

ANNUAL REPORT
2017

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.



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OVERVIEW

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.

Provenance

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 (all 79 Victorian councils are current financial members), and participation in our insurance schemes, procurement program, events and other activities is voluntary.

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 5.9 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 \$84 billion worth of community infrastructure and assets.

Victorian local government has annual revenue of \$8.7 billion. Councils employ more than 43,900 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.

This Annual Report documents the activities and achievements of the MAV, MAV Insurance and LGE Health for the 2016-17 financial year.



PRESIDENT'S MESSAGE

In an environment of digital transformation and rapid technological change, it's interesting to reflect on the community issues that remain unchanged – even since the early days of the MAV, more than a century ago.

MAV records from that time reveal that the big issues of the day were traffic congestion, waste management, and fiscal sustainability and independence. All of these issues still rate highly on council priority lists, with fiscal sustainability and independence a particular focus for many councils in 2016-17.

But equally, much is changing.

The past year has seen changes to the MAV Board that are broadly reflective of the changes to the diversity of elected members in local government across the state. We welcomed a combination of new and returning members to the Board, which brings a great combination of new perspectives, knowledge, experience and continuity to the governance of the Association.

I am honoured to be the first popularly-elected female President of the MAV, and am humbled to follow on from the much loved and respected Bill McArthur, who did an incredible job as MAV President for more than a decade. It is a credit to Bill that I hear so many words of gratitude for his efforts as well as appreciation of his friendship from long standing members of the MAV.

I must also acknowledge the Interim President, Cr Coral Ross and the fantastic support I have received from my Deputy Presidents, Cr Jami Klisaris and Cr David Clark.

In October 2016, following a highly successful MAV 'Stand for Council' campaign, we welcomed 323 new councillors to Victorian local government. Representing more than 50 per cent of the total number of Victorian councillors, they bring fresh new perspectives and opinions to councils, and strengthen our collective determination to make a difference for our communities.

It has been a pleasure for me to meet with many of you as I have travelled around the state to introduce myself as the new MAV President, and to hear your views first-hand. I'm heartened by the enthusiasm and clarity of purpose I've encountered right across the state.

The MAV now boasts full membership, despite the significant financial pressures that councils are experiencing due to rate-capping. Over the past year, our members have received invaluable policy advice, significant procurement and commercial savings, fierce and effective advocacy, and bespoke finance and insurance products and services – including a newly licenced MAV WorkCare Scheme.

During this reporting period, the MAV negotiated new partnerships and agreements for home and community care, social procurement and energy efficient street lighting.



We improved efficiency and productivity for councils through collaborative procurement contracts, the continued roll out of the Child Development Information System (CDIS), asset management and procurement capability programs, shared open data publishing resources, various professional development initiatives and the second issuance of the Local Government Funding Vehicle. We will continue to work with our members to identify opportunities, facilitate innovation, and deliver outcomes that matter to us all.

The MAV has also represented local government in a huge diversity of expert committees and panels, influencing policy in areas including emergency management, the environment, public health and safety, transport and infrastructure, planning and building, technology and digital transformation, family violence, gambling, early years, positive ageing, the arts and all aspects of social equity.

This year we have also been working to maintain the independence of democratically elected local government through our participation in the reviews of the Local Government Act and the Municipal Association Act, both of which are expected to be finalised over the coming months. The outcomes will influence councils' ability to manage and resource infrastructure and services on behalf of local communities.

We are always mindful of building and retaining strong and influential relationships with politicians of every political colour, and public servants across every level of government. We have also worked hard to engage and collaborate with leaders from unions and industry, business, charities, educational institutions and the media.

The next few years will be a pivotal time for civic leadership. Fiscal constraint, rapidly emerging technologies and the demand for better customer experience from our communities will drive many of our sector-wide initiatives. We will continue to support councils as they address issues including social cohesion in diversifying communities, reconciliation with Aboriginal and Torres Strait Islanders, advancing gender equity, preventing violence against women, and planning for the anticipated impacts of digital transformation and climate change.

I would like to acknowledge the contributions made by all our new and past councillors as the dust settles on the changing of the guard. In late 2016, 31 councillors were recognised for 10, 15, 25 or 30 years of service to their local community with an MAV Councillor Service Award. On behalf of the MAV Board, I thank and congratulate each and every one of you for your service to your local community in an elected role.

In closing, I would like to thank our CEO Rob Spence and the team at MAV for all the wonderful work they do for local government in Victoria.

I am proud to present and commend the MAV Annual Report 2016-17 to you. I trust it will clearly convey the member benefits we have delivered to date, while also demonstrating the collaborative potential of local government in Victoria as we look to the future.

CR MARY LALIOS
President

SNAPSHOT OF PERFORMANCE HIGHLIGHTS

In 2016-17, Victorian councils contributed \$2.9 million in membership subscriptions to the MAV. Over this year, the MAV helped to unlock more than \$400 million in member service benefits including:

FUNDING



FINANCIAL ASSISTANCE GRANTS:

Restored indexation to Financial Assistance Grants

\$60 MILLION value to councils

PLANNING:

Negotiated new planning fees

\$40 MILLION

p.a. value to councils



SCHOOL CROSSINGS: Secured State Government commitment to 50:50 funding of school crossings

\$44 MILLION value to councils

SES: Confirmed State Government responsibility for funding SES

\$14.9 MILLION value to councils



MATERNAL AND CHILD HEALTH:

Secured

\$81.2 MILLION in State funding for maternal and child health

KINDERGARTENS:

Negotiated Commonwealth funding of 15 hours universal access kindergarten for 2018

\$90+ MILLION

value to councils



Secured an additional

\$87.1 MILLION for kindergartens from the State Government

TOOLS AND RESOURCES



COMMUNITY CARE: Patchwork model for agency coordination expands to

1,200 practitioners representing 271 agencies

DIGITAL TRANSFORMATION:

Digital Transformation

TASKFORCE

roadmap developed, pain points identified and digital maturity survey completed



OPEN DATA: Open Council Data toolkit assists

38 VICTORIAN

councils to begin publishing open data

TRANSPORT: Heavy Vehicle Route Assessment Tool supported by regulator for councils to assess

ROAD ACCESS



LIBRARIES: Procurement underway for a statewide Library Management System

SWIFT EXPANSION

50% of councils now participating

ICT: Pilot conducted for sector-wide roll out of Infobase international

DATABASE

which stores, compares and reports on IT systems, products, services and suppliers used by council



PARTNERSHIPS AND AGREEMENTS



HOME AND COMMUNITY CARE:
HACC Tripartite Agreement
SIGNED

EARLY YEARS:
10-Year Early Years Compact
SIGNED



ACT REVIEWS:
MAV Taskforces commence reviews of the **Local Government Act** and the **Municipal Association Act AND RULES**

INSURANCE:
MAV WorkCare Self-Insurance
MUTUAL SCHEME
established and licenced



DIGITAL TRANSFORMATION:
Collaborative funding bids submitted to Commonwealth
SMART CITIES
and Suburbs program

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 40-60 for details of MAV Strategic Work Plan outcomes for 2016-17.

EFFICIENCIES



PROCUREMENT PRACTICES:
36 councils increase purchasing efficiencies through the LEAP
PROCUREMENT
continuous improvement program/data dashboard



PROCUREMENT CONTRACTS:
79 COUNCILS achieved significant cost savings by accessing one or more of
31 CONTRACTS offered by MAV Procurement

KINDERGARTENS: 52 councils accessed MAV services to implement
KINDERGARTEN
central enrolment plans



MATERNAL AND CHILD HEALTH:
62 COUNCILS
have successfully transferred their client records to the CDIS Maternal and Child Health system

ASSET MANAGEMENT:
84% OF COUNCILS
achieve core maturity through Step Asset Management Program



PROFESSIONAL DEVELOPMENT:
More than
7,600 COUNCIL
delegates participate in MAV events and training programs



CEO'S MESSAGE

This year saw the MAV deliver benefits equating to more than \$400 million in value to member councils. Highlights included reinstatement of Financial Assistance Grants, and new funding for maternal and child health services, kindergartens, planning, school crossings and SES.

It is the third year in a row that the MAV has unlocked in excess of \$300 million in value for our members. The year also marks the start of an exciting new chapter for the MAV.

I'm delighted to have witnessed the election of the first popularly elected female MAV President, Cr Mary Lalios. Mary had big shoes to fill following the great work of Cr Bill McArthur, but has hit the ground running and looks set to make her mark on the sector. Mary committed to engaging directly with every Victorian council and has reported her meetings across the state to be highly rewarding and revealing. I trust that Mary's efforts will lead to even greater engagement by councils in MAV committees, advocacy programs and events. Participation and collaboration is where the real power of local government lies.

There are many challenges ahead for the MAV and the sector. Our most recent Strategic Work Plan consultation sessions revealed an appetite from our members for the MAV to progress a more macro view of the role and perception of local government in Victoria. Continuing involvement in the review of both the Local Government Act and the MAV Act will be critical to ensuring that the sector remains empowered to act independently and on behalf of its communities.

The 2016-17 year has seen the MAV deliver significant outcomes for its members, again. It can be tempting to see this as 'par for the course', but that would be selling the MAV team short. To continually deliver a return on investment for members 100 times greater than their subscription fee, is no small achievement.

This year the wins included more than \$90 million in additional annual funding for kinders, \$44 million for school crossings, \$81 million for maternal and child health, and \$40 million for planning. We also negotiated the Tripartite Agreement for home and community care, and restored indexation to Financial Assistance Grants, worth more than \$60 million in value to councils.

Other significant outcomes included our stand on proposed puppy farm legislation - saving councils from costly and time-consuming enforcement responsibilities, a highly successful 'Stand for Council' campaign - resulting in the election of more than 300 new councillors, and significant collaborative procurement savings brought about by the participation of 36 councils in our LEAP continuous improvement program and the delivery of 31 collaborative procurement contracts.

On top of all this, council capability building through MAV training programs and events has reached more than 7,600 council employees and elected officials.



During the reporting period, MAV Insurance extended the coverage of its Liability Mutual Insurance policy to \$600 million for both public liability and professional indemnity losses for member councils. It also extended coverage to include claims arising from the use of drones, protected councils from acquiring additional responsibilities in managing roadsides, and provided bespoke legal, underwriting and policy coverage advice to member councils on nearly 1,000 occasions over the course of the year.

Late last year, following three years of work on our business case and application, we successfully announced the MAV WorkCare Self-Insurance Mutual Scheme for Victorian councils. Twenty-nine councils were confirmed as inaugural members of the Scheme which is expected to improve health, safety and return-to-work outcomes for council employees, while also reducing premiums for councils. This great outcome for members was only possible with the vision and commitment of the Board, and the dedication of the MAV staff responsible for its successful development and implementation.

The MAV team is passionate and capable, as evidenced by the consistently valuable outcomes they deliver for our members in all areas of council business and civic leadership. The team is comparatively small in number, and as such, I think they punch way above their weight. I would like to formally thank them for their efforts. It has been gratifying to witness the professional development of the individuals that make up the MAV. Together they have created a safe, inclusive and supportive work environment that enables and encourages excellence from all.

It is a critical time for local government. In the face of rapidly escalating customer expectations, advances in technology, and ever-present financial constraints, councils are rethinking the way they operate and deliver services for their communities.

Over the past year, we've seen the digital maturity gap between councils grow, with many councils investing millions in digital transformation strategies and initiatives, while others have barely begun. The MAV remains committed to ensuring all councils can thrive in this challenging new environment, through sharing of knowledge, resources and opportunities to collaborate to achieve common goals. We will continue to develop sector-wide initiatives that engage councils and communities, lift digital maturity, use data to gain insights, create jobs, protect the environment, and deliver better services and experiences to citizens.

The next year will also bring some significant changes to the MAV as I step away from my position as CEO, after nearly 20 years in the role. Change can be challenging, but it can also be an inspiring time, as it provides the opportunity to see things through a new lens. With the considerable experience and expertise of the MAV team and the collective wisdom of the MAV Board to aid the transition of leadership, I'm sure there will be both reflective and rewarding times ahead.

ROB SPENCE
Chief Executive Officer

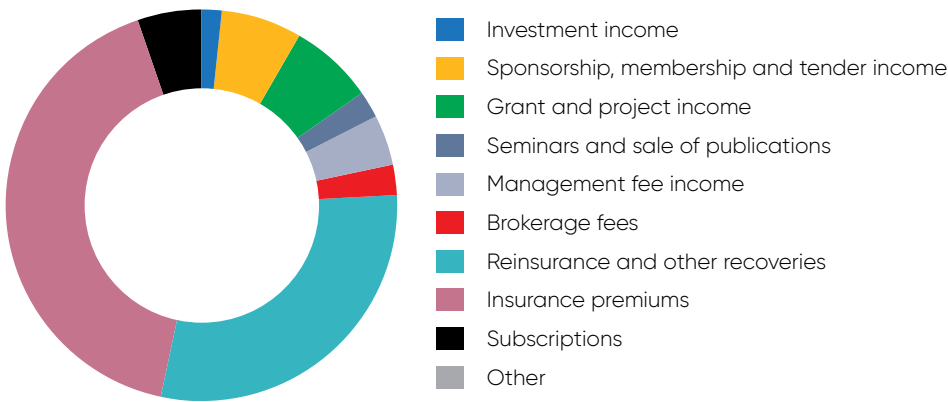
FINANCIAL OVERVIEW

Report on financial results for the year ended 30 June 2017

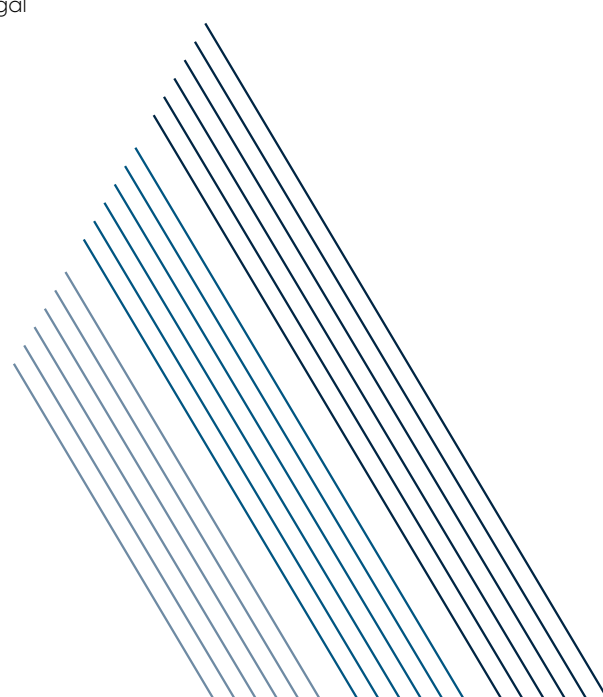
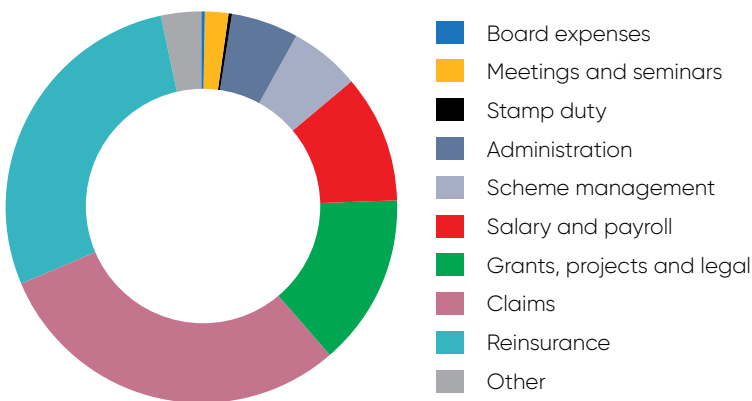
In accordance with the requirements of the Municipal Association Act 1907, and applicable accounting standards, the economic activity of the MAV and MAV Insurance is reported to members as an economic entity within the annual accounts.

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 2016-17



Expenditure by category 2016-17



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 Combined entity for 2017 was a surplus of \$74,402 (2016 \$265,904) with net Assets increasing from \$6.83 million in 2016 to \$6.91 million in 2017.

This result was significantly impacted by:

1. The receipt of a \$2.79m profit share from re-insurers of the Liability Mutual Insurance Scheme
2. Higher than expected claims received from former members and,
3. Financial impacts within the MAV General Fund as set out below.

The financial result of the MAV General Fund in 2017 was a deficit of \$1.97 million with net assets reducing from \$7.84 million in 2016 to \$5.87 million in 2017.

This result was significantly impacted by:

1. The net expenditure of \$1.39 million incurred against the cash balance held for government grants
2. The establishment of the MAV WorkCare Self-Insurance Scheme and the investment made by the MAV as at 30 June 2017 of \$863,431, in order to obtain a self-insurance licence that was approved by WorkSafe on 3 May 2017.

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 2017, the MAV received a further \$4.233 million in grants and other grant-related income (2016 \$4.787million) and expended \$5.62 million (2016 \$8.04 million) in order to deliver the outcomes required by the grants. This has resulted in a deficit for the 2017 financial year of \$1.39 million as Grant monies held continued to be spent on delivering outcomes for the local government sector.

As at 30 June 2017, the MAV had a commitment to spend \$3.99 million (2016 \$4.88 million).

MAV Projects and Events

MAV delivered more than 100 conferences, events and projects during the year for over 7,600 delegates. The MAV subsidised these member conferences and events. The total subsidy provided by the MAV for the 2017 financial year was \$302,624.

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 2016 financial year.

This year, MAV Procurement continued to grow and consolidate its position in the sector. Gross revenue increased by over 13 per cent on 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 continued 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 surplus of \$114,723 was earned for 2017 (2016 deficit \$27,636).

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 2017 of \$2,048,092 (2016 deficit \$247,842). This represents a significant improvement in the underlying financial position of the scheme due mainly to the receipt of the profit share from re-insurers amounting to \$2.79 million. The scheme continued to operate in a difficult financial environment – low interest rates, changed actuarial parameters and claims received from departed members continued to have an adverse impact on the Scheme. 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 \$2.397 million.

Reported surplus	\$2,049,685
Impact on result from external factors	
Difference between actual investment returns and long-term expected returns	\$472,000
Change in inflation assumptions and discount rates	(\$123,000)
Normalised Net Result from Insurance operations	\$2,397,096

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 \$1.656m to \$2.577m.

Capital position 2016-17	LMI	Commercial Crime
Performance from insurance operations	\$921,384	\$116,550
Impact on result from external factors Difference between long-term discount rates and long-term expected discount and inflation rates	\$1,656,000	-
Normalised capital position	\$2,577,384	\$116,550

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 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 \$22.37 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, 10 Tasmanian councils and 12 water authorities. At 30 June 2017 there were 7,512 employees and their family members taking advantage of the benefits offered by the Plan.

Up to 30 June 2017, there have been 3,524 claims for refund of hospital excesses paid, totaling \$1,147,698. In the 2017 financial year alone, 614 claims for refund of hospital excesses have been paid, totaling \$196,290.



GOVERNANCE

INTRODUCTION

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 regulation of proceedings, subscriptions and other matters affecting the management of the Association.

Each member council may appoint a councillor as its MAV representative (see page 31). These representatives come together twice a year to form State Council, at which the policy direction of the MAV is set, including through the endorsement of a Strategic Work Plan. Details of State Council resolutions for the reporting period are available at mav.asn.au.

MAV Board

The MAV Board consists of 13 members who are elected for a two-year term. Twelve board members are appointed to represent different regions of Victoria. They are elected by the MAV representatives from the councils of each region. The 13th member of the board is the President, who is popularly elected by the representatives of all member councils.

The MAV Board sets and evaluate directions, priorities and performance standards for the MAV, liaise with MAV representatives from their regions, appoint and monitor the performance of the CEO and define the detail of policies, objectives and strategies determined by State Council.

The current MAV Board was established in March 2017.

MAV BOARD



MAV Board For the year ended 30 June 2017

1 Cr Mary Lalios

Whittlesea City Council
President

- MAV Audit Committee
- MAV Insurance Board
- Chair, Professional Development Reference Group
- Councillor, 2005 – present
- Mayor, 2008–09, 2009–10, 2013–14
- Deputy Chair, Yarra Plenty Regional Library

2 Cr Jami Klisaris

Stonnington City Council
Deputy President Metropolitan

Metropolitan South East Representative

- Deputy Chair, Arts and Culture Committee
- Councillor, 2012 – present
- Mayor, 2016 – present
- 2017 Local Mayoral Advisory Panel

3 Cr David Clark

Pyrenees Shire Council
Deputy President Rural

Rural South Central Representative

- MAV Audit Committee
- Chair, Human Services Committee
- Councillor, 1992–94, 1996–2004, 2008 – present
- Chairman, North Central CMA
- Treasurer, Highlands LLEN
- Chairman, Central Victorian Greenhouse Alliance
- Chairman, Conservation Volunteers Australia
- Deputy Chairman, Landcare VIC INC
- Member, Victoria Farmers Federation
- Treasurer, Conservation Volunteers Australia

4 Cr Rod Fyffe

Greater Bendigo City Council

Rural North Central Representative

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

5 Cr Josh Gilligan

Wyndham City Council

Metropolitan West Representative

- Chair, Multicultural Committee
- Deputy Chair, Human Services Committee
- Councillor, 2016 – present

6 Cr Ruth Gstrein

Corangamite Shire Council

Rural South West Representative

- Chair, Transport and Infrastructure Committee
- Deputy Chair, Planning Committee
- Councillor, 2002 – present
- Mayor 2006–07, 2007–08, 2008–09
- Board Member, Corangamite Regional Library Corporation
- Board Member, Regional Development Australia, Barwon South West Region



7 Cr Malcolm Hole

Wellington Shire Council

Rural Gippsland Representative

- Chair, Emergency Management Committee
- Chair, Wellington Remuneration Committee
- Councillor, 2000 – Present
- Mayor, 2002-03, 2006-07

8 Cr Ron Janas

Alpine Shire Council

Rural North East Representative

- Deputy Chair, Professional Development Reference Group
- Councillor, 2012 – present
- Mayor, 2015-16, 2016 – present

9 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

10 Cr Rohan Leppert

Melbourne City Council

Metropolitan Central Representative

- Councillor, 2012 – present
- Chair, Planning Committee
- Deputy Chair, Environment Committee

11 Cr Tom Melican

Banyule City Council

Metropolitan East Representative

- Chair, Environment Committee
- Mayor, 2008-09, 2011-12, 2017
- Councillor, 2003 – present
- Board Member, Metropolitan Waste Resource Recovery Group

12 Cr Gary Norton

Swan Hill Rural City Council

Rural North West Representative

- Councillor, 2003 – present
- Mayor, 2007-08
- Deputy Chair, Transport and Infrastructure Committee

13 Cr Peter Perkins

Nillumbik Shire Council

Interface Representative

- Councillor, 2010 – present

Board meeting attendance 2016-17

	Jul	Aug	Sep	Oct	Nov	Dec	Feb	Apr	May	Jun
Bill McArthur	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Angela Altair	✓	✓	X	✓	✓	X	✓	N/A	N/A	N/A
David Clark	X	✓	✓	✓	✓	✓	✓	✓	✓	✓
Rod Fyffe	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ruth Gstrein	✓	✓	✓	X	✓	✓	✓	✓	✓	✓
Geoff Lake	✓	✓	✓	✓	✓	X	✓	✓	✓	✓
Gary Norton	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Coral Ross	✓	X	✓	✓	✓	✓	✓	N/A	N/A	N/A
Helen Coleman	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Malcolm Hole	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Tom Melican	✓	✓	✓	✓	✓	✓	✓	✓	✓	X
Bernadene Voss	✓	X	✓	✓	✓	✓	✓	N/A	N/A	N/A
Ron Janas	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	✓
Mary Lalios	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓	✓
Jami Klisaris	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓	✓
Rohan Leppert	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓	✓
Peter Perkins	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓	✓
Josh Gilligan	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓	✓

No meeting held in January. No meeting held in March due to Board elections. Rob Farrell and Bill McArthur resigned from the MAV Insurance Board during the reporting period. N/A = Not a board member during this period.

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.

Board member	Annual Allowance	Data Allowance	Expenses	TOTAL
Rod Fyffe	9,250.00	394.00	5,307.60	14,951.60
Helen Coleman	3,083.00	131.00	910.02	4,124.02
Angela Altair	7,574.00	265.00	-	7,839.00
Bernadene Voss	9,250.00	394.00	83.51	9,727.51
Tom Melican	9,250.00	394.00	2,146.37	11,790.37
Gary Norton	9,250.00	394.00	9,627.08	19,271.08
Malcolm Hole	9,250.00	394.00	7,401.24	17,045.24
Ruth Gstrein	9,250.00	394.00	8,726.01	18,370.01
Geoff Lake	9,250.00	394.00	-	9,644.00
Coral Ross	25,517.00	265.00	4,144.97	29,926.97
David Clark	13,585.00	394.00	8,247.47	22,226.47
Bill McArthur	21,966.00	131.00	8,780.69	30,877.69
Mary Lalios	21,612.00	130.00	4,154.59	25,896.59
Ron Janas	7,709.00	328.00	6,713.73	14,750.73

Former President Cr Bill McArthur was also provided with full private use of a motor vehicle at a cost of \$10,760.81
 President Cr Mary Lalios was also provided will full private use of a motor vehicle at a cost of \$8,668.58
 Amounts attributed to Cr Coral Ross include allowances relating to her role as Interim President

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 2015-16 and claimed in 2016-17. 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 2017 for expenses incurred in the 2016-17 year, details of which will be reflected in the 2017-18 Annual Report.

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 2016. 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. Membership of the Committee from 1 July 2016 continued with the three independents, the Chair, Michelle Dowsett, Sue Friend and Michael Ulbrick along with the then President of the MAV, Cr Bill McArthur and Board member Cr David Clark. Michael Ulbrick continued on the Committee up to and including the October 2016 meeting when his maximum term expired. John Watson replaced Michael Ulbrick from the December 2016 meeting. Cr Bill McArthur was not re-elected in the October 2016 council elections. Cr Coral Ross was elected interim President and in that capacity attended the December meeting of the Committee. Cr Mary Lalios was elected President in March 2017 and has been a member of the Committee since the March 2017 meeting.

The work of the Committee is governed by an annual work program, aligned with the Audit Committee Charter, adopted at the start of each year. The last review of the Charter was undertaken in the 2015-16 year.

The Committee reviews and oversees the most current monthly financial statements for MAV's operations. The Committee monitors major claims, minimum capital retention and the agreement with the service provider, Jardine Lloyd Thompson.

Risk is a standing item on the agenda with the Chief Executive Officer reporting on emerging risks. Risk management is also a focus of the Committee's financial oversight, Annual Audit Program and policy review.

The Internal Audit Plan for 2016-2017 provided for the following audits:

- Conflict of Interest
- Fraud and Corruption Management
- MAV 'Sector Procurement'.

In relation to the audit on conflicts of interest, the Audit Committee requested further work in relation to the disclosure of interests. This was then submitted to the Board and a Conflict of Interest Management Plan was developed for the CEO's conflict. The Audit Committee accepted the Management Plan and this was communicated to the Board.

The Fraud and Corruption Management audit was completed. The MAV 'Sector Procurement' audit will be completed in the first quarter of 2017-18.

In 2016-17 the sitting fees were:

Chair

\$1,003 per meeting.

Independent committee members

\$668.50 per meeting.

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.

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).

The MAV Strategic Work Plan 2016–17 identified four priority activities to advance the four strategic objectives of the MAV:

OBJECTIVE 1: HELP COUNCILS ACHIEVE FINANCIAL SUSTAINABILITY

Priority activity: Address cost shifting and Financial Assistance Grants freeze; review current funding and services, and resist unfunded additional responsibilities from other levels of government.

OBJECTIVE 2: IMPROVE THE REPUTATION OF LOCAL GOVERNMENT

Priority activity: Manage community expectations and improve perception of local government.

OBJECTIVE 3: IMPROVE SECTOR PRODUCTIVITY AND EFFICIENCY

Priority activity: Advocate to build partnerships that improve council capability and capacity.

OBJECTIVE 4: ENCOURAGE INNOVATION AND COLLABORATION THROUGH LEADERSHIP

Priority activity: Support sector innovation and transformational change.

In addition to this, the plan identified an overarching sector imperative: Protect and promote the democratic status, autonomy and efficient carrying out of local government in Victoria.

Planning and reporting

Our strategic planning process has evolved over recent years as we seek to increase the value of outcomes for our members. This Annual Report reflects a further sharpening of our focus toward high value outcomes for members.

Our State Council process generated additional activities for MAV staff. 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.

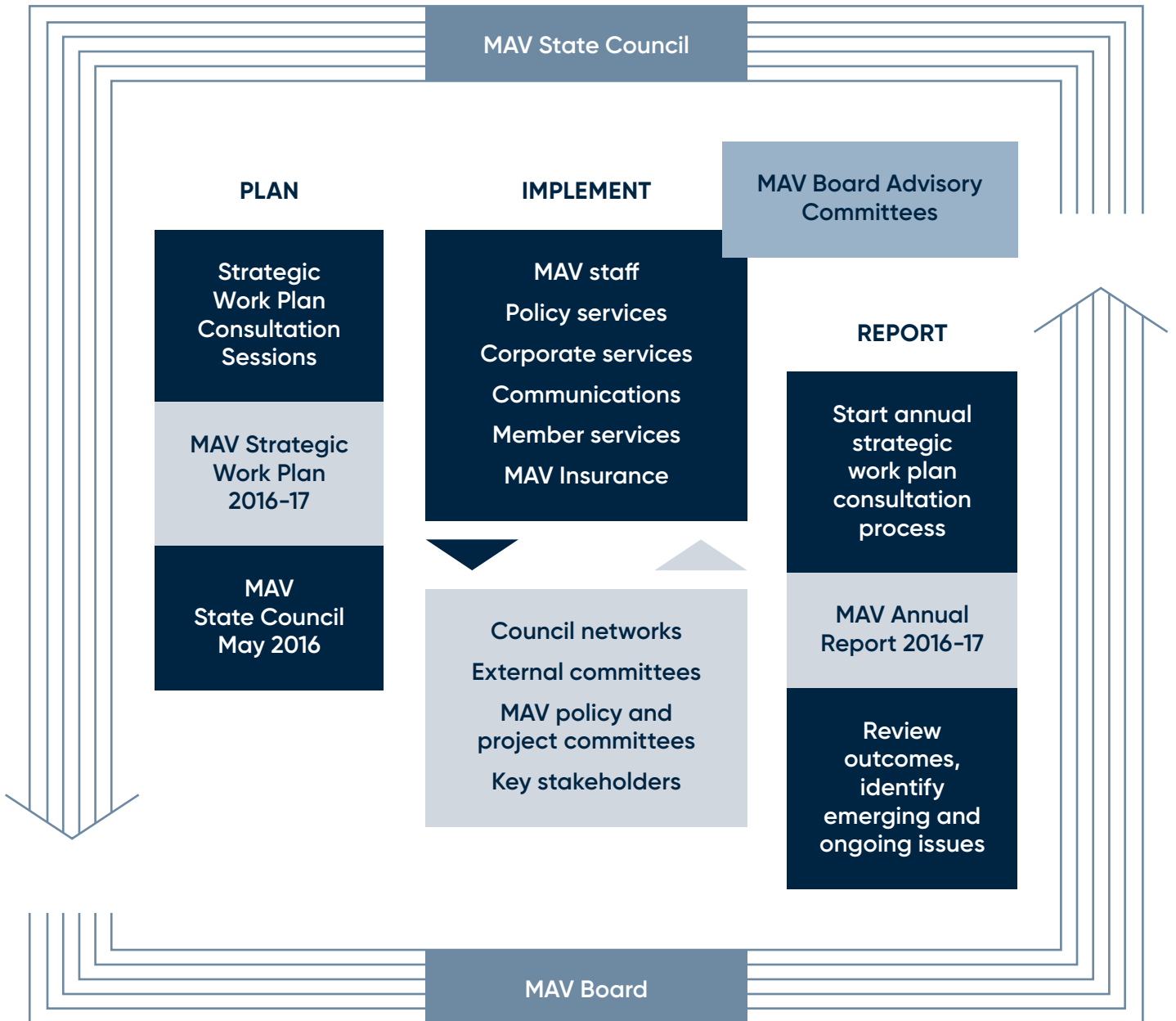
Consultation

MAV consultation networks are vast and varied. MAV staff continually consult with council staff on matters of policy and process. 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. 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. They 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:

Crisisworks Joint Management Panel

Provides management advice regarding the Crisisworks incident management system that provides a cost-effective IT system for Victorian councils to use in emergency management.

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 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 Animal Industries Working Group

Guides MAV advocacy on animal industries 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 Drainage Arrangements Working Group

Guides the MAV on issues relating to drainage arrangements, particularly in rural and regional areas.

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 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.

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, business transformation and innovation 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 2016-17, these included:

- Aboriginal Maternal and Child Health Committee
- Alliance for Gambling Reform
- ANZAC Commemorative Naming Program Committee
- Building Stakeholder Reference Group
- Commissioner for Environmental Sustainability's Reference Group
- Councils and Emergencies Reference Group
- Cultural Development Network Board
- Dental Health Services Victoria Population Health Committee
- Department of Education and Training – Early Childhood Development Advisory Group
- DELWP Safer Together Cross Tenure strategic planning working group
- Earth Resources Ministerial Advisory Committee
- Earth Resources Stakeholder Reference Group
- Emergency Management Joint Public Information Committee
- EMV Emergency Management Planning Guidelines Reference Group
- EMV Road Infrastructure Emergency Management Working Group
- Essential Services Commission – Engagement Technical Working Group
- Family Violence Steering Committee and Industry Taskforce
- Federal Blackspot Consultative Panel
- Improving safety at passive level crossings working group
- Infringements Standing Advisory Committee
- Intensive Animal Industries Interdepartmental Committee
- Local Government Aboriginal Partnerships Project Steering Committee
- Local Government Performance Reporting Steering Committee
- Marrung Central Governance Committee
- Melbourne Water Flood Strategy Implementation Advisory Committee
- Melbourne Water Health Waterways Strategy Project Leadership Team
- Ministerial Taskforce on Prevention of Family Violence and other forms of violence against women
- Municipal Emergency Management Enhancement Group
- National Aged Care Home Support Advisory Group
- National Local Government Cultural Forum
- NDIS Implementation Taskforce
- Noise External Reference Group
- Open Government Partnership – Australia
- PTV Public Transport Operators Committee
- Public Service Medal Committee
- Relief and Recovery Communications Working Group
- Residential Zones Implementation Industry & Local Government Working Groups

- Road Freight Advisory Council
- School Crossing Program Review Working Group
- SES Municipal Emergency Management Plan Audit committee
- State Crisis and Resilience Council (SCRC)
- SCRC Capability and Response Sub-committee
- SCRC Relief and Recovery Sub-committee
- SCRC Risk and Resilience Sub-committee
- Social Services Taskforce
- State Elder Abuse Prevention and Response Advisory Group
- State Emergency Management Team
- State Environmental Protection Policy (Water) Stakeholder Reference Committee
- State Fire Management Planning Committee
- 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
- TAC Local Government Towards Zero Working Group
- Tech Schools Statewide Policy Implementation Panel
- VicRoads Rural Reference Group
- VicRoads Safety Alliance
- VicRoads Smartroads Reference Group
- VicRoads Transport Users Forum
- Victorian Children’s Council
- Victorian Commission for Liquor and Gambling Regulation – Liquor Licensing Community Stakeholder Forum
- Victorian Community Care Departmental Advisory Committee
- Victorian Emergency Animal Welfare Committee
- Victorian Flood Warning Consultative Committee
- Victorian Floodplain Management Strategy Implementation Reference Committee
- Victorian Food Regulators Forum
- Victorian Litter Action Alliance
- Victorian Pedestrian Advisory Council
- Victorian Police Vehicle Theft Stakeholders Symposium
- Victorian Pollution Operation Group – State Marine Pollution Committee
- 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
- VicTrack Interface Agreement Working Group
- Waste Governance Reform State Transition Committee
- Worksafe Stakeholder Reference Group



OUR PEOPLE

HUMAN RESOURCES OVERVIEW

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.

Human Resources

The MAV engages 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 2016-17 the staffing profile of the MAV included:

- 30 full-time and seven part-time staff who deliver the MAV's Strategic Work Plan activities and represent the sector in negotiations with government and other stakeholders.
- Three full-time and 13 part-time staff 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, libraries, digital transformation, sector development and policy advice.

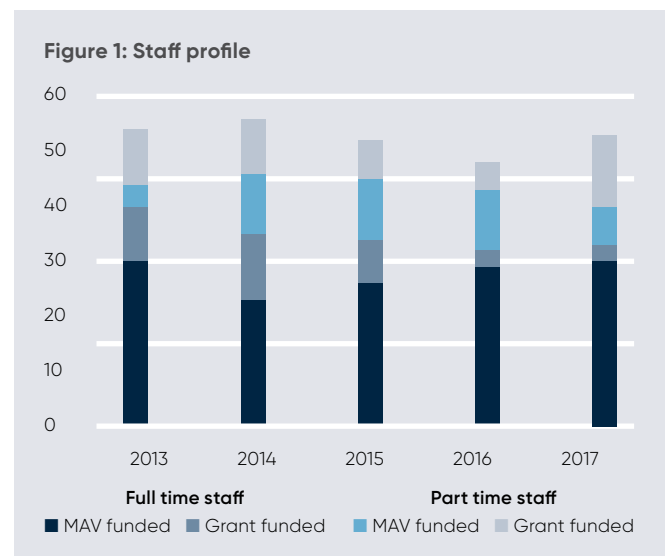
Staff recruitment and selection is underpinned by the principles of merit and equity. The MAV values diversity and employs young people, mature-age workers, working parents, people with disabilities, and people from Aboriginal/Torres Strait Islander and non-English speaking backgrounds.

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 several 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.

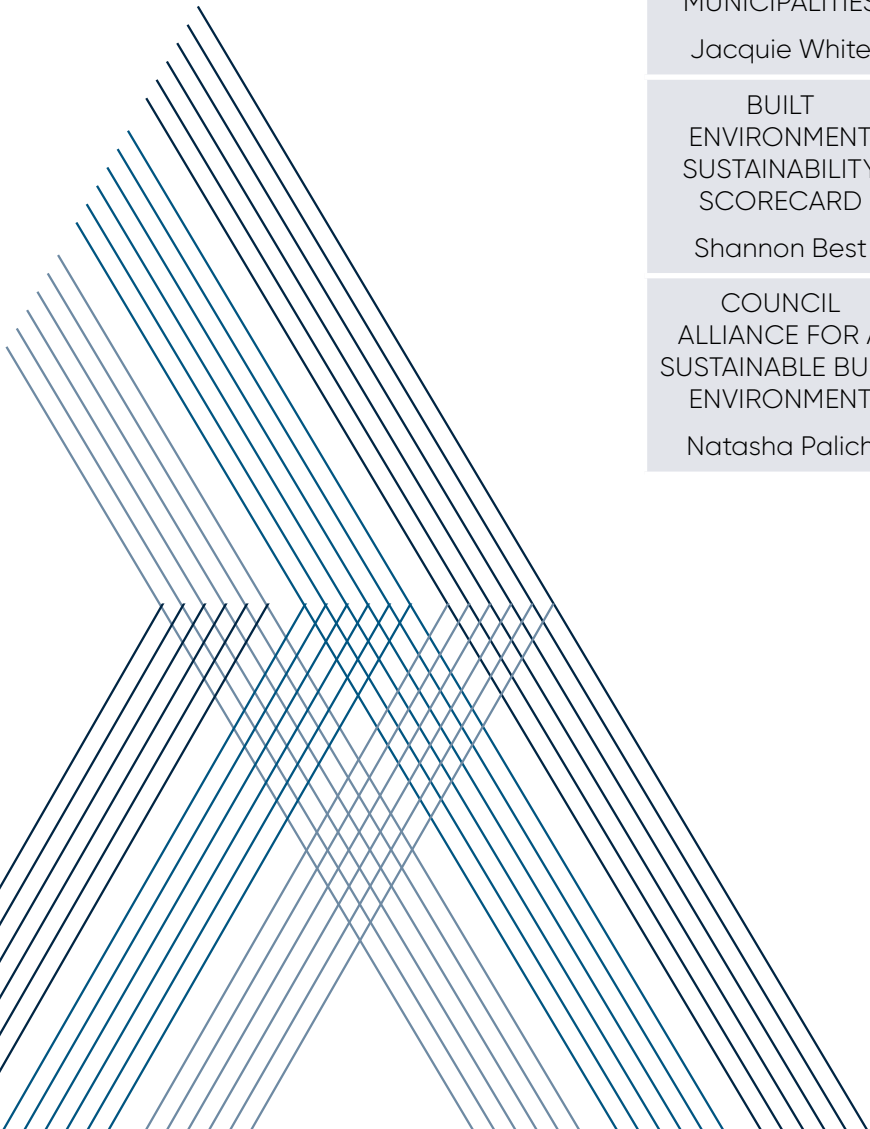
Rob currently represents the sector as a member of the Victorian State Crisis and Resilience Council (legislated), a member of the Minister's Freight Advisory Council, board member (and former Chair) of Vision Super, co-Chair of the Expert Advisory Committee for Maternal and Child Health, member of the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

Staff Profile



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 Peter Allen					BUILT ENVIRONMENT SUSTAINABILITY SCORECARD Shannon Best
MANAGER WATER & ABORIGINAL AFFAIRS Rosemary Hancock					COUNCIL ALLIANCE FOR A SUSTAINABLE BUILT ENVIRONMENT Natasha Palich



MAV STAFF



Executive team

1 Rob Spence

Chief Executive Officer

2 Alison Lyon

Deputy Chief Executive Officer, General Counsel

3 Claire Dunn

Manager, Environment

4 Emma Lake

Manager, Emergency Management Policy

5 Clare Hargreaves

Manager, Social Policy

6 Owen Harvey-Beavis

Manager, Insurance, Research and Strategy

7 Debbie Jones

Manager, Media and Communications

8 Cameron Spence

Manager, Member Services

9 Alison Standish

Manager, Human Resources and Corporate Services

10 Rosemary Hancock

Manager, Water and Aboriginal affairs

11 Julie-Ann Undrill

Manager, Events and Sponsorship

Core staff

Rylee Agius

Office Coordinator

Polly Banks

Executive Assistant to CEO

Reshu Basnyat

Corporate Services Officer

Olivia Boddeus

Governance and Legal Support Officer

Emlyn Breese

Planning & Environment Officer

Renai De Giusti

Events Coordinator

Steve Downs

Business Manager Relationships, MAV Procurement (Part Time)

Steve Goldsworthy

Governance Adviser (Part Time)

Michael Green

Electronic Records Officer (Part Time)

Alison Hawkins

Contract Manager, MAV Procurement

Trevor Koops

Economist

Jean Lee

Finance Officer

Gavin Mahoney

Senior Project Officer

Kristine Minghella

MAV Insurance Counsel (Part Time)

Harriet Murphy

Policy and Project Officer

Candice Ong

Payroll and Finance Officer

Sarah O'Connor

Media and Communications Adviser

Kevin Peachey

Policy Advisor, Transport and Emergency Management

Julie Saylor-Briggs

Councillor Development Officer

John Smith

Insurance Claims Adviser (Part Time)

Zachary Tangey

Communications Officer

Julie-Ann Undrill

Manager, Events and Sponsorship

Steve Vasilevski

IT Coordinator

Talei Winning

Corporate Services Officer

Rebekah Zechner

Online Communications Coordinator

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)

Jocelyn Fuller

HACC Policy Adviser
(Part Time)

Kim Howland

MCH Senior Policy Adviser

Reinard Irawan

Systems Support
Coordinator, CDIS

Catherine Morland

Administration Officer,
Social Policy
(Part Time)

Kellie Nagle

Policy Adviser
Prevention of Violence
Against Women
(Part Time)

Katherine Wositzky

Diversity Policy Adviser
(Part Time)

Hosted organisations

Karin Anderson

CASBE Planning Officer

Shannon Best

Manager, Built Environment
Sustainability Scorecard
(Part Time)

Lloyd Brady

Systems Administrator,
SWIFT Library Consortium

Christine Mackenzie

Executive Officer, Public
Libraries Victoria Network
(Part Time)

Natasha Palich

Executive Officer, CASBE
(Part Time)

Jacque White

Executive Officer, Association
of Bayside Municipalities
(Part Time)

MAV Council Representatives

Alpine Shire Council

Cr Ron Janas

Ararat Rural City Council

Cr Paul Hooper

Ballarat City Council

Cr Amy Johnson

Banyule City Council

Cr Tom Melican

Bass Coast Shire Council

Cr Les Larke

Baw Baw Shire Council

Cr Jessica O'Donnell

Bayside City Council

Cr Alex del Porto

Benalla Rural City Council

Cr Don Firth

Boroondara City Council

Unrepresented

Brimbank City Council

Cr Lucinda Congreve

Buloke Shire Council

Cr David Pollard

Campaspe Shire Council

Cr Adrian Weston

Cardinia Shire Council

Cr Brett Owen

Casey City Council

Cr Amanda Stapledon

Central Goldfields Shire Council

Cr Geoff Lovett

City of Greater Bendigo Council

Cr Rod Fyffe

Colac Otway Shire Council

Cr Terry Woodcroft

Corangamite Shire Council

Cr Ruth Gstrein

Darebin City Council

Cr Susan Rennie

East Gippsland Shire Council

Cr Richard Ellis

Gannawarra Shire Council

Cr Jodie Basile

Glen Eira City Council

Cr Margaret Esakoff

Glenelg Shire Council

Cr Anita Rank

Golden Plains Shire Council

Cr Nathan Hansford

Greater Dandenong City Council

Cr Sean O'Reilly

Greater Geelong City Council

Mr Peter Dorling

Greater Shepparton City Council

Cr Dinny Adem

Hepburn Shire Council

Cr John Cottrell

Hindmarsh Shire Council

Cr Debra Nelson

Hobsons Bay City Council

Cr Angela Altair

Horsham Rural City Council

Cr Pam Clarke

Hume City Council

Cr Joseph Haweil

Indigo Shire Council

Cr Jenny O'Connor

Kingston City Council

Cr David Eden

Knox City Council

Cr Peter Lockwood

Latrobe City Council

Cr Dale Harriman

Loddon Shire Council

Cr Gavan Holt

Macedon Ranges Shire Council

Cr Jennifer Anderson

Manningham City Council

Cr Paul McLeish

Mansfield Shire Council

Cr Paul Volkering

Maribyrnong City Council

Cr Catherine Cumming

Maroondah City Council

Cr Mike Symon

Melbourne City Council

Cr Rohan Leppert

Melton City Council

Cr Kathy Majdlik

Mildura Rural City Council

Cr Glenn Milne

Mitchell Shire Council

Cr Rhonda Sanderson

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 Mark Riley

Mornington Peninsula Shire Council

Cr Hugh Fraser

Mount Alexander Shire Council

Cr Christine Henderson

Moyne Shire Council

Cr Jim Doukas

Murrindindi Shire Council

Cr Charlotte Bisset

Nillumbik Shire Council

Cr Peter Perkins

Northern Grampians Shire Council

Cr Murray Emerson

Port Phillip City Council

Cr Dick Gross

Pyrenees Shire Council

Cr David Clark

Queenscliffe Borough Council

Cr Tony Francis

South Gippsland Shire Council

Cr Ray Argento

Southern Grampians Shire Council

Cr Mary-Ann Brown

Stonnington City Council

Cr Jami Klisaris

Strathbogie Shire Council

Cr Amanda McClaren

Surf Coast Shire Council

Cr Libby Coker

Swan Hill Rural City Council

Cr Gary Norton

Towong Shire Council

Cr Aaron Scales

Wangaratta Rural City Council

Cr Ken Clarke

Warrnambool City Council

Cr Kylie Gaston

Wellington Shire Council

Cr Malcolm Hole

West Wimmera Shire Council

Cr Bruce Meyer

Whitehorse City Council

Cr Denise Massoud

Whittlesea City Council

Cr Ricky Kirkham

Wodonga City Council

Cr Anna Speedie

Wyndham City Council

Cr Josh Gilligan

Yarra City Council

Cr James Searle

Yarra Ranges Shire Council

Cr Noel Cliff

Yarriambiack Shire Council

Cr Graeme Massey



DETAILED PERFORMANCE REPORT



PROVIDING VALUE FOR OUR MEMBERS

This section of the Annual Report details how the outcomes of activities endorsed by our membership contribute to addressing our strategic objectives for 2016-17.

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.

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 continues to evolve. This report includes assessments of:

- MAV work team activity outcomes for 2016-17 (pages 34-39)
- Strategic Work Plan 2016-17 outcomes (pages 40-60)
- Financial performance (pages 10-13 and 70-152)

The Report provides high level outcomes and commentary that we trust equate to more meaningful reporting for our members. Detailed activity outputs from the Strategic Work Plan 2016-17 were reported on a quarterly basis to the MAV Board, and can be found on the MAV website.

Advocacy outcomes can be difficult to measure, as a positive result can be defined in many 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.

Our performance measurement is continually improving. We have identified a number of areas for further development over the next reporting period. These proposed initiatives are discussed in the Strategic Work Plan Outcomes section of this report, on page 40.

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 2016-17 were:

Governance & Reform

MAV's Governance team worked to support the 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 councils, councillors and council officers with a variety of local governance matters.

In 2016-17, key achievements included a further review of MAV policies and procedures and the development of additional policies to strengthen MAV internal controls. This included a comprehensive VAGO follow-up audit that confirmed the MAV had taken appropriate action to address the underlying issues identified in the 2015 VAGO audit. The Stand for Council website was updated and information sessions were conducted across the state for prospective candidates for council elections. The President and Board elections were conducted in March 2017 and a new Board was inducted. Submissions were made on the Local Government Act Directions Paper and on the Municipal Association Act Discussion Paper.

Finance & Productivity

The MAV Finance and Productivity team worked 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 worked with our members to improve their financial autonomy.

In 2016-17, key achievements included working cooperatively with the Australian Local Government Association to obtain a commitment from the Commonwealth Government for indexation of Financial Assistance Grants to resume in 2017-18, which will provide around \$60m in annual benefit to the Victorian local government sector.

In addition, we worked with councils to obtain a commitment that the Victorian Government's proposal to implement a centralised and annual valuation model would not leave the sector disadvantaged; which ultimately resulted in the proposed legislation being temporarily withdrawn. We also continued to highlight the potential and emerging financial and community consequences of the Victorian Government's rate capping framework.

Sector Development

The Future of Local Government (FOLG) group worked with councils to identify and implement preferred future directions for the sector. We sought 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 2016-17 the key FOLG achievements included developing frameworks relevant to the upcoming review of the Local Government Act (eg. participatory democracy), working in collaboration with state and federal governments to achieve progress with regional freight strategies and outcomes, identifying collaborative local government projects in the areas of technology and asset management, and inviting councils nationally to participate in community-driven projects designed to recognise the changing role of local government (eg. the Neighbourhood Project).

Environment

In 2016-17, MAV Environment staff continued to advocate local government interests in relation to a range of State-led reviews and reform processes. Staff also influenced policy reforms in water management, waste and resource recovery, renewable energy, energy efficiency, climate change adaptation, coastal management and biodiversity, and native vegetation, as well as institutional EPA reforms.

Advocacy activity included eleven formal written submissions and participation in several reference groups. We hosted forums and workshops for councils to build capacity, share information and strengthen relationships.

Key achievements included securing a further \$5.4 million over two years for roadside weeds and pest management; delivery of the 2016 MAV Environment Conference; successfully lobbying for the continuation of funding for the MAV's integrated water management project for a further 12 months; partnering with DELWP and Melbourne Water to enable a co-designed review of the institutional arrangements guiding responsibilities between Melbourne Water and councils; and keeping the need for reform of on-site domestic wastewater regulatory arrangements on the agenda of DELWP and the EPA.

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 2016-17 included gaining a State Government commitment to take over the operational costs of Victoria State Emergency Service (VicSES) volunteer units; running consultation sessions which formed the basis of the MAV submission to Local Government Victoria's Councils & Emergencies Directions Paper; responding to the Resilient Recovery and Schedule 13 Permits to Burn discussion papers in consultation with members; hosting the annual VCOSS MAV Emergency Management Forum; contributing to the Municipal Emergency Management Collaboration Project as a member of the Steering Group; representing councils on the Municipal Emergency Management Plan (MEMP) audit review project; providing input into State-Commonwealth negotiations on natural disaster funding models; facilitating council officer participation in the Victorian Preparedness Goal validation sessions; and representing local government on the Victorian Floodplain Management Strategy Implementation Reference Group.

Community Services & Public Health

The MAV's Community Services and Public Health teams delivered outcomes for members in areas including municipal health and wellbeing, community care for older people and people with disabilities, positive ageing, access and inclusion, vulnerable people, public libraries, cultural diversity, the arts, maternal and child health (MCH), early years and youth, alcohol and smoking, gambling, food safety and family violence.

Key achievements in 2016-17 included the ten-year Early Years Compact (2017-27); securing \$37.7m in ongoing funding for expansion of the MCH service, \$11m for MCH visits for women and children at risk of family violence, \$5.2m to attract and support MCH nurses; \$5.5m for kindergarten central enrolments, \$10m for new kinder facilities in government schools and supported playgroups; \$225,000 for NDIS / disability model reforms; \$50,000 for library management system expansion; \$1.2m for council tobacco control education and enforcement activities and \$625,000 for council implementation of new outdoor dining smoking and e-cigarette laws; \$300,000 for the further development and rollout of Patchwork; and a one year extension of federal funding for 15 hours of kindergarten.

Our ongoing response to recommendations from the Family Violence Royal Commission included gaining improved recognition of the critical role of councils' universal services; and providing guidance for councils to incorporate family violence actions/ measures in their health plans.

We negotiated the signing of the Tripartite Agreement between Commonwealth, State and the MAV on community care (formerly HACC) and chaired the Trilateral Community Care Official Group. We extended the Preventing Violence against Women (PVAW) and Positive Ageing programs which included managing grants for council innovation and showcasing council projects. We also supported rural councils to develop age-friendly projects and continued the statewide roll out of the MCH Child Development Information System (CDIS).

We partnered in the Victorian Aboriginal and Local Government Action Plan, to develop a strategic alliance with the Victorian Aboriginal Community Controlled Health Organisation (VACCHO). We also led work on cultural assets, Aboriginal career pathways in the arts and live music, and assisted with arts and culture planning of councils; promoted cultural diversity, social cohesion and settlement strategies with councils; supported the Alliance for Gambling Reform and advocated for crime prevention and alcohol harm reduction strategies, and for legislative changes to gambling laws.

Planning & Building

The MAV's planning and building team aims to influence the State Government's policy and reform agenda and support the sector.

Key achievements included the commencement of a \$800,000 coastal planning project to help councils plan for coastal climate change; assisted State Government to identify a vision and business case for substantive reform of the planning system through the SMART Planning initiative; redrafted the Building Act amendment as a result of advocacy from the MAV, the Victorian Municipal Building Surveyors Group and councils; delivered the Rural and Regional Planning Conference; and facilitated council participation in reforms such as Better Apartments, animal industries, native vegetation and extractive industries.

Transport & Infrastructure

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

Key achievements included successfully advocating for 50:50 school crossing supervisor funding; developed submissions to influence the Infrastructure Victoria 30-year infrastructure plan; developed a submission to contribute to Infrastructure Victoria's transport network pricing policy; contributed to ALGA's value capture submission to the Federal Government; hosted the inaugural MAV Road Safety Forum; and worked with government departments to provide the sector with policy workshops to help inform future policy and legislation.

The MAV Step Asset Management and Financial Sustainability Program improved Asset Management performance and service planning in councils, enhanced sustainability assessments, identified key issues and priority projects, provided comparative benchmarks and collaboration opportunities.

Our work in Heavy Vehicle Planning included an upgrade of the Route Assessment Tool, development of the NHVR Road Manager Portal and Regional Freight Strategies, support for the Gippsland region to become a pilot area for the National Road Data Standard, grant submissions to the Federal Government's Smart Cities & Suburbs Program, and participation in the National Heavy Vehicle Harmonisation Program.

We delivered the National LG Infrastructure Conference and regional meetings of councils, co-ordinated reviews of the Road Management Act Codes of Practice, planned for After Hours Goods Delivery Trials, and participated in the ALGA Road and Transport Advisory Committee.

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 2016-17, key achievements of MAV Procurement included the delivery of key tenders including Permanent Recruitment Services, Workwear and Personal Protective Apparel, Parks and Playground Equipment, Bill Payment Services, Microsoft Software Licensing, Natural Gas, Civil Works: Roads, Bridges & Road Resurfacing and a Solution for Electronic Assessments and Approvals.

We also delivered the LEAP continuous improvement procurement development program to 36 councils, including regional programs with the Gippsland, North West Metropolitan and the Goulburn Valley Regional Collaborative Alliance; rolled-out the Child Development Information System (CDIS) – a sector-wide Maternal and Child Health information system to more than 60 councils and regional health alliances; developed and rolled-out a suite of procurement eLearning training modules and standard procurement (tendering and quotation) terms and conditions for access by councils; delivered 25 training courses including Contract Management Essentials in Local Government, Evaluation and Contract Establishment, Planning and Specification Development, Probity and Risk Management, and Procurement Essentials to more than 300 participants across the state.

In 2016-17, MAV's Councillor Training & Workforce development team key achievements included developing the Understanding Local Government eLearning module; facilitating the new Councillor Induction Day and Mayors Program following the October 2016 elections; ongoing delivery of sector specific training including Planning & Building, Meeting Procedures, Media Skills, Dealing with Difficult People, and Financial Training attended by more than 200 councillors; the Graduate Diploma of Management Swinburne University cohort four graduated July 2017; and awarding the Cranlana Colloquium Ethical leadership programme to Cr Kylie Gaston from Warrnambool City Council.

Events

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. The MAV ran 101 events for over 7,600 delegates in the 2016-17 financial year. Thirty-four per cent were social and community events; infrastructure, planning and building events represented 20 per cent; governance events represented 14 per cent and environment represented nine per cent.

Other local government key event areas included emergency management, communications, technology, insurance and procurement. MAV events initiated the Environment Conference and Hacktivation: Transforming Local Government in the Innovation Era in 2016-17, while the Rural and Regional Planning Conference, Future of Local Government, and Infrastructure and Asset Management Conference remained well attended by the sector.

Technology

MAV Technology aims to demonstrate leadership in information and communications technology (ICT) and business transformation enabled by digital means, to support effective delivery of council and community services.

Key achievements for 2016-17 included development of best practice, research and collaboration tools including the Open Council Data Toolkit, Council Commons resource sharing platform; facilitated Local Government Digital Transformation Taskforce workshops; delivered recommendations of the Local Government Digital Transformation Taskforce; progressed the proposed Victorian Local Government Enablement Platform proof of concept; hosted digital/ICT events in regional locations and an internationally-renowned annual conference and trade expo in Melbourne. We expanded our 300+ person Yammer network to facilitate the sharing of ICT resources, ideas and solutions; encouraged innovation and business transformation enabled by digital through the MAV Technology Awards for Excellence; delivered group ICT/digital transformation procurement savings in partnership with MAV Procurement; and advocated 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 2016-17 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 2016-17, the team delivered continued growth in the MAV's social voice by 16 per cent on LinkedIn, 11 per cent on Twitter and 16 per cent on Facebook.

Seventy-four councils participated in our Stand for Council campaign which included a successful trial of sponsored social media posts. The campaign resulted in 1,400 community participants attending 87 candidate information sessions, more than 70,000 visits to our campaign website, 300+ media stories and over 2,000 diverse candidate nominations.

In partnership with Twitter Australia and interstate Local Government Associations, we profiled the diverse services provided by councils through National Local Government Twitter Day, with 2,259 tweets reaching 1.14 million Twitter users.

We developed an animated video and infographic on rate capping, and a video about the landfill levy to make MAV advocacy messages more accessible and easily understood by communities. We produced a video promoting the community role of council nurses and maternal and child health services. Our communications initiatives supported MAV advocacy efforts to secure Federal funding for kindergartens and restoration of indexation for Financial Assistance Grants; highlighted the impacts of rate capping and cost shifting; and supported council concerns about property valuation reforms, and the allocation of landfill levy funding. The MAV Bulletin experienced subscriber growth of six per cent for the year.

Insurance

The MAV Insurance team provides public liability and professional indemnity insurance for the Victorian and Tasmanian local government sectors, and commercial crime insurance for Victorian councils. The schemes operate in accordance with the MA Act 1907 to ensure ongoing availability of insurance for councils.

In 2016-17, key achievements included extending the coverage of the LMI policy to include claims arising from the use of drones and increasing coverage limits effective 30 June 2017 to \$600 million for both public liability and professional indemnity losses. We also successfully appealed a decision that would have potentially extended councils' responsibilities to manage roadsides to better protect the sector from future litigation; reviewed 27 Road Management Plans for members; and provided legal, underwriting, and policy coverage advice on nearly 1,000 occasions during the reporting period.

OCCUPATIONAL HEALTH AND SAFETY

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. Our OHS strategy is built on four cornerstones which are:

- establishing a systematic approach to OHS
- building an active OHS culture
- demonstrating leadership in OHS
- providing safe workplaces and equipment

Establishing a systematic approach to OHS

The MAV was one of 31 founding members of MAV WorkCare self-insurance scheme, a result of MAV's successful application to WorkSafe Victoria for a workcover self-insurance licence for the local government sector.

Building an active OHS culture

MAV has raised the profile of OHS with staff by creating a dedicated OHS section on our intranet, and completing an overhaul of our OHS policy and procedures in consultation with staff on their development. As a result MAV implemented a number of actions and initiatives, including a series of well-being programs such as Courageous Conversations and Unconscious Bias workshops, exercise and fitness programs, healthy eating, etc.

Demonstrating leadership in OHS

MAV is demonstrating leadership in OHS through the development and implementation of a model OHS Management System for the local government sector as part of the conformance with self-insurance requirements.

At an internal level, OHS is included in meeting agendas and is regularly discussed at staff meetings and team meetings.

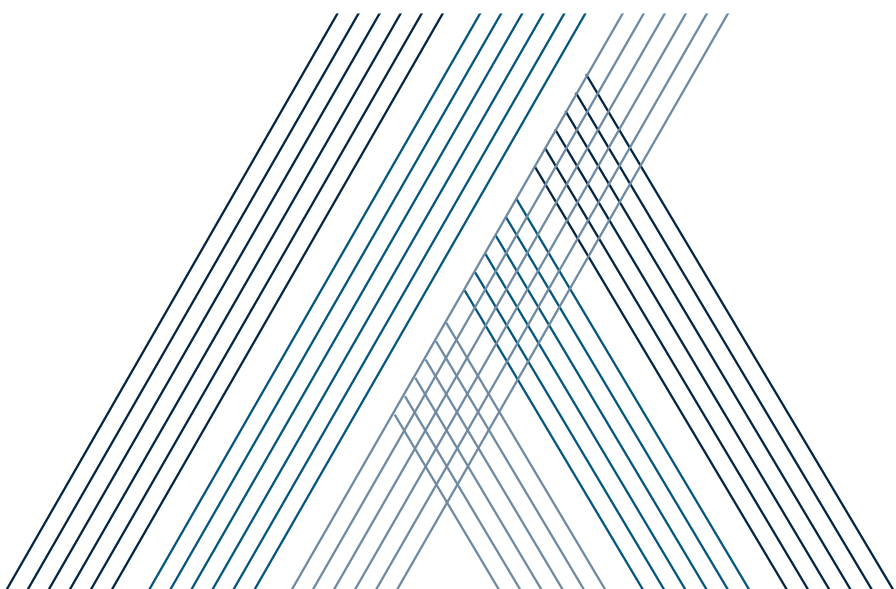
Providing safe workplaces and equipment

Through the WorkSafe Victoria audit process, MAV had 99 non-conformances with the National Audit Tool identified, as at the 31 January 2017 all 31 non-conformances were addressed.

Internal inspections, hazard reports and/or risk assessments identified 37 OHS issues, with all 37 resulting in either corrective actions or OHS improvements being implemented.

The table below provides a summary of reported hazards and incidents for 2016/17.

Category	2016/2017
Hazards	1
First Aid	3
Incidents	2
Lost Time Incidents	nil
WC Claims	nil



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 ten 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.

STRATEGIC WORK PLAN OUTCOMES

The MAV's activities were guided by our Strategic Work Plan 2016-17, which was adopted by State Council in May 2016, following an extensive consultation process with our member councils.

The Work Plan includes four priority projects, which were addressed through the delivery of supporting activities from all MAV work areas.

The following pages present the outcomes of our priority projects, along with a summary of the supporting activities that have contributed to achieving our strategic objectives. More details about the supporting activity outputs were provided to the MAV Board throughout the reporting period and are available on the MAV website, or by request.

Improving our measures

The Strategic Work Plan 2016-17 introduced specific measures for each of the 44 supporting activities included in the Plan. All activity reports include pre-determined targets, an assessment of whether the target was reached and comments on the outcomes achieved. This is a step forward from our process last year, albeit not exactly where we hoped we would be this year. In some cases, the collection and analysis of the data we had specified proved too time consuming to be viable. In such cases, other measures and best estimates were used to assess our outcomes.

Independent reviewers from EY, Deloitte and VAGO have acknowledged that finding meaningful measures for the services we provide for our members is not a simple task. We are committed to identifying and applying measures and methods to provide a transparent, accountable and comprehensive picture of our performance to our members. We have identified several areas for improvement that we will pursue in the 2017-18 financial year, with a view to incorporating them into future reports.

Impact	Social Return
<p>Attributions We need to find a way to measure and attribute the impact of activities of partners and other stakeholders on our outcomes to more accurately assess the impact of MAV activities.</p>	<p>Data sources To provide a more comprehensive cost-benefit analysis, we should also identify indicators to capture and quantify the value of MAV activities that reduce inequality and environmental degradation and improve wellbeing. For example, if financial sustainability is achieved through reduction of services or staff, the impact of these activities should also be considered, measured and communicated.</p> <p>We will investigate the possibility of implementing a Social Return on Investment (SROI) framework for measuring and accounting for social, environmental and economic costs and benefits.</p>
<p>Data gaps To effectively measure the impact of our priority projects, we need to establish benchmark indicators for our strategic objectives.</p> <p>We need to consult with councils to determine appropriate indicators and find an efficient and practical way to collect, analyse and communicate this information.</p>	<p>Sensitivity analysis In a political environment, negotiations are the norm. In some cases, short-term gains are forfeited in favour of longer-term outcomes; or to maintain important relationships.</p> <p>Advocacy is a big part of what the MAV delivers for councils, and it is very difficult to quantify its full value. We need to find a way to measure the strength of our relationships and level of influence with key stakeholders.</p>

Financial return

Financial Return on Investment 2016-17



■	Total MAV subscription fees
■	Financial value of member service benefits delivered
■	Social Return on Investment (not measured)

This graph illustrates the financial value of services delivered for councils in 2016-17 compared to the investment councils made in MAV membership subscriptions. It does not include:

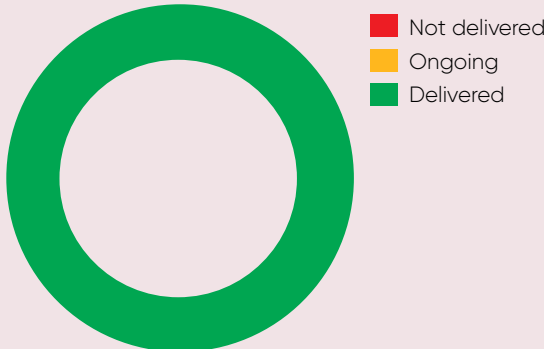
- consideration of the contribution made by other stakeholders in achieving these outcomes
- financial benefits achieved through other MAV activities (including productivity and efficiency initiatives, innovation and collaboration activities, and reputational improvement of local government)
- financial impact of social return on investment
- analysis of costs incurred by the MAV.

OBJECTIVE 1: HELP COUNCILS ACHIEVE FINANCIAL SUSTAINABILITY

PRIORITY: Address cost shifting and Financial Assistance Grants freeze; review current funding and services and resist unfunded additional responsibilities from other levels of government

Method
<ul style="list-style-type: none"> • Leverage ALGA membership to influence the restoration of Commonwealth Financial Assistance Grants. • Provide a succinct document for use by councils that lists the issues and quantifies cost shifting. • Advocate for formal agreements with the State in key areas of service delivery affected by cost shifting. • Monitor, profile and promote impacts of rate capping to influence cost shifting advocacy. • Deliver or advance MAV work area supporting activities.

OUTCOMES AND EVIDENCE

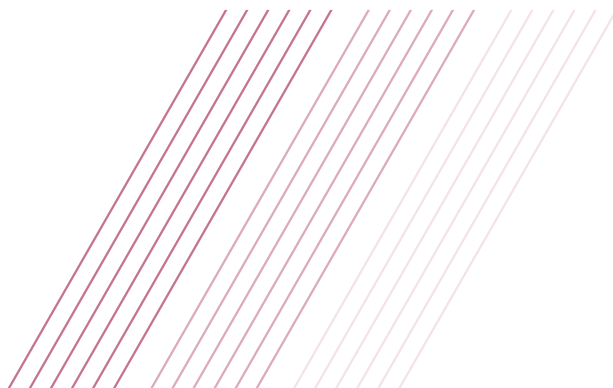
Indicators	Data Sources
<p>Outputs</p>	<p>Strategic Work Plan Activities 2016-17</p>  <p> ■ Not delivered ■ Ongoing ■ Delivered </p>



Indicators	Data Sources
Outcomes	<p>Secured restoration of indexation to Financial Assistance Grants from 1 July after a three-year freeze, in partnership with the ALGA.</p> <p>Secured Commonwealth funding for five hours' operational costs per week in 2018 to continue the national universal access kindergarten program.</p> <p>Secured extension of the Federal Government's Roads to Recovery Programme until 2021, providing at least \$75 million p.a. to Victorian councils.</p> <p>Influenced the introduction of new planning fees which are estimated to raise an additional \$40 million each year for local government.</p> <p>Secured \$81.2 million funding for Maternal and Child Health services over four years, with no co-investment required by councils.</p> <p>Secured \$87.1 million in new State Government funding for kindergarten services, with an emphasis on supporting vulnerable families.</p> <p>Raised community awareness of adverse impacts of the State's rate cap policy through media campaigns and participation in the rate capping Parliamentary Inquiry.</p> <p>Successfully advocated for the State to provide a second year of funding for the ESC to assess council applications.</p> <p>Secured commitment of the Victorian Government to assume primary funding responsibility for the SES, including units' operational costs and lease agreements on council-owned land.</p> <p>Secured a commitment from the Premier to restore 50:50 funding for the school crossing supervisors program from 1 July 2017.</p> <p>Secured \$5.4 million in new funding for councils to manage roadside weeds and pests.</p> <p>Secured a commitment from the Treasurer that should proposed annual property valuations be implemented, councils will not be financially worse off.</p> <p>Increased pressure on the State to reinvest landfill levies back into local waste and resource recovery initiatives.</p> <p>Protected councils from proposed reforms before Parliament to amend 'puppy farm' laws governing the sale of cats and dogs, which would have imposed a significant cost impact on councils to enforce.</p> <p>Provided submissions driven by member input to various State and Federal reviews and inquiries including rate capping, emergency management, finance, infrastructure, planning, early years, disability, climate change, water management, native vegetation, biodiversity, energy, housing, gaming and liquor licensing.</p> <p>Increased pressure on the State to allocate funds from the Port of Melbourne lease for rural and regional infrastructure projects.</p>

STRATEGIC WORK PLAN ACTIVITY OUTCOMES

TARGET	OUTCOME	DETAILS
Community Services		
Operational and capital funding levels from the State and Commonwealth are maintained or increased between 30 June 2016 and 30 June 2017.	✓ Delivered	<p>Secured \$81.2 million funding for Maternal and Child Health services over four years, with no co-investment required by councils.</p> <p>Secured \$87.1 million in new State Government funding for kindergarten services.</p> <p>HACC Tripartite Agreement signed by the Commonwealth, Victorian Government and MAV. It acknowledges the role of councils and provides funding certainty for councils until at least 2020.</p> <p>Negotiated State financial support for Swift library management system.</p>
Emergency Management		
A review of the SES funding model Provide input into State – Commonwealth negotiations on natural disaster funding models	✓ Delivered	<p>State will take over the operational costs of running Victoria State Emergency Service (VicSES) volunteer units from next financial year. This will include taking on long-term leases of units located on council land.</p> <p>Continued to contribute to natural disaster funding reform, including providing feedback on proposals and supporting State communication with councils regarding a testing phase for proposed reforms.</p>
Environment		
The sector's position in response to State reviews and reform initiatives is clearly articulated.	✓ Delivered	<p>Formal submissions made to Federal Government's review of climate change policies. Represented sector at various meetings and in numerous discussions with State including in relation to biodiversity, energy, waste and resource recovery, water, rural drainage and EPA reforms.</p>
Governance		
MAV develops new funding models in partnership with ALGA. Development of governance advice and resources.	✓ Delivered	<p>Opportunities for new funding models have been examined, with most emphasis currently on value capture as a means of additional funding for infrastructure projects.</p> <p>Governance advice provided to mayors, councillors and council officers on request.</p>
Planning and Building		
Local government voice is heard in reform initiatives.	✓ Delivered	<p>Influenced the introduction of new planning fees which are estimated to raise an additional \$40 million each year for local government.</p> <p>Ongoing participation in animal industry and extractive industry reforms.</p> <p>MAV participation in the building cladding taskforce.</p>



TARGET	OUTCOME	DETAILS
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Public Health and Safety

<p>Continued support from the State Government for funding for the tobacco control service agreements.</p>	<p>✓ Delivered</p>	<p>MAV worked closely with DHHS in 2017 in planning for the commencement of new smoking bans in outdoor dining areas and other tobacco products, such as e-cigarettes, on 1 August 2017.</p>
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Technology

<p>Participation in collaborative ICT procurement is increased.</p> <p>Shared services plans and opportunities are increased.</p>	<p>✓ Delivered</p>	<p>Worked with MAV Procurement on ICT collaborative procurement opportunities and encouraged council ICT officers to participate in procurement working groups.</p> <p>Discussed sharing of services and promoted collaborative ICT procurement opportunities at MAV Technology Privacy and Data Security in the Cloud forum in Creswick, and Emerging Technologies and Data Directions forum in Geelong.</p> <p>Facilitated networking to develop shared services opportunities between councils and with partner organisations.</p> <p>Progressed digital transformation initiatives to reduce duplication between councils and increase efficiency across the sector.</p>
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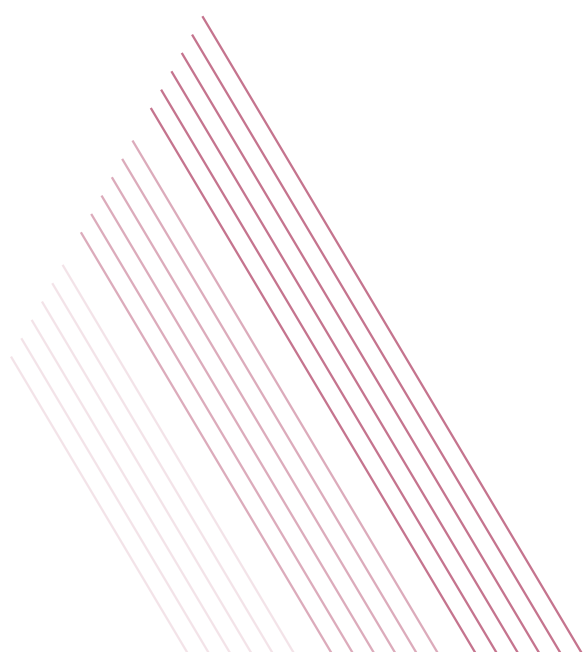
Transport and Infrastructure

<p>Local government voice is heard in reform initiatives.</p> <p>Double Roads to Recovery funding.</p> <p>Infrastructure renewal funding gap issues are progressed.</p>	<p>✓ Delivered</p>	<p>Secured 50:50 funding arrangement between local government and State Government for School Crossing Supervisor program.</p> <p>Submission to Infrastructure Victoria's draft 30-year Infrastructure Strategy, seeking fairer funding in future arrangements and highlighting asset renewal gap issues.</p> <p>Secured extension of the Federal Government's Roads to Recovery Programme until 2021, providing at least \$75 million p.a. to Victorian councils.</p>
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Procurement

<p>Continue to deliver high quality and relevant contracts to councils.</p> <p>Increased council awareness of aggregated procurement opportunities.</p>	<p>✓ Delivered</p>	<p>All 78 members accessed one or more of the 31 active MAV Procurement contracts.</p> <p>Thirty-six members participated in our Procurement LEAP program to identify cost savings, explore collaborative procurement and shared service opportunities, and develop plans.</p> <p>Current tenders include: Parks and Playground Equipment, Software for PDF File Management, Plan Mark-up and Management, Bill Payment Services, Civil Works: Roads & Bridges and Road Resurfacing (NPN), General Hardware (NPN), Major Roads Energy Efficient Street Lighting, Library Management System / SWIFT, Solar Rates program to assist low income household.</p>
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TARGET	OUTCOME	DETAILS
Events and Training		
Incorporate topics impacting financial sustainability in key MAV events.	✓ Delivered	Discussed at the Corporate Services Directors Forum and other key events and will continue to be included in the events planning.
Insurance		
Continue to deliver high quality and relevant insurance schemes for councils.	✓ Delivered	Comprehensive reinsurance program placement utilised over 17 international reinsurers for 2016-17. Negotiations for program placement for 2017-18 commenced in third quarter. Membership risks not apparent in this quarter.
Communications and Media		
Facilitate and coordinate communications and media to support this objective. Support advocacy activities with evidence-based reports, resources and campaigns.	✓ Delivered	Campaigns included rate capping, cost shifting, landfill levies, kindergarten funding and financial assistance grants indexation. Resources produced for councils and media stories achieved to support our advocacy efforts. Member engagement survey report and member comms survey report produced and circulated to members. Survey outcomes and identified gaps incorporated into strategic work plan 2017-2019 for actioning. VAGO audit update released. Positive report on MAV progress communicated to members. Planning commenced for improved website and extranet that addresses survey findings as part of website redevelopment project. Review and update rate capping infographic resources for councils. Developed landfill levy video resource. Launch of MCH centenary campaign with media stories and development of multimedia content.
Corporate Services		
Manage MAV human resources, policy compliance, hosted meetings and administration services to support this objective.	✓ Delivered	MAV meeting rooms maintained and improved for hosted meetings. Administrative support provided across the organisation. Policy compliance managed on a regular basis with refresher training. Review of council technologies used and introduction of Skype for Business for better access to MAV events from remote locations.



OBJECTIVE 2: IMPROVE THE REPUTATION OF LOCAL GOVERNMENT

PRIORITY: Manage community expectations and improve perception of local government

Method
<ul style="list-style-type: none">• Develop and support customer-facing service delivery solutions.• Collect and analyse data to target and measure activity outcomes.• Share council case studies, best practice solutions and resources.• Produce an interactive, visual resource that helps people understand what each level of government does and how it is funded.• Achieve better practice in MAV governance, management and operations.

OUTCOMES AND EVIDENCE

Indicators	Data Sources								
Outputs	<p>Strategic Work Plan Activities 2016-17</p> <table border="1"><caption>Strategic Work Plan Activities 2016-17</caption><thead><tr><th>Category</th><th>Percentage</th></tr></thead><tbody><tr><td>Delivered</td><td>85%</td></tr><tr><td>Ongoing</td><td>10%</td></tr><tr><td>Not delivered</td><td>5%</td></tr></tbody></table>	Category	Percentage	Delivered	85%	Ongoing	10%	Not delivered	5%
Category	Percentage								
Delivered	85%								
Ongoing	10%								
Not delivered	5%								

Indicators	Data Sources
Outcomes	<p>Stand for Council campaign promoted the important roles of local councils, encouraged community participation in council elections and sought more diverse nominations from candidates. More than 1,400 people attended 87 candidate information sessions. There was also a 14 per cent increase in the number of women councillors elected.</p> <p>Collection of council data through the MAV LEAP procurement program provided valuable insights into procurement efficiency and collaboration opportunities across the sector.</p> <p>Helped councils to explain rate capping to communities with a video resource that has been viewed more than 2,600 times.</p> <p>National Twitter Day profiled the valuable work of councils. A resource kit helped 531 council contributors to post 2,259 tweets reaching 1.14 million people.</p> <p>Comprehensive media relations activities resulted in over 1,500 print and broadcast media mentions (on average four per day or 28 per week) to defend and improve the reputation of the sector, and strengthened our role as the voice of local government.</p> <p>Broadened our social media reach and engagement including a 10 per cent increase in Twitter followers, and a 15 per cent rise in Facebook and LinkedIn followers.</p> <p>Convened two member Taskforces to guide our submission responding to the State Government's Local Government Act Review discussion paper and inform input to the Municipal Association Act Review. The MA Act and Rules Review Taskforce also considered State Council resolutions relating to MAV governance and performance.</p> <p>Conducted a comprehensive Councillor Development Training Program attended by more than 100 councillors to upskill them on key roles and responsibilities.</p> <p>Deloitte independently confirmed the successful review and updating of our governance, procurement and performance policies and procedures as recommended in 2015 by the Victorian Auditor General.</p>

STRATEGIC WORK PLAN ACTIVITY OUTCOMES

TARGET	OUTCOME	DETAILS
Community Services		
Community awareness of services has increased.	✓ Delivered	<p>Increased community awareness of the Maternal and Child Health service through centenary celebrations.</p> <p>MAV supported the Gambling Alliance and a series of submissions to inquiries on liquor control, drug law and gambling reform.</p>
Emergency Management		
An agreed role statement for local government in emergency management.	→ Ongoing	<p>In consultation with councils, made a submission to LGV in response to its Councils & Emergencies Directions Paper.</p> <p>Ran six consultation sessions to inform a draft submission to the Local Government Victoria Councils & Emergencies Directions Paper. Draft submission was distributed to members for feedback.</p> <p>A final role statement is expected by end of 2017.</p>



TARGET	OUTCOME	DETAILS
Governance		
<p>Better practice is achieved in MAV governance, performance and management.</p> <p>Member and stakeholder confidence has increased.</p>	<p>✓ Delivered</p>	<p>Deloitte undertook a Governance Framework review of the implementation of VAGO recommendations. The outcome was reported to the September State Council. Further changes suggested by Deloitte have been implemented.</p> <p>VAGO initiated a follow-up audit of its 2015 audit in February 2017. Documentation was provided to VAGO and on-site verification was undertaken. VAGO completed its follow-up audit and submitted its report to Parliament on 22 June 2017.</p> <p>Policy development and review undertaken by the MAV included the Project Management Policy, Records Management Policy, Fraud and Corruption Policy, Fraud and Corruption Framework, Integrity Framework, Protected Disclosure Policy and Procedures, Conflicts of Interest Policies for Board and Staff, Allowances and Expenses Policy, Purchasing Policy together with a suite of HR and OH&S policies and procedures. The new Board held a workshop in May 2017. Actions arising from the workshop include governance improvements and key issues of focus for the Board.</p> <p>MAV made submissions to LGV on the Discussion Paper and Directions Paper on the Review of the LGA. Draft legislation is due in December 2017.</p> <p>MAV made a preliminary submission (March 2017) on the review of the MA Act 1907. A submission on the Government's Discussion Paper on the MA Act was submitted in June 2017.</p>

Public Health and Safety

<p>Communities are aware of the new outdoor dining smoking laws.</p>	<p>✓ Delivered</p>	<p>Administered roll-out of an additional \$625,500 to councils to assist with new ban on smoking in outdoor dining areas. This funding is additional to the nearly \$1.3 million provided for councils' tobacco activity education and enforcement service agreements.</p>
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Technology

<p>Customer satisfaction rates are improved.</p>	<p>✓ Delivered</p>	<p>Local Government Digital Transformation Task Force workshop recommendations progressed.</p> <p>Planning for 'Council Commons' digital transformation resource portal progressed.</p> <p>MAV Technology 'Privacy and Data Security in the Cloud' Forum delivered information, contacts and product solutions for 70+ attending council delegates.</p> <p>MAV Technology 'Emerging Technologies and Data Directions' Forum delivered information, contacts and product solutions for 90+ attending council delegates.</p> <p>MAV Technology '2020 Vision' Annual Conference delivered information, contacts and product solutions for 200+ attending council delegates, private sector exhibitors and expert speakers. Event feedback surveys reflected increasing satisfaction rates.</p> <p>Planning for community roundtables exploring Open Data for Business progressed.</p> <p>Planning for 'MAVHACK' event commenced.</p> <p>Other collaborative Open Data project ideas progressed with leading councils and the State Government.</p>
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TARGET	OUTCOME	DETAILS
Transport and Infrastructure		
Advocacy role strengthened.	✓ Delivered	<p>Final submission made to Infrastructure Victoria's draft 30-year Infrastructure Strategy.</p> <p>Participation in Infrastructure Victoria's local government reference group.</p> <p>Presentation from Infrastructure Victoria CEO on draft 30-year Infrastructure Strategy.</p> <p>Participation in Personal Electronic Transportation Device AustRoads policy review, arranging council input.</p>
Procurement		
Delivery of procurement and contract management training to councils.	✓ Delivered	MAV Procurement launched a suite of eLearning modules for councils, suppliers and the community around procurement and the role of local government to complement our face-to-face training programs.
Events and Training		
Induct and train councillors to improve capability and public perception of local government.	✓ Delivered	MAV conducted the new councillor induction day and has followed up with the roll-out of a councillor development program with a range of sessions that commenced in July 2017.
Insurance		
<p>Reduce number of claims per member revenue.</p> <p>Increase member participation in risk management training programs.</p>	✓ Delivered	<p>New risk management services delivered in third and fourth quarter of 2016-17.</p> <p>Claims performance to be reported at end 2016-17 year. Some evidence of unexpected claims development in mature fund years.</p>
Communications and Media		
Develop and deliver resources, including National Twitter Day campaign, to help councils manage community expectations.	✓ Delivered	<p>National Twitter Day held on 3 August with strong sector participation. MAV produced resources to help councils participate in this national event.</p> <p>CiVic Magazine published quarterly telling Victorian councils' good news stories and showcasing innovation.</p> <p>Infographic and video resources produced to assist councils explain rate capping to their communities</p> <p>Ongoing proactive media relations including meetings with journos, background briefings, pitching stories and providing comments to improve reporting of council issues.</p> <p>Desktop review of all MAV communications activities underway to further improve activities that help to achieve this objective.</p> <p>Quotes obtained for perception of local government research project to inform future activities.</p> <p>Conducted Stand for Council campaign in lead up to council elections.</p> <p>Ongoing implementation of social media plan to increase positive profile for Victorian councils across Facebook, Twitter and LinkedIn.</p>

OBJECTIVE 3: IMPROVE SECTOR PRODUCTIVITY AND EFFICIENCY

PRIORITY: Advocate to build partnerships that improve council capability and capacity

Method

- Develop partnerships to support co-designed process and product improvements.
- Use data to demonstrate when councils are not adequately resourced to deliver the services their community needs.
- Standardise, simplify and share ICT and data management systems and processes.
- Build capacity and capability by sharing information and best practice case studies.

OUTCOMES AND EVIDENCE

Indicators	Data Sources								
Outputs	<p>Strategic Work Plan Activities 2016-17</p> <table border="1"><caption>Strategic Work Plan Activities 2016-17</caption><thead><tr><th>Category</th><th>Percentage</th></tr></thead><tbody><tr><td>Delivered</td><td>75%</td></tr><tr><td>Ongoing</td><td>20%</td></tr><tr><td>Not delivered</td><td>5%</td></tr></tbody></table>	Category	Percentage	Delivered	75%	Ongoing	20%	Not delivered	5%
Category	Percentage								
Delivered	75%								
Ongoing	20%								
Not delivered	5%								

Indicators	Data Sources
<p>Outcomes</p>	<p>MAV Procurement conducted five new tenders and re-tendered four established contracts, which 55 member councils participated in 102 times during 2016/17. All 78 members accessed one or more of the 31 active MAV Procurement contracts.</p> <p>Thirty-six members participated in our Procurement LEAP program to identify cost savings, explore collaborative procurement and shared service opportunities, and develop plans. Between 45 and 60 per cent of council budgets are spent on procurement, with huge potential to improve efficiencies by analysing data converted to live dashboards to drive efficiencies, savings and compliance. In 2016-17, the average number of transactions for LEAP participant councils below \$1,000 decreased by two per cent, uncontracted spend decreased by 4%, local spend increased by 1% and overall procurement maturity increased on average by 12%.</p> <p>Delivered MAV Procurement and contract management training through seven workshops attended by 57 council staff to build skills that reduce procurement risks, drive efficiencies and increase value for money outcomes. We also offered three new eLearning procurement modules for members in 2017 which attracted 33 participants, and 29 councils attended our Procurement Leaders Conference.</p> <p>Delivered induction kit including a New Councillor Resource Guide, an updated Emergency Management Guide and a Land Use Planning Guide to assist councillors with their roles and responsibilities during the first few months in office.</p> <p>Our STEP Asset Management program assisted 84 per cent of councils to reach core maturity as assessed by the National Asset Management Assessment Framework.</p> <p>MAV Technology Open Council Data Toolkit drives Victorian councils to lead the nation in open data publishing.</p> <p>Conducted regional workshops with councils to assist the development of common services templates, 10-year asset management plans, integrated service planning and community engagement models.</p> <p>Released the 2017-18 Victorian Council Model Budget to guide councils' budget reporting including mandatory and best practice information requirements. We also hosted an annual report writing workshop to assist councils to comply with prescribed annual reporting requirements.</p> <p>Hosted 10 CEO lunches to discuss issues relating to 2017-2021 four-year Council Plans.</p> <p>Our Working Together to Deliver program helped 30 councils to build the relationship between their elected council and their CEO.</p> <p>Our annual human services benchmarking report helped 51 councils to inform their future resource management decisions.</p> <p>Introduced a new streamlined event management system to save our members time and improve their customer experience.</p>



STRATEGIC WORK PLAN ACTIVITY OUTCOMES

TARGET	OUTCOME	DETAILS
Community Services		
Sector productivity effectiveness and efficiency increases between 30 June 2016 and 30 June 2017.	✓ Delivered	<p>Secured an 18-month State Government grant to continue expanding our collaborative practice tool, Patchwork Victoria, to improve coordination for health and welfare professionals working with vulnerable clients. There are currently 1,200 agents representing 271 agencies and 612 clients signed up.</p> <p>Supported 52 councils to develop and deliver kindergarten central enrollment action plans, and worked with 14 councils on a specific project to strengthen and support their central enrollment schemes.</p>
Environment		
Councils accessing and contributing to MAV events and online resources in order to gather and share information and learnings.	✓ Delivered	Information sharing events and resources developed during the course of the year included updates to the MAV Environment web pages updated, the publication of monthly bulletins, the establishment and development of a sustainability Yammer network and the delivery of an Ecologically Sustainable Design forum, in partnership with CASBE.
Governance		
Reduce the impacts of conflict within councils. Increased standardisation.	✓ Delivered	<p>Governance advice was regularly provided to councillors and officers on a range of subjects. Councillors were routinely advised to discuss issues with their CEOs.</p> <p>Councillor Code of Conduct template developed and circulated to councils to ensure they meet the requirements of the Act.</p> <p>Names of mediators and arbiters provided to councils on request.</p>
Planning and Building		
Develop a business case for future improvement projects.	→ Ongoing	Worked with the Department of Environment Land Water and Planning, as part of the SMART planning initiative, to identify local government reform and transform priorities for planning system improvement. Provided input into the DELWP business case for transform funding.
Public Health and Safety		
Local government's contribution to the food safety regulatory system is recognised.	✓ Delivered	Attended meeting of the Victorian Food Regulators Forum. Maintained liaison with DHHS about reform initiatives. Participated in the DEDJTR forums held to develop suggestions for food safety red-tape reduction activities. Met regularly with the Victorian Red-tape Commissioner to identify ways to improve food safety regulation for small businesses.

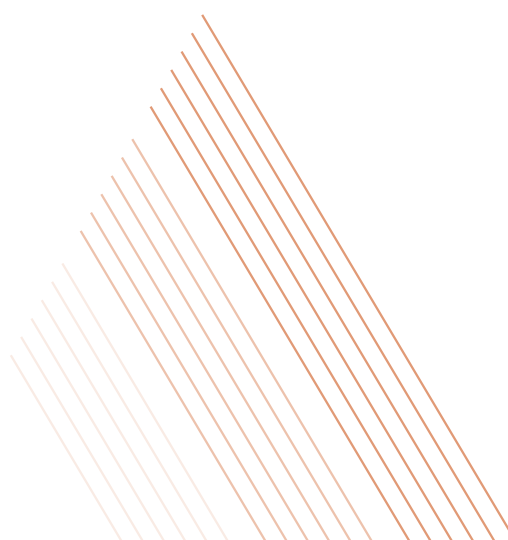
TARGET	OUTCOME	DETAILS
Technology		
<p>Progress toward standardising systems and processes.</p> <p>A coordinated approach has been developed to address ICT skills and access issues.</p>	<p>✓ Delivered</p>	<p>Local Government Digital Transformation Task Force identifies 'pain points' ripe for collaborative digital transformation. Preliminary work commenced to facilitate 'discovery' sessions for identified business processes.</p> <p>VLGEP (Enablement Platform) proof of concept progressed, including development of associated partner projects.</p> <p>Open Council Data Toolkit drives Victorian councils to lead the nation in open data publishing.</p> <p>'Privacy and Data Security in the Cloud' and 'Emerging Technologies and Data Directions' Forums delivered.</p> <p>Disseminated information provided by ALGA to MAV members through Yammer networks and newsletters.</p> <p>Progressed vendor tracking software project 'Infobase' in partnership with ALGIM (NZ).</p> <p>Participated in LOLA International ICT Conference providing reports and resources from LG ICT associations from the UK, USA, Canada, New Zealand, Belgium, the Netherlands and Sweden.</p>

Transport and Infrastructure

<p>All councils reach STEP 'core' status.</p>	<p>→ Ongoing</p>	<p>84 per cent of councils have reached STEP 'core' status.</p> <p>Advocacy for increased public transport through the Infrastructure Victoria 30-year infrastructure strategy development process.</p> <p>Completed participation in the Cycling Road Rules Review, in which council workshops were organised to collect feedback on changes.</p> <p>Collation of council perspectives on Value Capture to feed into Federal Government review.</p> <p>Secured support from the National Heavy Vehicle Regulator for the heavy vehicle Route Assessment Tool to support councils to assess applications to access local roads.</p>
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Procurement

<p>Ongoing delivery of the LEAP procurement development program, including participation from additional councils.</p>	<p>✓ Delivered</p>	<p>36 councils are now participating in the LEAP program including three regional programs with Gippsland Local Government Network, North West Metropolitan Councils and Goulburn Valley Regional Collaborative Alliance.</p> <p>Participant councils have reviewed their procurement processes, resulting in a reduction of the number of suppliers and cost savings for councils.</p>
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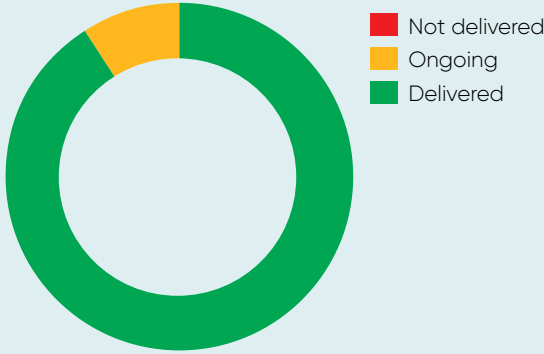
TARGET	OUTCOME	DETAILS
Events and Training		
Topics impacting productivity and efficiency in key MAV events.	✓ Delivered	New events have been established in this space including the Hactivation conference and Emerging Technologies & Data Directions forum.
Insurance		
Member efficiency and productivity gains are realised.	✓ Delivered	<p>Assisted councils to reduce their insurance risk exposures by conducting three rounds of MAV Insurance best practice forums for members, as well as providing insurance legal advice accessed more than 300 times by members, and our Insurance help-desk responded to over 100 queries which were accessible to Insurance members.</p> <p>Our Insurance team reviewed 27 council draft Road Management Plans to provide advice on compliance with the legislation.</p> <p>Completed member survey which identified significant satisfaction with MAV Insurance services.</p>
Communications and Media		
Support and share resources such as the 100 Services in 100 Days and Rural Living campaigns.	✓ Delivered	<p>Discussion ongoing about potential use of 100 services campaign collateral for sharing with other councils.</p> <p>Planning commenced for new Vic Councils website to host and showcase innovative council case studies.</p> <p>Technical Working Group established to guide strategic communications and content for new Vic Councils website.</p>

OBJECTIVE 4: ENCOURAGE INNOVATION AND COLLABORATION

PRIORITY: Support sector innovation and transformational change

Method
<ul style="list-style-type: none">• Guide digital transformation.• Influence the Local Government Act review.• Encourage new partnerships with business and government sectors.• Help council employees adapt to digital service delivery roles.• Share case studies and best practice to assist efficient business transformation.

OUTCOMES AND EVIDENCE

Indicators	Data Sources
Outputs	<p>Strategic Work Plan Activities 2016-17</p>  <p>Legend:</p> <ul style="list-style-type: none">Not deliveredOngoingDelivered

Indicators	Data Sources
<p>Outcomes</p>	<p>Our Digital Transformation Taskforce developed a roadmap of projects to encourage council innovation and collaboration. Initiatives progressed alongside representatives from state and federal governments, industry and subject matter experts included completion of a sector-wide digital maturity survey; endorsement of the Commonwealth's digital service standard; and development of a Council Commons Digital Transformation Knowledge Hub.</p> <p>Progressed an Open Council Data Program of various multi-council projects to increase the number of councils publishing open data, and case studies to demonstrate the business benefits of this work.</p> <p>Collaborative funding bids submitted with assistance from the MAV for councils to access the Commonwealth's Smart Cities and Suburbs Program. An application for a 'smart' road maintenance model has been scoped, which is forecast to reduce road maintenance costs by up to 37 per cent, a potential \$100 million annual cost saving for the sector. An application for a 'smart' animal management system was also identified to improve compliance and provide value add to animal owners across Victoria.</p> <p>Advanced our Enablement Platform proof-of-concept with four pilot councils to create a collaboration hub to increase shared innovation and service opportunities, and deliver significant cost savings.</p> <p>Twenty-nine councils confirmed as inaugural members of the MAV WorkCare self-insurance scheme from late 2017 when WorkSafe granted a licence following three years of work on our business case and application. Our mutual scheme will reduce council premiums, and is expected to improve employees' health, safety and return to work outcomes.</p> <p>Procurement commenced for a statewide Library Management System to future-proof Victoria's public library service and provide long-term benefits to councils, libraries and library users.</p> <p>Sixty-two councils and health service providers used our Maternal and Child Health data management system (CDIS) to centralise and improve reporting of family data, and monitor and track at-risk children.</p> <p>Organised more than 100 events, conferences and professional development opportunities for members that were attended by more than 7,600 people.</p> <p>Foundation partner of the Neighbourhood Project which is assisting councils to become community-led in their engagement approaches. Three pilots involving Victorian councils have identified ways to give the community a stronger voice in decision-making.</p> <p>State funding enabled the MAV to appoint a Senior Water Policy Adviser, and Arts and Culture Policy Adviser to promote collaboration, implement partnership opportunities, engage councils in capacity building initiatives, and respond to State reviews.</p> <p>Continued to oversee improvements to Crisisworks incident management system to meet councils' emergency management needs.</p> <p>Supported the Northern Victoria Emergency Management Cluster, as well as emergency management collaborations generally through participation on the Steering Group for the EMV Collaborations project.</p> <p>Launched the joint Asset Based Community Development (ABCD) Learning Sites Program with the Bank of IDEAS to provide tools and strategies to help councils redress the drop in community connectedness and build social capital.</p>

STRATEGIC WORK PLAN ACTIVITY OUTCOMES

TARGET	OUTCOME	DETAILS
Community Services		
Levels of State and Commonwealth consultation with local government are maintained or increased.	✓ Delivered	<p>Patchwork funding support secured.</p> <p>Creative Victoria partnership formalised and funded advisor position commenced.</p> <p>Ten Year Early Years Compact launched by Minister as a 'landmark agreement'.</p> <p>Four councils implemented the MAV-FutureGov Casserole Club initiative to coordinate local meal sharing arrangements by volunteer cooks for community members in need of assistance and social support.</p>
Environment		
Councils are working together to address climate change impacts.	✓ Delivered	<p>Initial discussions held regarding biodiversity forum in first quarter of 2017-18. DELWP climate change team preparing to run a series of workshops with councils in partnership with greenhouse alliances in which the MAV will participate and help promote.</p> <p>A collaborative project between DELWP, Melbourne Water and MAV undertaken to review the institutional arrangements between Melbourne Water and councils. A joint forum was held to introduce the project to councils.</p> <p>Hosted workshops, briefings and provided summary papers to inform members about government reforms including Plan Melbourne, Victorian rural drainage strategy, Water for Victoria plan, the new Integrated Water Management Framework, Smart Planning initiative, Flora and Fauna Guarantee Act review, Marine and Coastal Act review.</p>
Governance		
Stronger partnerships lead to increased council support.	✓ Delivered	<p>Amendments prepared for the Good Governance website (joint LGV, MAV, VLGA and LGPro) site.</p> <p>LGV-MAV Major Strategic Action Plan 2016-17 adopted. Regular meetings held with Minister, LGV and Inspectorate.</p> <p>Victorian Aboriginal and Local Government Action Plan developed in collaboration with LGV.</p> <p>Regular attendance by Board representatives and MAV officers at ALGA meetings.</p>
Planning and Building		
Increase participation and engagement in events.	✓ Delivered	<p>Rural and regional conference 2017 successfully held.</p> <p>VAGO planning system review briefing.</p> <p>Hosted a free sustainable buildings seminar for members to learn more about the Council Alliance for a Sustainable Built Environment (CASBE) and offered training workshops to assist councils use the Built Environment Sustainability Scorecard tool.</p>

TARGET	OUTCOME	DETAILS
Public Health and Safety		
Improvements to the Streatrader registration system.	✓ Delivered	<p>Liaison undertaken with DHHS about Streatrader and the development of guidance tools to assist councils to take a risk management approach to their food safety regulatory activities.</p> <p>Participated on DEDJTR local government advisory group concerning red-tape reduction proposals for small business in relation to food safety regulation by councils.</p>
Technology		
<p>New customer-focused digital and mobile channels emerge.</p> <p>Business benefits from publishing open data.</p>	✓ Delivered	<p>Open data program progressed resulting in more councils publishing open data (31 as at December 2016).</p> <p>Open data tools and resources (including standards and APIs) expanded and improved.</p> <p>Local Government Digital Transformation Task Force workshop facilitated.</p> <p>Corporate Services Directors' forum on digital transformation facilitated.</p> <p>Participation in REA Group's 'Hack' using council open data.</p> <p>Project partnerships and conference programming sharing progressed at ALGIM conference.</p> <p>Online 'Knowledge Centre' project for sharing of digital transformation resources and knowledge commenced.</p> <p>VLGEP (Enablement Platform) proof of concept and partner projects development progressed.</p> <p>Planning for 2017 Awards for Excellence commenced.</p> <p>Review of Food Sampling app commenced.</p> <p>Shareable app for 'Stand for Council' campaign developed as proof of concept.</p>
Transport and Infrastructure		
<p>Increase interactions with other levels of government.</p> <p>All councils reach STEP 'core' status.</p>	→ Ongoing	<p>Worked with councils to develop regional freight plans across Victoria in anticipation of the Federal Government's new needs-based road funding strategy for freight roads. The Gippsland region is one of three national pilots for this process.</p> <p>Personal Electronic Transportation Device workshop held.</p>
Procurement		
Delivery of the LEAP program.	✓ Delivered	In addition to the LEAP program with 36 councils, MAV Procurement has been actively involved in the digital transformation program and other sector-led shared services opportunities.
Events and Training		
Incorporate topics around innovation and collaboration in key MAV events.	✓ Delivered	<p>Organised more than 100 events, conferences and professional development opportunities for members that were attended by more than 7,300 people.</p> <p>New events included Hacktivation conference, Privacy & Data Security in the Cloud forum, and Emerging Technologies & Data Directions forum.</p>

TARGET	OUTCOME	DETAILS
Insurance		
Increase participation in insurance shared service and best practice opportunities.	✓ Delivered	<p>Workers' compensation scheme progressing in line with expectations.</p> <p>Member participation in risk services identified and reported to members.</p> <p>Claims numbers are reducing, although there is some evidence of superimposed inflation.</p> <p>Twenty-nine councils confirmed as inaugural members of the MAV Workcare self-insurance scheme from late 2017 after WorkSafe granted a licence, following three years of work on our business case and application. Our mutual scheme will reduce council premiums, and is expected to improve employees' health, safety and return to work outcomes.</p>

Communications and Media

Member satisfaction levels have increased.	✓ Delivered	<p>New format Strategic Work Plan commenced and incorporated guidance provided by Ernst Young.</p> <p>MAV member engagement (Future Directions) survey conducted.</p> <p>MAV Member Communications survey conducted.</p> <p>Report provided to State Council on implementation of VAGO recommendations.</p> <p>Survey outcomes and identified gaps incorporated into Strategic Work Plan 2017-19.</p> <p>VAGO audit update released. Positive report on MAV progress communicated to members.</p> <p>National Twitter Day held on 3 August with strong sector participation. MAV produced resources to help councils participate in this national event.</p> <p>CiVic Magazine published quarterly telling Victorian councils' good news stories and showcasing innovation.</p> <p>Infographic and video resources produced to assist councils explain rate capping to their communities.</p> <p>Ongoing implementation of social media plan to increase positive profile for Victorian councils across Facebook, Twitter and LinkedIn.</p> <p>New 'spotlight on' feature added to weekly MAV bulletin to profile innovative Victorian council work.</p>
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MAV INSURANCE



CHAIR'S MESSAGE

In 2016-17 we secured a further increase in coverage limits for our Liability Mutual Insurance (LMI) scheme, to provide members with even greater protection against the risk of catastrophic events.

Our strong long-term relationship with reinsurers has ensured that we have the capacity to provide ongoing cover to our members during both good times and bad. Over the past two years, we have secured a \$200 million increase in public liability and a \$300 million increase in professional indemnity coverage limits, with minimal impact on our members' premiums. Our members now have the benefit of coverage limits of \$600 million for both public liability and professional indemnity exposures.

Maintaining this high level of coverage is particularly important in today's liability environment, where all public authorities – including councils – face the risk of significant claims arising from catastrophic and large loss events. Hume City Council recently became the first council in Victoria or Tasmania to be implicated in a bushfire class action, which resulted from a roadside tree that brought down high-voltage electrical wires. The LMI scheme was one of a number of parties to an agreed \$16 million settlement of that class action in 2016/17. The true scale of the catastrophic risk posed by bushfire can be found in the 2014 class action arising from the devastating Black Saturday bushfire at East Kilmore, which settled for \$500 million plus the defendants' costs. It is vital that councils' insurance coverage appropriately reflects councils' complex exposures, such as bushfires, as well as new and emerging risks. Operating in a competitive environment, our LMI scheme remains well positioned to continually optimise the breadth and depth of coverage for our members, irrespective of cycles within the commercial insurance markets.

In 2016-17, the financial performance of MAV Insurance strengthened, returning a \$2 million surplus. This is primarily due to a payment arising from the commutation of a mature fund year. Whilst this is a once-off payment, the improved performance also reflects the fact that our three-year financial strategy has improved the underlying financial position of the scheme through expense efficiencies and appropriate contribution increases. Other influential factors in the financial results were lower investment earnings which adversely affected the scheme's performance, a slight improvement in net claims experience and a small but advantageous movement in actuarial assumptions. Throughout this period, in excess of \$16 million was paid by LMI in the resolution of claims against our insured members. The positive financial outcomes for the scheme demonstrate that MAV Insurance continues to be a reliable and trusted insurance provider for local government.

Lastly, I would like to recognise the contribution of our three most recent appointees to the Insurance Board – Andrew Paul (General Manager of Clarence City Council), John Bennie (CEO of Greater Dandenong City Council) and Steve Crawcour (CEO of Strathbogie Shire Council). Their expertise has already strengthened the capacity of the MAV Insurance Board and will continue to do so.

ANNE MURPHY OAM
MAV Insurance Chair

PERFORMANCE HIGHLIGHTS

The Liability Mutual Insurance (LMI) Scheme achieved a \$2 million surplus in the 2016-17 financial year. The not-for-profit structure of the scheme means that any excess revenue remains in the fund to benefit members through lower premiums in the long-term.

Coverage limits were raised again to provide even greater protection to our members, rising from \$500 million to \$600 million for both public liability and professional indemnity. Councils have a complex liability profile and a wide range of responsibilities, so it's important that their policy clearly covers all major likely losses. MAV Insurance members can rest assured that they have a significant level of coverage in the unfortunate case of a catastrophic event.

The LMI scheme's liability coverage was also expanded to include the use of drones from 1 July 2016. This demonstrates MAV Insurance's ability to adapt to the changing needs of the sector as required.

In another positive result for councils, MAV Insurance successfully appealed a Victorian Supreme Court decision in the matter of Greater Shepparton City Council v Clarke [2017] VSCA 107 (9 May 2017) which had originally found that a large grass reserve/median strip between two roads, where the plaintiff fell, was a pathway. There was a risk that councils would have had to start maintaining local roadsides (nature strips) to the standard of footpaths. As a mutual, MAV Insurance felt strongly that the roadside issue was of tremendous importance to the sector as a whole and therefore chose to appeal the original Supreme Court decision for the benefit of all Victorian members.

The **Road Management Act** required Victorian councils to review their Road Management Plans by 30 June 2017. MAV Insurance assisted member councils with this process by giving a number of presentations around the state, and reviewing and providing input to 27 individual council plans.

To ensure the LMI scheme continues to provide value to its members, we market tested our actuarial services through a public tender process and appointed Taylor Fry Analytics and Consulting Actuaries as the LMI's actuary.

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 an Australian Financial Services Licence (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 provide 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 BOARD INSURANCE BOARD

For the year ended 30 June 2017



1

1 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



2

2 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

3 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



3

3 Ron Farrell

Appointed 2001 (not pictured)

- 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

4 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



4



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8



9

5 Cr Rod Fyffe OAM

Appointed 2004

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

6 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

7 Mary Lalios

Appointed 2017

- MAV President
- Councillor, Whittlesea City Council
- Mayor 2008-09, 2009-10, 2013-14
- Board Member Australian Local Government Association
- Fellow of CPA Australia

Cr Bill McArthur

Appointed 2009 (not pictured)

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

8 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

9 Dr Katrena Stephenson

Appointed 2015

- Chief Executive Officer, Local Government Association of Tasmania
- Board Member (Observer), Local Government Professionals Tasmania

MAV Insurance Board attendance

	19 Aug 2017	3 Oct 2017 (special meeting)	21 Oct 2017	6 Dec 2017	16 Feb 2017	21 Apr 2017	16 Jun 2017
Anne Murphy	✓	✓	✓	✓	✓	✓	✓
Michael Guilmartin	✓	✓	✓	✓	✓	✓	✓
Ron Farrell	✓	✓	✓	✓	N/A	N/A	N/A
Katrena Stephenson	✓	✓	✓	X	X	✓	Y
Steve Crawcour	✓	✓	✓	X	X	✓	✓
John Bennie	✓	✓	✓	✓	X	✓	✓
Rob Spence	✓	✓	✓	✓	✓	✓	✓
Mary Laliou	N/A	N/A	N/A	N/A	N/A	✓	✓
Rod Fyffe	X	X	✓	✓	X	✓	✓
Andrew Paul	✓	✓	✓	✓	✓	✓	✓
Bill McArthur	✓	✓	✓	N/A	N/A	N/A	N/A

Ron Farrell and Bill McArthur resigned from the MAV Insurance Board during the reporting period.

Board sitting fees

Independent Board members receive a sitting fee for each meeting attended. In 2016-17 the sitting fee was:

Chair

\$1,039

Independent Board Member

\$730

In addition, a one-off sum of \$1,407 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

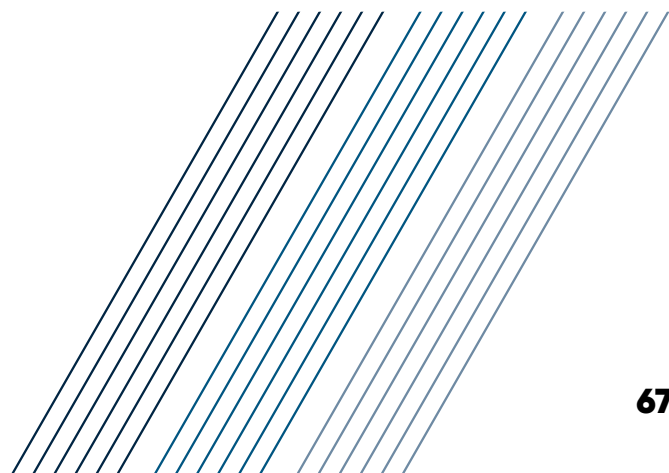


Kristine Minghella



John Smith

MAV Board				
CHIEF EXECUTIVE OFFICER Rob Spence				
Deputy CEO & General Counsel Alison Lyon				
MANAGER INSURANCE, RESEARCH AND STRATEGY Owen Harvey-Beavis	Legal	Claims	Service Providers	Legal Panel
	MAV INSURANCE COUNSEL Kristine Minghella	CLAIMS ADVISER John Smith	Jardine Lloyd Thompson Taylor Fry Analytics and Actuary Consulting (actuary) Janus Henderson Global Investors (investment manager) MTA Consulting Pty Ltd (investment adviser) EY (auditor) National Australia Bank Asset Servicing (custodian services)	Minter Ellison DLA Piper Moray & Agnew Ligeti Partners Barry Nilsson Shaun McElwaine (Tasmania)



LIABILITY MUTUAL INSURANCE SCHEME

Overview

The MAV Insurance Liability Mutual Insurance (LMI) scheme offers public liability and professional indemnity insurance to Victorian and Tasmanian councils and other local authorities.

The scheme is not-for-profit, which means any excess revenue is held in the fund to help to keep premiums down for its members – rather than paying income tax and dividends to shareholders like commercial providers.

The LMI scheme is tailored specifically to the local government sector. This is achieved through the use of 24 years of claims data, and regular monitoring of new and emerging risks and exposures facing local government. For example, the LMI scheme policy coverage was recently extended to include the use of drones, which has been identified as an emerging risk for local government. This demonstrates the LMI scheme's ability to adapt to the changing needs of local government, to ensure members have appropriate coverage.

The LMI scheme's robust insurance policy is supported by a suite of risk management services that have been specifically designed for local government. The goal is to help councils to manage their risks, reduce their claims and keep their communities safe. These services include targeted appraisals, compliance reviews and Best Practice Forums.

This is in addition to free legal advice on liability matters to members including statutory interpretation, potential liability, policy coverage and risk management strategies – including advice, training and updates on liability issues.

The LMI scheme was established in 1993 under the name 'Civic Mutual Plus' to protect councils against insurance market failure following the collapse of Municipal Mutual in 1992. It was rebranded in 2011. Membership of the LMI scheme was extended to include Tasmanian bodies in 1996.

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 Contracts Act 1984** and with the Australian Financial Services Licencing requirements imposed on it as a licensed insurer.

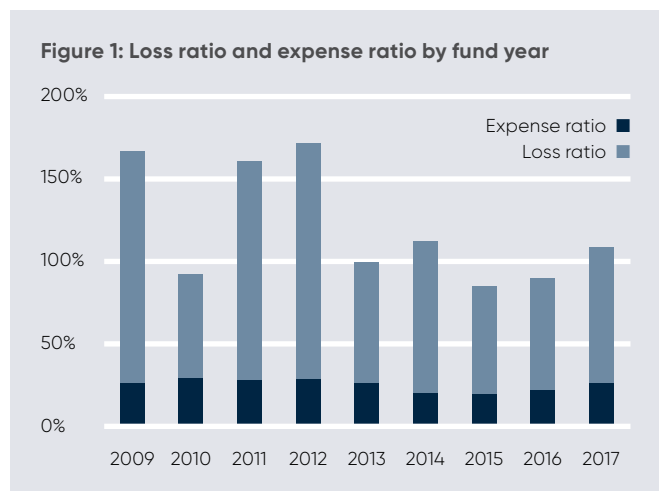
The MAV manages the scheme with the assistance of service providers JLT, Taylor Fry Analytics and Actuarial Consulting (actuary), Janus Henderson Investors (investment manager), MTA Consulting Pty Ltd (investment adviser), EY (auditor) and National Australia Bank Asset Servicing (custodian services).

Financial performance

An overview of MAV Insurance's financial performance is presented as a component of the MAV's financial overview on pages 10-13 of this document.

Detailed financial reports for MAV Insurance are presented on pages 116-146.

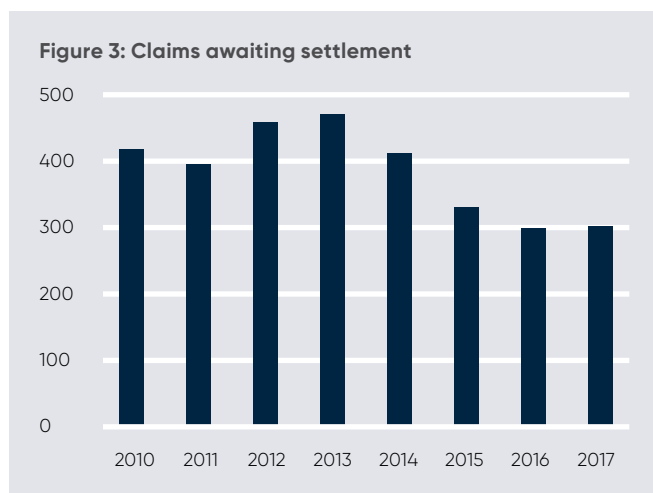
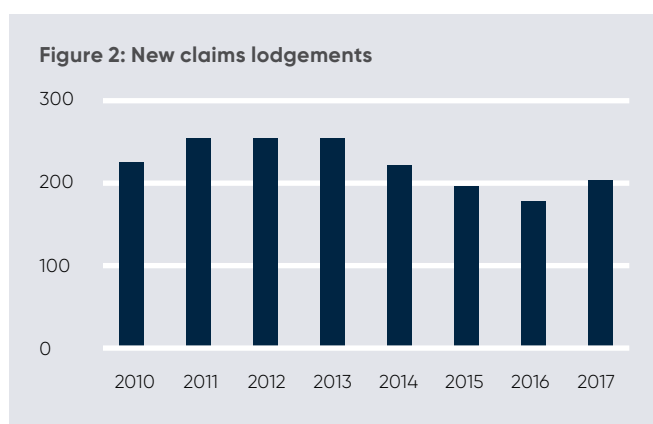
The LMI scheme's performance can be measured through the loss ratio and combined ratio. A loss ratio measures estimated claim losses for each fund year as a ratio of premium (contribution) revenue. A combined ratio includes estimated claim losses and the administrative costs of the scheme. Traditionally 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 average combined ratio for the LMI scheme since 2009 is 118.52 per cent, which means that for every dollar of contribution revenue received, \$1.18 is paid out in claims or in the costs of administering the scheme. The gross combined ratio for APRA regulated insurers in Australia for the year ending 30 June 2017 was 86 per cent. This indicates that the LMI scheme's expense ratio is lower and its claim payments higher than the private insurance market. Over time, this provides significant overall benefit to the scheme's members.

The improved performance in more recent years has been a consequence of fewer very large claims, high claim members departing the scheme for the private market, increased contributions and a reduction in the number of smaller claims.

Claims trends



The scheme's new claim lodgements continue to remain relatively stable. While claim lodgements in 2016-17 increased by 13 per cent on the previous year, they were still well below the peak in lodgements seen across 2011 to 2013.

At 30 June 2017 there were 301 claims awaiting settlement, which is only slightly up on the figure of 297 the previous year – which was the lowest in the scheme's history.

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.

The LMI helpdesk service deals with a range of claims-related member queries such as incident notification matters, under-excess claims issues, and pre-claims incident management. There were approximately 250 of these claims queries made by members during 2016-17.

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 2016-17, the average time (trimmed mean) between an alleged event and first receipt of a claim was 677 days, but for certain matters it may be in excess of six years.

Policy/underwriting, legal and risk management advice

To help members keep their number of claims down, the LMI scheme offers a number of free additional services including access to policy coverage and underwriting advice, liability legal advice, 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 2016-17 MAV Insurance held 19 Best Practice Forums (15 Vic, four Tas), three Regional Claims & Incident Management Workshops and the Tasmanian Insurance Conferences which were attended by around 470 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. In 2016-17 this service responded to more than 645 requests for advice across a range of topics including policy coverage, contractual obligations/indemnities, events management and renewal/contributions.

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 2016-17 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, indemnity and insurance clauses in contracts, potential liability in relation to trees and tree roots, event management, and potential liability in relation to planned burns.

Members were able to attend legal presentations at Best Practice Forums and conferences on the following topics:

- The **Road Management Act** and review of councils' road management plans
- Hazard trees under the **Electricity Safety Act** and hazardous trees under common law and the **Wrongs Act**
- Child safe organisations
- Labour hire workers
- Recent High Court decisions.

In addition to this, new legal articles and case summaries were added to the MAV members-only website on the following topics:

- Aluminium composite panelling
- Case note on the Court of Appeal's decision in Greater Shepparton City Council v. Stephen Graham Clarke – a case involving the **Road Management Act** and the definition of 'pathway'.
- Drone coverage under the LMI policy
- Case note of the Supreme Court decision in Baw Baw Shire Council v. Quality Roads P/L – this case addressed the obligations of road authorities to inspect, maintain and repair roadways and pathways under section 40 the **Road Management Act**.

Risk management

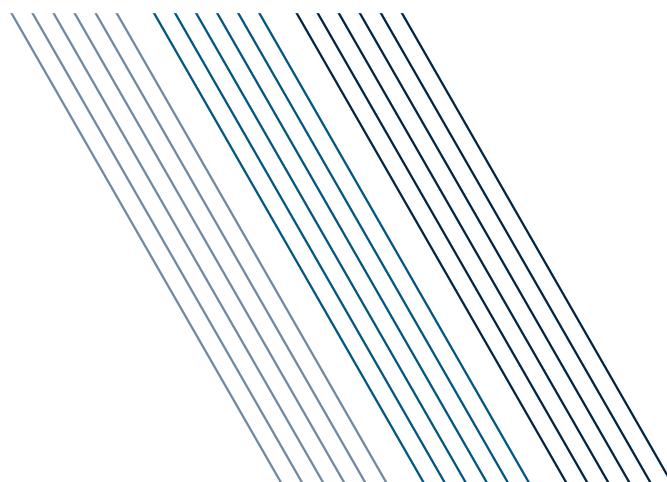
LMI provides a full suite of risk services to support members to reduce their claims exposures and protect their communities. This included targeted appraisals, compliance reviews, tailored programs to address factors causing claims for individual members, regular Best Practice Forums, seminars, conferences, and manuals.

Pilots of both Victorian and Tasmanian LMI Compliance Review services commenced in March 2017 and were completed in June, and a rollout of this service to the wider membership is underway. This replaces the previous Risk Analysis and Response Review (RARR) service.

The objective of the LMI Compliance Review is to provide members with a level of assurance regarding specific operations and their compliance to internal standards, procedures, policies and records management protocol. Where necessary or appropriate, MAV Insurance will provide recommendations with non-compliance or additional commentary in relation to 'best practice' aimed to mitigate or reduce member liability risk exposure.

The LMI Compliance Review will be undertaken over a two-year period in 2017 and 2018, with half of members receiving a review in year one and the remainder a review in year two. The four key areas that will be the focus of the review are:

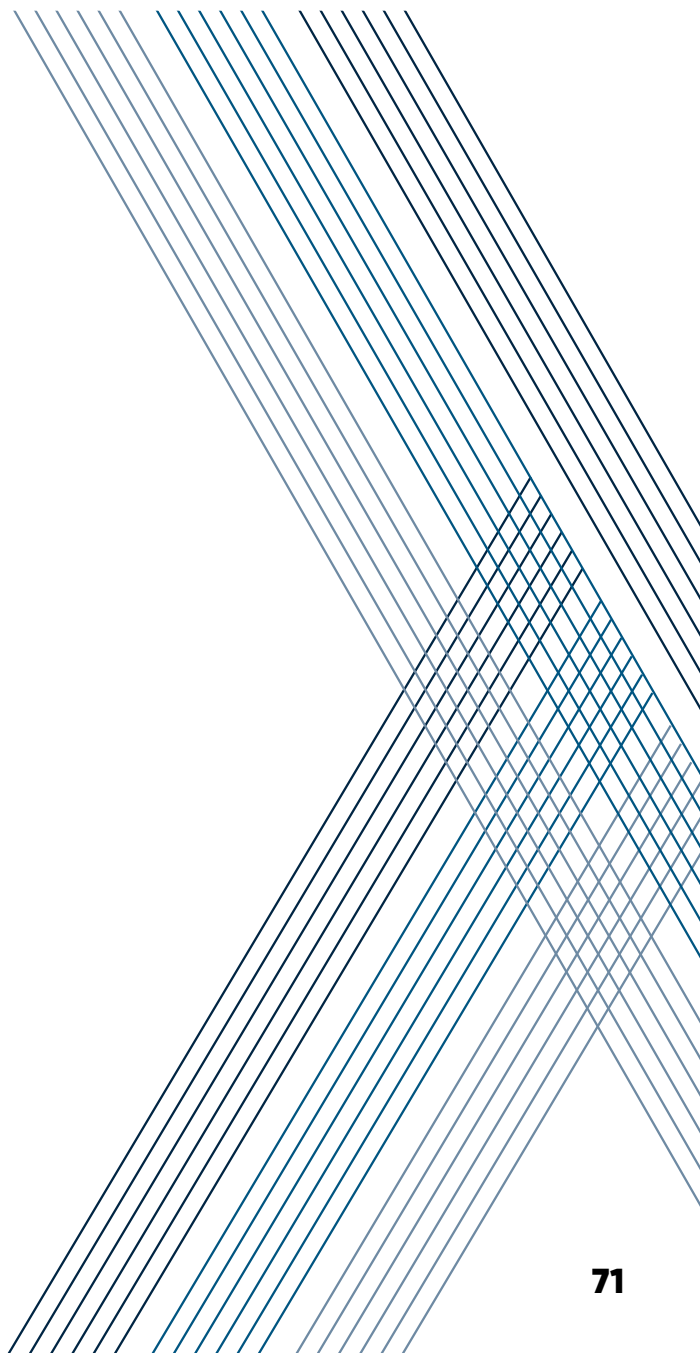
- Roads, footpaths and shared pathways;
- Tree management;
- Reserves and open spaces;
- Training and awareness frameworks – linked to the above three sections;
- Contractor management (Tasmania only).



Advocacy

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

- Rural drainage – Attending working group meetings and assisting the policy team in reviewing the State Government’s draft Victorian Rural Drainage Strategy.
- Fire plugs under the **Water Act** – Provided legal advice and obtained further legal advice from Counsel in relation to the delineation between the responsibilities of councils and water authorities for fire plugs under the **Water Act**.
- Schedule 13 Permits to Burn – Provided legal advice and assisted the policy team in the preparation of submissions in response to CFA’s discussion paper, draft forms and checklists.
- E-Waste – Assisted the MAV’s environment policy team in reaching a standard collection services agreement with MRI PSO that can be used by councils for the collection of e-waste.
- Victorian Floodplain Management Strategy – Assisted the MAV’s emergency management team with drafting submissions to DELWP in relation to the liability provisions for councils under the **Water Act** and potential amendments in light of increased responsibilities of councils.
- Maternal and Child Health – Provided advice to the MAV policy team in relation to the retention of documents, electronic records, FOI requests and privacy issues. Additionally, legal advice was provided to the MAV policy team in relation to consent required by parents.
- Rail interface agreement – Assisted the MAV transport policy area in negotiations with other stakeholders for the rail interface agreement, and in particular, the demarcation schedule of responsibilities between different parties under the agreement.
- Building Act and regulations – Attended meetings with the State Government and the Victorian Municipal Builders Group in relation to the amendments to the Building Act and Regulations. Provided assistance to the policy team in the preparation of submissions to the draft documents.
- Greyhounds – Assisted in the negotiation of a draft MoU proposed between councils and Greyhound Racing Victoria.
- Government’s response to EPA Inquiry – Provided advice as to liability issues arising as a result of proposed changes by the State Government in light of the EPA Inquiry.



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
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
Darebin City Council
East Gippsland Shire Council
Gannawarra Shire 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
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
Maroondah City Council
Melbourne City Council

Melton City Council
Mildura Rural City Council
Mitchell Shire Council
Moira Shire Council
Monash City Council
Moonee Valley City Council
Moorabool Shire Council
Mount Alexander Shire Council
Moyne Shire Council
Murrindindi Shire Council
Nillumbik Shire Council
Northern Grampians Shire 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 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 offers crime insurance to Victorian councils and other local government authorities.

The scheme is not-for-profit, which means any excess revenue is held in the fund to help keep premiums down for its members – rather than paying income tax and dividends to shareholders like commercial providers.

The Commercial Crime Fund is tailored to meet claims of the local government sector. This is achieved through regular monitoring of new and emerging risks and exposures facing local government. The Commercial Crime Fund is regularly remarketed to commercial insurers to ensure that members receive the widest appropriate fraud and crime insurance cover, and that the policy coverage adapts to the changing needs of local government.

The Commercial Crime Fund also provides risk management services to members specifically tailored for local government. The goal is to help councils to manage their risks and reduce claims.

The Commercial Crime Fund was established in 1907 under the name 'The Municipal Officers' Fidelity Guarantee Fund' to protect councils against insurance market failure that occurred at the time.

Performance

The objective of the Commercial Crime Fund is to provide low-cost broad insurance cover for local government. The fund targets a small financial surplus and as such returns all savings from its buying capacity back to its members.

Claims

One of the main developments through the year was increasing evidence of internet-based crime in which bank details of suppliers are fraudulently amended. These are known as 'social engineering' claims and some significant events have occurred in the Australian local government sector. The Commercial Crime policy has been broadened to cover this risk.

Risk Management

The Commercial Crime Fund provides risk management services and advice on emerging risks to its members to ensure they are better placed to deal with 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
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
Mansfield Shire Council
Maribyrnong City Council
Melbourne City Council
Melton City Council

Mildura Rural City Council
Moirā Shire Council
Monash City Council
Moonee Valley City Council
Moorabool Shire Council
Mount Alexander Shire Council
Moyne Shire Council
Murrindindi Shire Council
Nillumbik Shire Council
Northern Grampians Shire 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
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
Tanjil Bren Water Co-op Ltd &
Committee of Management
West Gippsland Regional Library Corporation

MAV WORKCARE

Overview

The MAV WorkCare self-insurance scheme was established in May 2015. On 3 May 2017 the MAV was approved by WorkSafe to commence business as a self-insurer from 1 November 2017, for an initial three year period subject to conditions precedent.

There are 31 inaugural members of the scheme.

The aim of the scheme is to provide safer workplaces for employees of members, as well as exceptional return to work services, leading to less claims and significant savings for members.

The scheme will produce significant benefits for its members councils and their employees through the adoption of relevant health and safety strategies and action plans, effective management of claims, and the adoption of return to work initiatives and programs.

Other states with similar schemes have seen significantly improved workplace health and safety performance, with a reduction in the incidence of injuries and cost of claims, and significant reductions in annual premiums.

MAV WorkCare Members

Bass Coast Shire Council
Bayside City Council
Borough of Queenscliffe
Cardinia Shire Council
Casey City Council
Corangamite Regional Library Service
East Gippsland Shire Council
Glenelg Shire Council
Golden Plains Shire Council
Greater Dandenong City Council
Hepburn Shire Council
Hindmarsh Shire Council
Horsham Rural City Council
Indigo Shire Council
Melton City Council
Mildura Rural City Council
Moyne Shire Council
Municipal Association of Victoria
Murrindindi Shire Council
Northern Grampians Shire Council
Port Phillip City Council
Pyrenees Shire Council
South Gippsland Shire Council
Southern Grampians Shire Council
Stonnington City Council
Strathbogie Shire Council
Swan Hill Rural City Council
Wangaratta Rural City Council
Warrnambool City Council
West Wimmera Shire Council
Wodonga City Council

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.

Since that time its employer membership has grown to include 73 Victorian councils, 10 Tasmanian councils and 12 water authorities.

The objective in establishing the LGE Health Plan was to assist in positioning council members as employers of choice, able to attract new staff and hold current staff.

At 30 June 2017 there were 7,512 employees and their family members taking advantage of the benefits offered by the Plan.

Up to 30 June 2017, there have been 3,524 claims for refund of hospital excesses paid, totaling \$1,147,698. In the 2017 financial year alone, 614 claims for refund of hospital excesses have been paid, totaling \$201,297.

LGE Health Plan members

Victorian Councils

Alpine Shire Council
Ararat Rural City 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
Maribyrnong City Council
Maroondah City Council
Melton Shire 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
Mt Alexander Shire Council
Murrindindi Shire Council
Nillumbik Shire Council
Northern Grampians Shire Council
Port Phillip City Council
Pyrenees Shire Council
Queenscliffe Borough Council
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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
Dorset Council
Glamorgan Spring Bay Council
Hobart City Council
Huon Valley Council
Kentish Council
Kingborough Council
Meander Valley Council
Northern Midland Council
West Tamar Council

Water Authorities

Central Highlands Water
City West Water
Coliban Water
Gippsland Water
Goulburn Valley Water
Grampians Wimmera Mallee Water
North East Water
South East Water
South Gippsland Water
Wannon Water
Western Water
Westernport Water

Other Members

Local Government Association of Tasmania
Municipal Association of Victoria



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 – Statement of Comprehensive Income, Statement of Financial Position 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 2017, and the results of the various business operations and cash flows for the year ended 30 June 2017, in accordance with accounting standards and other mandatory professional reporting requirements.

Financial statements

1. Statement of Comprehensive Income

The Statement of Comprehensive Income 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. Statement of Financial Position

The Statement of Financial Position shows the assets the Association owns and the liabilities it owes at 30 June. The Statement of Financial Position 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
2016-17

Statement of Comprehensive Income

For the year ended 30 June 2017

	Note	Combined		MAV - General Fund	
		2017	2016	2017	2016
		\$	\$	\$	\$
REVENUE	4	55,475,652	72,449,257	16,461,547	19,316,709
		55,475,652	72,449,257	16,461,547	19,316,709
EXPENSES	5(b)	55,401,250	72,183,353	18,435,237	19,298,641
NET SURPLUS (DEFICIT)	3	74,402	265,904	(1,973,690)	18,068
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		74,402	265,904	(1,973,690)	18,068

The accompanying notes form an integral part of these statements.

Statement of Financial Position

As at 30 June 2017

	Note	Combined		MAV - General Fund	
		2017	2016	2017	2016
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	9(a)	9,402,131	7,768,406	8,302,680	7,054,452
Investments	2(l)	21,269,695	24,686,375	-	-
Trade and other receivables	10,2(f)	48,393,349	53,692,629	4,886,867	10,666,022
Prepayments		207,163	157,102	206,400	156,568
TOTAL CURRENT ASSETS		79,272,338	86,304,512	13,395,947	17,877,042
NON-CURRENT ASSETS					
Trade and other receivables	10,2(f)	65,395,291	63,334,124	-	-
Property and equipment	12,2(h)	454,852	431,270	423,279	368,130
Intangibles	13,2(h)	17,970	44,611	17,970	44,611
TOTAL NON-CURRENT ASSETS		65,868,113	63,810,005	441,249	412,741
TOTAL ASSETS		145,140,451	150,114,517	13,837,196	18,289,783
CURRENT LIABILITIES					
Trade and other payables		8,768,259	11,608,745	5,973,339	7,871,946
Premiums in advance	11	21,241,551	22,938,145	-	-
Provision for employee entitlements	17	978,647	958,067	978,647	958,067
Provision for claims outstanding	14(a),2(t)	20,220,883	20,146,330	-	-
Other current liabilities		555,725	597,445	555,725	597,445
TOTAL CURRENT LIABILITIES		51,765,065	56,248,732	7,507,711	9,427,458
NON-CURRENT LIABILITIES					
Provision for employee entitlements	17	101,149	70,649	101,149	70,649
Provision for claims outstanding	14(a),2(t)	86,007,968	86,013,620	-	-
Superannuation liability	18,2(o)	-	518,034	-	518,034
Other non-current liabilities		358,992	430,608	358,992	430,608
TOTAL NON-CURRENT LIABILITIES		86,468,109	87,032,911	460,141	1,019,291
TOTAL LIABILITIES		138,233,174	143,281,643	7,967,852	10,446,749
NET ASSETS		6,907,276	6,832,874	5,869,344	7,843,034
EQUITY		6,907,276	6,832,874	5,869,344	7,843,034

The accompanying notes form an integral part of these statements.

Statement of Changes in Equity

For the year ended 30 June 2017

	Note	Combined		MAV - General Fund	
		2017	2016	2017	2016
		\$	\$	\$	\$
RETAINED EARNINGS					
Balance at beginning of year		6,832,874	6,566,970	7,843,034	7,824,966
Surplus from ordinary activities		74,402	265,904	(1,973,690)	18,068
BALANCE AT END OF YEAR		6,907,276	6,832,874	5,869,344	7,843,034

Combined Statement of Cash Flows

For the year ended 30 June 2017

	Note	Combined		MAV - General Fund	
		2017	2016	2017	2016
		\$	\$	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES					
RECEIPTS					
Subscriptions, grants and fees		49,393,974	45,187,384	31,293,607	23,114,178
Investment income		242,992	389,950	206,547	331,090
Reinsurance and other recoveries		14,503,508	14,856,577	-	-
PAYMENTS					
Suppliers		(50,364,908)	(45,681,509)	(30,087,206)	(25,514,858)
Claim payments		(16,077,119)	(20,763,634)	-	-
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	9(b)	(2,301,553)	(6,011,232)	1,412,948	(2,069,590)
CASH FLOW FROM INVESTING ACTIVITIES					
Proceeds from redemption of investments		4,100,000	3,500,000	-	-
Proceeds from sale of fixed assets		101,364	31,609	101,364	31,609
Payments for fixed assets & intangibles		(266,086)	(178,455)	(266,086)	(178,455)
NET CASH USED IN INVESTING ACTIVITIES		3,935,278	3,353,154	(164,722)	(146,846)
NET (DECREASE)/INCREASE IN CASH HELD		1,633,725	(2,658,078)	1,248,226	(2,216,436)
Cash at beginning of year		7,768,406	10,426,484	7,054,454	9,270,888
CASH AT END OF YEAR	9(a)	9,402,131	7,768,406	8,302,680	7,054,452

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 2017

1. CORPORATE INFORMATION

The combined financial report of Municipal Association of Victoria (MAV) for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the directors on the date shown on the attached Statement by Directors.

The MAV 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 MAV 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
- arrange 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 MAV and its combined entities for the annual reporting period, ending 30 June 2017 are outlined in the table below:

Reference	Title summary	Application date of Standard	Impact on MAV Financial Report	Application date for MAV
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

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 MAV and its combined entities for the annual reporting period, ending 30 June 2017 are outlined in the table below:

Reference	Title summary	Application date of Standard	Impact on MAV Financial Report	Application date for MAV
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 16	Leases	1 January 2019	Impact not yet assessed	1 July 2019

(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 MAV 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')

(c) Principles of the combined entity

The financial report comprises the economic entity of the MAV and its controlled entities, the Local Government Mutual Liability Insurance Scheme (trading as Liability Mutual Insurance - LMI) and the Commercial Crime Fund (CCF), which together are referred to as MAV Insurance.

A controlled entity is any entity controlled by MAV (Incorporated under the **Municipal Association Act 1907**). Control exists where MAV 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 MAV to achieve the objectives of MAV.

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

The financial statements of all the divisions, including LMI and CCF, are prepared for the same reporting period as the MAV, 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 LMI and the CCF represent the assets of the members of each of the insurance mutuals and are not available to the members of the MAV.

(d) Income tax

The MAV 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 MAV 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 MAV prior to the end of the financial year that are unpaid and arise when the MAV 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, 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 and amortisation 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%
WorkCare Licence	33%
Educational Programs at cost	20%

INTANGIBLE ASSETS

The website, educational programs and licences are treated as intangible assets with a finite life and are 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 MAV 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 MAV 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.

(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 on hand and deposits held at call with banks, and investments in cash in fixed interest 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 MAV to the relevant superannuation plans in respect to the services of the MAV'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 MAV 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. The 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.

2017	Level 1	Level 2	Level 3	Total
Cash at Bank	9,402,131	-	-	9,402,131
Investments	-	21,269,695	-	21,269,695
TOTAL	9,402,131	21,269,695	-	30,671,826
2016				
Cash at Bank	7,768,406	-	-	7,768,406
Investments	-	24,686,375	-	24,686,375
TOTAL	7,768,406	24,686,375	-	32,454,781

(q) MAV WorkCare Self-Insurance Scheme

On 3 May 2017 WorkSafe Victoria approved the MAV as a self-insurer for a period of three years commencing from 12.01am on 1 November 2017, or such earlier or later commencement date and time as determined by WorkSafe, subject to the condition precedent that MAV complete all pre-commencement action items as specified in WorkSafe's 'MAV Scheme Self-Insurance pre-commencement plan.'

The net costs associated with the establishment of the WorkCare Scheme of \$863,431 has been expensed in the Statement of Comprehensive Income. This investment by the MAV in the self-insurance licence will be recovered from MAV WorkCare over the period of the licence.

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 (2016 3%) for personal injury non large claims and the discount rate at 2.4% (2016 1.8%).

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 to bring values 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.

(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.

3. CONTRIBUTION TO OPERATING SURPLUS

		Combined	
		2017	2016
	Note	\$	\$
CONTRIBUTION FROM INSURANCE ACTIVITIES			
Premium income		22,938,145	26,791,081
Performance bonus	24	2,792,580	-
Reinsurance expense	2(w)	(15,169,730)	(17,228,551)
NET PREMIUM INCOME		10,560,995	9,562,530
Claims expense	5(a)	(16,237,978)	(29,304,990)
Reinsurance and other recoveries	2(u)	13,454,002	26,502,057
NET CLAIMS EXPENSE	15	(2,783,976)	(2,802,933)
NET UNDERWRITING RESULT		7,777,019	6,759,597
Fees received		94,222	189,682
Investment income		719,991	1,009,186
Administration and general expenses		(6,543,139)	(7,710,629)
INSURANCE ACTIVITY OPERATING SURPLUS		2,048,093	247,836
MAV SURPLUS (DEFICIT)		(1,973,691)	18,068
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		74,402	265,904

4. REVENUE

	Note	Combined		MAV - General Fund	
		2017	2016	2017	2016
		\$	\$	\$	\$
REVENUES FROM OPERATING ACTIVITY					
Subscriptions/premiums		25,817,964	29,600,626	2,906,636	2,835,742
Reinsurance and other recoveries	2(u)	13,454,002	26,502,057	-	-
Performance bonus	24	2,792,580	-	-	-
Brokerage fees		1,258,152	5,347,326	1,258,152	5,347,326
Management fee income		2,369,518	2,005,029	3,233,314	3,148,607
Seminars & sale of publications		1,222,332	1,308,459	1,222,332	1,308,459
Sponsorship, membership and tender income		3,785,429	2,333,646	3,785,429	2,333,646
Grant income	19	3,802,241	4,171,621	3,802,241	4,171,621
Investment income		949,178	1,185,383	229,187	176,198
TOTAL REVENUE FROM OPERATING ACTIVITIES		55,451,396	72,454,147	16,437,291	19,321,599
REVENUES FROM NON-OPERATING ACTIVITIES					
Gain on disposal of non-current assets		24,256	(4,890)	24,256	(4,890)
TOTAL REVENUE FROM OUTSIDE THE OPERATING ACTIVITIES		24,256	(4,890)	24,256	(4,890)
ACTIVITIES					
TOTAL REVENUE		55,475,652	72,449,257	16,461,547	19,316,709

5(a). CLAIMS EXPENSES

	Note	Combined	
		2017	2016
		\$	\$
Paid		16,169,077	20,763,609
Outstanding claims at end of financial year	14(a)	106,228,851	106,159,950
Less: Outstanding claims at beginning of financial year		(106,159,950)	(97,618,569)
TOTAL CLAIMS EXPENSES	2(t)	16,237,978	29,304,990

5(b). EXPENSES

The following items have been recognised in the operating surplus:

	Note	Combined		MAV - General Fund	
		2017	2016	2017	2016
		\$	\$	\$	\$
Re-insurance expense		15,169,730	17,228,551	-	-
Claims expense		16,237,978	29,304,990	-	-
Scheme management fee	8	3,250,561	3,303,589	-	-
Administration		2,863,733	2,173,779	2,446,731	1,365,927
ALGA membership		470,723	459,514	470,723	459,514
Amortisation of website and educational programs		26,641	57,686	26,641	38,404
Audit fees	7	217,507	172,674	81,802	40,874
Board of management expenses		251,392	256,968	251,392	256,968
Depreciation of furniture and equipment		22,224	17,804	10,378	5,958
Depreciation of motor vehicles		85,430	84,797	85,430	84,797
Depreciation of information technology equipment		58,347	41,826	58,347	41,826
Depreciation of leasehold improvements		23,504	28,678	3,783	8,959
Grants and projects		7,411,266	9,393,409	7,411,266	9,393,409
Legal & actuarial fees		102,363	137,864	-	-
Meetings and seminars		1,085,992	1,574,001	1,082,392	1,574,001
Operating lease rental expense		811,165	433,385	797,234	420,368
Salary and payroll costs		5,709,118	5,607,636	5,709,118	5,607,636
Stamp duty		1,603,577	1,906,203	-	-
TOTAL EXPENDITURE		55,401,250	72,183,353	18,435,237	19,298,641

Administration costs include the cost of establishing the MAV Workcare Scheme. Some of these costs were recovered in 2017 with the remainder to be recovered at a future date.

6. LEASING COMMITMENTS

	Combined		MAV - General Fund	
	2017	2016	2017	2016
	\$	\$	\$	\$
Operating lease commitments, being for lease of OCE and OCE colour copiers				
Not later than one year	1,982	17,570	1,982	17,570
Later than one year but not later than five years	-	1,982	-	1,982
TOTAL LEASE COMMITMENT	1,982	19,552	1,982	19,552
Operating lease commitments, being for lease of leasehold premises:				
Not later than one year	859,814	826,744	859,814	826,744
Later than one year but not later than five years	4,310,102	4,657,113	4,310,102	4,657,113
Later than five years	-	512,803	-	512,803
TOTAL LEASE COMMITMENT	5,169,916	5,996,660	5,169,916	5,996,660

During the 2013 financial year the MAV 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 FEES

	Combined		MAV - General Fund	
	2017	2016	2017	2016
	\$	\$	\$	\$

Amounts received or due and receivable for audit services:

Audit services	217,507	172,674	81,802	40,874
Other services	-	-	-	-
	217,507	172,674	81,802	40,874

8. SCHEME MANAGEMENT FEES

	Note	Combined	
		2017	2016
		\$	\$
Scheme management fees are paid to the scheme manager for:			
Re-insurance placement		2,220,220	2,172,427
Risk management and administrative services		1,030,341	1,131,162
TOTAL SCHEME MANAGEMENT FEES	5(b)	3,250,561	3,303,589

9. NOTES TO STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents at balance date as shown in the Statement of Cash Flows are held in S & P rated AA- and A- cash deposits and reconciled to the related items in the Statement of Financial Position as follows:

	Combined		MAV - General Fund	
	2017	2016	2017	2016
	Note	\$	\$	\$
Cash and cash equivalents		9,402,131	7,768,406	8,302,680
TOTAL CASH AND CASH EQUIVALENTS		9,402,131	7,768,406	8,302,680

(b) Reconciliation of Net Cash Used In Operating Activities to Operating Profit (Loss)

Surplus (Deficit) for year		74,402	265,904	(1,973,690)	18,068
Depreciation		189,494	173,105	157,929	141,540
Amortisation		26,641	57,686	26,641	38,404
(Surplus)/deficit on disposal of assets		(24,256)	4,890	(24,256)	4,890
Unrealised gains on investments		(683,320)	(950,137)	-	-

Changes in assets and liabilities

(Increase)/decrease in accounts receivable	2(f)	3,238,113	(12,574,806)	5,779,152	(4,284,388)
(Increase)/decrease in prepayments		(50,060)	244,667	(49,833)	244,357
Increase/(decrease) in accounts payable		(2,864,582)	2,137,824	(1,922,704)	1,826,348
Increase/(decrease) in provision for employee entitlements		51,078	56,247	51,078	56,247
Increase/(decrease) in outstanding claims	2(t)	68,901	8,541,380	-	-
Increase/(decrease) in premiums in advance		(1,696,594)	(3,852,935)	-	-
Increase/(decrease) in other liabilities		(631,370)	(115,057)	(631,370)	(115,057)
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES		(2,301,553)	(6,011,232)	1,412,948	(2,069,590)

10. RECEIVABLES

	Note	Combined		MAV - General Fund	
		2017	2016	2017	2016
		\$	\$	\$	\$
Future reinsurance and other recoveries receivable	2(u)	89,806,210	86,024,302	-	-
Discount to present value		(7,346,707)	(5,307,873)	-	-
		82,459,503	80,716,429	-	-
Premiums receivable	2(s)	23,268,603	24,592,429	-	-
Other receivables		8,060,534	11,717,895	4,886,867	10,666,022
TOTAL RECEIVABLES		113,788,640	117,026,753	4,886,867	10,666,022
Represented By:			-		-
Current		48,393,349	53,692,629	4,886,867	10,666,022
Non-current		65,395,291	63,334,124	-	-
TOTAL		113,788,640	117,026,753	4,886,867	10,666,022

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
2017					
Combined	31,329,137	30,830,889	60,133	58,880	379,235
MAV General Fund	4,886,867	4,388,620	60,132	58,880	379,235
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

11. PREMIUMS IN ADVANCE

	Note	Combined		MAV - General Fund	
		2017	2016	2017	2016
		\$	\$	\$	\$
Contributions billed in advance		21,241,551	22,938,145	-	-

12. PROPERTY AND EQUIPMENT

	Combined		MAV - General Fund	
	2017	2016	2017	2016
	\$	\$	\$	\$
Leasehold Improvements - at cost	896,716	896,716	717,275	717,275
Less accumulated depreciation	(874,452)	(850,948)	(714,736)	(710,953)
	22,264	45,768	2,539	6,322
Furniture and Equipment - at cost	924,922	887,403	826,902	789,383
Less accumulated depreciation	(871,782)	(849,559)	(785,610)	(775,233)
	53,140	37,844	41,292	14,150
Motor vehicles - at cost	409,690	442,613	409,690	442,613
Less accumulated depreciation	(174,572)	(175,492)	(174,572)	(175,492)
	235,118	267,121	235,118	267,121
Information technology equipment- at cost	877,560	755,421	877,560	755,421
Less accumulated depreciation	(733,230)	(674,884)	(733,230)	(674,884)
	144,330	80,537	144,330	80,537
TOTAL PROPERTY AND EQUIPMENT	454,852	431,270	423,279	368,130

Reconciliations of the carrying amounts of property and equipment at the beginning and end of the financial year.

LEASEHOLD IMPROVEMENTS				
Movements during the year				
Beginning of year	45,768	74,446	6,322	15,281
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation	(23,504)	(28,678)	(3,783)	(8,959)
End of year	22,264	45,768	2,539	6,322
FURNITURE AND EQUIPMENT				
Movements during the year				
Beginning of year	37,844	42,236	14,150	6,696
Additions	37,520	13,412	37,520	13,412
Disposals	-	-	-	-
Depreciation	(22,224)	(17,804)	(10,378)	(5,958)
End of year	53,140	37,844	41,292	14,150
MOTOR VEHICLES				
Movements during the year				
Beginning of year	267,121	284,854	267,121	284,854
Additions	130,534	103,563	130,534	103,563
Disposals	(77,108)	(36,499)	(77,108)	(36,499)
Depreciation	(85,430)	(84,797)	(85,430)	(84,797)
End of year	235,118	267,121	235,118	267,121
INFORMATION TECHNOLOGY EQUIPMENT				
Movements during the year				
Beginning of year	80,537	60,884	80,537	60,884
Additions	122,140	61,479	122,140	61,479
Disposals	-	-	-	-
Depreciation	(58,347)	(41,826)	(58,347)	(41,826)
End of year	144,330	80,537	144,330	80,537

13. INTANGIBLE ASSETS

	Combined		MAV - General Fund	
	2017	2016	2017	2016
	\$	\$	\$	\$
Website, Licences and Educational Programs	879,620	879,620	742,169	742,169
Less accumulated amortisation	(861,650)	(835,009)	(724,199)	(697,558)
	17,970	44,611	17,970	44,611

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	44,611	102,297	44,611	83,015
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation	(26,641)	(57,686)	(26,641)	(38,404)
End of year	17,970	44,611	17,970	44,611

14(a). OUTSTANDING CLAIMS

	Note	Combined	
		2017	2016
		\$	\$
Central Estimate		114,497,031	112,266,215
Discount to present value		(9,948,245)	(6,929,174)
Excesses and recoveries		634,577	0
		105,183,363	105,337,041
Claims handling costs		1,045,488	822,909
Risk margin	14(b)	-	-
TOTAL OUTSTANDING CLAIMS		106,228,851	106,159,950
Comprising:			
Current		20,220,883	20,146,330
Non-current		86,007,968	86,013,620
TOTAL CLAIMS PROVISION	2(t)	106,228,851	106,159,950

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

As at 30 June 2017, 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 LMI. As a result, a 0% risk margin was applied to the central estimate (2016 0%) to achieve the desired level of sufficiency. Please see Note 22.

14(c). RECONCILIATION OF MOVEMENT IN DISCOUNTED OUTSTANDING CLAIMS LIABILITY

	2017			2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	\$	\$	\$	\$	\$	\$
Outstanding claims brought forward	106,159,952	80,716,429	25,443,523	97,618,569	69,070,951	28,547,618
Changes in assumptions	16,169,076	11,643,186	4,525,890	20,763,612	14,339,202	6,424,410
Increase in claims incurred/recoveries anticipated	68,903	1,810,816	(1,741,913)	8,541,380	12,162,855	(3,621,475)
Incurred claims recognised in Statement of Comprehensive Income	16,237,979	13,454,002	2,783,977	29,304,992	26,502,057	2,802,935
Claim payments/recoveries during the year	(16,169,076)	(11,710,924)	(4,458,152)	(20,763,611)	(14,856,579)	(5,907,030)
Outstanding claims carried forward	106,228,855	82,459,507	23,769,348	106,159,950	80,716,429	25,443,521

15. NET CLAIMS INCURRED

	2017			2016		
	Current Year	Prior Year	Total	Current Year	Prior Year	Total
	\$	\$	\$	\$	\$	\$
Insurance						
Gross Claims and related Expenses - undiscounted	20,700,235	(2,077,763)	18,622,472	22,807,715	5,498,834	28,306,549
Discount	(1,974,323)	(410,171)	(2,384,494)	(1,660,144)	2,658,587	998,443
Gross Claims and related expenses - discounted	18,725,912	(2,487,934)	16,237,978	21,147,571	8,157,421	29,304,992
Reinsurance and other recoveries - undiscounted	(14,687,574)	589,592	(14,097,982)	(16,874,698)	(10,942,042)	(27,816,740)
Discount	(352,397)	996,377	643,980	(286,009)	1,600,692	1,314,683
Reinsurance and other recoveries - discounted	(15,039,971)	1,585,969	(13,454,002)	(17,160,707)	(9,341,350)	(26,502,057)
NET CLAIMS INCURRED	3,685,941	(901,965)	2,783,976	3,986,864	(1,183,929)	2,802,935

16. CLAIMS DEVELOPMENT TABLE

Accident Year	2013	2014	2015	2016	2017	Total
		\$	\$	\$	\$	\$
GROSS ESTIMATE OF ULTIMATE CLAIMS COST - LIABILITY MUTUAL INSURANCE						
At end year of accident	23,083,334	22,191,872	22,465,862	22,303,614	20,097,434	
One year later	22,302,009	22,401,912	21,693,885	20,487,169	-	
Two years later	19,817,058	28,143,146	21,462,820	-	-	
Three years later	18,072,661	28,118,433	-	-	-	
Four years later	19,002,351	-	-	-	-	
Current estimate of cumulative claims cost	19,002,351	28,118,433	21,462,820	20,487,169	20,097,434	109,168,207
Cumulative payments	(8,969,014)	(8,858,602)	(3,216,158)	(875,432)	(70,246)	(21,989,452)
Outstanding claims - undiscounted	10,033,337	19,259,831	18,246,662	19,611,737	20,027,188	87,178,755
Discount						(7,806,218)
Claims handling expense						871,786
2012 and prior						25,984,528
LIABILITY MUTUAL INSURANCE - TOTAL GROSS OUTSTANDING CLAIMS	14 (a)					106,228,851
COMBINED GROSS OUTSTANDING CLAIMS	14 (c)					106,228,851
NET ESTIMATE OF ULTIMATE CLAIMS COST - LIABILITY MUTUAL INSURANCE						
At end year of accident	8,122,535	4,602,870	12,238,620	3,710,694	3,367,525	
One year later	8,218,920	4,674,158	11,932,830	3,740,554	-	
Two years later	8,074,101	4,707,042	11,973,116	-	-	
Three years later	7,297,209	4,237,880	-	-	-	
Four years later	7,820,757	-	-	-	-	
Current estimate of cumulative claims cost	7,820,757	4,237,880	11,973,116	3,740,554	3,367,525	31,139,832
Cumulative payments	(4,292,572)	(2,743,893)	(2,104,344)	(352,652)	(58,996)	(9,552,457)
Outstanding claims - undiscounted	3,528,185	1,493,987	9,868,772	3,387,902	3,308,529	21,587,375
Discount						(1,907,732)
Claims handling expense						215,871
2012 and prior						3,873,830
LIABILITY MUTUAL INSURANCE - TOTAL NET OUTSTANDING CLAIMS						23,769,344
COMBINED NET OUTSTANDING CLAIMS	14 (c)					23,769,344

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

17. PROVISIONS FOR EMPLOYEE ENTITLEMENTS

	Combined		MAV - General Fund	
	2017	2016	2017	2016
	\$	\$	\$	\$

The aggregate amount of employee entitlement liability is comprised of:

Provisions (current)	978,647	958,067	978,647	958,067
Provisions (non-current)	101,149	70,649	101,149	70,649
TOTAL EMPLOYEE ENTITLEMENTS	1,079,796	1,028,716	1,079,796	1,028,716

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	1,028,716	972,469	1,028,716	972,469
Entitlements Paid	(386,796)	(341,256)	(386,796)	(341,256)
Increase in Provision	437,876	397,503	437,876	397,503
BALANCE AT END OF YEAR	1,079,796	1,028,716	1,079,796	1,028,716

18. SUPERANNUATION

The MAV 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 MAV and the MAV'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 MAV to the accumulation and defined benefit Fund during the reporting period was \$483,065 (2016 \$455,625).

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 2017, 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 MAV 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 MAV 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.

Funding arrangements

The MAV 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 MAV 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 2016, the MAV makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2017, 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 MAV 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 per cent 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 per cent 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 MAV) 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 ongoing 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.

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 MAV'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 2016-17, the MAV 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 2016.

This actuarial investigation was completed in December 2016 and confirmed that the Fund's Vested Benefits Index (VBI) was greater than 100 per cent and as a consequence no call on member assets was required.

19. GRANT INCOME

The MAV receives grant monies from various sources including 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 MAV had commitments to expend grants totalling \$3,985,811 (2016 \$4,883,286) after deducting an estimate of costs of administration.

	Combined		MAV - General Fund	
	2017	2016	2017	2016
	\$	\$	\$	\$
Recognised in the Statement of Comprehensive Income				
Grant	3,802,241	4,171,621	3,802,241	4,171,621

The MAV 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
2017	\$	\$	\$	\$
FINANCIAL ASSETS				
Cash and cash equivalents	-	9,402,131	-	8,302,680
Investments	-	21,269,695	-	-
Trade and other receivables	113,788,640	-	4,886,867	-
TOTAL FINANCIAL ASSETS	113,788,640	30,671,826	4,886,867	8,302,680
Weighted Average Interest Rate		3.0%		3.0%
FINANCIAL LIABILITIES				
Outstanding claims	106,228,851	-	-	-
Unearned premiums/subscriptions	21,241,551	-	-	-
Trade and other payables	8,768,259	-	5,973,339	-
TOTAL FINANCIAL LIABILITIES	136,238,661	-	5,973,339	-
Weighted Average Interest Rate		0%		0%

Cash at Bank is considered a level 1 financial asset 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.

	Combined		MAV - General Fund	
	Non-Interest Earning	Floating Interest Rate	Non-Interest Earning	Floating Interest Rate
2016	\$	\$	\$	\$
FINANCIAL ASSETS				
Cash and cash equivalents	-	7,768,406	-	7,054,452
Investments	-	24,686,375	-	-
Trade and other receivables	117,026,753	-	10,666,022	-
TOTAL FINANCIAL ASSETS	117,026,753	32,454,781	10,666,022	7,054,452
Weighted average interest rate		3.1%		3.2%
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 a level 1 financial asset 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 2017. Cash flows for financial assets and liabilities without fixed amount or timing are based on conditions existing at 30 June 2017.

The remaining contractual maturities of the financial liabilities are:

	Combined		MAV - General Fund	
	2017	2016	2017	2016
	\$	\$	\$	\$
3 months or less	19,187,388	22,420,017	5,973,339	7,871,946
3-12 months	32,801,287	33,998,907	1,534,372	1,555,512
1-5 years	62,620,643	63,718,998	460,141	1,019,291
Over 5 years	32,937,524	30,072,895	-	-
	147,546,842	150,210,817	7,967,852	10,446,749

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 MAV's overall liquidity risk. To monitor existing financial assets and liabilities, as well as to enable effective controlling of future risks, the MAV has established a comprehensive risk reporting for its insurance business that reflects the management of expected settlement of financial assets and liabilities.

Year ended 30 June 2017	<3 months	3-12 months	1-5 years	>5years	Total
	\$	\$	\$	\$	\$

COMBINED FINANCIAL ASSETS

Cash & cash equivalents	9,402,131	-	-	-	9,402,131
Investments	21,269,695	-	-	-	21,269,695
Trade and other receivables	36,651,238	11,907,757	45,392,498	27,183,854	121,135,347
	67,323,064	11,907,757	45,392,498	27,183,854	151,807,173

COMBINED FINANCIAL LIABILITIES

Outstanding claims	5,111,123	15,333,369	62,160,502	32,937,524	115,542,518
Unearned premiums/subscriptions	5,310,388	15,931,163	-	-	21,241,551
Trade and other payables	8,765,877	2,383	-	-	8,768,260
Other liabilities	-	1,534,372	460,141	-	1,994,513
TOTAL FINANCIAL LIABILITIES	19,187,388	32,801,287	62,620,643	32,937,524	147,546,842
NET MATURITY	48,135,676	(20,893,530)	(17,228,145)	(5,753,670)	4,620,331

Year ended 30 June 2016	<3 months	3-12 months	1-5 years	>5years	Total
	\$	\$	\$	\$	\$
COMBINED FINANCIAL ASSETS					
Cash & cash equivalents	7,768,406	-	-	-	7,768,406
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
	73,915,388	12,356,309	44,138,901	24,379,352	154,789,950
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	51,495,372	(21,642,599)	(19,580,097)	(5,693,543)	4,579,133
Year ended 30 June 2017	<3 months	3-12 months	1-5 years	>5years	Total
	\$	\$	\$	\$	\$
MAV GENERAL FUND FINANCIAL ASSETS					
Cash & cash equivalents	8,302,680	-	-	-	8,302,680
Trade and other receivables	4,886,867	-	-	-	4,886,867
	13,189,547	-	-	-	13,189,547
MAV GENERAL FUND FINANCIAL LIABILITIES					
Trade and other payables	5,973,339	-	-	-	5,973,339
Other liabilities	-	1,534,372	460,141	-	1,994,513
Total Financial Liabilities	5,973,339	1,534,372	460,141	-	7,967,852
NET MATURITY	7,216,208	(1,534,372)	(460,141)	-	5,221,695
Year ended 30 June 2016	<3 months	3-12 months	1-5 years	>5years	Total
	\$	\$	\$	\$	\$
MAV GENERAL FUND FINANCIAL ASSETS					
Cash & 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

INSURANCE RISK

Risk management objectives and policies for mitigating insurance risk

The MAV'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 and 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 30 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 and Tasmania. Should a claim be accepted, the Scheme provides indemnity to the member for \$500 million Public/Products Liability and \$500 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. The Scheme 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 statewide 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 MAV. The MAV 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.

		Credit Rating						
		AAA	AA	AA-	A	Speculative Grade	Not Rated	Total
		+/-	+/-	+/-				
		\$m	\$m	\$m	\$m	\$m	\$m	\$m
Reinsurance and other recoveries on outstanding claims	2017	-	-	0.044	30.543	-	0.310	30.897
	2016	-	-	0.073	31.963	-	0.315	32.351
Reinsurance and other recoveries on paid claims	2017	-	-	0.036	1.133	-	-	1.169
	2016	-	-	0.06	1.18	-	-	1.24
		Past due but not impaired						
		Neither past due nor impaired	Less than 3 months	3 to 6 months	6 months to 1 year	Greater than 1 year	Impaired	Total
		\$m	\$m	\$m	\$m	\$m	\$m	\$m
Reinsurance and other recoveries on paid claims	2017	-	1.169	-	-	-	-	1.169
	2016	-	1.236	-	-	-	-	1.236

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 2017	Total accumulated funds after the impact of applying variable
	%	%	\$	\$

IMPACT OF CHANGES IN INTEREST RATE ON FINANCIAL ASSETS

MAV				
Base value at 30 June 2017	3.0%		74,402	6,907,276
Interest Rate p.a.		3.4%	117,328	6,950,202
		2.4%	31,476	6,864,350

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.

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 2017;
- iii. An allowance of 0.8 per cent for claim settlement expenses, as assumed by the Actuary;
- iv. Allowances for claim inflation of 3.15 per cent, as assumed by the Actuary;
- v. Allowances for discount at 2.4 per cent, as assumed by the Actuary;
- vi. A risk margin of 0 per cent 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.

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 2017, 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:

	2017	2016
KEY ACTUARIAL ASSUMPTIONS		
Wage inflation	3.15%	2.7%
Claim administration expense	1.0%	0.8%
Discount rate	2.4%	1.8%
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:

LMI 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 2017. The individual claim payments and case estimates reconciled closely with totals in LMI's 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 five 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 four 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 2017 forecasts for Victorian average weekly claims, inflation was assumed to be 3.15 per cent. The discount rate was assumed to be 2.4% 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 2017	Total accumulated funds after the impact of applying variable
	%	%	\$	\$
IMPACT OF CHANGES IN KEY VARIABLES				
LIABILITY MUTUAL INSURANCE				
Base value at 30 June 2017	3.15%		2,044,572	921,384
Wage inflation rate p.a.		3.65%	1,716,572	593,384
		2.65%	2,372,572	1,249,384

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.

Variable	Current Rate	Change variable to	Operating surplus (deficit) at 30 June 2017	Total accumulated funds after the impact of applying variable
	%	%	\$	\$
IMPACT OF CHANGES IN DISCOUNT RATES				
LIABILITY MUTUAL INSURANCE				
Base value at 30 June 2017	2.40%		2,044,572	921,384
Discount rate p.a.		2.90%	2,436,572	1,313,384
		1.90%	1,652,572	529,384

Claims handling sensitivity

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

Variable	Current Rate	Change to the Current Rate	Operating surplus (deficit) at 30 June 2017	Total accumulated funds after the impact of applying variable
	%	%	\$	\$
IMPACT OF CHANGES IN CLAIMS ADMINISTRATION EXPENSE				
LIABILITY MUTUAL INSURANCE				
Base value at 30 June 2017	1.0%		2,044,572	921,384
Claim administration expense		3.0%	(46,428)	(1,169,616)
		-1.0%	4,135,572	3,012,384

23. CAPITAL MANAGEMENT OBJECTIVES AND ECONOMIC DEPENDENCY

The MAV is specifically excluded from the provisions of the Insurance Act and from APRA regulation. There is no externally imposed capital requirement on the MAV. The MAV'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 CCF. The Board of Directors and management have in place a strategic plan that is aligned to achieving the MAV'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 MAV operates LMI which is a non-discretionary mutual fund, and under Sections 6.4 and 6.5 of the Constitution, the MAV 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. 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.

Performance bonus totalling \$2,792,580 (2016 \$Nil) was received during the year.

25. CONTINGENT LIABILITIES

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.

LMI 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.

26. SPECIAL PURPOSE VEHICLE

In October 2014, the MAV established a special purpose vehicle (SPV), Local Government Funding Vehicle (LGFV), to facilitate the issuing of debt instruments for and on behalf of its members. The MAV 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 MAV incurs costs for professional advice in connection with the transaction. These costs are recovered from the SPV so that the MAV bears no net costs. The MAV is also entitled to earn a fixed fee of up to \$24,000 per annum for the management of the SPV.

The MAV 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 MAV is not exposed to any loss.

The Directors have determined that the MAV 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 MAV.

27. GENERAL INSURANCE AGREEMENT

The MAV 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 MAV 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 MAV for the year ended 30 June 2017 was \$1.25 million. In addition to the annual fee in the 2016 year, the MAV received an upfront fee of \$4 million for the performance of several conditions under the Agreement. As at 30 June 2016, the MAV had fully satisfied these conditions and therefore has recognised the entirety of the up front fees as 'Brokerage Fees'. The balance owing was recognised as a receivable within 'Trade and other receivables'. This amount owing was received during 2017.

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 MAV.

	Annual allowance \$		Data allowance \$	
President	65,899		394	
Deputy Presidents	13,586		394	
Board members	9,250		394	
	Combined		MAV - General Fund	
	2017	2016	2017	2016
	\$	\$	\$	\$
MAV BOARD MEMBERS				
Short term employment benefits	251,392	256,968	251,392	256,968
Post employment benefits	-	-	-	-
MAV INSURANCE BOARD MEMBERS				
Short term employment benefits	19,847	21,421	-	-
Post employment benefits	-	-	-	-
KEY MANAGEMENT PERSONNEL				
Short term employment benefits	374,296	321,689	374,296	321,689
Post employment benefits	30,005	30,560	30,005	30,560
TOTAL				
Short term employment benefits	645,535	600,078	625,688	578,657
Post employment benefits	30,005	30,560	30,005	30,493

Board member	Annual Allowance	Data Allowance	Expenses	TOTAL
Rod Fyffe	9,250.00	394.00	5,307.60	14,951.60
Helen Coleman	3,083.00	131.00	910.02	4,124.02
Angela Altair	7,574.00	265.00	-	7,839.00
Bernadene Voss	9,250.00	394.00	83.51	9,727.51
Tom Melican	9,250.00	394.00	2,146.37	11,790.37
Gary Norton	9,250.00	394.00	9,627.08	19,271.08
Malcolm Hole	9,250.00	394.00	7,401.24	17,045.24
Ruth Gstrein	9,250.00	394.00	8,726.01	18,370.01
Geoff Lake	9,250.00	394.00	-	9,644.00
Coral Ross	25,517.00	265.00	4,144.97	29,926.97
David Clark	13,585.00	394.00	8,247.47	22,226.47
Bill McArthur	21,966.00	131.00	8,780.69	30,877.69
Mary Lalios	21,612.00	130.00	4,154.59	25,896.59
Ron Janas	7,709.00	328.00	6,713.73	14,750.73
Jami Klisaris	4,491.00	130.00	295.71	4,916.71
Rohan Leppert	3,058.00	130.00	-	3,188.00
Peter Perkins	3,058.00	130.00	200.00	3,388.00
Josh Gilligan	3,058.00	130.00	-	3,188.00

Former President Cr Bill McArthur was also provided with full private use of a motor vehicle at a cost of \$10,760.81. President Cr Mary Lalios was also provided will full private use of a motor vehicle at a cost of \$8,668.58.

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.

Insurance

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

29. RELATED PARTIES

The MAV is a body corporate established under the **Municipal Association Act 1907** to provide services for and represent local government authorities in Victoria. The Board of the MAV is elected from its members. The MAV and its wholly owned and controlled entities trade with each other and with its members in the normal course of business and on an arm's length basis. The Liability Mutual Insurance Scheme was formed by a Deed of Establishment which 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 \$504,585 (2016 \$726,646) were payable to the MAV from the Liability Mutual Insurance Scheme, being payment for administrative support and overseeing the management of the insurance activities, including the conduct of bi-monthly Board meeting. In accordance with the **Municipal Association Act 1907**, the MAV is required to establish a Fidelity Fund to provide commercial crime insurance for its members. The MAV pays insurance premiums to the Liability Mutual Insurance Scheme \$17,290 (2016 \$17,001) and to the Commercial Crime Fund \$9,526 (2016 \$9,196). The son of the Chief Executive Officer of the MAV manages the MAV Procurement business. He is remunerated at market rates and his performance assessment is conducted by the Consultant - Finance & Insurance.

The MAV pays superannuation contributions to Vision Super Pty Ltd as per Note 18. Cr Geoff Lake, an MAV Board member and Mr Rob Spence, the MAV CEO are both Directors of Vision Super Pty Ltd and receive Directors fees. The Directors fees for Mr Spence are deducted from his salary paid by the MAV.

Other than this, 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 2017

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

- 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 2017;
- 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. Mary Lalios
President



Cr. David Clarke
Director



Robert Spence
Chief Executive Officer

Melbourne
6/10/2017

Independent Audit Report



Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Independent Auditor's Report to the Members of Municipal Association of Victoria

Opinion

We have audited the financial report of Municipal Association of Victoria and its combined entities (the Association), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the statement by directors.

In our opinion, the Municipal Association of Victoria and its combined entities' financial report presents fairly, in all material respects, the financial position of the Association as at 30 June 2017, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Association in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibilities of the Directors for the Financial Report

The directors of the Association are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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Independent Audit Report



As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Maree Pallisco
Partner
Melbourne

18 October 2017

Other Information

Legal form

The MAV 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 MAV represents, promotes and supports the interest of Victorian local government and their communities.

Number of employees

Average number of equivalent full time employees during the year is 45.66 EFT.

The cover features a solid blue background with a large, stylized 'V' shape formed by multiple parallel lines in white and light blue, extending from the top left towards the bottom right. The text is positioned on the left side of the page.

MAV
INSURANCE
FINANCIAL
REPORT
2016-17

Statement of Comprehensive Income

For the year ended 30 June 2017

	Note	Combined		Liability Mutual Insurance		Commercial Crime	
		2017	2016	2017	2016	2017	2016
		\$	\$	\$	\$	\$	\$
Premium revenue	3	22,938,145	26,791,081	22,938,145	26,791,081	-	-
Performance bonus	18	2,792,580	-	2,792,580	-	-	-
Re-insurance expense	2(s)	(15,169,730)	(17,228,551)	(15,169,730)	(17,228,551)	-	-
NET PREMIUM INCOME		10,560,995	9,562,530	10,560,995	9,562,530	-	-
Claims expense	4(a)	(16,237,978)	(29,304,990)	(16,237,978)	(29,304,990)	-	-
Reinsurance and other recoveries	3	13,454,002	26,502,057	13,454,002	26,502,057	-	-
NET CLAIMS EXPENSE	12	(2,783,976)	(2,802,933)	(2,783,976)	(2,802,933)	-	-
NET UNDERWRITING RESULT		7,777,019	6,759,597	7,777,019	6,759,597	-	-
Management fees	2(i),3	94,222	189,680	-	-	94,222	189,680
Investment income	3	719,991	1,009,193	715,866	1,004,132	4,125	5,061
Administration & general expenses	4(b)	(6,543,140)	(7,710,628)	(6,448,313)	(7,456,748)	(94,827)	(253,880)
OPERATING SURPLUS (DEFICIT)		2,048,092	247,842	2,044,572	306,981	3,520	(59,139)
Other comprehensive income		-	-	-	-	-	-
TOTAL COMPREHENSIVE SURPLUS/(DEFICIT) FOR THE PERIOD		2,048,092	247,842	2,044,572	306,981	3,520	(59,139)

The accompanying notes form an integral part of these statements

Statement of Financial Position

As at 30 June 2017

		Combined		Liability Mutual Insurance		Commercial Crime	
	Note	2017	2016	2017	2016	2017	2016
		\$	\$	\$	\$	\$	\$
CURRENT ASSETS							
Cash and cash equivalents	2e), 8(a)	1,099,452	713,951	964,618	578,855	134,834	135,096
Investments	2(n)	21,269,695	24,686,375	21,269,695	24,686,375	-	-
Trade and other receivables	9	43,820,295	43,270,667	43,176,847	42,651,191	643,448	619,476
TOTAL CURRENT ASSETS		66,189,442	68,670,993	65,411,160	67,916,421	778,282	754,572
NON-CURRENT ASSETS							
Property, furniture & equipment	7(a)	31,568	63,135	31,568	63,135	-	-
Trade and other receivables	9	65,395,291	63,334,124	65,395,291	63,334,124	-	-
TOTAL NON-CURRENT ASSETS		65,426,859	63,397,259	65,426,859	63,397,259	-	-
Total Assets		131,616,301	132,068,252	130,838,019	131,313,680	778,282	754,572
CURRENT LIABILITIES							
Trade and other payables		3,107,965	3,980,315	2,446,233	3,338,773	661,732	641,542
Premiums in advance	10	21,241,551	22,938,145	21,241,551	22,938,145	-	-
Outstanding Claims	11(a)	20,220,883	20,146,330	20,220,883	20,146,330	-	-
TOTAL CURRENT LIABILITIES		44,570,399	47,064,790	43,908,667	46,423,248	661,732	641,542
NON-CURRENT LIABILITY							
Outstanding Claims	11(a)	86,007,968	86,013,620	86,007,968	86,013,620	-	-
TOTAL NON-CURRENT LIABILITY		86,007,968	86,013,620	86,007,968	86,013,620	-	-
TOTAL LIABILITIES		130,578,367	133,078,410	129,916,635	132,436,868	661,732	641,542
NET ASSETS		1,037,934	(1,010,158)	921,384	(1,123,188)	116,550	113,030
EQUITY		1,037,934	(1,010,158)	921,384	(1,123,188)	116,550	113,030

The accompanying notes form an integral part of these statements.

Statement of Changes in Equity

For the year ended 30 June 2017

	Combined		Liability Mutual Insurance		Commercial Crime	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
RETAINED EARNINGS						
Balance at beginning of year	(1,010,158)	(1,258,000)	(1,123,188)	(1,430,169)	113,030	172,169
Surplus (Deficit) from ordinary activities	2,048,092	247,842	2,044,572	306,981	3,520	(59,139)
BALANCE AT END OF YEAR	1,037,934	(1,010,158)	921,384	(1,123,188)	116,550	113,030

Statement of Cash Flows

For the year ended 30 June 2017

	Combined		Liability Mutual Insurance		Commercial Crime	
	2017	2016	2017	2016	2017	2016
Note	\$	\$	\$	\$	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES						
RECEIPTS						
Premiums and fees	20,359,262	24,949,019	22,565,381	26,819,293	669,696	1,005,543
Interest received	36,447	59,365	32,546	53,994	3,901	5,371
Performance bonus	2,792,580	-	2,792,580	-	-	-
Reinsurance and other recoveries	11,710,928	14,856,577	11,710,928	14,856,577	-	-
PAYMENTS						
Suppliers	(22,536,597)	(23,042,461)	(24,738,551)	(24,823,487)	(673,859)	(1,094,790)
Claim payments	(16,077,119)	(20,763,634)	(16,077,121)	(20,763,634)	-	-
NET CASH (USED IN) OPERATING ACTIVITIES	8(b) (3,714,499)	(3,941,134)	(3,714,237)	(3,857,257)	(262)	(83,876)
CASH FLOW FROM INVESTING ACTIVITY						
Proceeds from sale of fixed assets	-	-	-	-	-	-
Payments for fixed assets & intangibles	-	-	-	-	-	-
Proceeds from redemption of investments	4,100,000	3,500,000	4,100,000	3,500,000	-	-
NET CASH USED IN INVESTING ACTIVITIES	4,100,000	3,500,000	4,100,000	3,500,000	-	-
NET INCREASE/ (DECREASE) IN CASH HELD	385,501	(441,133)	385,763	(357,257)	(262)	(83,876)
Cash at beginning of year	713,951	1,155,084	578,855	936,112	135,096	218,972
CASH AT END OF YEAR	8(a) 1,099,452	713,951	964,618	578,855	134,834	135,096

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 2017

1. CORPORATE INFORMATION

The combined financial report of MAV Insurance (The Group) for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the directors of the Municipal Association of Victoria (MAV) on the date shown on the attached Statement by Directors.

MAV Insurance is the insurance division of the MAV. The MAV 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 1 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**.

From the 1 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 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 2017 are outlined in the table below:

Reference	Title Summary	Application date of Standard	Impact on Group Financial Report	Application date for Group
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

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 2017 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

(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').

(c) The basis of the combined report

The combined financial report relates to the insurance activities of the MAV 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 Fund'. The two insurance entities are separate independent legal 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 MAV, using consistent accounting policies.

(d) Income tax

The MAV 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 1997**.

(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, furniture, equipment and website

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

On disposal of an item of property, furniture, equipment and website 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%
Furniture and Equipment	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 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 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 the 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.

(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 (2016 3%) for personal injury non large claims and the discount rate at 2.4% (2016 1.8%).

(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, 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.

(t) 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 and cash equivalents 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.

2017	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	1,099,452	-	-	1,099,452
Investments	-	21,269,695	-	21,269,695
TOTAL	1,099,452	21,269,695	-	22,369,147
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

3. REVENUE FROM ORDINARY ACTIVITIES

	Note	Combined		Liability Mutual Insurance		Commercial Crime	
		2017	2016	2017	2016	2017	2016
		\$	\$	\$	\$	\$	\$
Premiums		22,938,145	26,791,081	22,938,145	26,791,081	-	-
Performance bonus	18	2,792,580	-	2,792,580	-	-	-
Reinsurance and other recoveries	2(p)	13,454,002	26,502,057	13,454,002	26,502,057	-	-
Management fees received		94,222	189,680	-	-	94,222	189,680
TOTAL REVENUE FROM OPERATING ACTIVITIES		39,278,949	53,482,818	39,184,727	53,293,138	94,222	189,680

REVENUES FROM NON-OPERATING ACTIVITIES

Investment income		719,991	1,008,686	715,866	1,004,132	4,125	4,554
TOTAL REVENUE FROM OUTSIDE THE OPERATING ACTIVITIES		719,991	1,008,686	715,866	1,004,132	4,125	4,554
TOTAL REVENUE FROM ORDINARY ACTIVITIES		39,998,940	54,491,504	39,900,593	54,297,270	98,347	194,234

4(a). CLAIMS EXPENSES

Paid		16,169,077	20,763,609	16,169,077	20,763,609	-	-
Outstanding claims at end of financial year	11(a) & 2(m)	106,228,851	106,159,950	106,228,851	106,159,950	-	-
Less: Outstanding claims at beginning of financial year		(106,159,950)	(97,618,569)	(106,159,950)	(97,618,569)	-	-
TOTAL CLAIMS EXPENSES		16,237,978	29,304,990	16,237,978	29,304,990	-	-

4(b). ADMINISTRATION & GENERAL EXPENSES

The following items have been recognised in the operating surplus (deficit):

Administration		1,380,368	2,050,324	1,362,575	2,037,217	17,793	13,107
Actuary and legal fees		102,363	137,864	102,363	137,864	-	-
Audit fees	5	135,705	131,800	127,671	123,773	8,034	8,027
Depreciation of furniture & equipment		11,846	11,846	11,846	11,846	-	-
Depreciation of leasehold improvements		19,721	19,721	19,721	19,721	-	-
Amortisation of intangible assets		-	19,282	-	19,282	-	-
Scheme management fees	6	3,289,561	3,433,588	3,220,561	3,200,842	69,000	232,746
Claims Handling Costs		-	-	-	-	-	-
Stamp duty		1,603,576	1,906,203	1,603,576	1,906,203	-	-
TOTAL EXPENDITURE		6,543,140	7,710,628	6,448,313	7,456,748	94,827	253,880

5. AUDIT FEES

Amounts payable or due and payable for audit services:

	Combined		Liability Mutual Insurance		Commercial Crime	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Audit of the entity	135,705	131,800	127,671	123,773	8,034	8,027
	135,705	131,800	127,671	123,773	8,034	8,027

6. SCHEME MANAGEMENT FEES

Included within administration and general expenses are management fees for:

Reinsurance placement	2,220,220	2,172,427	2,220,220	2,172,427	-	-
Risk management and administrative services	1,069,341	1,261,162	1,000,341	1,028,415	69,000	232,746
TOTAL SCHEME MANAGEMENT FEES	3,289,561	3,433,588	3,220,561	3,200,842	69,000	232,746

7(a). PROPERTY, FURNITURE & EQUIPMENT

Leasehold improvements - at cost	179,441	179,441	179,441	179,441	-	-
Less accumulated depreciation	(159,719)	(139,998)	(159,719)	(139,998)	-	-
	19,722	39,443	19,722	39,443	-	-
Furniture and equipment - at cost	98,019	98,019	98,019	98,019	-	-
Less accumulated depreciation	(86,173)	(74,327)	(86,173)	(74,327)	-	-
	11,846	23,692	11,846	23,692	-	-
TOTAL PROPERTY, FURNITURE AND EQUIPMENT	31,568	63,135	31,568	63,135	-	-

Reconciliations of the carrying amounts of property, furniture and equipment at the beginning and end of the financial year.

Movements during the year						
Beginning of year	39,443	59,164	39,443	59,164	-	-
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Depreciation	(19,721)	(19,721)	(19,721)	(19,721)	-	-
End of year	19,722	39,443	19,722	39,443	-	-

PROPERTY, FURNITURE AND EQUIPMENT

Movements during the year						
Beginning of year	23,692	35,538	23,692	35,538	-	-
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Depreciation	(11,846)	(11,846)	(11,846)	(11,846)	-	-
End of year	11,846	23,692	11,846	23,692	-	-

7(b). WEBSITE

	Combined		Liability Mutual Insurance		Commercial Crime		
	2017	2016	2017	2016	2017	2016	
	Note	\$	\$	\$	\$	\$	
Website - at cost		137,451	137,451	137,451	137,451	-	-
Less accumulated amortisation		(137,451)	(137,451)	(137,451)	(137,451)	-	-
		-	-	-	-	-	-

WEBSITE

Movements during the year

Beginning of year	-	19,282	-	19,282	-	-
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Amortisation	-	(19,282)	-	(19,282)	-	-
End of year	-	-	-	-	-	-

8. NOTES TO THE STATEMENT OF CASH FLOWS

(a) 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 and are reconciled to the related items in the Statement of Financial Position as follows:

Cash and Cash Equivalents	1,099,452	713,445	964,618	578,855	134,834	134,590
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(b) Reconciliation of Net Cash Used In Operating Activities to Operating Surplus/(Deficit)

Surplus (deficit) for year	2,048,093	247,335	2,044,572	306,981	3,521	(59,646)
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Adjustments for:

Depreciation	31,567	31,567	31,567	31,567	-	-
Amortisation	-	19,282	-	19,282	-	-
Unrealised gains on investments	(683,320)	(950,136)	(683,320)	(950,136)	-	-

Changes in assets and liabilities:

(Increase) in trade and other receivables	2(f)	(2,610,794)	(7,933,056)	(2,586,824)	(8,091,018)	(23,970)	157,962
Increase/(decrease) in trade and other payables		(872,353)	(45,076)	(892,539)	137,622	20,186	(182,698)
(Decrease) in premiums in advance		(1,696,594)	(3,852,935)	(1,696,594)	(3,852,935)	-	-
Increase/(decrease) in outstanding claims	2(m)	68,901	8,541,380	68,901	8,541,380	-	-
NET CASH (USED IN) OPERATING ACTIVITIES		(3,714,499)	(3,941,639)	(3,714,237)	(3,857,257)	(262)	(84,382)

9. TRADE AND OTHER RECEIVABLES

	Note	Combined		Liability Mutual Insurance		Commercial Crime	
		2017	2016	2017	2016	2017	2016
		\$	\$	\$	\$	\$	\$
Future reinsurance and other recoveries receivable	2(p)	89,806,210	86,024,302	89,806,210	86,024,302	-	-
Discount to present value		(7,346,707)	(5,307,873)	(7,346,707)	(5,307,873)	-	-
		82,459,503	80,716,429	82,459,503	80,716,429	-	-
Less provision for doubtful debts		-	-	-	-	-	-
Premiums receivable		23,268,603	24,592,429	23,268,603	24,592,429	-	-
Other receivables		3,487,480	1,295,933	2,844,032	676,457	643,448	619,476
TOTAL RECEIVABLES		109,215,586	106,604,791	108,572,138	105,985,315	643,448	619,476
Represented by:							
CURRENT		43,820,295	43,270,667	43,176,847	42,651,191	643,448	619,476
NON-CURRENT		65,395,291	63,334,124	65,395,291	63,334,124	-	-
TOTAL		109,215,586	106,604,791	108,572,138	105,985,315	643,448	619,476

Reinsurance recoveries are due from reinsurers with S&P ratings of AA-, and A. Other recoveries are due from unrated local authorities based in Victoria and Tasmania.

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

2017	Total	<30 days	31 - 60 days	61 - 90 days	>90 days
Combined	26,756,083	26,756,083	-	-	-
Liability Mutual Insurance	26,112,635	26,112,635	-	-	-
Commercial Crime Fund	643,448	643,448	-	-	-
2016					
Combined	25,888,362	25,888,362	-	-	-
Liability Mutual Insurance	25,268,886	25,268,886	-	-	-
Commercial Crime Fund	619,476	619,476	-	-	-

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

10. PREMIUMS IN ADVANCE

	Note	Combined		Liability Mutual Insurance		Commercial Crime	
		2017	2016	2017	2016	2017	2016
		\$	\$	\$	\$	\$	\$
Contributions billed in advance	2(l)	21,241,551	22,938,145	21,241,551	22,938,145	-	-

11(a). OUTSTANDING CLAIMS

Central estimate	2(m)	114,497,031	112,266,215	114,497,031	112,266,215	-	-
Discount to present value		(9,948,245)	(6,929,174)	(9,948,245)	(6,929,174)	-	-
Excess and recoveries - Discount to present value		634,577	-	634,577	-	-	-
		105,183,363	105,337,041	105,183,363	105,337,041	-	-
Claims handling costs		1,045,488	822,909	1,045,488	822,909	-	-
Risk margin	11(b)	-	-	-	-	-	-
TOTAL OUTSTANDING CLAIMS		106,228,851	106,159,950	106,228,851	106,159,950	-	-
Comprising:							
CURRENT		20,220,883	20,146,330	20,220,883	20,146,330	-	-
NON-CURRENT		86,007,968	86,013,620	86,007,968	86,013,620	-	-
TOTAL OUTSTANDING CLAIMS		106,228,851	106,159,950	106,228,851	106,159,950	-	-

11(b). RISK MARGIN - PROCESS FOR DETERMINING RISK MARGIN

As at 30 June 2017, 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 (2016 0%) to achieve the desired level of sufficiency. Please see Note 17.

11(c). COMBINED RECONCILIATION OF MOVEMENT IN DISCOUNTED OUTSTANDING CLAIMS LIABILITY

	2017			2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	\$	\$	\$	\$	\$	\$
Outstanding claims brought forward	106,159,952	80,716,429	25,443,523	97,618,569	69,070,951	28,547,618
Changes in assumptions	16,169,076	11,643,183	4,525,893	20,763,610	14,339,202	6,424,408
Increase in claims incurred/recoveries anticipated	68,903	1,810,818	(1,741,915)	8,541,380	12,162,855	(3,621,475)
Incurred claims recognised in income statement	16,237,979	13,454,001	2,783,976	29,304,990	26,502,057	2,802,933
Claim payments during the year	(16,169,076)	(11,710,924)	(4,458,152)	(20,763,609)	(14,856,579)	(5,907,028)
Outstanding claims carried forward	106,228,851	82,459,506	23,769,345	106,159,950	80,716,429	25,443,523

12. NET CLAIMS INCURRED

	2017			2016		
	Current Year	Prior Year	Total	Current Year	Prior Year	Total
	\$	\$	\$	\$	\$	\$

COMBINED

Gross claims and related expenses – undiscounted	20,700,235	(2,077,763)	18,622,472	22,807,715	5,498,834	28,306,549
Discount	(1,974,323)	(410,171)	(2,384,494)	(1,660,144)	2,658,585	998,441
Gross Claims and related expenses – discounted	18,725,912	(2,487,934)	16,237,978	21,147,571	8,157,419	29,304,990
Reinsurance and other recoveries – undiscounted	(14,687,574)	589,592	(14,097,982)	(16,874,698)	(10,942,042)	(27,816,740)
Discount	(352,397)	996,377	643,980	(286,009)	1,600,692	1,314,683
Reinsurance and other recoveries – discounted	(15,039,971)	1,585,969	(13,454,002)	(17,160,707)	(9,341,350)	(26,502,057)
NET CLAIMS INCURRED	3,685,941	(901,965)	2,783,976	3,986,864	(1,183,931)	2,802,933

	2017			2016		
	Current Year	Prior Year	Total	Current Year	Prior Year	Total
	\$	\$	\$	\$	\$	\$

LIABILITY MUTUAL INSURANCE

Gross claims and related expenses – undiscounted	20,700,235	(2,077,763)	18,622,472	22,807,715	5,498,834	28,306,549
Discount	(1,974,323)	(410,171)	(2,384,494)	(1,660,144)	2,658,585	998,441
Gross Claims and related expenses – discounted	18,725,912	(2,487,934)	16,237,978	21,147,571	8,157,419	29,304,990
Reinsurance and other recoveries – undiscounted	(14,687,574)	589,592	(14,097,982)	(16,874,698)	(10,942,042)	(27,816,740)
Discount	(352,397)	996,377	643,980	(286,009)	1,600,692	1,314,683
Reinsurance and other recoveries – discounted	(15,039,971)	1,585,969	(13,454,002)	(17,160,707)	(9,341,350)	(26,502,057)
NET CLAIMS INCURRED	3,685,941	(901,965)	2,783,976	3,986,864	(1,183,931)	2,802,933

COMMERCIAL CRIME FUND

Gross claims and related expenses – undiscounted	-	-	-	-	-	-
Discount	-	-	-	-	-	-
Gross Claims and related expenses – discounted	-	-	-	-	-	-
Reinsurance and other recoveries – undiscounted	-	-	-	-	-	-
Discount	-	-	-	-	-	-
Reinsurance and other recoveries – discounted	-	-	-	-	-	-
NET CLAIMS INCURRED	-	-	-	-	-	-

13. CLAIMS DEVELOPMENT TABLE

Accident Year		2013	2014	2015	2016	2017	Total
	Note	\$	\$	\$	\$	\$	\$
GROSS ESTIMATE OF ULTIMATE CLAIMS COST - LIABILITY MUTUAL INSURANCE							
At end year of accident		23,083,334	22,191,872	22,465,862	22,303,614	20,097,434	
One year later		22,302,009	22,401,912	21,693,885	20,487,169	-	
Two years later		19,817,058	28,143,146	21,462,820	-	-	
Three years later		18,072,661	28,118,433	-	-	-	
Four years later		19,002,351	-	-	-	-	
Current estimate of cumulative claims cost		19,002,351	28,118,433	21,462,820	20,487,169	20,097,434	109,168,207
Cumulative payments		(8,969,014)	(8,858,602)	(3,216,158)	(875,432)	(70,246)	(21,989,452)
Outstanding claims – undiscounted		10,033,337	19,259,831	18,246,662	19,611,737	20,027,188	87,178,755
Discount							(7,806,218)
Claims handling expense							871,786
2012 and prior							25,984,528
LIABILITY MUTUAL INSURANCE – TOTAL GROSS OUTSTANDING CLAIMS	11(a)						106,228,851
COMBINED GROSS OUTSTANDING CLAIMS	11(c)						106,228,851
NET ESTIMATE OF ULTIMATE CLAIMS COST - LIABILITY MUTUAL INSURANCE							
At end year of accident		8,122,535	4,602,870	12,238,620	3,710,694	3,367,525	
One year later		8,218,920	4,674,158	11,932,830	3,740,554	-	
Two years later		8,074,101	4,707,042	11,973,116	-	-	
Three years later		7,297,209	4,237,880	-	-	-	
Four years later		7,820,757	-	-	-	-	
Current estimate of cumulative claims cost		7,820,757	4,237,880	11,973,116	3,740,554	3,367,525	31,139,832
Cumulative payments		(4,292,572)	(2,743,893)	(2,104,344)	(352,652)	(58,996)	(9,552,457)
Outstanding claims – undiscounted		3,528,185	1,493,987	9,868,772	3,387,902	3,308,529	21,587,375
Discount							(1,907,732)
Claims handling Expense							215,872
2012 and prior							3,873,830
LIABILITY MUTUAL INSURANCE – TOTAL NET OUTSTANDING CLAIMS							23,769,345
COMBINED NET OUTSTANDING CLAIMS	11(c)						23,769,345

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

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
2017	\$	\$	\$	\$	\$	\$
FINANCIAL ASSETS						
Cash and cash equivalents	-	1,099,452	-	964,618	-	134,834
Investments	-	21,269,695	-	21,269,695	-	-
Trade and other receivables	109,215,586	-	108,572,138	-	643,448	-
TOTAL FINANCIAL ASSETS	109,215,586	22,369,147	108,572,138	22,234,313	643,448	134,834
Weighted Average Interest Rate		3.0%		3.0%		3.1%
FINANCIAL LIABILITIES						
Outstanding claims	106,228,851	-	106,228,851	-	-	-
Unearned premiums/subscriptions	21,241,551	-	21,241,551	-	-	-
Trade and other payables	3,107,965	-	2,446,233	-	661,732	-
TOTAL FINANCIAL LIABILITIES	130,578,367	-	129,916,635	-	661,732	-
Weighted Average Interest Rate		0.0%		0.0%		0.0%
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		0.00%		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 on page 126 reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as at 30 June 2017. Cash flows for financial assets and liabilities without fixed amounts or timing are based on conditions existing at 30 June 2017.

The remaining contractual maturities of the financial liabilities are:

	Combined		Liability Mutual Insurance		Commercial Crime	
	Non-Interest Earning	Floating Interest Rate	Non-Interest Earning	Floating Interest Rate	Non-Interest Earning	Floating Interest Rate
2017	\$	\$	\$	\$	\$	\$
3 months or less	13,527,092	14,791,587	12,865,360	14,150,043	661,732	641,544
3-12 months	31,266,915	32,443,395	31,266,915	32,443,395	-	-
1-5 years	62,160,502	62,699,707	62,160,502	62,699,707	-	-
Over 5 years	32,937,526	30,072,895	32,937,526	30,072,895	-	-
	139,892,035	140,007,584	139,230,303	139,366,040	661,732	641,544

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 MAV's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable effective controlling of future risks, the MAV has established comprehensive risk reporting covering its insurance business that reflects the management of settlement of financial assets and liabilities.

Year ended 30 June 2017	<3 months	3-12 months	1-5 years	>5years	Total
	\$	\$	\$	\$	\$

COMBINED FINANCIAL ASSETS

Cash and cash equivalents	1,099,452	-	-	-	1,099,452
Investments	21,269,695	-	-	-	21,269,695
Trade and other receivables	32,078,184	11,907,757	45,392,498	27,183,854	116,562,293
	54,447,331	11,907,757	45,392,498	27,183,854	138,931,440

COMBINED FINANCIAL LIABILITIES

Outstanding claims	5,111,124	15,333,369	62,160,502	32,937,524	115,542,519
Unearned premiums/subscriptions	5,310,388	15,931,163	-	-	21,241,551
Trade and other payables	3,105,581	2,384	-	-	3,107,965
TOTAL FINANCIAL LIABILITIES	13,527,093	31,266,916	62,160,502	32,937,524	139,892,035
NET MATURITY	40,920,238	(19,359,159)	(16,768,004)	(5,753,670)	(960,595)

Year ended 30 June 2016	<3 months	3-12 months	1-5 years	>5years	Total
	\$	\$	\$	\$	\$

COMBINED FINANCIAL ASSETS

Cash and cash equivalents	713,951	-	-	-	713,951
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
	56,438,425	12,356,309	44,138,901	24,379,352	137,312,987

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	41,646,839	(20,087,086)	(18,560,806)	(5,693,543)	(2,694,596)

Risk management objectives and policies for mitigating insurance risk

The MAV'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 and 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 30 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 and Tasmania. Should a claim be accepted the Scheme provides indemnity to the member in respect of its civil liabilities for \$500 million Public / Products Liability (\$600 million for water authorities) and \$500 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

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 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 statewide 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 MAV. The MAV 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.

		Credit rating						Total
		AAA	AA	AA-	A	Speculative Grade	Not Rated	
		+/-	+/-	+/-				
		\$m	\$m	\$m	\$m	\$m	\$m	
Reinsurance and other recoveries on outstanding claims	2017	-	-	0.044	30.543	-	0.310	30.897
	2016	-	-	0.073	31.963	-	0.315	32.351
Reinsurance and other recoveries on paid claims	2017	-	-	0.036	1.133	-	-	1.169
	2016	-	-	0.058	1.178	-	-	1.236
		Past due but not impaired						
		Neither past due nor impaired	Less than 3 months	3 to 6 months	6 months to 1 year	Greater than 1 year	Impaired	Total
		\$m	\$m	\$m	\$m	\$m	\$m	\$m
Reinsurance and other recoveries on paid claims	2017	-	1.169	-	-	-	-	1.169
	2016	-	1.236	-	-	-	-	1.236

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 of 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.

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 2017	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 2017	3.0%		2,048,092	1,037,934
Interest Rate p.a.		3.5%	2,052,626	1,042,467
		2.5%	2,043,559	1,033,400

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.

(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 2017;
- iii. An allowance of 1% for claim settlement expenses, as assumed by the Actuary;
- iv. Allowances for claim inflation of 3.15%, as assumed by the Actuary;
- v. Allowances for discount at 2.4%, 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.

(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 2017, 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:

	2017	2016
KEY ACTUARIAL ASSUMPTIONS		
Wage inflation	3.15%	2.7%
Claim administration expense	1.0%	0.8%
Discount rate	2.4%	1.8%
Risk margin	0%	0%
Superimposed inflation	3.0%	3.0%

Process used to determine actuarial assumptions

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 2017. 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 five 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 four 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 2017 forecasts for Victorian average weekly wage inflation was assumed to be 3.15%. The discount rate was assumed to be 2.4% pa., derived from the yields on Commonwealth Government bonds.

The Actuary has assumed a risk margin of 0% of the net liabilities to give a probability of 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 2017	Total accumulated funds after the impact of applying variable
	%	%	\$	\$

IMPACT OF CHANGES IN KEY VARIABLES

LIABILITY MUTUAL INSURANCE

Base value at 30 June 2017	3.15%		2,044,572	921,384
Wage Inflation rate p.a.		3.65%	1,716,572	593,384
		2.6 5%	2,372,572	1,249,384

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.

IMPACT OF CHANGES IN DISCOUNT RATES

LIABILITY MUTUAL INSURANCE

Base value at 30 June 2017	2.4%		2,044,572	921,384
Discount rate p.a.		2.90%	2,436,572	1,313,384
		1.90%	1,652,572	529,384

Claims handling sensitivity

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

IMPACT OF CHANGES IN KEY VARIABLES

LIABILITY MUTUAL INSURANCE

Base value at 30 June 2017	1.0%		2,044,572	921,384
Claim administration expense		3.0%	(46,428)	(1,169,616)
		-1.0%	4,135,572	3,012,384

17. CAPITAL MANAGEMENT OBJECTIVES AND ECONOMIC DEPENDENCY

The MAV is specifically excluded from the provisions of the **Insurance Act** and from APRA regulation. There is no externally-imposed capital requirement on the MAV. The MAV'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 MAV's capital management philosophy with an objective to remain in surplus. 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 MAV operates LMI which is a non-discretionary mutual fund, and under Sections 6.4 and 6.5 of the Constitution, the MAV 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. 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.

Performance bonus totalling \$2,792,580 (2016 \$Nil) 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 2017.

20. RELATED PARTIES

The MAV is a body corporate established under the **Municipal Association Act 1907** to provide services for and represent local government authorities in Victoria. The MAV 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 \$504,585 (2016 \$726,646) were payable to the MAV being payment for administrative support, and overseeing the management of the insurance activities, including the conduct of bi-monthly Board meeting. The MAV pays insurance premiums to the Liability Mutual Insurance Scheme \$17,290 (2016 \$17,001) and to the Commercial Crime Fund \$9,526 (2016 \$9,196). Other than this, there were no other related party transactions.

Board members during the year

A. Murphy (OAM) (Independent Chair)
Cr. M. Laliou (MAV President) Appointed 3 March 2017
Cr. W McArthur (MAV President) Resigned 22 October 2016
R. Farrell (Independent) Resigned 31 December 2016
M. Guilmartin (Independent)
J. Bennie (Greater Dandenong City Council - Chief Executive Officer)
S. Crawcour (Strathbogie Shire Council - Chief Executive Officer)
A. Paul (Clarence City Council - Chief Executive Officer)
Dr. K. Stephenson (LGAT - Chief Executive Officer)
R. Spence (MAV - Chief Executive Officer)
Cr. R. Fyffe (MAV Representative)

Key management personnel remuneration

Independent Board members receive meeting fees. The key management person is the MAV Chief Executive Officer.

			Sitting fees per meeting		Annual meeting allowance	
			\$		\$	
Chairperson			1,039		1,407	
Independent Board members			730		1,407	
	Combined		Liability Mutual Insurance		Commercial Crime	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Short-term remuneration of MAV Insurance Board and key management personnel (Cost of key management personnel is recovered by the MAV)	79,397	88,937	79,397	88,937	-	-
Post employment benefits	5,657	6,111	5,657	6,111	-	-

Loans to MAV Insurance 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 MAV.

21. SUBSEQUENT EVENTS

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

Statement by the MAV Insurance Board

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 2017;
- 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



Robert Spence
Chief Executive Officer

Melbourne
6/10/2017

Statement by Directors

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 2017;
- 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. Mary Lalios
President



Cr. David Clarke
Director



Robert Spence
Chief Executive Officer

Melbourne
6/10/2017

Independent Audit Report



Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Independent Auditor's Report to the Members of MAV Insurance

Opinion

We have audited the financial report of MAV Insurance (the Division), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the statement by directors.

In our opinion, the MAV Insurance financial report presents fairly, in all material respects, the financial position of the Division as at 30 June 2017, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Division in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibilities of the Directors for the Financial Report

The directors of the Municipal Association of Victoria are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Division's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Division or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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Independent Audit Report



- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Division's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Division's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Division to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Maree Pallisco
Partner
Melbourne

18 October 2017

Other Information

Legal form

MAV Insurance is the insurance division of the MAV. The MAV 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, Australia

Principal place of business

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

Nature of the operation and principal activities

The MAV has the power provided to it by the **Municipal Association 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.

Number of employees

Nil



MAV LGE
HEALTH PLAN
FINANCIAL
REPORT
2016-17

Statement of Comprehensive Income

For the year ended 30 June 2017

	2017	2016
Note	\$	\$
REVENUE		
REVENUE FROM OPERATING ACTIVITIES		
Administration allowance income	470,432	426,587
Investment income	29,765	22,814
TOTAL REVENUE	500,197	449,401
EXPENSES		
Hospital Excesses refunded	196,290	194,564
Audit fees	7,650	7,500
TOTAL EXPENSES	203,940	202,064
TOTAL COMPREHENSIVE INCOME(LOSS) FOR THE PERIOD	296,257	247,337

The accompanying notes form an integral part of these statements.

Statement of Financial Position

As at 30 June 2017

		2017	2016
	Note	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	4(a)	1,264,003	984,476
Trade and other receivables	5,2(e)	59,825	57,326
TOTAL CURRENT ASSETS		1,323,828	1,041,802
TOTAL ASSETS		1,323,828	1,041,802
CURRENT LIABILITIES			
Trade and other payables		7,650	21,881
TOTAL CURRENT LIABILITIES		7,650	21,881
TOTAL LIABILITIES		7,650	21,881
NET ASSETS		1,316,178	1,019,921
EQUITY		1,316,178	1,019,921

The accompanying notes form an integral part of these statements.

Statement of Changes in Equity

For the year ended 30 June 2017

	2017	2016
	\$	\$
RETAINED EARNINGS		
Balance at beginning of year	1,019,921	772,584
Surplus from ordinary activities	296,257	247,337
BALANCE AT END OF YEAR	1,316,178	1,019,921

Combined Statement of Cash Flows

For the year ended 30 June 2017

		2017	2016
	Note	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES			
RECEIPTS			
Administration allowance		469,373	427,253
Interest received		27,826	21,317
PAYMENTS			
Hospital excesses refunded		(217,672)	(199,008)
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	4(b)	279,527	249,562
NET (DECREASE)/INCREASE IN CASH HELD		279,527	249,562
Cash at beginning of year		984,476	734,914
CASH AT END OF YEAR	4(a)	1,264,003	984,476

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 2017

1. CORPORATE INFORMATION

The LGE Health Plan was established by the Municipal Association of Victoria (MAV). The MAV has joined with GMHBA and Choosewell Pty Ltd to offer attractive health insurance plans to council staff at reduced cost. The MAV Health Plan is not a provider of health insurance products.

The MAV 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 MAV 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.

The financial report of LGE Health Plan for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the directors of the MAV on the date shown on the attached Statement by Directors.

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 LGE Health Plan for the annual reporting period, ending 30 June 2017 are outlined in the table below:

Reference	Title Summary	Application Date of Standard	Impact on Group Financial Report	Impact on financial report	Application Date for the LGE Health Plan
AASB 1057	Application of Australian Accounting Standards	1 January 2016	Nil	Nil	1 July 2016
AASB 2015-2	Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101	1 January 2016	Nil	Nil	1 July 2016

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 LGE Health Plan for the annual reporting period, ending 30 June 2017 are outlined in the table below:

Reference	Title Summary	Application Date of Standard	Impact on financial report	Application Date for Group
AASB 9	Financial Instruments	1 January 2018	Nil	1 July 2018

(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 MAV 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 MAV 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.

(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) 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.

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. LGE Health Plan does not have any level 3 financial assets. Cash and cash equivalents are considered level 1 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.

2017	Level 1	Level 2	Level 3
Cash and cash equivalents	1,264,003	-	-
TOTAL	1,264,003	-	-
2016			
Cash and cash equivalents	984,476	-	-
TOTAL	984,476	-	-

3. AUDIT FEES

	COMBINED	
	2017	2016
	\$	\$
Amounts received or due and receivable for audit services:		
Audit services	7,650	7,500
Other services	-	-
	7,650	7,500

4. NOTES TO STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents at balance date as shown in the Statement of Cash Flows are held in S & P rated AA- cash deposits and reconciled to the related items in the Statement of Financial Position as follows:

	2017	2016
Note	\$	\$
Cash and cash equivalents	1,264,003	984,476
TOTAL CASH AND CASH EQUIVALENTS	1,264,003	984,476

(b) Reconciliation of Net Cash Used In Operating Activities to Operating Profit (Loss)

Profit (Loss) for year	296,257	247,337
Changes in assets and liabilities		
(Increase)/decrease in accounts receivable	2(e) (2,499)	(6,579)
Increase/(decrease) in accounts payable	(14,231)	8,804
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	279,527	249,562

5. TRADE AND OTHER RECEIVABLES

	2017	2016
Note	\$	\$
Other receivables	59,825	57,326
TOTAL TRADE AND OTHER RECEIVABLES	59,825	57,326
Represented By:		-
Current	59,825	57,326
Non-current	-	-
TOTAL	59,825	57,326

The ageing analysis of trade receivables are as follows:

2017	Total	< 30 days	> 30 days
LGE EMPLOYEE HEALTH PLAN	59,825	59,825	-
2016	Total	< 30 days	< 30 days
LGE EMPLOYEE HEALTH PLAN	57,326	57,326	-

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
	2017 \$	2017 \$
FINANCIAL ASSETS		
Cash and cash equivalents	-	1,264,003
Trade and other receivables	59,825	-
TOTAL FINANCIAL ASSETS	59,825	1,264,003
Weighted Average Interest Rate		2.6%
FINANCIAL LIABILITIES		
Trade and other payables	7,650	-
TOTAL FINANCIAL LIABILITIES	7,650	-
Weighted Average Interest Rate		0%

Cash and cash equivalents are considered level 1 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.

	Non-Interest Earning	Floating Interest Rate
	2016 \$	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		3.0%
FINANCIAL LIABILITIES		
Trade and other payables	21,881	-
TOTAL FINANCIAL LIABILITIES	21,881	-
Weighted average interest rate		0%

Cash and cash equivalents are considered level 1 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 2017. Cash flows for financial assets and liabilities without fixed amount or timing are based on conditions existing at 30 June 2017.

The remaining contractual maturities of the financial liabilities are:

	2017	2016
	\$	\$
3 months or less	7,650	21,881
3-12 months	-	-
1-5 years	-	-
Over 5 years	-	-
	7,650	21,881

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 MAV's overall liquidity risk. To monitor existing financial assets and liabilities, as well as to enable effective controlling of future risks, the MAV 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 2017	<3 months \$	3-12 months \$	Total \$
FINANCIAL ASSETS			
Cash and cash equivalents	1,264,003	-	1,264,003
Trade and other receivables	59,825	-	59,825
	1,323,828	-	1,323,828
FINANCIAL LIABILITIES			
Trade and other payables	7,650	-	7,650
Other liabilities	-	-	-
TOTAL FINANCIAL LIABILITIES	7,650	-	7,650
NET MATURITY	1,316,178	-	1,316,178
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
LGE EMPLOYEE HEALTH FUND			
FINANCIAL LIABILITIES			
Trade and other payables	21,881	-	21,881
Other liabilities	-	1,516,849	-
TOTAL FINANCIAL LIABILITIES	21,881	1,516,849	21,881
NET MATURITY	1,019,921	(1,516,849)	1,019,921

7. REMUNERATION OF KEY MANAGEMENT PERSONNEL

No remuneration was paid to Key Management Personnel by the LGE Health Plan during the year.

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 MAV is a body corporate established under the **Municipal Association Act 1907** to provide services for and represent local government authorities in Victoria. The MAV 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.

9. SUBSEQUENT EVENTS

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

10. CONTINGENT LIABILITIES

There are no contingent liabilities.

Statement by directors

As at 30 June 2017

In the opinion of directors 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 Plan for the year ended 30 June 2017;
- 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.

Signed in accordance with the resolution of directors of the Municipal Association of Victoria.



Cr. Mary Lalios
President



Cr. David Clarke
Director



Robert Spence
Chief Executive Officer

Melbourne
6/10/2017

Independent Audit Report



Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Independent Auditor's Report to the Members of LGE Health Plan

Opinion

We have audited the financial report of LGE Health Plan (the Plan), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the statement by directors.

In our opinion, the LGE Health Plan financial report presents fairly, in all material respects, the financial position of the Plan as at 30 June 2017, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Plan in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

In preparing the financial report, the directors are responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Plan or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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Independent Audit Report



As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Maree Pallisco
Partner
Melbourne

18 October 2017

Other Information

Legal form

The MAV is an association incorporated by the **Municipal Association Act 1907**. The LGE Health Plan is a division of the MAV.

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 MAV represents, promotes and supports the interest of Victorian local government and their communities.

Number of employees

Average number of equivalent full time employees during the year is 0 EFT.



Contact details

Municipal Association of Victoria
Level 12, 60 Collins Street, Melbourne
GPO Box 4326, Melbourne 3001

Phone: 03 9667 5555
Email: inquiries@mav.asn.au
mav.asn.au