1,041,802	785,661
CURRENT LIABILITIES			
Trade and other payables		21,881	13,077
TOTAL CURRENT LIABILITIES		21,881	13,077
TOTAL LIABILITIES		21,881	13,077
NET ASSETS		1,019,921	772,584
EQUITY		1,019,921	772,584

The accompanying notes form an integral part of these statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	2016 \$	2015 \$
RETAINED EARNINGS			
Balance at beginning of year		772,584	520,887
Surplus from ordinary activities		247,337	251,697
BALANCE AT END OF YEAR		1,019,921	772,584

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	2016 \$	2015 \$
CASH FLOW FROM OPERATING ACTIVITIES			
RECEIPTS			
Administration allowance		427,253	404,206
Interest received		21,317	13,383
PAYMENTS			
Hospital excesses refunded		(199,008)	(202,562)
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	4(b)	249,562	215,027
NET (DECREASE)/INCREASE IN CASH HELD		249,562	215,027
Cash at beginning of year		734,914	519,887
CASH AT END OF YEAR	4(a)	984,476	734,914

The accompanying notes form an integral part of these statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1. CORPORATE INFORMATION

The LGE Health Plan was established by the Municipal Association of Victoria (the Association) in 2008. The Association has joined with GMHBA and Choosewell Pty Ltd to offer attractive health insurance plans to Council staff at reduced cost. Under the Conduct Rules, the LGE Health Plan provides a refund of hospital excesses paid by the members of the plan. The LGE Health Plan is not a provider of health insurance products.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards and Interpretations issued and effective

Accounting Standards and Interpretations that have recently been issued or amended and are effective and have been adopted by the Group for the annual reporting period, ending 30 June 2016 are outlined in the table below:

Reference	Title summary	Application date of standard	Impact on group financial report	Application date for group
AASB 2013-9	Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments	1 January 2015	Nil	1 July 2015
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.	1 July 2015	Nil	1 July 2015

Accounting Standards and Interpretations issued but not yet effective

Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period, ending 30 June 2016 are outlined in the table below:

Reference	Title summary	Application date of standard	Impact on group financial report	Application date for group
AASB 9	Financial Instruments	1 January 2018	Impact not yet assessed	1 July 2018
AASB 1057	Application of Australian Accounting Standards	1 January 2016	Nil	1 July 2016
AASB 2015-2	Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101	1 January 2016	Nil	1 July 2016

(a) Basis of preparation

The financial report is a general purpose financial report which has been drawn up in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The principal accounting policies adopted in preparing the financial report are stated to assist in a general understanding of the financial report. Accounting policies have been consistently applied unless otherwise indicated.

The financial report is presented in Australian dollars. The Municipal Association of Victoria is a not for profit entity.

The accounts have been prepared on the accruals basis using historical costs and, except where stated, do not take into account current valuations of assets.

(b) Statement of compliance

The financial report complies with Australian accounting Standards, which include Australian equivalents to International Financial Reporting Standard ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS')

(c) Income tax

The Municipal Association of Victoria is a State and Territory Body (STB) and is exempt from income tax, in accordance with Division 1AB of Part III of the Income Tax Assessment Act

(d) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

(e) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the LGE Health Plan will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment.

(f) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the LGE Health Plan prior to the end of the financial year that are unpaid and arise when the LGE Health Plan becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(g) Revenue recognition

Administration Allowance Income

An administration allowance is paid by GMHBA to the LGE Health Plan. The allowance is recognised on an accrual basis.

Interest received

Interest received is accounted for on an accrual basis.

(h) Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(i) Cash flows

For the purposes of the Statement of Cash Flows, cash includes cash on hand and deposits held at call with banks and investments in cash in fixed interest funds net of outstanding bank overdrafts.

(j) Hospital excess refunds

Hospital excess refunds are recognised on an accrual basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	2016 \$	2015 \$
3. AUDITORS REMUNERATION			
Amounts received or due and receivable for audit services:			
Audit services		7,500	-
Other services		-	-
TOTAL AUDITORS REMUNERATION		7,500	-
4(a) NOTES TO STATEMENT OF CASH FLOWS			
Cash and cash equivalents at balance date as shown in the Statement of Cash Flows are held in Standard & Poor's rated AA- and A- cash deposits and reconciled to the related items in the Statement of Financial Position as follows:			
Cash and cash equivalents		984,476	734,914
TOTAL CASH AND CASH EQUIVALENTS		984,476	734,914
4(b) Reconciliation of net cash used in operating activities to operating profit (loss)			
Profit (Loss) for year		247,337	251,697
Changes in assets and liabilities			
(Increase)/decrease in accounts receivable	2(e)	(6,579)	(49,247)
(Increase)/decrease in prepayments		8,804	12,577
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		249,562	215,027
5. TRADE AND OTHER RECEIVABLES			
Other receivables		57,326	50,747
TOTAL TRADE AND OTHER RECEIVABLES		57,326	50,747
Represented by:			
Current		57,326	50,747
Non-current		-	-
TOTAL		57,326	50,747

The ageing analysis of trade receivables excluding future reinsurance and other recoveries receivable are as follows:

	TOTAL	<30 days	>30 days
2016			
LGE EMPLOYEE HEALTH FUND	57,326	57,326	-
2015			
LGE EMPLOYEE HEALTH FUND	50,747	50,747	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

6. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The group's exposure to interest rate risk and the effective average interest rate for the classes of financial assets is set out below:

	Non-interest earning \$	Floating interest rate \$
2016		
FINANCIAL ASSETS		
Cash and cash equivalents	-	984,476
Trade and other receivables	57,326	-
TOTAL FINANCIAL ASSETS	57,326	984,476
Weighted average interest rate		2.7%
FINANCIAL LIABILITIES		
Trade and other payables	21,881	-
TOTAL FINANCIAL LIABILITIES	21,881	-
Weighted average interest rate		0%
	Non-interest earning \$	Floating interest rate \$
2015		
FINANCIAL ASSETS		
Cash and cash equivalents	-	734,914
Trade and other receivables	50,747	-
TOTAL FINANCIAL ASSETS	50,747	734,914
Weighted average interest rate		3.1%
FINANCIAL LIABILITIES		
Trade and other payables	13,077	-
TOTAL FINANCIAL LIABILITIES	13,077	-
Weighted average interest rate		0%

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as at 30 June 2016. Cash flows for financial assets and liabilities without fixed amount or timing are based on conditions existing at 30 June 2016.

The remaining contractual maturities of the financial liabilities are:

	NOTE	2016 \$	2015 \$
3 months or less		21,881	13,077
3-12 months		-	-
1-5 years		-	-
Over 5 years		-	-
		21,881	13,077

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

6. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

LIQUIDITY RISK

Maturity analysis of financial assets and liabilities based on management's expectation.

The risk implied from the values in the table below, reflects a balanced view of cash inflows and outflows. These liabilities originate from financial assets used in the ongoing operations of the business. These assets are considered in the Association's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable effective controlling of future risks, the Association has established a comprehensive risk reporting covering its business that reflects the management of expected settlement of financial assets and liabilities.

Year ended 30 June 2016	<3 months \$	3-12 months \$	TOTAL \$
FINANCIAL ASSETS			
Cash and cash equivalents	984,476	-	984,476
Trade and other receivables	57,326	-	57,326
	1,041,802	-	1,041,802
FINANCIAL LIABILITIES			
Trade and other payables	21,881	-	21,881
Other liabilities	-	-	-
TOTAL FINANCIAL LIABILITIES	21,881	-	21,881
NET MATURITY	1,019,921	-	1,019,921
FINANCIAL ASSETS			
Cash and cash equivalents	734,914	-	734,914
Trade and other receivables	50,747	-	50,747
	785,661	-	785,661
FINANCIAL LIABILITIES			
Trade and other payables	13,077	-	13,077
Other liabilities	-	-	-
TOTAL FINANCIAL LIABILITIES	13,077	-	13,077
NET MATURITY	772,584	-	772,584

7. REMUNERATION OF KEY MANAGEMENT PERSONNEL

The MAV employed key management personnel and provided these personnel with short term employee benefits and post employment benefits.

Loans to Directors

The MAV has a strict policy of not providing loans to Directors. No loans were made to or are payable by Directors during the year.

Other Transactions

There were no other material transactions with Directors.

8. RELATED PARTIES

The Association established and administers the LGE Health Plan for the benefit of the employees of its members. During the year the Association received a management fee of \$27,065.55 from Choosewell Pty Ltd. There were no other related party transactions during the year.

9. SUBSEQUENT EVENTS

There were no material events subsequent to the year end that require reporting.

STATEMENT BY THE CHIEF EXECUTIVE OFFICER OF THE MUNICIPAL ASSOCIATION OF VICTORIA

AS AT 30 JUNE 2016

In the opinion of the Chief Executive Officer of The Municipal Association of Victoria:

- (a) the accompanying Statement of Comprehensive Income of the LGE Health Plan is drawn up so as to present fairly in all material respects the result of the association for the year ended 30 June 2016;
- (b) the accompanying Statement of Financial Position is drawn up so as to present fairly in all material respects the state of affairs of the LGE Health Plan as at that date;
- (c) at the date of this statement there are reasonable grounds to believe that the LGE Health Plan will be able to pay its debts as and when they fall due; and
- (d) the financial statements and notes also comply with the international financial reporting standards as disclosed in note 2(b).

The financial statements and combined financial statements have been made out in accordance with applicable Accounting Standards and other mandatory professional reporting requirements.



Robert Spence
Chief Executive Officer

Melbourne 7 October 2016



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Independent auditor's report to the members of LGE Health Plan

We have audited the accompanying financial report of LGE Health Plan (the "Plan"), which comprises the statements of financial position as at 30 June 2016 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, a summary of significant accounting policies, and other explanatory notes.

Directors' Responsibility for the Financial Report

The directors of the Plan are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state that the financial report, comprising the financial statements and notes, complies with AASB 101 Presentation of Financial Statements as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the Australian professional accounting bodies.



Basis for Disclaimer of Opinion

The Plan's financial report has not been prepared and audited since its establishment to the year ended 30 June 2016. The financial report for 30 June 2016 includes comparative balances for the year ended 30 June 2015 which are unaudited. It has not been practicable for us to carry out normal audit procedures on the comparative balances relating to statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements relating to the comparative year ended 30 June 2015.

Opinion

In our opinion, except for the effects of the matter described in the Basis for Disclaimer of Opinion paragraph:

- (a) the financial report presents fairly, in all material respects the financial position of LGE Health Plan at 30 June 2016 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including Australian Accounting Interpretations); and
- (b) the financial report also complies with *International Financial Reporting Standards* as issued by the International Accounting Standards Board as disclosed in Note 2(b).

Ernst & Young

Maree Pallisco
Partner
Melbourne
7 October 2016



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Auditor's Independence Declaration to the Directors of Municipal Association of Victoria as administrator of LGE Health Plan

In relation to our audit of the financial report of LGE Health Plan for the financial year ended 30 June 2016, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Maree Pallisco
Partner
7 October 2016

OTHER INFORMATION

Legal form:

The Municipal Association of Victoria is an association incorporated by the *Municipal Association Act 1907*. The LGE Health Plan is a division of the association.

Domicile:

Melbourne, Australia

Address of registered office and principal place of business:

Level 12, 60 Collins Street, Melbourne, 3000, Victoria, Australia

Nature of the operation and principal activities:

The Municipal Association of Victoria represents, promotes and supports the interest of Victorian local government and their communities.

Employees:

Average number of equivalent full time employees during the year is 0 EFT.