



Annual Report 2018

Acknowledgment of land

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



Contents

Overview	2
President's message	4
Snapshot of performance highlights	6
CEO's message	8
Financial overview	10
Governance	14
Introduction	15
MAV Board	16
Listening and learning	20
Our People	26
Human resources overview	27
Organisational structure	28
MAV staff	29
Detailed Performance Report	32
Providing value to our members	33
MAV work team overview	34
Hosted organisations	41
Occupational health and safety	43
Online resources	44
Strategic Work Plan outcomes	46
MAV Insurance	62
Chair's message	63
Performance highlights	64
MAV Insurance Board	66
MAV Insurance team	69
Liability Mutual Insurance Scheme	70
Commercial Crime Fund	76
LGE Health Insurance	78
MAV WorkCare	80
Chair's message	81
Performance highlights	82
MAV WorkCare Board	84
MAV WorkCare members	85
Detailed Financial Reports	86
Guide to the financial statements	87
MAV Financial Report 2017-18	89
MAV Insurance Financial Report 2017-18	133
MAV WorkCare Financial Report 2017-18	165
LGE Health Plan Financial Report 2017-18	193

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 (at 30 June 2018 all 79 Victorian councils were 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 6.4 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 \$90 billion worth of community infrastructure and assets.

Victorian local government has annual revenue of \$9 billion. Councils employ more than 43,000 people and provide more than 100 different services to people who visit, live and work 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, MAV WorkCare and LGE Health for the 2017-18 financial year.

President's Message



It is an exciting time for the MAV as we position ourselves to help all our members thrive in an increasingly complex and changing environment.

The past financial year has set the foundation for significant change at the MAV. Finding the right person to take over from a highly successful and long-serving CEO was never going to be easy, but I'm confident that the hard work of the MAV Board and staff will result in an exciting new era for the MAV and our members.

Before I address the achievements of the past year, it is appropriate that we take this time to reflect on the achievements of this chapter of the MAV, and of the legacy of our long-term CEO, Rob Spence.

It's worth remembering that when Rob took the reins in 1998, the MAV had seen five CEOs and a similar number of Presidents in the two years prior to his appointment – and councils were still reeling from the forced amalgamations of the Kennett era.

Twenty years later, the MAV is consistently unlocking more than \$400 million worth of value to members, year upon year (including this year). These benefits are delivered by a highly capable team of about 50 staff and specialist consultants. Our insurance and procurement offerings provide members with bespoke local government products and services, and influence the external market to be more competitive. Our network of committees, boards, working groups and taskforces has built the capability of the MAV, to be one of the most respected and influential local government associations in the country.

It has been a pleasure for me to work with Rob. His knowledge, experience, wisdom and networks will be greatly missed by the MAV. I know that I reflect the thoughts of our members as I thank him for his outstanding contribution to the MAV and to local government. Through his work at the MAV, he has influenced the lives of many Victorians, guided countless careers and supported colleagues and friends when the chips were down. Thank you, Rob. We wish you all the best in your future endeavours.

Let's reflect on the past year. In addition to the more than \$400m of funding gains outlined in the performance highlights on the next pages, the MAV also negotiated new partnerships and agreements for State Emergency Services, workers' compensation self-insurance, and the promotion of local government employment opportunities through LinkedIn. We improved efficiency and productivity for councils through procurement contracts, the Child Development Information System (CDIS), a centralised annual property valuation model, professional development initiatives and events, and the expansion of the statewide library management system.

This year we continued our participation in the review of the *Local Government Act* making sure our sector's collective voice was heard and ensuring that this once in a generation opportunity did not result in lacklustre legislation. We worked with all parties to ensure that the Act was not rushed



through and we look forward to re-establishing talks with the government soon.

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. These relationships are particularly important in election years such as this.

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 equality, preventing violence against women, and planning for the anticipated impacts of digital transformation and climate change.

In October 2017, 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 you for your service to your local community in an elected role.

Now, Kerry Thompson takes the helm as CEO of the MAV. Kerry brings a wealth of experience to the role, having served in recent years as the CEO of both Maribyrnong and Wyndham City Councils. She has strong relationships in Victorian Government having recently completed senior roles at VicRoads and Transport for Victoria. Kerry is also the first female CEO in the MAV's 130 plus year history. I look forward to the fresh perspectives and insights that her appointment promises to bring to the Association.

In closing, I would like to thank 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 2017-18 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.

Mary Lalios

CR MARY LALIOS
President

Performance Highlights

In 2017-18, Victorian councils contributed \$3 million in membership subscriptions to the MAV. For the fourth year in a row, the MAV has helped to unlock more than \$400 million in member service benefits including:

FUNDING



RURAL & REGIONAL LOCAL ROADS:

Secured \$100m for management of rural and regional local roads

\$100 MILLION
value to councils

RECYCLING:

Support package until 30 June

\$12 MILLION
value to councils



SCHOOL CROSSINGS:

Secured 20 per cent increase for supervisor program

\$18.9 MILLION
value to councils

TRANSFORMATION:

New funding for a rural councils transformation program

\$20 MILLION
value to councils



KINDERGARTENS:

\$100m operational funding for 15 hours per week until the end of 2019, plus \$43m capital funding for early learning facilities

\$143 MILLION
value to councils

TOOLS & RESOURCES

VIC COUNCILS

website showcases the work and services of local government in Victoria



33 councils participate in

LEAP PROCUREMENT

continuous improvement program identifying cost savings, collaborative and shared service opportunities



Open Council Data toolkit assists 40 Victorian councils to increase publishing of

OPEN DATA



Expansion of

STATEWIDE LIBRARY MANAGEMENT SYSTEM

50% of councils now participating

Inaugural MAVHACK event introduces councils to

DESIGN THINKING
for collaborative outcomes



Roll out of Infobase international

ICT DATABASE

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



PARTNERSHIPS & AGREEMENTS



MAV WORKCARE

workers' compensation
Self-Insurance Mutual Scheme
commences

LINKEDIN

partnership helps more than 30
councils to promote careers in
local government to address key
employment issues for councils



Memorandum of Understanding
SIGNED
for the State to fund our
State Emergency Service

Renewed a five-year partnership
agreement with the
**DEPARTMENT OF
EDUCATION**



Represented sector interests on
**CLADDING &
RECYCLING
TASKFORCES**



Influenced reviews of the
Local Government Act and the
**Municipal Association
ACT AND RULES**

EFFICIENCIES



COST SAVINGS

achieved by all 79 Victorian councils
who are accessing one or more of
16 contracts offered by
MAV Procurement

Introduced Zoom

TELECONFERENCING

to maximise council member
participation in events



80% OF COUNCILS

are now using the MAV's Child
Development Information System
(CDIS) to better manage family
data and monitor at-risk children

\$8 MILLION

per annum savings to councils
through a centralised annual
property valuation model



More than 90 MAV events
and training programs
are attended by more than
7,150 DELEGATES
from MAV member councils

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 2017-18.

CEO's Message



Once again, the MAV team has unlocked in excess of \$400 million in value for our members, delivering a return on investment 100 times greater than their subscription fees.

The 2017-18 year has seen the MAV deliver significant outcomes for its members, once again.

This year the funding wins included more than \$143 million for kinders, \$18.9 million for school crossings, \$100 million for the management of rural and regional roads, \$12 million in immediate support for recycling, and \$20 million for a rural councils transformation program. We also negotiated an MOU for the State to fund the State Emergency Service, renewed a five-year partnership agreement with the Department of Education, delivered a centralised annual property valuation model that will save councils a further \$8 million per annum.

Other significant outcomes included our partnership with LinkedIn "*Council Careers Victoria*", which is helping to address key employment issues for councils; the expansion of the statewide library management system to over 50 per cent of Victorian councils; and the launch of our VicCouncils website which showcases the work and services of local government in Victoria.

MAV training programs and events have reached more than 7,150 council employees and elected officials – increasing council capability, knowledge sharing and collaboration opportunities.

This year, and every year, our achievements in all portfolio areas are due to the persistence, energy, skill and dedication of the exceptional team here at the MAV. The complexity of the environment in which they work may not be immediately apparent

to many. In order to run effective advocacy campaigns they must establish and maintain productive relationships with Ministers, advisers, unions, key state personnel and the media – while also ensuring that they are correctly representing the needs of our member councils. To do this, they convene and participate in a vast network of committees, working groups, task forces and boards to advocate for councils in areas as diverse and contentious as dangerous dogs, recycling, building cladding, health status of Aboriginal children, rezoning, tobacco control, prevention of violence against women, arts and culture, business transformation, technology, roads, water, kindergartens, aged care and more.

As I hand the reins of the MAV over to the new CEO, Kerry Thompson, I would like to take a moment to reflect on the achievements of the people that I have worked with over the past twenty years. Some of the major highlights from my perspective have been the outcomes achieved in the insurance area. The MAV is required to provide insurance services to Victorian councils under the *Municipal Association Act 1907*. Before the early 2000s the sector's Insurance Liability Mutual Scheme was controlled by a broker and was not providing the value to councils that it should have. The MAV Insurance team took back control of the LMI, creating greater value and protection for councils and a downward pressure on the market that is still enjoyed today.



The LGE Health Plan is another example of the Insurance team's important impact on the performance of the sector. Through it, 78 Victorian councils, 10 Tasmanian councils, 11 water authorities and the MAV combine to form the largest corporate program in Australia for GMHBA. It now has more than \$1.6 million in capital to reinvest in staff well-being programs.

And this year we saw the long-anticipated establishment of MAV WorkCare – a workers' compensation self-insurance mutual scheme that will result in safer workplaces, better return-to-work outcomes, healthier workers and significant financial savings to councils. The MAV has made several attempts to establish a fund of this kind for councils over the years. It's very pleasing to see it finally come to fruition, thanks to the support of our members and the hard work of the WorkCare team.

The MAV Procurement team has also delivered significant benefits to MAV member councils. In addition to saving councils millions of dollars through aggregated procurement contracts, the team delivered training programs and sector-wide transaction insights to improve council procurement practices, efficiency and social outcomes.

All of these outcomes have been informed by the needs of our members. Over the years I have learned much from my conversations with colleagues from every corner of Victoria. The

collective wisdom of our sector is second only to its diversity and commitment to community. Effective local government is critical to the environmental, social and economic wellbeing of Victoria, so I'm heartened to know there are so many good people working with it and within it.

As a new era begins at the MAV, I know that the team will continue to rise to new challenges and embrace every opportunity to strengthen the voice for local government and the communities it serves. I am incredibly proud of them and will greatly miss their passion, inspiration, humour and friendship. It has been a privilege to witness the development of the MAV team over the past two decades and I look forward to watching what they will achieve next.

It's been an honour. Best regards to all.

ROB SPENCE
Chief Executive Officer

Financial Overview

Report on financial results for the year ended 30 June 2018

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

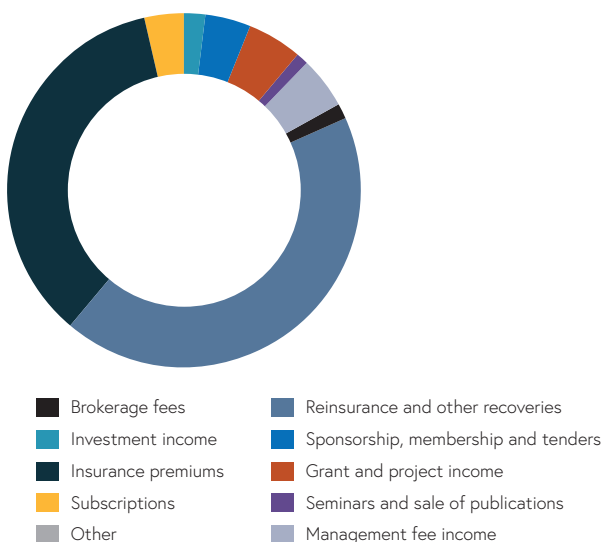
The LGE Health Plan is reported to members as a separate economic entity.

Municipal Association of Victoria

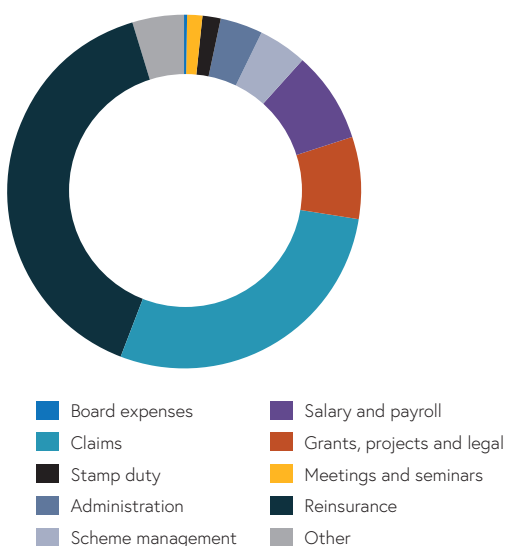
The MAV financial statements include the activities of:

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. MAV WorkCare: Operates MAV WorkCare
6. LGE Health Plan: Operates the LGE Health Plan for the benefit of local government employees and their families.

Revenue by category 2017-18



Expenditure by category 2017-18



The financial result of the MAV Combined entity for 2018 was a deficit of \$1,027,853 (2017 surplus \$311,892) with net assets decreasing from \$7.83 million in 2017 to \$6.8 million in 2018.

This result was significantly impacted by:

1. Purchase of retrospective reinsurance by LMI resulting in a \$1.5 million surplus.
2. Discovery of an actuarial error affecting insurance years 2009 to 2018 resulting in a net surplus of \$1.33 million
3. The cost of establishing and acquiring the self-insurance license for MAV WorkCare expensed in the 2018 year of \$1.27 million
4. Loss on transfer of claims liabilities from WorkSafe to MAV WorkCare at commencement of the scheme amounting to \$1.62million
5. Financial impacts within the MAV General Fund as set out on the following page.

The financial result of the MAV General Fund in 2018 was a surplus of \$1.5 million (2017 deficit of \$1.97 million) with net assets increasing from \$5.87 million in 2017 to \$7.38 million in 2018.

This result was significantly impacted by:

The continued growth of MAV Procurement and the net surplus of revenue over expenditure for government grants.

MAV Consolidated Financial Structure

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

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 2018, the MAV received a further \$5.577 million in grants and other grant-related income (2017 \$4.787million) and expended \$4.38 million (2017 \$5.62 million) in order to deliver the outcomes required by the grant agreements. This has resulted in a surplus for the 2018 financial year of \$1.20 million (2017 deficit \$1.39 million). Grant monies held continued to be spent in accordance with requirements of the various agreements delivering significant benefit and outcomes for the local government sector.

As at 30 June 2018, the MAV had a commitment to spend \$4.46 million (2017 \$3.80 million).

MAV Projects and 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 90 events for over 7,150 delegates in the 2017-18 financial year. Twenty-nine per cent were human services events; governance events represented 24 per cent and technology events represented 15 per cent. Other local government key event areas included environment, emergency management, communications, WorkCare, insurance and procurement. The total subsidy provided by the MAV for the 2018 financial year was \$404,882.

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.

This year, MAV Procurement continued to grow and consolidate its position in the sector. Gross revenue increased by over 24 per cent in 2018, 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 \$215,471 was earned for 2018 (2017 \$114,723).

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 deficit for 2018 of \$193,659 (2017 surplus \$2,285,582). The scheme is still impacted by the soft market conditions within public liability and professional indemnity insurance lines. 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. Toward the end of the 2018 financial year there were signs of the liability market hardening, with significant premium increases occurring and some insurers withdrawing from the market.

The MAV, via its three-year capital management plan, has returned 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.

At 30 June 2018 MAV Insurance held \$19.83 million of cash in the bank and in liquid investments. This amount is to be used during the 2019 financial year to pay for the retrospective reinsurance cover. The purchasing of the retrospective reinsurance cover means that the LMI Scheme and MAV Insurance combined have no net claims payable as at 30 June 2018.





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 2018 there were 7,512 employees and their family members taking advantage of the benefits offered by the Plan.

For the year to 30 June 2018, there have been 625 payments for refunds of hospital excesses to employees of members totaling \$200,629.



MAV WorkCare

MAV WorkCare was awarded a self-insurance license by WorkCare and commenced business on 1 November, 2017. There were 31 inaugural members of the Scheme including the MAV.

The aim of the Scheme is to reduce injuries to workers and improve return to work outcomes for workers that are injured during their employment. MAV WorkCare will provide concentrated effort and resources in these areas of the business of members leading to reduced injuries and better return to work outcomes that will provide significant financial savings for members.

MAV WorkCare incurred an operating deficit for the 2018 year of \$2.349 million. The operating deficit was arrived at after deducting the cost of obtaining the self-insurance license of \$1.266 million and the deficit on the transfer of the claims liability from WorkSafe of \$1.622 million. The surplus earned from business operations for the period before the one-off costs of establishment was \$0.538 million.

Governance



The MAV was incorporated in 1907 by an Act of State Parliament. The Act defines our purpose, sets out how we operate and empowers our members to make rules to further clarify our role and processes.

It requires the MAV to set rules for the 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 30). 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 evaluates directions, priorities and performance standards for the MAV, appoints and monitors the performance of the CEO and defines the detail of policies, objectives and strategies determined by State Council. Board members liaise with the MAV representatives from their regions.

The current MAV Board was established in March 2017.



MAV Board

For the year ended 30 June 2018

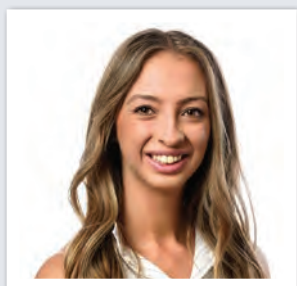


Cr Mary Lalios

City of Whittlesea

President

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



Cr Jami Klisaris

City of Stonnington

Deputy President Metropolitan

Metropolitan South East Representative

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



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
- Mayor, 1999, 2003, 2004, 2010 and 2017 – present
- Deputy Chair, Central Highlands Councils Victoria
- Immediate Past Chairman, North Central CMA
- Treasurer, Highlands LLEN
- Chairman, Central Victorian Greenhouse Alliance
- Chairman, Conservation Volunteers Australia
- Deputy Chairman, Landcare VIC INC



Cr Rod Fyffe

City of Greater Bendigo

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



Cr Josh Gilligan

Wyndham City Council

Metropolitan West Representative

- Chair, Multicultural Committee
- Councillor, 2016 – present

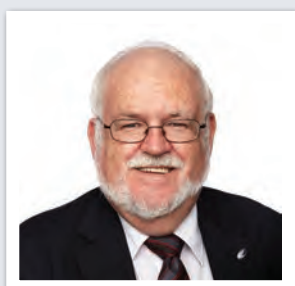


Cr Ruth Gstrein

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



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



Cr Ron Janas

Alpine Shire Council

Rural North East Representative

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

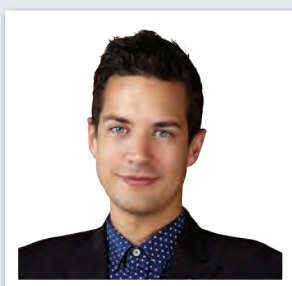


Cr Geoff Lake

City of Monash

Metropolitan South Representative

- Councillor, 2000 – present
- Mayor, 2002-03, 2003-04, 2013-14, 2016
- Vision Super Chair (Director, nominated by MAV since 2009)
- Director, Australian Institute of Superannuation Trustees, 2015 – present
- President, Australian Local Government Association, 2008-10
- President, Municipal Association of Victoria, 2004-06



Cr Rohan Leppert

City of Melbourne

Metropolitan Central Representative

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

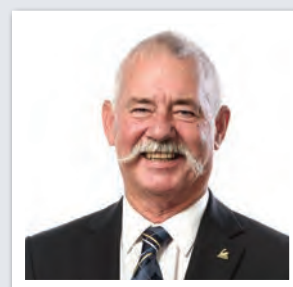


Cr Tom Melican

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



Cr Gary Norton

Swan Hill Rural City Council

Rural North West Representative

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



Cr Peter Perkins

Nillumbik Shire Council

Interface Representative

- Councillor, 2010 – present

Board meeting attendance 2017-18

	Jul	Aug	Sep	Oct	Nov	Dec	Feb	Apr	May	Jun
David Clark	✓	✓	✓	X	✓	✓	✓	X	✓	✓
Rod Fyffe	X	✓	✓	X	✓	✓	✓	✓	✓	✓
Josh Gilligan	X	✓	✓	X	✓	✓	✓	✓	✓	✓
Ruth Gstrein	✓	✓	X	✓	✓	X	✓	✓	X	✓
Malcom Hole	✓	✓	X	✓	✓	✓	✓	✓	✓	✓
Ron Janas	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Jami Klisaris	✓	X	✓	X	✓	✓	✓	X	X	✓
Geoff Lake	✓	✓	✓	✓	X	✓	✓	✓	X	X
Mary Lalios	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Rohan Leppert	✓	✓	X	✓	✓	✓	✓	✓	X	✓
Tom Melican	X	✓	✓	✓	✓	✓	✓	✓	✓	✓
Gary Norton	X	✓	✓	✓	✓	✓	✓	✓	✓	X
Peter Perkins	✓	✓	✓	✓	✓	X	✓	✓	✓	✓

No meeting held in January.

Board allowances and expenses

The Board Allowance and Expense Policy provides for board members to receive an annual allowance, paid quarterly in advance. Board members are provided with a data allowance for accessing business papers via iPads and can claim out-of-pocket expenses for travel, parking, accommodation, meals and child-care when undertaking duties as a board member. Expenses also reflect costs associated with representations on the Australian Local Government Association Board, Ministerial Advisory Council on Public Libraries, State Library Advisory Committee on Public Libraries and the Australian Packaging Covenant Council. The policy also allows for board members to attend MAV events including the Annual Conference, Councillor Development Weekend, Asset Management Conference and Future of Local Government Summit. Board expenses represent 0.33 per cent of the total expenditure of the MAV.

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 2016-17 and claimed in 2017-18. 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 2018 for expenses incurred in the 2017-18 year, details of which will be reflected in the 2018-19 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 2017 continued with the three independents, the Chair, Michelle Dowsett, Sue Friend and John Watson along with the then President of the MAV, Cr Mary Lalios and Board member Cr David Clark.

Board member	Annual Allowance	Data Allowance	Expenses	TOTAL
David Clark	\$13,789.72	\$400.00	\$12,697.06	\$26,886.78
Rod Fyffe	\$9,389.48	\$400.00	\$8,569.27	\$18,358.75
Josh Gilligan	\$9,389.48	\$400.00	\$1,754.63	\$11,544.11
Ruth Gstrein	\$9,389.48	\$400.00	\$6,710.60	\$16,500.08
Malcolm Hole	\$9,389.48	\$400.00	\$6,380.39	\$16,169.87
Ron Janas	\$9,389.48	\$400.00	\$5,247.34	\$15,036.82
Jami Klisaris	\$13,789.72	\$400.00	\$1,197.34	\$15,387.06
Geoff Lake	\$9,389.48	\$400.00	\$1,177.27	\$10,966.75
Mary Lalios	\$66,887.52	\$400.00	\$10,947.21	\$78,234.73
Rohan Leppert	\$9,389.48	\$400.00	\$450.00	\$10,239.48
Tom Melican	\$9,389.48	\$400.00	\$3,867.27	\$13,656.75
Gary Norton	\$9,389.48	\$400.00	\$9,864.81	\$19,654.29
Peter Perkins	\$9,389.48	\$400.00	\$2,527.27	\$12,316.75
Total	\$188,361.76	\$5,200.00	\$71,390.48	\$264,952.24

President Cr Mary Lalios was also provided with full private use of a motor vehicle at a cost of \$26,063.41

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 2017-18 provided for the following audits:

- Payroll and Expense Claims
- IT Environment
- Human Resources.

The MAV 'Sector Procurement' audit which was held over from the 2016-17 Audit Plan was completed in the first quarter of 2017-18.

In 2017-18 the sitting fees per meeting were:

Chair – \$1,003.

Independent committee members – \$668.50.

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

About our annual work plan

The MAV's annual Strategic Work Plan sets out our work program for a two-year period. The issues and actions within it are identified in consultation with our member councils. For the Strategic Work Plan 2017-19, eight consultation sessions were conducted in seven locations across Victoria.

MAV staff also had 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 22-23).

The MAV Strategic Work Plan 2017-19 identified twelve priority activities to advance the four strategic objectives of the MAV:

OBJECTIVE 1: HELP COUNCILS ACHIEVE FINANCIAL SUSTAINABILITY

Priority activities:

- Secure funding certainty
- Reduce red tape reporting costs
- Explore new funding streams and savings opportunities.

OBJECTIVE 2: IMPROVE THE REPUTATION OF LOCAL GOVERNMENT

Priority activities:

- Raise the profile and influence of local government
- Influence the *Local Government Act* and *Municipal Association Act* reviews
- Review and amend the MAV Rules.

OBJECTIVE 3: IMPROVE SECTOR PRODUCTIVITY AND EFFICIENCY

Priority activities:

- Improve procurement practices and outcomes
- Encourage and facilitate sharing of services, technology and business processes
- Address local government capacity, capability and credibility challenges.

OBJECTIVE 4: ENCOURAGE INNOVATION AND COLLABORATION THROUGH LEADERSHIP

Priority activities:

- Drive business transformation
- Address digital access and equity issues
- Enable innovation partnerships.

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.

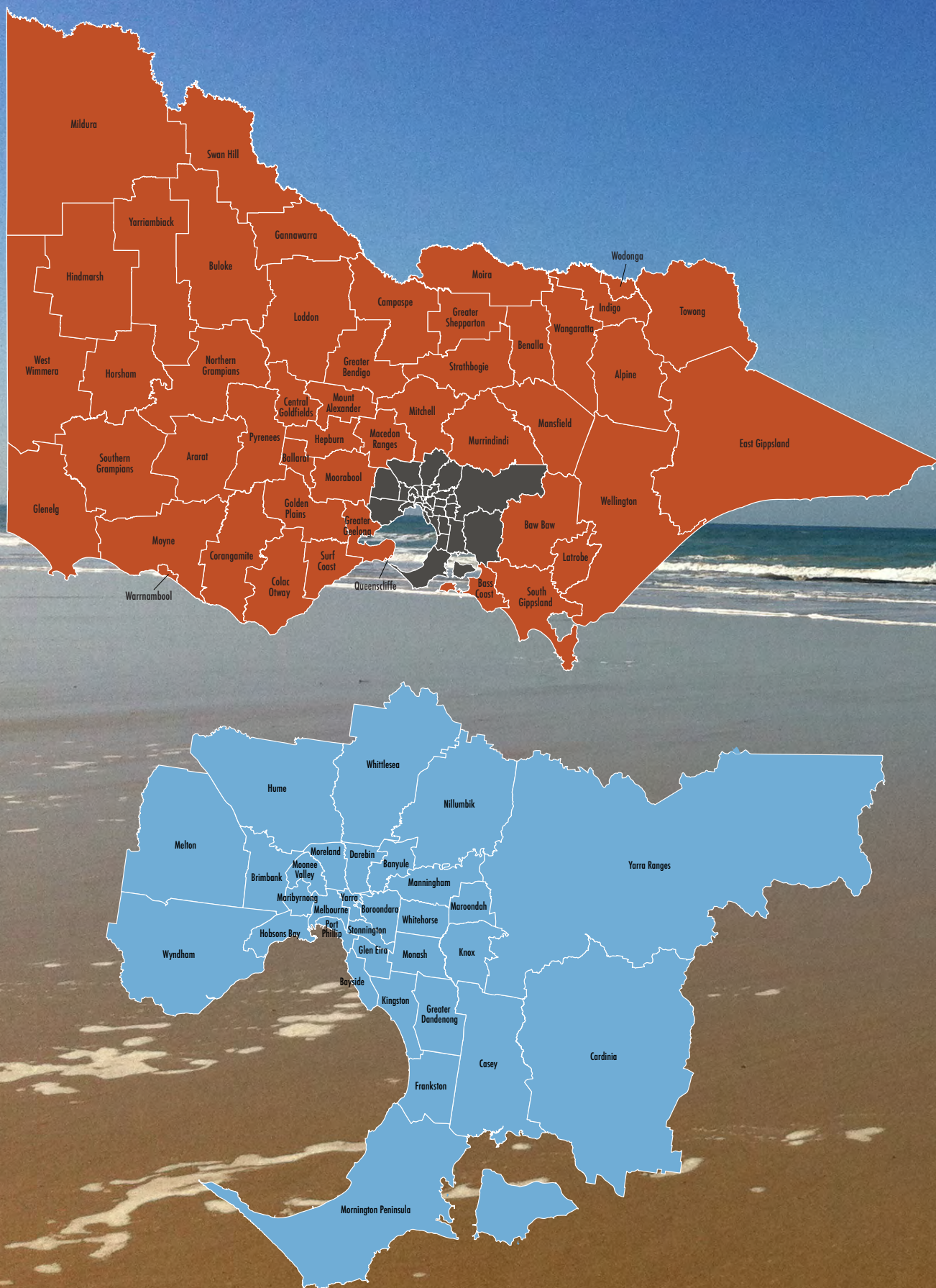
Our State Council process generated more than 100 additional activities for MAV staff during the reporting period. In determining how each resolution was actioned, the Board considered how they would impact on the staff's capacity to deliver the agreed strategic work plan.

Consultation

MAV staff consult regularly with council staff on matters of policy and process. Our networks are vast and varied. We coordinate 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.



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

Local Government Information Governance Committee (LGIG)

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

Local Government Spatial Reference Group (LGSRG)

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 Group

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 Strategy 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 Melbourne Urban Stormwater Group

MAV local government working group reviewing the 60 hectare institutional arrangements between councils and Melbourne Water.

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 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 2017-18, 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
- DHHS Food Safety Co-design Reference 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, Industry Taskforce and Support and Safety Hubs Statewide Reference Group
- 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 Healthy 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

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 2017-18 the staffing profile of the MAV included:

- 29 full-time and nine part-time staff who deliver the MAV's Strategic Work Plan activities and represent the sector in negotiations with government and other stakeholders.
- Six full-time and 12 part-time staff funded by the Victorian or Australian Government, or external organisations
- One trainee in Corporate Services
- Ten 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.

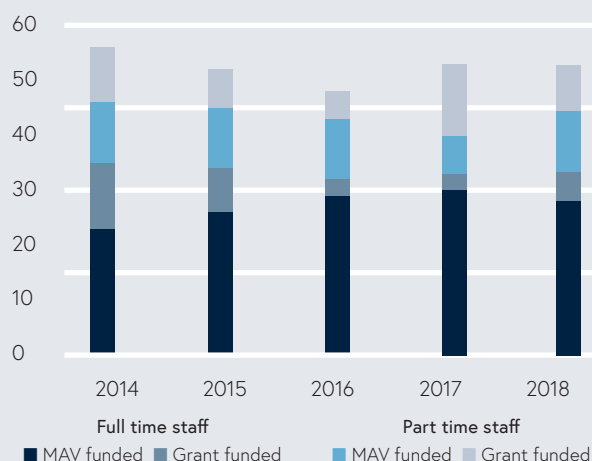
CEO Profile

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

Figure 1: Staff profile



The MAV Team



Executive team

Rob Spence

Chief Executive Officer

Alison Lyon

Deputy Chief Executive Officer,
General Counsel

Claire Dunn

Manager, Environment
& Regulatory Services

Rosemary Hancock

Manager, Water &
Public Health

Clare Hargreaves

Manager, Social Policy

Owen Harvey-Beavis

Manager, Insurance,
Research & Strategy

Alison Hawkins

Acting Manager,
MAV Procurement

Debbie Jones

Manager, Media &
Communications

Emma Lake

Manager, Emergency
Management

Peter Ryan

Director, MAV WorkCare

Cameron Spence

Manager,
Commercial Services

Alison Standish

Manager, Human Resources &
Corporate Services

Core staff

Polly Banks

Executive Assistant to CEO

Reshu Basnyat

Finance and Project Officer

Bernadette Brennan

OHS Manager, MAV WorkCare

Emlyn Breese

Planning & Environment Officer

Ken Crompton

Marketing and Development
Coordinator, MAV Procurement

Renai De Giusti

Events Coordinator

Steve Downs

Business Manager Relationships,
MAV Procurement

Mark Finnegan

Contracts Manager,
MAV Procurement

Lauren Galea

Receptionist

Steve Goldsworthy

Governance Adviser

Michael Green

Electronic Records Officer

Leah Hall

Finance Officer

Melissa Kuy

Corporate Services trainee

Emma Lindsay

Policy Advisor, Transport and
Emergency Management

Candice Lucas

RTW Manager, MAV WorkCare

Gavin Mahoney

Senior Project Officer

Gaurav Malhotra

Manager, Business Analytics,
MAV WorkCare

Dianne McNamara

Governance and
Legal Support Officer

Kristine Minghella

MAV Insurance Counsel

Nabeel Nizam

Claims Manager, MAV WorkCare

Candice Ong

Manager, Payroll & Finance

John Smith

Insurance Claims Adviser

Zachary Tangey

Communications Officer

Lyn Toh

Media and
Communications Adviser

Julie-Ann Undrill

Manager, Events & Sponsorship

Francesca Valmorbida

Arts and Culture Policy Advisor

Steve Vasilevski

IT Coordinator

Talei Winning

Corporate Services Officer

Rebekah Zechner

Online Communications
Coordinator

Grant funded staff

Naree Atkinson

Planning Policy Adviser

Jan Black

Policy Adviser

Jan Bruce

Positive Ageing Adviser

Kim Howland

MCH Senior Policy Adviser

Reinard Irawan

Systems Support Coordinator,
CDIS

Mark Jennings

Food Safety Projects Officer

Ro Marks

Aged & Disability Policy Adviser

Heather McLaren

Senior Water Policy Adviser

Catherine Morland

Social Policy Officer

Kellie Nagle

Policy Adviser, Prevention of
Violence Against Women

Ellen Packham

Aged, Disability & Health
Project Officer

Specialist consultants

Wendy Allan

Early Years Project Adviser

Jan Barrett

Early Years Project Adviser

Lisa Bennetto

Executive Officer
MAV Technology

Marilyn Duncan

Maternal & Child Health

John Hennessy

Sector Development

Allan Holmes

Chief Financial Controller

Daniel Lewis

Executive Officer, SWIFT

Sophie Segafredo

Manager, Planning, Building
and Infrastructure

Katherine Wositzky

Diversity Policy Adviser

Hosted organisations

Lloyd Brady

Systems Administrator,
SWIFT Library Consortium

Tony Iezzi

Executive Officer, Public
Libraries Victoria Network

Natasha Palich

Executive Officer, CASBE

Karin Anderson

CASBE Planning Officer

Shannon Best

Manager, Built Environment
Sustainability Scorecard

Jacque White

Executive Officer, Association
of Bayside Municipalities

Council Representatives



Alpine Shire Council

Cr Ron Janas

Ararat Rural City Council

Cr Gwenda Allgood

City of Ballarat

Cr Belinda Coates

Banyule City Council

Cr Tom Melican

Bass Coast Shire Council

Cr Brett Tessari

Baw Baw Shire Council

Cr Jessica O'Donnell

Bayside City Council

Cr Alex del Porto

Benalla Rural City Council

Cr Don Firth

City of Boroondara

Cr Coral Ross

Brimbank City Council

Cr Lucinda Congreve

Buloke Shire Council

Cr David Pollard

Campaspe Shire Council

Cr Adrian Weston

Cardinia Shire Council

Cr Colin Ross

City of Casey

Cr Amanda Stapledon

Central Goldfields

Shire Council

Administrator Noel Harvey

Colac Otway Shire Council

Cr Terry Woodcroft

Corangamite Shire Council

Cr Ruth Gstrein

City of Darebin

Cr Susan Rennie

East Gippsland Shire Council

Cr Richard Ellis

Frankston City Council

Cr Michael O'Reilly

Gannawarra Shire Council

Cr Jodie Basile

Glen Eira City Council

Cr Nina Taylor

Glenelg Shire Council

Cr Anita Rank

Golden Plains Shire Council

Cr Nathan Hansford

City of Greater Bendigo

Cr Rod Fyffe

City of Greater Dandenong

Cr Sean O'Reilly

City of Greater Geelong

Cr Kylie Grzybek

Greater Shepparton

City Council

Cr Dinny Adem

Hepburn Shire Council

Cr John Cottrell

Hindmarsh Shire Council

Cr Ron Ismay

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

City of Kingston

Cr Steve Staikos

Knox City Council

Cr John Mortimore

Latrobe City Council

Cr Sharon Gibson

Loddon Shire Council

Cr Gavan Holt

Macedon Ranges Shire Council

Cr Jennifer Anderson

Manningham Council

Cr Mike Zafiropolous



Mansfield Shire Council

Cr Paul Volkering

Maribyrnong City Council

Cr Catherine Cumming

Maroondah City Council

Cr Mike Symon

City of Melbourne

Cr Rohan Leppert

City of Melton

Cr Kathy Majdlik

Mildura Rural City Council

Cr Mark Eckel

Mitchell Shire Council

Cr Rhonda Sanderson

Moira Shire Council

Cr Wendy Buck

City of Monash

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 Mick Wolfe

Murrindindi Shire Council

Cr Charlotte Bisset

Nillumbik Shire Council

Cr Peter Perkins

Northern Grampians Shire Council

Cr Murray Emerson

City of Port Phillip

Cr Dick Gross

Pyrenees Shire Council

Cr David Clark

Borough of Queenscliffe

Cr Susan Salter

South Gippsland Shire Council

Cr Lorraine Brunt

Southern Grampians Shire Council

Cr Mary-Ann Brown

City of Stonnington

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 Robert Anderson

Wellington Shire Council

Cr Malcolm Hole

West Wimmera Shire Council

Cr Jodie Petlove

Whitehorse City Council

Cr Andrew Munroe

City of Whittlesea

Cr Lawrie Cox

City of Wodonga

Cr Anna Speedie

Wyndham City Council

Cr Josh Gilligan

City of Yarra

Cr James Searle

Yarra Ranges Shire Council

Cr Len Cox

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 2017-19.

For highlights, please refer to the MAV work team overview on the following few 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 underrepresented 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 outcomes for 2017-18 (pages 34-40)
- Strategic Work Plan 2017-19 interim outcomes (pages 46-61)
- Financial performance (pages 10-13 and 86-167)

The Report provides high-level outcomes and commentary for our members. Detailed activity outputs from the Strategic Work Plan 2017-19 are reported on a quarterly basis to the MAV Board.

Advocacy outcomes can be difficult to measure, as a positive result can be defined in many ways. It is also true that many key issues for local government are ongoing and therefore unlikely to be 'delivered' in a single reporting period.

This Annual Report marks the halfway point for our first two-year Strategic Work Plan. As such, many of the activities are ongoing at this stage. The specific ongoing methodology for delivery of the two-year activities is detailed in the MAV Strategic Work Plan 2017-19, which is available on our website.

MAV team work

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 2017-18 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 2017-18, key achievements included a further review of MAV policies and procedures, and the development of additional policies to strengthen MAV's internal controls. These included the Protected Disclosure Policy, Conflicts of Interest Policies for both the MAV Board and Employees, Codes of Conduct for MAV Board and the WorkCare and Insurance Boards, the Project Management Policy, the Gifts, Benefits and Hospitality Policy, and the Disaster Recovery and Business Continuity Plan. The Fraud and Corruption Control Framework and Plan was also updated, further underlining MAV's commitment to strengthening and implementing the Plan.

Further work was done in relation to State Council meetings. This included initiatives to improve communication with members to close the loop on State Council resolutions and the adoption of an amended format to be trialed at the May 2019 State Council meeting.

Support was provided to enable the conduct of performance reviews by the MAV Board and the Audit Committee. Advocacy continued on the review of the *Local Government Act* including a submission on the Local Government Bill Exposure Draft.

Finance & Productivity

The MAV Finance 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 2017-18, key achievements included working cooperatively with the Australian Local Government Association to obtain a commitment from the Commonwealth Government for at least 1 per cent of Commonwealth taxation revenue for local infrastructure such as roads, parks, libraries and other community assets.

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 members towards a smart councils approach (do more with less via collaboration and innovation).

In 2017-18 the key FOLG achievements included working in collaboration with state and federal governments to progress 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.



Environment

In 2017-18, MAV Environment staff continued to advocate local government interests and influence policy development in relation to a range of State-led reviews and reform processes. Particular areas of focus included water management, waste and resource recovery, climate change adaptation, coastal management, biodiversity, electric vehicles, as well as institutional EPA reforms.

Advocacy activity included eight formal written submissions and participation on several reference groups. We hosted forums and workshops for councils to develop sector positions, build capacity, share information and strengthen relationships. We also continued to host and support the Council Alliance for a Sustainable Built Environment (CASBE) and the Association of Bayside Municipalities.

Key achievements include: supporting councils to navigate kerbside recycling challenges by securing a \$12 million State support package, negotiating a multi-council exemption from s186 tendering requirements, and convening regular information sharing teleconferences and meetings; successfully advocating for a 12 month delay to commencement of the e-waste landfill ban to enable State-funded infrastructure to be rolled out first; co-design and

ongoing representation of sector interests for the Officers for the Protection of the Local Environment (OPLE) pilot program, which has seen 11 EPA officers embedded in 13 councils to improve responses to local pollution and waste issues; initiating a project with ClimateWorks and the Electric Vehicle Council to promote and support uptake of electric vehicles in local government fleet; achieving continued catchment oversight for rural drainage and a more realistic role being planned for councils; securing an extension for the MAV water policy adviser and funding to develop councillor training regarding climate change adaptation governance.

Emergency Management

In 2017-18, the MAV continued to advocate local government interests on a range of policies and projects arising from the State's emergency management reform program. We also supported councils to address emerging issues, such as the protection of crowded places, and progressed some long-standing issues, such as policy relating to non-major emergencies (single incidents). Our advocacy activity included written submissions, participation on State-led committees and running forums.

Highlights include a signed Memorandum of Understanding between the MAV, Victoria State Emergency Service (SES) and Emergency Management Victoria (EMV) to formalise the State resuming primary funding responsibility for our SES volunteer units, including operational costs and new lease agreements on council-owned land; collaborating with Victoria Police to host a forum to discuss the National Strategy for the Protection of Crowded Places from Terrorism and what it means for councils' role in community safety; partnering with DHHS on a local government roundtable to contribute to the review of the Vulnerable People and Emergencies policy, as well as preparing a sector submission; partnering with VCOSS to run a forum showcasing initiatives from councils and the community sector; and partnering with the Department of Justice to run a pre-summer briefing day for council communications and emergency management staff. Significant effort went into working with councils and Local Government Victoria to influence the Councils and Emergencies project, which is aiming to assess and strengthen council capability and capacity in emergency management. We also worked with EMV to enable the integration of data from councils' Crisisworks systems and the State's Emergency Impact Assessment portal. This will save councils from having to separately submit loss and damage data to the State after an emergency as data will be automatically drawn from council systems.

Community Services & Public Health

The MAV's Community Services and Public Health teams delivered outcomes for members in areas including municipal health and wellbeing, Aboriginal economic development; 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 prevention of family violence.

Key achievements in 2017-18 included renewing a five-year partnership with the Department of Education, implementing area based governance for the Early Years Compact (2017-27); securing \$100m operational funding for kindergarten and a one year extension of federal funding of 15 hours until end of 2019, plus \$43m capital funding for early learning facilities; obtaining grants to councils to implement central enrolment for kindergarten; \$225,000 for NDIS / disability model reforms; extension for another three years of the \$1.2m per annum for council tobacco control education and enforcement program; and progressing library systems developments including a tender evaluation underway for a statewide Library Management System.

Our ongoing response to recommendations from the Family Violence Royal Commission resulted in increased recognition and investment in local government activity and leadership for the prevention of family violence and promotion of gender equality and equity, and the State funding of the Free from violence local government grants program as well as additional MCH visits to families, further training of nurses and revised guidelines for the Enhanced MCH service.

We developed a new Municipal Early Years Planning framework for councils, and continued the statewide roll out of the MCH Child Development Information System (CDIS), with 80% of councils and health service providers now using the system.

We chaired the Trilateral Community Care Official Group (Federal/ State/ MAV and three councils), developed a discussion paper for councils "Community Care Matters" to assist councils in navigating the national reforms in aged and disability services, and obtained federal investment



to determine practical solutions to areas with 'thin markets' in Victoria. MAV advocacy with the State achieved a positive outcome in addressing key issues effecting councils in the transition of clients from the Home and Community Care (HACC) program to the National Disability Insurance Scheme, for people with disabilities under the age of 65, with councils compensated for loss of revenue through fees and receiving funding for all NDIS clients in transition for whom they continue to provide services, as well as obtaining DHHS assurance that adjustments will be based on actual hours of service to clients. The MAV worked with councils to explore how they will support their ageing communities into the future through an age-friendly communities direction with events promoting the liveable communities direction being rolled out in the USA through American Association of Retired Persons (AARP), and partnered in a community based 'End of Life' project.

We partnered in the Victorian Aboriginal and Local Government Action Plan, signed a strategic alliance with the Victorian Aboriginal Community Controlled Health Organisation (VACCHO) and included Aboriginal economic development in the MAV Hack brainstorming program. We secured funding through the Creative Victoria Music Works program to develop a Local Government Live Music Toolkit

and produced an industry forum *Collaborate to Innovate* featuring local and international panelists; promoted cultural diversity, social cohesion and settlement strategies with councils; advocated on the changes mooted to the Australian Citizenship requirements for newly-arrived migrants and refugees; supported the Alliance for Gambling Reform and advocated for crime prevention and alcohol harm reduction strategies, and for legislative changes to gambling laws.

Transport & Infrastructure

Key achievements in 2017-18 included successfully advocating for an increase in school crossing supervisor funding, resulting in a 20 per cent increase in 2018-19, a step closer towards 50/50 shared funding; developing submissions on automated vehicles and roads funding; and working with government departments to run workshops to help inform future policy, including dockless bike share and school crossing supervisor funding.

Our work in freight policy included the facilitation of two rounds of discussions and workshops across the State to ensure councils contributed to the design of the National Heavy Vehicle Regulator's (NHVR) Road Manager Portal and understood its implications; agreement signed by local government associations and the NHVR and ARRB to fund the

Restricted Access Vehicle Route Assessment Tool (RAVRAT) for three years to provide councils with a simple methodology to assess heavy vehicle applications under the new National Heavy Vehicle Law; and support for the Gippsland region to develop a regional freight plan that identified the regional freight routes and priority investment gaps.

Three Victorian councils (Moorabool, Baw Baw and Glen Eira) were involved with the MAV and AustRoads in the first Australian pilot to harmonise the road data from each council with the new national standard, utilising artificial intelligence.

The asset management performance of Victorian councils has been declining for two years, after a decade of continuous improvement, due to the turnover of senior executives, the impact of rate capping and a reduced focus on asset management. Sixty-eight per cent of councils are projecting underlying operating deficits while six councils are reducing operating costs. The statewide renewal gap is over \$300 million pa. A majority of councils do not have service plans for each of their services. The MAV Step Program is supporting councils to focus on improvement efforts. A strategic plan for Council Financial Sustainability has now been completed and will be the subject of our STEP program in 2018-19.

We delivered the National LG Infrastructure and Asset Management Conference and participated in the ALGA Road and Transport Advisory Committee.

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 assisting the State Government to create new regulatory tools to achieve affordable housing; active involvement in substantive reform of the planning system through the SMART Planning initiative; offering input and advice on the review of buffer distances from industrial land uses; represented local government's interest through reference and working groups, and advisory committees on matters including: extractive industry, intensive animal industries, infrastructure contributions plans, storm water management, flooding, contaminated land, residential aged care facilities, native vegetation, apartment building controls, and planning control

refinements. We also delivered the Rural and Regional Planning Conference; positively influenced the reforms on swimming pool regulations; actively represented the interest of councils through the building cladding taskforce and related discussions; and conducted a survey of Municipal Building Surveyors to understand the different work environments experienced across Victorian councils.

MAV Procurement

The MAV Procurement business unit is a not-for-profit unit of the MAV focused on achieving better procurement outcomes for local government.

In 2017-18, key achievements of MAV Procurement included the delivery of key tenders such as Legal Services, Energy Efficient Street lighting Hardware and Installation Services, Gas and Electricity contracts, Library Materials and VMWare (Virtualization Software).

We continued to deliver the LEAP continuous improvement procurement development program to 33 councils, including regional programs with the Western Metropolitan Group and the Goulburn Valley Regional Collaborative Alliance. The procurement eLearning training modules continue to be utilised and we delivered 30 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 600 participants across the state. We also rolled out a new training course for Collaborative Procurement.

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 90 events for over 7,157 delegates in the 2017-18 financial year. Twenty-nine per cent were human services events; governance events represented 24 per cent and technology events represented 15 per cent. Other local government key event areas included environment, emergency management, communications, WorkCare, insurance and procurement.



MAV Technology

MAV Technology aims to demonstrate leadership in business transformation enabled by information and communications technology for more effective delivery of council and community services.

Key achievements for 2017-18 included MAVHACK – where more than 50 participants from councils, service users, industry experts and other stakeholders worked together over three days to deliver new ideas to address three community 'pain points' identified by the Digital Transformation Taskforce – planning permits, disability parking permits and illegally dumped hard rubbish. We progressed a MAVHACK proof-of-concept in partnership with VicRoads for a centralised online system for Disability Parking Permits, and "Jocelyn" – a chat bot with artificial intelligence designed to make planning permit applications easier.

In March 2018 we hosted "*The Transformers*" – a 5-day international conference about transforming local government in the digital era. Guests included senior representatives from the local government ICT associations of New Zealand, the USA, the UK, Canada, Belgium, the Netherlands and Sweden.

The MAV Technology *Awards for Excellence* recognised Victorian council achievements in

Smart City initiatives, strategy and planning, customer experience and collaboration. Entries were received from 20+ Victorian councils, five interstate councils and six international municipalities.

Earlier in the year, we hosted *The New Way of Working* forum in Inverloch, exploring digital and customer experience (CX) transformation, mobility, activity-based working, design thinking and agile methodologies.

Projects included engaging KPMG to deliver a Business Plan for a proposed sector-wide *Discovery & Engagement Program* to determine how the MAV can best support the digital transformation agenda; rolling out *Infobase* – a comprehensive database of ICT vendors, products and services that councils are using in Victoria, South Australia, New Zealand, Canada, and the UK; the *Open Council Data Toolkit*, encouraging 39 Victorian councils to share 755 open data sets; 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 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 2017-18 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 inductions; 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. We strive to influence commentary as the voice of local government, and improve community understanding and appreciation of the value of local government.

Our core project for the year was delivery of a new MAV corporate website and a separate *Vic Councils* website to better reflect the local government sector and the work that councils do. Both sites were delivered on time and within budget, and feature responsive design for desktop, tablet and mobile device access. (See page 44 for further information about our new online resources.)

In 2017-18 the team delivered continued growth in the MAV's social media voice by 35 per cent on LinkedIn, 23 per cent on Facebook and eight per cent on Twitter. A *Council Careers Victoria* LinkedIn partnership was also launched, attracting more than 2,500 followers in the first six months and securing 18,000 applications for participant council jobs. We also set up a new *Vic Councils* Facebook page to engage community members about the work that councils do rather than the work of the MAV. We continued to reinforce our role as the voice of local government, with more than 1,100 print, radio, TV and online media stories mentioning the MAV.

In partnership with Twitter Australia, the ALGA and interstate Local Government Associations, we profiled the diverse services provided by councils

through *National Local Government Twitter Day* with 637 participants posting 2,346 tweets reaching 1.3 million Twitter users.

Our advocacy efforts continued to profile the need for long-term federal kindergarten funding, the recycling crisis and the urgent need for state reinvestment of landfill levy funds, the impacts of rate capping, the harms of poker machines, and creation of a sector state election advocacy campaign.

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 to ensure ongoing availability of high-quality, relevant insurance for councils.

In 2017-18, key achievements included the introduction a new publication, *Lessons from Claims*, aimed at building awareness of our claims, their causes and actions that could be adopted to minimise the sector's risks. The publication provided members with best practice learnings gained from scheme members' claims and experiences.

We re-marketed our reinsurance program and entered a new long-term agreement with reinsurers to ensure continuity of coverage and pricing; and we market-tested our investment advisory services through a public tender process. We also continued to provide legal, underwriting, and policy coverage advice to members during the reporting period.

WorkCare

MAV WorkCare was established to manage a self-insured workers' compensation scheme for Victorian local government. The MAV WorkCare Self-insurance Workers Compensation Scheme is made up of 31 members from across the sector. The scheme aims to achieve measurable and sustainable reductions in the cost and incident of workplace injuries, assisting member councils to make workplaces safe.

WorkCare aims to be the provider of choice for workers compensation insurance to Victorian local government authorities, delivering insurance and risk management services of exceptional quality to members.



Hosted organisations

Association of Bayside Municipalities

The Association of Bayside Municipalities (ABM) represents the ten councils with frontage to Port Phillip Bay. Since its inception in 1974, the ABM has forged a strong reputation as the voice of local government for Port Phillip Bay, playing a pivotal role in ensuring the Bay's unique and precious natural ecosystem is protected and its economic viability maintained. This includes upholding the community's vision and values for the Bay, particularly around safety, the maintenance of clean beaches, ensuring appropriate water quality and protecting native terrestrial and marine life. Our activities include:

- **Leadership and advocacy:** to ensure our collective actions lead the way in protecting and managing our marine and coastal environment.
- **Knowledge and capability:** through strong connections with coastal land managers and stakeholders to share knowledge and resources.

Key Achievements for 2017-18 included an advocacy campaign to ban single-use plastic bags and delivery of the Bay Blueprint 2070, Port Phillip Bay – Coastal Land Use Planning Project, Storm Bite Report, ABM Charter review and our Coastal Walk and Talk events.

For more information, please visit www.abm.org.au

Council Alliance for a Sustainable Built Environment

The Council Alliance for a Sustainable Built Environment (CASBE) is experiencing rapid growth in membership. More than a third of Victorian councils, including inner and outer urban, regional and rural councils are actively working together to improve the sustainability of our built environment.

At the core of our work is the collaborative and consistent approach to applying Ecologically Sustainable Development (ESD) principles to the built environment through the statutory planning system. Using this approach, councils are better



able to support more sustainable outcomes from their local built environment for the long-term benefit of their community.

A key outcome of our decade long action has been the recent success with local policy. The growing number of councils with local ESD planning policies in place has been enabled by the collaborative work of the CASBE councils.

CASBE's success lies in a number of factors:

Capacity building – CASBE Network meetings are central to our in-depth peer-to-peer exchange, and capacity building for councils' officers. These forums provide an opportunity for interaction that leads to solution-based thinking. Innovative ideas develop, coalesce and become concrete. Our collective work on strengthening the policy position of sustainability in planning is a good example.

Collaborative governance – CASBE practices a different type of governance. By committing to collaborating, we commit to jointly defining the challenges, the processes, the solutions and the actions. CASBE itself is a direct example of this. The BESS Governance Board applies this governance approach to a specific project.

Integrating knowledge streams – Through our *Sustainable Design Assessment in the Planning Process* framework, environment and planning knowledge streams are naturally drawn together, connecting people – both within council, and between council and industry.

CASBE is supported by the MAV and perfectly complements the planning and environment policy work of the MAV with a practical, local government led on-the-ground outcomes.

Our new website – www.casbe.org.au – features detailed resources for sustainability in planning, including information on council-owned buildings, ESD Policies, the history of ESD in planning through VCAT cases and industry case studies.

We are a strong local government voice on sustainable built environments. Our growing and vibrant membership attests to this.

Occupational Health and Safety (OHS)

In 2017-18 the MAV actively engaged in the development and implementation of a range of health and safety activities and initiatives to ensure the organisation remained safe for all employees, contractors and visitors, including members of the public. Our OHS activities and initiatives are based on the four cornerstones of OHS 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

We implemented changes to our OHS policy and procedures, and continued the adaption of the model OHS Management System for local government.

Building an active OHS culture

In 2017-18 we established a health and wellbeing working group to develop health and wellbeing programs for MAV staff. OHS continues to be a standard agenda item at staff and team meetings.

Demonstrating leadership in OHS

During the reporting period, we established an OHS Management Plan for 2018 and provided quarterly progress reports to staff, the MAV Board and the Audit Committee.

Providing safe workplaces and equipment

In 2017-18, we commenced a review of meeting rooms to eliminate tripping hazards, manual handling hazards and possible congestion during emergency evacuations.

We also consulted with affected employees to identify options for eliminating or reducing overcrowding and congestion in the office areas.

Sit/stand desks and ergonomic equipment such as wrist and mouse supports were purchased in response to staff requirements.

The ongoing reviews of MAV against the National Audit Tool has identified three non-conformances with two non-conformances addressed as at 30 June 2018.

Internal inspections, hazard reports and/or risk assessments identified 14 OHS issues, with 13 resulting in either corrective actions or OHS improvements being implemented.

The table below provides a summary of reported hazards and incidents for 2017-18.

Category	2016-17	2017-18
Hazards	1	1
First Aid	3	3
Incidents	2	2
Lost Time Incidents	nil	nil
WC Claims	nil	nil

Online resources

Following extensive consultation and research, the 2017-18 year saw the introduction of several new and valuable online resources for MAV member councils.

After extensive consultation with member councils, we learned that council staff and elected members would find our website more valuable and easy-to-use if we separated the MAV member and corporate information from the general information about local government in Victoria.

We also learned that our former website was considered too cluttered, difficult to navigate, and hard to use on a mobile phone.

We formed two steering groups (comprised of MAV staff, council staff and councillors) to guide the development of a new MAV member site, and a new separate website to provide information and resources about councils and local government for the community.

MAV website

Our new corporate website now contains information and resources specifically for our members. We restructured content and refreshed visual elements to better profile our activities and services to members. The new responsive design means it is much easier to find information and register for events regardless of whether you are using a desktop, tablet or mobile device.

Features of the new site include more powerful search functionality, restructured and streamlined information, "Quick links" to popular topics and a new members-only area of our website with additional resources for both Victorian councils and MAV Insurance members.

Visit: mav.asn.au

VicCouncils website

Research told us that two of the top three reasons people visited the former MAV website was to access our council careers page or information 'about local government'.

The new Vic Councils website showcases the work of local government, and better informs Victorians about the diverse roles and services provided by councils. Designed to improve the reputation and profile of local government in Victoria by making information more readily accessible, engaging and informative, it has resources for residents, businesses, job seekers, volunteers and prospective councillor candidates.

Features of the site include a monthly guest mayoral blog and a "Spotlight on" section to showcase innovative council projects. In May 2018, the inaugural blog was kindly provided by Melbourne's new Lord Mayor, Cr Sally Capp.

Visit: viccouncils.asn.au

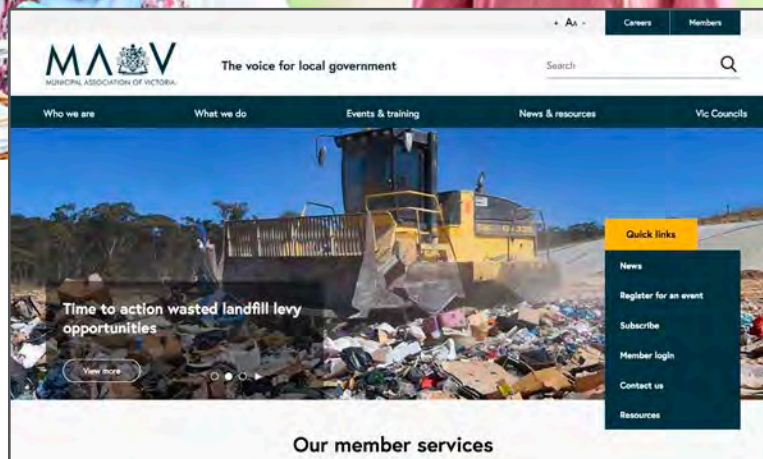
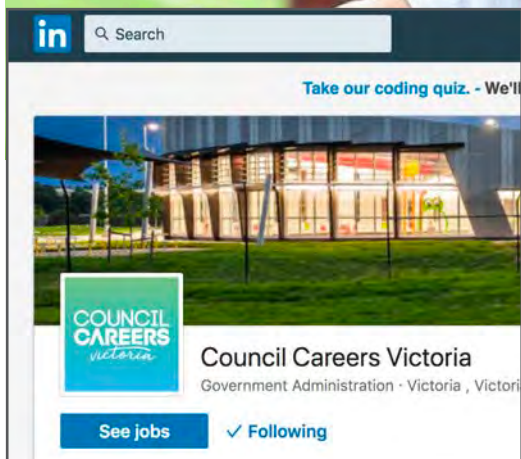
Zoom meetings

To make it easier for council staff and elected members to participate in MAV-hosted meetings without having to travel, we tested and introduced a new video conferencing facility. In early 2018, the Zoom platform was selected due to the high quality and stability of the video, audio and screen sharing capabilities, and its relative ease-of-use for meeting hosts and participants.

We continue to explore new ways to make access to MAV meetings and events more convenient for members.

Council Careers Victoria

In late 2017, the MAV brokered a partnership with LinkedIn to help promote careers in local government. The Council Careers Victoria partnership is helping to address key employment issues for Victorian councils, including skills shortages in key professional areas and provision of workforce trend data.



The twelve-month pilot project commenced in January 2018 with 32 councils participating. The initiative provides an employment branding hub for Victorian local government to help attract quality candidates and promote the sector as an employer of choice.

Job postings from participant councils are automatically included on the Council Careers Victoria hub, providing broader exposure to job applicants. During the first six months we achieved 7.1 million job impressions (total times content was seen), 275,000 job views by potential applicants and 18,000 job applications were received.

With more than 2,500 followers, the Council Careers Victoria hub is growing by around 250 new followers monthly, receiving more than 1,100 unique visitors to each of the overview and careers pages per month. It is hoped that outcomes from the pilot will provide new evidence and trend data to help councils identify new ways to successfully attract and recruit appropriately qualified staff.

The partnership with LinkedIn provides councils individually with discounted access to LinkedIn Talent Solutions, as well as a local government Talent Accelerator solution for Victoria, which incorporates:

- the Victorian local government branding hub within LinkedIn
- traffic driver ads attracting talent to the page
- media content driving sector awareness
- individual council job slot allocation – aggregating all council jobs to the branding hub
- automation of job posting to LinkedIn
- analytics and insights for councils and the sector as a whole.

linkedin.com/company/council-careers-victoria



Strategic Work Plan outcomes

OBJECTIVE 1: HELP COUNCILS ACHIEVE FINANCIAL SUSTAINABILITY

STRATEGIC WORK PLAN PRIORITY OUTCOMES

TARGET	ON TRACK	COMMENTS
PRIORITY 1: SECURE FUNDING CERTAINTY		
Ongoing Commonwealth funding secured for provision of 15 hours of kindergarten.	→	Secured funding to end of 2019. Negotiations continue.
State Government take over the funding of SES, Surf Life Saving and Coastguard.	→	SES agreement finalised. Others yet to commence.
Country roads and bridges funding is reinstated.	→	Awaiting outcome of negotiations.
School crossings funding model is reformed.	✓	Part funding secured.
HACC model and funding post-2019 is agreed.	→	Awaiting outcome of negotiations.
FAGs indexation is reintroduced in 2017.	✓	Delivered.
Roadside weeds and pests funding secured.	✓	Delivered.
PRIORITY 2: REDUCE RED TAPE REPORTING COSTS		
State Government reporting costs on local government is quantified.	→	Ongoing.
20% reduction in State Government reporting costs by mid-2018.	X	Deadline extended.
Rate-cap exemption process is streamlined.	→	Ongoing.
PRIORITY 3: EXPLORE NEW FUNDING STREAMS AND SAVINGS OPPORTUNITIES		
New funding options, palatable to councils are identified.	→	Ongoing.
Council savings achieved through aggregation.	✓	WorkCover insurance scheme and procurement savings opportunities delivered.
Develop detailed understanding of impact of cost shifting on LG and seek funding to ensure minimum level of community service provision in all communities.	→	Ongoing.
Achieve access to landfill levy revenue to support council waste management and climate change mitigation and adaptation activities.	→	Ongoing.

For more details, please refer to the supporting activity reports on the following pages and the MAV Strategic Work Plan 2017-19

STRATEGIC WORK PLAN SUPPORTING ACTIVITY OUTCOMES

TARGET	ON TRACK	COMMENTS
Community Services: Secure funding certainty. Advocate to sustain operational and capital funding		
Ongoing Commonwealth funding secured for provision of 15 hours of kindergarten.	→	Priority activity – refer p47.
HACC model and funding post-2019 is agreed.	→	Priority activity – refer p47.
Operational and capital funding levels from the State and Commonwealth are maintained or increased.	→	Funding achieved for expansion of Maternal and Child Health service. Awaiting outcomes of ongoing negotiations in other key areas.
Emergency Management: Secure funding certainty. Advocate for a more equitable and effective allocation of resources		
State Government take over the funding of SES, Surf Life Saving and Coastguard.	→	Priority activity – refer p47.
Influence State – Commonwealth negotiations on natural disaster funding models.	→	Negotiations ongoing.
Environment: Secure funding certainty. Explore new funding streams and savings opportunities. Advocate local government interests in State environment-related reviews and reforms, including climate change mitigation policy and actions		
Secure funding for roadside weeds and pest management.	✓	Priority activity – refer p47.
Achieve access to landfill levy revenue to support council waste management and climate change mitigation and adaptation activities.	→	Priority activity – refer p47.
The sector's position in response to State reviews and reform initiatives is clearly articulated.	✓	Delivered and ongoing.
Events and Training: Ensure financial sustainability for councils is discussed in key MAV events and training programs.		
Councils better understand financial sustainability challenges and potential solutions.	✓	Partially delivered. Ongoing.
Training and professional development pathway opportunities are available.	✓	Partially delivered. Ongoing.
Planning and Building: Influence planning and building reform agenda		
Local government voice is heard in reform initiatives.	✓	Sector position on planning fees completed. Other key consultations are ongoing.

TARGET	ON TRACK	COMMENTS
Public Health and Safety: Advocate for investment in local government to prevent and address public health and safety issues; and advocate for investment in local government leadership to prevent family violence and violence against women and children.		
Continued support from the State Government for funding for the tobacco control service agreements.	✓	Further funding secured to support tobacco control services and prevention of family violence. Other key negotiations are ongoing
State Government continue to support community safety initiatives.	→	
State Government recognises local government as a key setting for prevention activity.	✓	
Technology: Improve ICT procurement practices; and develop and support shared services.		
Inefficiency reduced through transformation initiatives.	✓	Partially delivered. Ongoing.
Participation in collaborative ICT procurement and shared services plans and opportunities are increased.	✓	Delivered and ongoing.
Transport and Infrastructure: Secure funding certainty. Explore new funding streams and savings opportunities. Support shared services (including freight transport planning); and advocate at State and Federal levels to address infrastructure renewal funding gap issues.		
Reinstatement of funding for country roads and bridges.	→	Priority activity – refer p47.
School crossings funding model is reformed.	✓	Priority activity – refer p47.
Double Roads to Recovery funding.	→	Negotiations ongoing.
Infrastructure renewal funding gap issues are progressed.	→	Negotiations ongoing.
Procurement: Explore new funding streams and savings opportunities. Drive council savings through aggregated procurement; and actively promote aggregated procurement opportunities.		
Council savings achieved through aggregation.	✓	Priority activity – refer p47.
Continue to deliver high-quality and relevant contracts to councils.	✓	Delivered and ongoing.
Increased council awareness of aggregated procurement opportunities.	✓	Delivered and ongoing.
Insurance: Explore new funding streams and savings opportunities. Provide not-for-profit, high-value, low cost insurance schemes for members.		
Council savings achieved through aggregation.	✓	Priority activity – refer p47.
Continue to deliver high-quality and relevant insurance schemes for councils.	✓	Insurance limits increased to \$600m under LMI Scheme.
Communications and Media:		
Facilitate and coordinate communications and media to support this objective.	✓	Delivered and ongoing.
Support advocacy activities with evidence-based reports, resources and campaigns.	✓	Delivered and ongoing.
Corporate Services:		
Manage MAV human resources, policy compliance, hosted meetings and administration services to support this objective.	✓	Delivered and ongoing.



OBJECTIVE 2: IMPROVE THE REPUTATION OF LOCAL GOVERNMENT

STRATEGIC WORK PLAN PRIORITY OUTCOMES

TARGET	ON TRACK	COMMENTS
PRIORITY 4: RAISE THE PROFILE AND INFLUENCE OF LOCAL GOVERNMENT		
Influence is increased with State and Commonwealth Governments	→	Ongoing.
Community understanding of the breadth and value of council services has increased	✓	Delivered VicCouncils website, National Twitter Day, Council Careers Victoria.
Communities better understand issues affecting financial sustainability of local government	✓	Delivered rate-capping campaign. Ongoing.
More resources are available to help councils meet community expectations	✓	Delivered several successful campaigns and resources.
PRIORITY 5: INFLUENCE THE LOCAL GOVERNMENT AND MUNICIPAL ASSOCIATION ACT REVIEWS		
A more contemporary <i>Local Government Act</i> with increased council autonomy.	→	Awaiting outcomes of submissions and advocacy.
A contemporary <i>Municipal Association Act</i> that expands and clarifies the objects, functions and powers of the MAV	→	Awaiting outcomes of submissions and advocacy.
PRIORITY 6: REVIEW AND AMEND THE MAV RULES		
The performance and potential of the MAV (including State Council) is maximised	→	Awaiting outcomes of <i>Municipal Act</i> review.

STRATEGIC WORK PLAN SUPPORTING ACTIVITY OUTCOMES

TARGET	ON TRACK	COMMENTS
Community Services: Raise the profile and influence of local government. Increase profile of universal services and community and stakeholder awareness of services provided by councils. Continue to promote councils' civic leadership role.		
Influence is increased with State and Commonwealth Governments. Community and stakeholder awareness of services has increased. Local Government leads community in promoting / addressing social issues.	→ ✓ ✓	Priority activity – refer p51. Delivered through VicCouncils website and campaigns addressing MCH, violence against women, pokies, tobacco laws and the arts.
Emergency Management: Raise the profile and influence of local government. Work with councils and the State on an agreed role for local government aligning with capability and capacity.		
Influence is increased with State and Commonwealth Governments. An agreed role statement for local government in emergency management.	✓ →	Priority activity – refer p51. Negotiations ongoing.
Environment: Increase awareness of environmental services provided by councils.		
Better community understanding of environmental services provided by councils.	✓	Delivered and ongoing.
Governance: Raise the profile and influence of local government. Influence the <i>Local Government Act</i> and <i>Municipal Association Act</i> reviews. Review and amend the MAV Rules. Continue to improve standards of MAV governance and organisational performance.		
Better practice is achieved in MAV governance, performance and management.	→	Partially delivered. Awaiting outcomes of Act reviews.
Public Health and Safety: Raise the profile and influence of local government. Increase community awareness of local government public health and safety services.		
Influence is increased with State and Commonwealth Governments. Communities are aware of public health and safety issues and activities.	→ ✓	Priority activity – refer p51. Delivered outdoor smoking, and preventing violence against women campaigns. Other key areas ongoing.
Technology: Raise the profile and influence of local government. Develop and support collaborative technical solutions for customer-facing service delivery. Facilitate community input to deliver co-designed solutions.		
Influence is increased with State and Commonwealth Governments. Customer satisfaction rates are improved.	✓ ✓	State funding support and participation in activities. Customer Experience achievements recognised in Awards for Excellence.

TARGET	ON TRACK	COMMENTS
Transport and Infrastructure: Raise the profile and influence of local government. Strengthen advocacy role to increase influence on transport-related policies and programs.		
Influence is increased with State and Commonwealth Governments.	→	Priority activity – refer p51.
Procurement: Improve council procurement processes and supplier engagement through procurement training and professional development.		
Delivery of procurement and contract management training to councils.	✓	33 councils participate in the LEAP continuous improvement program
Events and Training: Raise the profile and influence of local government. Ensure prospective and new Councillors are aware of the roles and responsibilities of local government.		
Community understanding of the breadth and value of council services has increased.	✓	More than 80 events and training sessions delivered. Survey outcomes required to confirm public perceptions.
Public perception of councillor capability improves.	→	
Insurance: Help members to reduce liability risks for employees and communities.		
Reduce number of claims per member revenue.	X	Copy to come
Increase member participation in risk management training programs.	✓	Copy to come
Communications and Media: Raise the profile and influence of local government. Develop and deliver resources to help councils manage community expectations.		
Influence is increased with State and Commonwealth Governments.	→	Priority activity – refer p51.
Community understanding of the breadth and value of council services has increased.	✓	Delivered VicCouncils website, new MAV website, MCH Centenary celebration campaign, National Twitter Day, extensive social media coverage, positive media stories distributed. Survey outcomes required to confirm public perceptions.
More resources are available to help councils meet community expectations.	✓	
Communications resources and initiatives are leveraged by councils to help manage community expectations.	✓	



OBJECTIVE 3: IMPROVE SECTOR PRODUCTIVITY AND EFFICIENCY

STRATEGIC WORK PLAN PRIORITY OUTCOMES

TARGET	ON TRACK	COMMENTS
PRIORITY 7: IMPROVE PROCUREMENT PRACTICES AND OUTCOMES		
Data analysis drives efficiencies, savings and compliance as well as local and regional economic development and collaboration outcomes including shared services.	✓	33 councils participated in continuous improvement LEAP program to identify cost savings, collaborative procurement and shared service opportunities.
PRIORITY 8: ENCOURAGE AND FACILITATE SHARING OF SERVICES, TECHNOLOGY AND BUSINESS PROCESSES		
Implementation of a sector-led business solution that enables more efficient and effective collaboration, cooperation and innovation through shared technology and processes.	→	<p>Delivered a business plan for a sector-wide discovery and engagement program to identify how the MAV can best support the equitable digital transformation of councils. Implementation to commence pending funding.</p> <p>Shared business processes and platforms explored or developed in areas including statewide Library Management System, Maternal and Child Health (CDIS), Planning (BESS), food safety, roads data standards, volunteering and open data.</p>
PRIORITY 9: ADDRESS LOCAL GOVERNMENT CAPACITY, CAPABILITY AND CREDIBILITY CHALLENGES		
Councils leverage information, experiences, business processes and innovation initiatives of other councils, advisory groups, all levels of government, the education sector and the private sector.	✓	<p>Delivered and ongoing. More than 80 events and training sessions attended by more than 6,500 council staff and elected officials.</p> <p>Delivered MAVHACK to co-design digital solutions for enduring council pain points.</p>

STRATEGIC WORK PLAN SUPPORTING ACTIVITY OUTCOMES

TARGET	ON TRACK	COMMENTS
Community Services: Address local government capacity, capability and credibility challenges. Build on intergovernmental partnerships to support council innovation and ongoing investment in community priorities. Develop and support program, process and infrastructure improvements.		
Councils leverage information, experiences, business processes and innovation initiatives of other councils, advisory groups, all levels of government, the education sector and the private sector.	✓	Delivered and ongoing.
Local Government supported to plan, coordinate and deliver services for older people, people with disabilities and families.	→	Progressed and ongoing.
Improved coordination between universal/ secondary and tertiary services for vulnerable families.	→	Progressed and ongoing.
Environment: Build council capacity and collaboration through information and best practice sharing.		
Councils accessing and contributing to MAV events and online resources in order to gather and share information and learnings.	✓	Delivered and ongoing.
Governance: Support the standardisation of policies and governance frameworks, where practicable.		
Increased standardisation and improved capacity and capability.	→	Progressed and ongoing.
Planning and Building: Support councils to improve services.		
Develop a business case for future improvement projects.	→	Progressed and ongoing.
Public Health and Safety: Improve health and safety service delivery processes.		
Local government's contribution to the food safety regulatory system is recognised.	→	Progressed and ongoing.
Technology: Encourage and facilitate sharing of services, technology and business processes. Address local government capacity, capability and credibility challenges. Standardise, simplify and share ICT systems and processes. Develop and support business solutions enabled by digital.		
Implementation of a sector-led business solution that enables more efficient and effective collaboration, cooperation and innovation through shared technology and processes.	✓	Priority activity – refer p55.
Councils leverage information, experiences, business processes and innovation initiatives of other councils, advisory groups, all levels of government, the education sector and the private sector.	✓	Priority activity – refer p55.
ICT and digital capability is improved.	✓	Progressed and ongoing. Hosted conferences, forums, workshops, Yammer network, websites and wikis for knowledge sharing.

TARGET	ON TRACK	COMMENTS
Transport and Infrastructure: Support councils to improve transport and infrastructure services, including advocacy to support the development of rail infrastructure and services. Advocate for sustainable community transport services in rural areas.		
All councils reach STEP "core" status.	→	Progressed and ongoing.
Local and regional community transport services attract State funding investment.	✓	Delivered and ongoing.
Procurement: Improve procurement practices and outcomes. Encourage and facilitate sharing of services, technology and business processes. Address local government capacity, capability and credibility challenges.		
Data analysis drives efficiencies, savings and compliance as well as local and regional economic development and collaboration outcomes including shared services.	✓	Priority activity – refer p55.
Implementation of a sector-led business solution that enables more efficient and effective collaboration, cooperation and innovation through shared technology and processes.	✓	Priority activity – refer p55.
Councils leverage information, experiences, business processes and innovation initiatives of other councils, advisory groups, all levels of government, the education sector and the private sector.	✓	Priority activity – refer p55.
Events and Training: Address local government capacity, capability and credibility challenges. Provide training and events for councillors and council officers that address capability, capacity and credibility challenges in local government.		
Councils leverage information, experiences, business processes and innovation initiatives of other councils, advisory groups, all levels of government, the education sector and the private sector.	✓	Priority activity – refer p55.
Councils are informed of and inspired to act upon productivity and efficiency challenges and solutions.	✓	Delivered and ongoing.
Insurance: Provide seamless and comprehensive insurance services for local government.		
Member efficiency and productivity gains are realised.	✓	Delivered and ongoing.
Communications and Media: Address local government capacity, capability and credibility challenges. Support and share resources with councils, offer communications training opportunities, and positively profile MAV and council case studies. Progressive improvements to be made to MAV communications channels, informed by results of member surveys and user analytics.		
Councils leverage information, experiences, business processes and innovation initiatives of other councils, advisory groups, all levels of government, the education sector and the private sector.	✓	Priority activity – refer p55.
Councils leverage information, experiences, business processes and innovation initiatives of other stakeholders.	✓	Delivered and ongoing. Council case studies shared through media campaigns, MAV Bulletin articles, National Twitter Day and VicCouncils website.



OBJECTIVE 4: ENCOURAGE INNOVATION AND COLLABORATION

STRATEGIC WORK PLAN PRIORITY OUTCOMES

TARGET	ON TRACK	COMMENTS
PRIORITY 10: DRIVE BUSINESS TRANSFORMATION		
Facilitate opportunities to improve business processes by providing data and training, and by removing roadblocks.	✓	Delivered and ongoing.
Councils are collaborating to implement more efficient and consistent business process.	→	Progressed and ongoing.
Data quality, standards, management and analysis capability is increased.	→	Progressed and ongoing.
PRIORITY 11: ADDRESS DIGITAL ACCESS AND EQUITY ISSUES		
Councils have access to affordable, reliable ICT infrastructure.	→	Progressed and ongoing. Leveraging ALGA partnership to address mobile black spots and broadband internet access.
Councils better understand the challenges and opportunities of the digital era.	✓	Delivered and ongoing. Progressed and ongoing. Hosted conferences, forums, workshops, Yammer network, websites and wikis for knowledge sharing.
PRIORITY 12: ENABLE INNOVATION PARTNERSHIPS		
Local government knowledge, capability and capacity is increased through effective partnerships with government, business, education and civic stakeholders.	✓	Delivered and ongoing. Hosted the inaugural MAVHACK event with participants from councils, service users, industry, the MAV, RMIT, Telstra and VicRoads working together over three days to deliver new ideas to address three community 'pain points' and progressing two multi-partner proof-of-concepts to develop centralised online systems for Disability Parking Permits; and for planning permits.

STRATEGIC WORK PLAN SUPPORTING ACTIVITY OUTCOMES

TARGET	ON TRACK	COMMENTS
Community Services: Support councils to maintain a leadership role.		
Levels of State and Commonwealth consultation with local government are maintained or increased.	✓	Delivered and ongoing.
Council community leadership role strengthened.	→	Supported implementation of 10-year Early Years Compact, gender equity and preventing violence against women, arts and culture programs, and social cohesion programs.
Environment: Encourage and promote council initiatives to address climate change.		
Councils are working together to address climate change impacts.	✓	Progressed and ongoing. Secured contained catchment oversight for rural drainage.
Governance: Drive business transformation. Enable innovation partnerships. Develop and implement annual collaboration plans with LGV.		
Data quality, standards, management and analysis capability is increased.	✓	Priority activity – refer p59.
Local government knowledge, capability and capacity is increased through effective partnerships with government, business, education and civic stakeholders.	✓	Priority activity – refer p59.
Collaborate with LGV to improve support to the sector.	✓	Progressed and ongoing. Developed and delivered MAV-LGV Strategic Action Plan
Planning and Building: Drive business transformation. Build capacity through sharing innovation and best practice.		
Data quality, standards, management and analysis capability is increased.	✓	Priority activity – refer p59.
Increase participation and engagement in events.	→	Progressed and ongoing.
Public Health and Safety: Facilitate and support innovation that improves collaboration.		
Increased participation in Streatrader program.	✓	Progressed and ongoing.
Strategic stakeholder partnerships established or strengthened.	✓	Progressed and ongoing.

TARGET	ON TRACK	COMMENTS
Technology: Drive business transformation. Address digital access and equity issues.		
Facilitate opportunities to improve business processes by providing data and training, and by removing road blocks.	✓	Priority activity – refer p59.
Councils are establishing more efficient and consistent business processes.	✓	Priority activity – refer p59.
Data quality, standards, management and analysis capability is increased.	→	Progressed and ongoing – including open data standards established, procurement best practice, harmonised road data, local road access applications.
Councils have access to affordable, reliable ICT infrastructure.	→	Priority activity – refer p59.
Councils better understand the challenges and opportunities of the digital era.	✓	Priority activity – refer p59.
Transport and Infrastructure: Build capacity through innovation and best practice.		
Increase interactions with other levels of government.	→	Progressed and ongoing.
All councils reach STEP "core" status.	→	Progressed and ongoing.
Procurement: Drive business transformation. Enable innovation partnerships. Support regional procurement and shared service opportunities.		
Facilitate opportunities to improve business processes by providing data and training, and by removing road blocks.	✓	Priority activity – refer p59.
Local government knowledge, capability and capacity is increased through effective partnerships with government, business, education and civic stakeholders.	✓	Priority activity – refer p59.
Events and Training: Work with councils to identify and implement preferred future directions for the sector.		
Work with councils to identify and implement preferred future directions for the sector.	✓	Delivered and ongoing. Delegate surveys and feedback from more than 6,500 events inform future directions.
Insurance: Develop and support insurance shared service opportunities.		
Increase in best practice.	✓	Progressed and ongoing through innovative claims-reduction programs.
Communications and Media: Improve accountability and transparency to our members. Improve digital presence of MAV to showcase positive sector stories.		
Member satisfaction levels have increased.	✓	Delivered and ongoing. Redeveloped MAV and VicCouncils websites to better profile and showcase Victorian local government innovation.

MAV Insurance Annual Report 2018



As our Liability Mutual Insurance (LMI) scheme moves into its 25th year of providing public liability and professional indemnity insurance to the local government sector, we are commencing a wholesale review of the scheme to ensure it is appropriately structured for the future.

Prospective changes to the legislative environment for local government and the MAV are likely to have a direct influence on the scheme's operations, its structure and how we interact with our members. Furthermore, while there are multiple signs that the competitive market is entering a hardening phase, we also need to ensure the scheme continues to calibrate its performance to ensure it drives value-for-money for members while remaining desirable throughout the whole market cycle. The private market's liability insurance fluctuates in price wildly due to the delay between claims occurring and being reported and the broader capital availability in the market. For a mutual scheme operating in this environment, our strategic reforms will need to ensure that the scheme remains attractive to members during the soft (cheaper) stages of the market cycle.

We have responded to these externally-driven challenges by commissioning an independent review of the LMI scheme by PricewaterhouseCoopers (PwC) to test whether its structure provides the greatest benefit to members and to identify whether additional operational reforms will be required.

This review, which will be delivered in early 2018-19, will identify whether the current structure for offering public liability and professional indemnity insurance to the sector is appropriate. In addition to the PwC review, we assisted the Victorian Auditor-General's office over the course of the year in the completion of its performance audit on local government insurance risks, which will be tabled in parliament early in the 2018-19 calendar year and will provide additional reform impetus.

The LMI scheme returned an operating deficit of \$194,000 for the year following the surplus of \$2.2million in the 2017 year. The deficit was influenced by the ongoing competitive market, which has had a dampening effect on overall pricing despite ongoing increases in underlying claims costs across the sector. The scheme remains in a satisfactory financial position and following the continued implementation of a responsible capital management

plan, we expect to strengthen the underlying stability of the scheme significantly in coming years.

Claim payments for the scheme were above average, with over \$22 million in settlements and related costs made during the year. This was primarily the result of the payment of our largest-ever claim, with the \$6 million payment made for Hume Bushfire class action early this year (from the 2013-14 insurance year).

As part of our commitment to continue building awareness of our sector's risks and practical tasks that can be undertaken for their mitigation, we introduced a new publication *Lessons from Claims*, aimed at building awareness of our claims scenarios, their causes and actions that could be adopted to minimise the sector's risks. This supplements our broad offering of support services, member information and guidance helping overall to drive down claims and costs for the community.

We also restructured our reinsurance arrangements for the 2018-19 year to introduce additional capacity into our program and to enter into new long-term agreements with our reinsurer markets. This restructure provides greater certainty for the scheme and further protects the financial position against unexpected increases in claims costs.

And finally, I would like to recognise my fellow Insurance Board members for their contributions, breadth of skills and experience which have been invaluable to managing the scheme in complex conditions. In addition, I'd like to thank our executive management for their tireless efforts in operating the scheme on behalf of the local government sector. Personally, I have always had the valued expertise of Rob Spence, whose knowledge has covered all financial and operational aspects of the scheme and been invaluable to not only myself as chair, but to each of the members in reaching the decisions made on their behalf.

ANNE MURPHY OAM
MAV Insurance Chair

Performance Highlights



As part of our commitment to continue to build awareness of our sector's risks and mitigation measures, we introduced a new publication aimed at building awareness of our claims, their causes and actions that could be adopted to minimise the sector's risks.

Our new publication, *Lessons from Claims*, was developed to provide members with best practice learnings from the scheme members' claims and incidents.

We commissioned PricewaterhouseCoopers to undertake a **review of the LMI scheme's strategic options**, to ensure that its structure is optimised for the future – particularly in light of the incomplete review of the *Municipal Association Act 1907* and the *Local Government Bill*.

This year we also **re-marketed our reinsurance program** and entered a new long-term agreement with reinsurers to ensure continuity of coverage and pricing as we move into challenging market conditions.

To ensure the LMI scheme continues to provide value to its members, we market-tested our **investment advisory services** through a public tender process and appointed Frontier Advisors.

MAVIB – Governance

The MAV Board has delegated authority and responsibility for MAV Insurance to the MAV Insurance Board (MAVIB). The LMI scheme's deed of establishment requires the formation of a management committee, formalises duties and powers of delegation by the Board and provides guidance on 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 provides claims, risk management and reinsurance placement services to MAV Insurance. Taylor Fry is the scheme's actuary, Janus Henderson Australia provides investment management services and Frontier Advisors provides investment consultant services.

MAV Insurance is not subject to Australian Prudential Regulatory Authority (APRA) regulations. 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.



"The MAV Insurance Risk Management Award has provided me with great opportunities to engage with the Victorian sector in a collegiate fashion, by accessing and leveraging information, experience and knowledge, thereby strengthening our collective capacity. Conversations and development of sector relationships has been a rich reward for me personally."

Vicki Miller, Strategic Risk and Assurance Advisor, Manningham City Council

MAV Insurance Board

For the year ended 30 June 2018



Anne Murphy

Appointed 1993

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



John Bennie

Appointed 2016

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



Steve Crawcour

Appointed 2016

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



Cr Rod Fyffe OAM

Appointed 2004

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



Michael Guilmartin

Appointed 2009

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



Mary Lalios

Appointed 2017

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



Andrew Paul

Appointed 2016

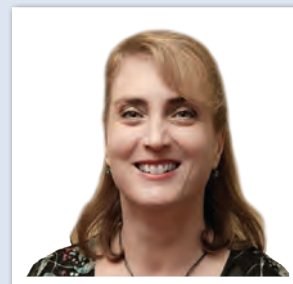
- General Manager, Clarence City Council
Nearly 40 years working in local government
- Qualifications in applied science, management
- Graduate of Williamson Community Leadership Program
- Fellow of the Australian Institute of Company Directors
- Board Member of Cancer Council Tasmania



Rob Spence

Appointed 1997

- Chief Executive Officer, MAV
- Trustee, Vision Super
- Member, Victorian Children's Council
- Member, Ministerial Freight Advisory Council
- Member, State Crisis and Resilience Council



Dr Katrena Stephenson

Appointed 2015

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



MAV Insurance Board attendance

	30 Aug 2017	2 Oct 2017 (special meeting)	27 Oct 2017	13 Dec 2017	21 Feb 2018	13 Apr 2018	8 Jun 2018
John Bennie	✓	X	✓	✓	✓	✓	✓
Steve Crawcour	X	✓	✓	✓	X	✓	✓
Rod Fyffe	✓	X	✓	✓	✓	✓	✓
Michael Guilmartin	✓	✓	✓	✓	✓	✓	✓
Mary Lalios	✓	✓	✓	✓	✓	✓	✓
Anne Murphy	X	✓	✓	✓	✓	✓	✓
Andrew Paul	X	✓	✓	X	✓	✓	✓
Rob Spence	✓	✓	✓	✓	✓	✓	✓
Katrena Stephenson	X	X	✓	✓	X	✓	✓

Board sitting fees

Independent Board members receive a sitting fee. In 2017-18 the annual sitting fee was:

Chair

\$25,000

Independent Board Member

\$5,000



MAV Insurance Team

EXECUTIVE TEAM

Owen Harvey-Beavis
MAV Manager Insurance,
Research and Strategy

Alison Lyon
MAV Deputy CEO
& General Counsel

Kristine Minghella
MAV Insurance Counsel

John Smith
MAV Insurance Claims Adviser

Rob Spence
MAV Chief Executive Officer

SERVICE PROVIDERS

Jardine Lloyd Thompson

Taylor Fry Pty Ltd
Actuary

Janus Henderson Australia
Investment Manager

Frontier Advisors
Investment Adviser

EY
Auditor

National Australia Bank
Asset Servicing
Custodian Services

LEGAL PANEL

Minter Ellison

DLA Piper

Moray & Agnew

Ligeti Partners

Barry Nilsson
(Tasmania)

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 government authorities.

The scheme is not-for-profit, which means any excess revenue is held in the fund to help to keep premiums down for 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 using 25 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 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 Licensing requirements imposed on it as a licensed insurer.

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

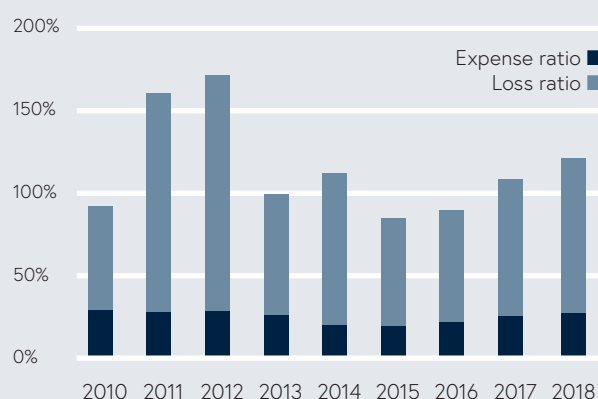
Financial performance

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 133-164.

The LMI scheme's performance can be measured through the loss ratio and expense ratio. A loss ratio measures estimated claim losses for each fund year as a ratio of premium (contribution) revenue. A higher loss ratio demonstrates value to members as it shows that for each dollar of premium paid to the scheme, higher claims payouts are made on their behalf. Traditionally this measure will estimate claims based on when they are recognised by the insurer (i.e. on an incurred basis) but our preferred basis is to present this metric for each insurance year. An expense ratio measures the administrative costs of the scheme as a proportion of contribution revenue. These two metrics together are a combined ratio and provides performance information on the overall performance of an insurer.

Figure 1: Loss ratio and expense ratio by fund year



The average combined ratio for the LMI scheme since 2009 is 115 per cent, which means that for every dollar of contribution revenue received, \$1.15 is paid out in claims or in the costs of administering

the scheme. The gross combined ratio for APRA regulated insurers' public liability insurance in Australia for the year ending 30 June 2018 was 79 per cent. This indicates that for every dollar in premium paid into the scheme, the LMI makes more claim payments on behalf of its members than the private insurance market. Over time, this provides significant overall benefit to the scheme's members.

The generally improved performance after 2012 has been a consequence of fewer very large claims, high claim members departing the scheme for the private market, and increases in underlying contributions.

Claims trends

Figure 2: New claims lodgements

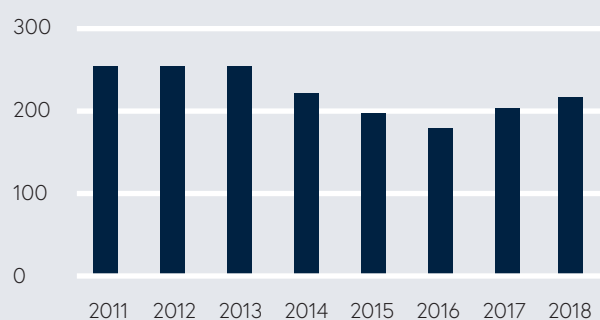
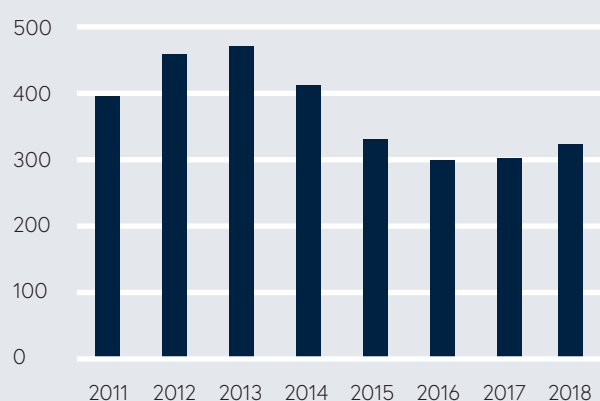


Figure 3: Claims awaiting settlement



The LMI Claims 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 235 of these claims queries made by members during 2017-18.

Policy/underwriting, legal and risk management advice

To help members keep their number of claims down, the LMI scheme offers additional services including access to policy coverage and underwriting advice, liability legal advice and risk management services and learning opportunities.

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

These events are designed to support members and help them reduce their number of claims, and subsequently protect their communities. During 2017-18 MAV Insurance held 16 Best Practice Forums (10 Vic, 6 Tas), and the Victorian Insurance Conference which were attended by around 370 members collectively.

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 queries or concerns they may have about their policy. In 2017-18 this service responded to more than 590 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 2017-18 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 planning.

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

- Drones – liability issues and legal requirements
- The use of local laws to reduce the risk of council liability
- Sporting ground run-off distances and potential liability with a case study of *Beaumaris Football Club v. Hart & Ors* and *Bayside City Council v Hart & Ors* [2017] VSCA 226 (30 August 2017)
- A mock legal trial on a fictional Maternal Child and Health claim
- Privacy in local government.

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

- Case note on the Court of Appeal's decision in *Greater Shepparton City Council v. Stephen Graham Clarke* relating to the *Road Management Act*
- Drones – guidance document in relation to potential liability and policy coverage.

Risk management

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

We continued the roll-out of the LMI Compliance Review services. 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 provides

recommendations with non-compliance or additional commentary in relation to 'best practice' aimed to mitigate or reduce member liability risk exposure

On completion of the Compliance Review service we provide a comprehensive benchmarking analysis, enabling councils to determine how their processes and compliance compares with their peers and the overall membership. Early indications demonstrate promising levels of compliance in relation to established inspection regimes in high-risk areas such as trees, roads and footpaths, as well as the benefits of improving technologies in asset management.

The key areas of focus under the Compliance 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).

Members have accessed a variety of nominated risk management services, including Event Risk Management Awareness Workshops, Site inspections of BMX tracks, Mountain Bike Trails, Skate Parks and Sporting Reserves, along with the review of various operational plans and procedural documents.

Members also have access to a helpdesk service for any liability risk management issues they may experience. In 2017-18 this service responded to 149 requests for advice across a range of topics including management of roads and footpaths, use of sports reserves and recreational facilities, management of public events, and the use of drones by Council and/or the public.

"I value learning from the experiences of others in the sector with relation to risk management processes and initiatives. The opportunity to network with peers has increased my skills and knowledge, which has not only benefitted me professionally but has also enabled me to improve the risk management systems at my council."

Gary Dore, Coordinator Risk, Health & Safety, Cardinia Shire Council

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 and responding to the State Government's draft *Victorian Rural Drainage Strategy*.
- **Maternal and Child Health** – Provided advice to the MAV policy team in relation to the retention of documents, electronic records, FOI requests, consent and privacy issues.
- **Rail interface agreement** – Assisted the MAV transport policy area in the finalisation of the rail interface agreement, and in particular, the demarcation schedule of responsibilities between different parties under the agreement.
- **The Law Reform Commission's inquiry in relation to Neighborhood Tree Disputes** – Meetings were held with representatives of the Commission and submissions drafted on behalf of MAV.
- **Wind farms** – Assisted the MAV policy team in responding to potential changes being considered by the State in relation to the regulation of wind farms.
- **Draft State Environmental Protection Policies (water) ('SEPP')** – Assisted MAV policy team in review of draft SEPP and preparation of response on behalf of MAV in relation to potential liability issues for councils arising from the draft SEPP.
- **Stormwater management** – Assisted MAV policy team in relation to liability issues that may arise in relation to the review of stormwater management.
- **National Transport Commission (NTC) Safety Assurance for Automated Vehicles Consultation** – Assisted MAV policy team in responding to draft national performance-based assurance regime.
- **Government's response to EPA Inquiry** – Provided advice to MAV policy team on liability issues arising as a result of proposed changes by the State Government in light of the EPA Inquiry. Additionally, assisted MAV Environmental policy team in the review of a Memorandum of Understanding between councils and the EPA for environmental officers of the EPA working in councils.
- **Environmental Audit Overlays** – Attended meeting together with MAV policy team and DELWP to discuss potential changes to planning provisions for environmental overlays.
- **Food Act Compliance Project** – Attended meeting with the Department of Health and Human Services together with MAV policy team to discuss progress of the project.
- **Emergency Management Legislation Amendment Bill** – Reviewed and provided advice to MAV Emergency Management team in relation to potential liability issues arising from the Bill.
- **Building Regulatory Model** – Assisted MAV policy team in responding to draft report in relation to potential liability issues.



"MAV Insurance is a perfect fit for Horsham Rural City Council, the contemporary risk management support and shared learnings from across the sector offer a really comprehensive insurance service, much more than just claims management."

Diana McDonald, Co-ordinator Risk & Human Resources, Horsham Rural City Council

Liability Mutual Insurance Members

Victorian Councils

Alpine Shire Council
 Ararat Rural City Council
 City of Ballarat I
 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
 City of Casey
 Central Goldfields Shire Council
 Colac Otway Shire Council
 Corangamite Shire Council
 City of Darebin
 East Gippsland Shire Council
 Gannawarra Shire Council
 Glenelg Shire Council
 Golden Plains Shire Council
 City of Greater Bendigo
 City of Greater Dandenong
 City of Greater Geelong
 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 Council
 Mansfield Shire Council
 Maribyrnong City Council
 Maroondah City Council
 City of Melbourne
 City of Melton

Mildura Rural City Council
 Mitchell Shire Council
 Moira Shire Council
 City of Monash
 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
 Borough of Queenscliffe
 South Gippsland Shire Council
 Southern Grampians Shire Council
 City of Stonnington
 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
 City of Whittlesea
 City of Wodonga
 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



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 to 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 members.

Claims

One of the main developments through the year has been 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
 Brimbank City Council
 Buloke Shire Council
 Cardinia Shire Council
 City of Casey
 Central Goldfields Shire Council
 Colac Otway Shire Council
 Corangamite Shire Council
 East Gippsland Shire Council
 Gannawarra Shire Council
 Glenelg Shire Council
 Golden Plains Shire Council
 City of Greater Bendigo
 City of Greater Geelong
 Greater Shepparton City Council
 Hepburn Shire Council
 Hindmarsh Shire Council
 Hobsons Bay City Council
 Horsham Rural City Council
 Indigo Shire Council
 Knox City Council
 Latrobe City Council
 Loddon Shire Council

Macedon Ranges Shire Council
 Mansfield Shire Council
 Maribyrnong City Council
 City of Melbourne
 City of Melton
 Mildura Rural City Council
 Moira Shire Council
 City of Monash
 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
 Borough of Queenscliffe
 South Gippsland Shire Council
 Southern Grampians Shire Council
 City of Stonnington
 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
 City of Whittlesea
 City of Wodonga
 Yarra Ranges City Council
 Yarriambiack Shire Council
 Benalla Rural City 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
 West Gippsland Regional Library Corporation



LGE Health Plan



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

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 2018 there were 7,512 employees and their family members taking advantage of the benefits offered by the Plan.

In the 2017-18 financial year, 625 claims for refund of hospital excesses have been paid, totaling \$200,629.

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
 City of Boroondara
 Brimbank City Council
 Buloke Shire Council
 Cardinia Shire Council
 City of Casey
 Central Goldfields Shire Council
 Colac Otway Shire Council
 Corangamite Shire Council
 City of Darebin
 East Gippsland Shire Council
 Frankston City Council
 Gannawarra Shire Council
 Glen Eira City Council
 Glenelg Shire Council
 Golden Plains Shire Council
 City of Greater Bendigo
 City of Greater Dandenong
 City of Greater Geelong
 Greater Shepparton City Council
 Hepburn Shire Council
 Hindmarsh Shire Council
 Hobsons Bay City Council
 Horsham Rural City Council
 Indigo Shire Council
 City of Kingston
 Knox City Council
 Latrobe City Council
 Loddon Shire Council
 Macedon Ranges Shire Council
 Manningham Council
 Maribyrnong City Council

Maroondah City Council
 City of Melton
 Mildura Rural City Council
 Mitchell Shire Council
 Moira Shire Council
 City of Monash
 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
 City of Port Phillip
 Pyrenees Shire Council
 Queenscliffe Borough Council
 Southern Grampians Shire Council
 City of Stonnington
 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
 City of Whittlesea
 City of Wodonga
 Wyndham City Council
 City of Yarra
 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

MAV WorkCare Annual Report 2018



Twenty five years have passed since Parliament amended the *Accident Compensation Act* to enable the MAV to establish a local government workers compensation self-insurance scheme for local government.

The MAV WorkCare self-insurance scheme was approved by WorkSafe Victoria on 3 May 2017 for an initial three-year period which commenced on 1 November 2017. As the licence holder, the MAV holds overall accountability and responsibility for achieving improved performance and delivering safety outcomes for all member councils and their employees.

The principles, shared responsibilities and benefits of the new scheme are consistent with recommendations contained in the 2005 report by the Victorian Auditor-General into the management of occupational health and safety in the local government sector.

The MAV WorkCare scheme is similar in structure to local government workers compensation self-insurance schemes operating successfully in other Australian states. Over time their scheme members have significantly improved their workplace safety, leading to sustained reductions in workplace injuries and to reduced costs.

Another advantage of the new scheme is that members are relieved from any requirement to pay additional premiums in the event of a call to fund any shortfall in the superannuation-defined benefit scheme fund.

Establishment of the new scheme required intensive planning between MAV WorkCare, WorkSafe and JLT, our new claims agent. A comprehensive implementation plan ensured the smooth transition of a large number of active claims from the five WorkSafe Victoria scheme agents, with no disruption to injured workers. The transition occurred with relatively few issues, and provided a solid platform to embed the scheme throughout 2018.

The scheme will provide the support structures and resources to members to ensure an improved performance in both workplace health and safety and in achieving effective rehabilitation and return to work outcomes for injured workers. Prevention underpins successful workers compensation schemes as it directly impacts on other key disciplines of the scheme – such as claims management, rehabilitation and return to work.

The financial performance of the new scheme throughout the eight months to 30 June 2018 was substantially in line with budget expectations. The scheme has not been in operation long enough to identify any significant trends.

The MAV has joined the Self Insurers Association Victoria executive team, which provides many opportunities to share the experiences of other self-insurers and to actively participate in discussions with WorkSafe around alternative and innovative approaches to improving safety in the workplace.

I extend a warm welcome to the 31 members of the new scheme. I look forward to working with the MAV WorkCare Board to help deliver innovation and best practice in local government by providing opportunities to share knowledge, experiences, improvement initiatives and strategies aimed at achieving safer workplaces across the sector.

Marilyn Duncan
MAV WorkCare Chair

Performance Highlights



In our first eight months of operations, the MAV WorkCare self-insurance scheme paid more than \$6.6 million in benefits to injured workers.

The new scheme provides full workers compensation coverage to more than 8,000 employees from our 31 members including medical expenses, lost earnings, home and vehicle modifications, home help and lump sum impairment benefits. We also pay common law benefits to workers who have serious injuries in circumstances where there is some fault on their employer's part.

With effect from 1 November 2017, all previous workers compensation claims for our 31 members were transferred across to the scheme. Since that time, the MAV WorkCare scheme has paid more than \$6.6 million in benefits to injured workers and their families, with \$1.49 million relating to claims received since operations commenced. Together with WorkSafe Victoria, we were also able to transition more than 400 active "tail" claims from the previous agents into direct management by JLT as the scheme's appointed agent.

The MAV has appointed a preferred provider panel to optimise rehabilitation outcomes for

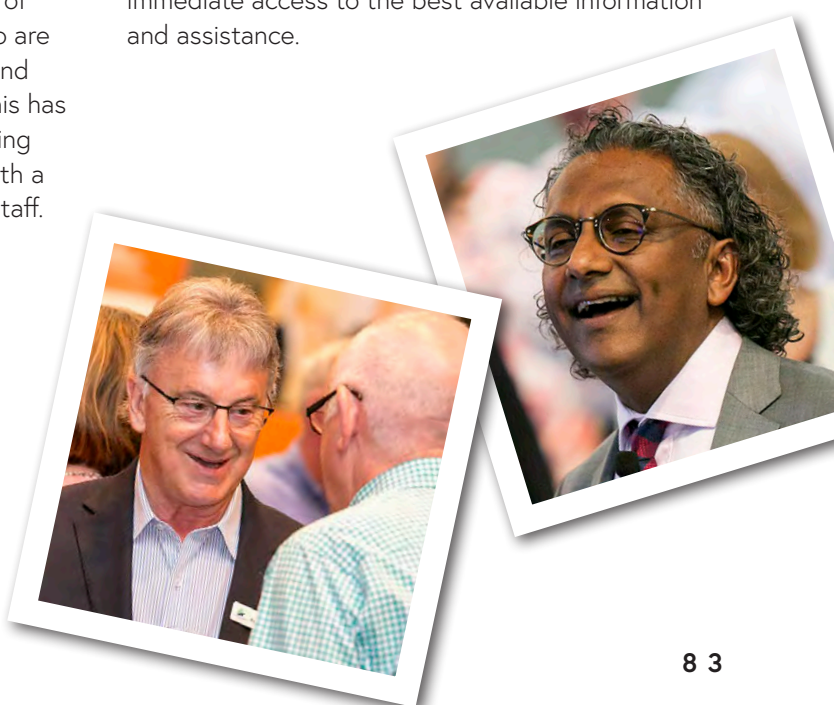
injured workers, and to work with workers, medical practitioners and our members to help in their return to work. Of the 260 new claims received since the scheme commenced, 218 workers have been able to achieve a full or partial return to work. Following an extensive procurement process, we have also established a legal service provider panel, involving providers who not only are experts in workers compensation, but who also understand the local government sector while providing a local presence for our members.

In early-June 2018 we delivered the first full year's premiums for our members, representing a real reduction in the total cost of the member premium pool. In addition, the scheme delivered the first tranche of premium discounts based upon each member's previous premium for the 2017/18 financial year. We have been able to achieve this while still providing extensive coverage for our members and our benefits include meeting the cost of "minor" claims which have traditionally been paid by our members directly.



Working with JLT and WorkSafe Victoria, the MAV has rolled out a Three Year Occupational Health and Safety Improvement Plan which has led to 28 member forums held in Officer, Melbourne, Hamilton and Shepparton, focusing on developing OHS systems that comply with legislation and the National Audit Tool conformance program. These forums have also provided an opportunity to deliver training and education on process and documentation improvements, as well as claims management. We have also established an OHS Program Leadership Group, consisting of representatives from five member councils who are leading the development of bespoke policies and procedures for the local government sector. This has resulted in tangible progress towards exchanging resources and insights across our members, with a number sharing OHS personnel, systems and staff.

The MAV members centre is the new online platform for the MAV WorkCare Scheme and brings together a wide range of OHS, Return to Work as well as training and education-related resources. Our members' authorised staff are now able to access a wide range of claims-related information to assist them in understanding and mitigating risks and to provide access to accurate "real-time" claims data for internal reporting purposes. The members centre is a unique resource for the scheme, ensuring that wherever they are located, scheme members have immediate access to the best available information and assistance.



MAV WorkCare Board

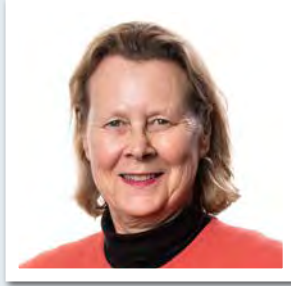
For the year ended 30 June 2018



Marilyn Duncan

Appointed 2017

- Former CEO of the City of Brimbank
- An experienced leader, instrumental in the design and implementation of the MAV WorkCare scheme



Prue Digby

Appointed 2017

- Current Board member, Chisholm TAFE, Birrarung Council and Municipal Monitor Frankston City Council
- Former CEO of the Victorian Building Authority
- Former CEO of City of Yarra
- Former Deputy Secretary, Department Environment, Land, Water and Planning (formerly DPCD)



Janet Dore

Appointed 2017

- Former CEO at Cities of Ballarat and Newcastle
- Former CEO of Transport Accident Commission
- Former Non-Executive Director at nib Health Funds, Newcastle Airport and Institute for Safety Compensation and Recovery Research (ISCRR)
- Fellow Australian Institute of Company Directors (AICD)
- Municipal monitor to Ararat Rural City Council



Rob Spence

Appointed 2017

- Chief Executive Officer, MAV
- Trustee, Vision Super
- Member, Victorian Children's Council
- Member, Ministerial Freight Advisory Council
- Member, State Crisis and Resilience Council



Michael Ulbrick

Appointed 2017

- Former CEO of Darebin City Council and Surf Coast Shire Council
- Former Executive Director of WorkCover
- Independent member of a number of council and public sector audit and risk committees
- Independent member of the Victoria Grants Commission
- Founding Director of Regional Kitchen Pty Ltd

MAV WorkCare Board attendance

	Nov 15 2017	Dec 12 2017	Feb 21 2018	April 18 2018	May 9 2018 (special meeting)	June 4 2018 (special meeting)	June 20 2018	Aug 16 2018
Marilyn Duncan	✓	✓	✓	✓	✓	✓	✓	✓
Prue Digby	✓	✓	✓	✓	✓	✓	✓	✓
Janet Dore	✓	X	✓	✓	✓	✓	✓	✓
Rob Spence	✓	✓	✓	✓	✓	✓	✓	X
Michael Ulbrick	✓	✓	✓	✓	✓	✓	✓	✓

Board sitting fees

Independent Board members receive a sitting fee. In 2017-18 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 WorkCare Members

Bass Coast Shire Council
 Bayside City Council
 Cardinia Shire Council
 City of Casey
 Corangamite Regional Library Service
 East Gippsland Shire Council
 Glenelg Shire Council
 Golden Plains Shire Council
 City of Greater Dandenong
 Hepburn Shire Council
 Hindmarsh Shire Council
 Horsham Rural City Council
 Indigo Shire Council
 City of Melton
 Mildura Rural City Council
 Moyne Shire Council

Municipal Association of Victoria
 Murrindindi Shire Council
 Northern Grampians Shire Council
 City of Port Phillip
 Pyrenees Shire Council
 Borough of Queenscliffe
 South Gippsland Shire Council
 Southern Grampians Shire Council
 City of Stonnington
 Strathbogie Shire Council
 Swan Hill Rural City Council
 Wangaratta Rural City Council
 Warrnambool City Council
 West Wimmera Shire Council
 City of Wodonga

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 2018, and the results of the various business operations and cash flows for the year ended 30 June 2018, 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 2017-18

Statement of Comprehensive Income

For the year ended 30 June 2018

		Combined		MAV – General Fund	
		2018	2017	2018	2017
	Note	\$	\$	\$	\$
REVENUE	4	89,465,178	55,713,142	18,920,868	16,461,547
		89,465,178	55,713,142	18,920,868	16,461,547
EXPENSES	5(b)	90,493,031	55,401,250	17,405,365	18,435,237
NET SURPLUS (DEFICIT)	3	(1,027,853)	311,892	1,515,503	(1,973,690)
OTHER COMPREHENSIVE INCOME		–	–	–	–
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		(1,027,853)	311,892	1,515,503	(1,973,690)

The accompanying notes form an integral part of these statements.

Statement of Financial Position

As at 30 June 2018

		Combined		MAV – General Fund	
		2018	2017	2018	2017
	Note	\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	9(a)	18,749,371	9,402,131	7,250,376	8,302,680
Investments	2(l)	75,817,841	21,269,695	–	–
Trade and other receivables	10, 2(f)	67,137,069	48,670,923	8,064,938	4,886,867
Prepayments		2,197,775	207,163	397,780	206,400
TOTAL CURRENT ASSETS		163,902,056	79,549,912	15,713,094	13,395,947
NON-CURRENT ASSETS					
Trade and other receivables	10, 2(f)	84,240,954	66,040,719	–	–
Property and equipment	12, 2(h)	441,311	454,852	405,481	423,279
Intangibles	13, 2(h)	134,769	17,970	134,769	17,970
TOTAL NON-CURRENT ASSETS		84,817,034	66,513,541	540,250	441,249
TOTAL ASSETS		248,719,090	146,063,453	16,253,344	13,837,196
CURRENT LIABILITIES					
Trade and other payables		32,090,282	8,768,260	6,849,797	5,973,339
Premiums in advance	11	38,418,103	21,241,551	–	–
Provision for employee entitlements	23	955,438	978,647	929,042	978,647
Provision for claims outstanding	14(a), 2(t), 2(u)	30,284,377	20,220,883	–	–
Other current liabilities		687,953	555,725	687,953	555,725
TOTAL CURRENT LIABILITIES		102,436,154	51,765,066	8,466,792	7,507,711
NON-CURRENT LIABILITIES					
Provision for employee entitlements	23	118,227	101,149	117,194	101,149
Provision for claims outstanding	14(a), 2(t), 2(u)	139,077,774	86,007,968	–	–
Other non-current liabilities		284,511	358,992	284,511	358,992
TOTAL NON-CURRENT LIABILITIES		139,480,512	86,468,109	401,705	460,141
TOTAL LIABILITIES		241,916,666	138,233,175	8,868,497	7,967,852
NET ASSETS		6,802,424	7,830,277	7,384,847	5,869,344
EQUITY		6,802,424	7,830,277	7,384,847	5,869,344

The accompanying notes form an integral part of these statements.

Statement of Changes in Equity

For the year ended 30 June 2018

	Combined		MAV – General Fund	
	2018	2017	2018	2017
Note	\$	\$	\$	\$
RETAINED EARNINGS				
Balance at beginning of year	7,830,277	7,518,385	5,869,344	7,843,034
Surplus from ordinary activities	(1,027,853)	311,892	1,515,503	(1,973,690)
BALANCE AT END OF YEAR	6,802,424	7,830,277	7,384,847	5,869,344

Combined Statement of Cash Flows

For the year ended 30 June 2018

	Combined		MAV – General Fund	
	2018	2017	2018	2017
Note	\$	\$	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES				
RECEIPTS				
Subscriptions, grants and fees	124,500,551	49,393,974	20,744,238	31,293,607
Investment income	565,593	242,992	238,160	206,547
Reinsurance and other recoveries	16,093,156	14,503,508	–	–
PAYMENTS				
Suppliers	(47,609,964)	(50,364,908)	(21,736,258)	(30,087,206)
Claim payments	(29,970,131)	(16,077,119)	–	–
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	9(b) 63,579,205	(2,301,553)	(753,860)	1,412,948
CASH FLOW FROM INVESTING ACTIVITIES				
Proceeds from redemption of investments (Application of investment funds)	(53,895,000)	4,100,000	–	–
Proceeds from sale of fixed assets	70,100	101,364	70,100	101,364
Payments for fixed assets & intangibles	(407,065)	(266,086)	(368,543)	(266,086)
NET CASH USED IN INVESTING ACTIVITIES	(54,231,965)	3,935,278	(298,443)	(164,722)
NET (DECREASE)/INCREASE IN CASH HELD	9,347,240	1,633,725	(1,052,304)	1,248,226
Cash at beginning of year	9,402,131	7,768,406	8,302,680	7,054,454
CASH AT END OF YEAR	9(a) 18,749,371	9,402,131	7,250,376	8,302,680

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 2018

1. CORPORATE INFORMATION

The combined financial report of Municipal Association of Victoria (MAV) for the year ended 30 June 2018 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
- arrange contracts of insurance
- to arrange fidelity insurance for local government – MAV Insurance
- to provide a public liability and professional indemnity insurance scheme for local government – MAV Insurance
- to provide a workers' compensation self-insurance scheme for local government – MAV WorkCare.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards and Interpretations issued but not yet effective

Reference	Title summary	Application date of Standard	Impact on MAV Financial Report	Application date for MAV
AASB 9	Financial Instruments	1 January 2018	Preliminary assessment indicates minimal impact arising on the adoption of these standards	1 July 2018
AASB 15	Revenue from Contracts with Customers	1 January 2018	Preliminary assessment indicates minimal impact arising on the adoption of these standards	1 July 2018
AASB 16	Leases	1 January 2019	No impact	1 July 2019
IFRS 17	Insurance Contracts	1 January 2021	Preliminary assessment indicates minimal impact arising on the adoption of this standard	1 July 2021

(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), referred to jointly as MAV insurance, and the MAV WorkCare Self-Insurance Mutual Scheme (Commenced 1 November 2017), referred to as MAV WorkCare.

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 MAV Insurance, and MAV WorkCare 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 MAV Insurance and MAV WorkCare represent the assets of the members of each of the insurance mutual schemes 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%
Educational Programs at cost	20%

INTANGIBLE ASSETS

The website and educational programs are treated as intangible assets with a finite life and is amortised over the useful life and tested for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in the accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in statement of comprehensive income in the expense category "Amortisation". The 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 23) 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, MAV Insurance and MAV WorkCare 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.

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.

2018	Level 1	Level 2	Level 3	Total
Investments	–	75,817,841	–	75,817,841
TOTAL	–	75,817,841	–	75,817,841
2017				
Investments	–	21,269,695	–	21,269,695
TOTAL	–	21,269,695	–	21,269,695

(q) Self-insurance licence – MAV WorkCare Self-Insurance Scheme

Under the Accident Compensation Act 1985 the MAV is specifically named as a body that can apply for a Workers' Compensation Self-Insurance Licence. Since 2015 the MAV has been working to establish the MAV WorkCare Scheme. In that time significant work has been completed on the organisational and financial structure of the Scheme, improving members Occupational Health & Safety systems and providing confidence that members can achieve one hundred percent conformance to the National Audit Tool at the end of the first licence period of three years. On 3 May 2017 WorkSafe Victoria approved the MAV as a self-insurer for a period of three years commencing from 4pm on 1 November 2017. MAV completed all conditions precedent and all pre-commencement action items to the satisfaction of WorkSafe Victoria and as a result commenced operating MAV WorkCare Self-Insurance Mutual Scheme on 1 November 2017.

There were thirty-one inaugural members of the Scheme, including the MAV. On commencement of the Scheme WorkSafe Victoria transferred the Net Claims Outstanding Liability as at 31 October 2017 and also transferred the cash equivalent to the valuation of the Net Outstanding Claims Liability. The cost of the Self-insurance licence of \$1,266,590 has been expensed in the 2018 financial year. (Refer Notes 31 & 32).

Summary of accounting policies relating to both MAV Insurance and MAV WorkCare 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 prorata 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 Schemes 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 – MAV Insurance

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 2.5% per annum (2017 3%) for personal injury non large claims and the discount rate at 2.4% (2017 2.4%).

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 28.

The MAV has purchased retrospective insurance cover on the net amount of all claims incurred up to 30 June 2018. (Refer to Note 35).

(u) Claims – MAV WorkCare

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 for weekly, medical and other payments to be 1.2% per annum and for common law payments to be 3.2% per annum and the discount rate at 2.7%.

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 28.

(v) 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.

(w) 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.

(x) 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.

(y) Correction of a Prior Period Error

Reinsurance recoveries on estimated claim liabilities for two members of the LMI scheme were incorrectly calculated from the 2011 insurance year. The reversal of the error has increased reinsurance recoveries by \$1.334m, and increased claims handling expenses by \$0.001m. This has resulted in a net increase in reinsurance recoveries which has consequently reduced net claims liabilities by \$1.333m and increased the net surplus by the same amount. The impact of the amendment is to increase the surplus in the applicable periods as follows:

2018	\$410,000
2017	\$237,492
pre 2017	\$685,510
TOTAL	\$923,002

Impact on prior year amounts

The impact of the prior period restatement on the net surplus for the year ended 30 June 2017 is as follows:

	Combined
Reconciliation of net surplus	2017
	\$
Net surplus before change related to actuarial error	74,400
Restatement	237,492
Net surplus after change related to actuarial error	311,892

Reconciliation of combined income statement before the prior period restatement and that after the change	2017 (Before)	Effect of restatement	2017 (After)
	\$	\$	\$
Revenue	55,475,650	237,492	55,713,142
Net Surplus	74,400	237,492	311,892

The impact of the prior period restatement on the Assets and Net Equity at 30 June 2017 is as follows::

Reconciliation of combined statement of financial position before the prior period restatement and after the change	2017 (Before)	Effect of restatement	2017 (After)
	\$	\$	\$
CURRENT ASSETS			
Trade and other receivables	48,393,349	277,574	48,670,923
TOTAL CURRENT ASSETS	66,235,967	277,574	66,513,541
NON CURRENT ASSETS			
Trade and other receivables	65,395,291	645,428	66,040,719
TOTAL NON CURRENT ASSETS	78,904,484	645,428	79,549,912
TOTAL ASSETS	145,140,451	923,002	146,063,453
NET ASSETS	6,907,275	923,002	7,830,277
EQUITY	6,907,275	923,002	7,830,277

3. CONTRIBUTION TO OPERATING SURPLUS

		Combined	
		2018	2017
	Note	\$	\$
CONTRIBUTIONS FROM INSURANCE & WORKCARE ACTIVITIES			
Premium income		31,513,210	22,938,145
Performance bonus	24	138,212	2,792,580
Reinsurance expense	2(w)	(35,817,330)	(15,169,730)
NET PREMIUM INCOME		(4,165,908)	10,560,995
Loss on transfer of claims outstanding at scheme commencement	32	(1,622,094)	–
Claims expense	5(a)	(25,466,679)	(16,237,978)
Reinsurance and other recoveries	2(v)	38,164,634	13,691,492
NET CLAIMS EXPENSE	15	11,075,861	(2,546,486)
NET UNDERWRITING RESULT		6,909,953	8,014,509
Fees received		89,852	94,221
Investment income		1,636,968	719,991
Administration and general expenses		(11,180,129)	(6,543,139)
INSURANCE ACTIVITY OPERATING SURPLUS		(2,543,356)	2,285,582
MAV SURPLUS (DEFICIT)		1,515,503	(1,973,690)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		(1,027,853)	311,892

4. REVENUE

		Combined		MAV – General Fund	
		2018	2017	2018	2017
	Note	\$	\$	\$	\$
REVENUES FROM OPERATING ACTIVITY					
Subscriptions/premiums		34,561,254	25,817,964	3,075,205	2,906,636
Reinsurance and other recoveries	2(u)	38,164,634	13,691,492	–	–
Performance bonus	31	138,212	2,792,580	–	–
Brokerage fees		1,248,036	1,258,152	1,248,036	1,258,152
Management fee income		4,238,032	2,369,518	5,119,585	3,233,314
Seminars & sale of publications		1,155,218	1,222,332	1,155,218	1,222,332
Sponsorship, membership and tender income		3,706,421	3,785,429	3,706,421	3,785,429
Grant income	25	4,459,299	3,802,241	4,459,299	3,802,241
Investment income		1,769,141	949,178	132,173	229,187
TOTAL REVENUE FROM OPERATING ACTIVITIES		89,440,247	55,688,886	18,895,937	16,437,291
REVENUES FROM NON-OPERATING ACTIVITIES					
Gain on disposal of non-current assets		24,931	24,256	24,931	24,256
TOTAL REVENUE FROM OUTSIDE THE OPERATING ACTIVITIES		24,931	24,256	24,931	24,256
TOTAL REVENUE		89,465,178	55,713,142	18,920,868	16,461,547

5(a). CLAIMS EXPENSES

		Combined	
		2018	2017
	Note	\$	\$
Paid		(37,666,621)	16,169,077
Outstanding claims at end of financial year	14(a)	169,362,151	106,228,851
Less: Outstanding claims at beginning of financial year		(106,228,851)	(106,159,950)
TOTAL CLAIMS EXPENSES	2(t) & 2(u)	25,466,679	16,237,978

5(b). EXPENSES

The following items have been recognised in the operating surplus:

	Note	Combined		MAV – General Fund	
		2018	2017	2018	2017
		\$	\$	\$	\$
Re-insurance expense		35,817,330	15,169,730	–	–
Claims expense		25,466,679	16,237,978	–	–
Scheme management fee	8	4,018,374	3,250,561	–	–
Loss on transfer of claims	32	1,622,094	–	–	–
WorkSafe Self Insurer Levy		606,756	–	–	–
Administration		3,405,675	2,863,733	2,193,584	2,446,731
ALGA membership		483,118	470,723	483,118	470,723
Amortisation of website and educational programs		16,686	26,641	16,685	26,641
Audit fees	7	299,929	217,507	30,076	81,802
Board of management expenses		298,932	251,392	263,677	251,392
Depreciation of furniture and equipment		40,794	22,224	28,957	10,378
Depreciation of motor vehicles		83,097	85,430	80,646	85,430
Depreciation of information technology equipment		89,599	58,347	89,358	58,347
Depreciation of leasehold improvements		21,872	23,504	2,149	3,783
Grants and projects		6,774,555	7,411,266	5,398,419	7,411,266
Legal & actuarial fees		194,461	102,363	–	–
Meetings and seminars		1,292,531	1,085,992	1,290,731	1,082,392
Operating lease rental expense		839,557	811,165	825,151	797,234
Salary and payroll costs		7,528,226	5,709,118	6,702,814	5,709,118
Stamp duty		1,592,767	1,603,577	–	–
TOTAL EXPENDITURE		90,493,031	55,401,250	17,405,365	18,435,237

6. LEASING COMMITMENTS

	Combined		MAV – General Fund	
	2018	2017	2018	2017
	\$	\$	\$	\$
Operating lease commitments, being for lease of OCE and OCE colour copiers				
Not later than one year	25,707	1,982	25,707	1,982
Later than one year but not later than five years	48,235	–	48,235	–
TOTAL LEASE COMMITMENT	73,942	1,982	73,942	1,982
Operating lease commitments, being for lease of leasehold premises:				
Not later than one year	894,226	859,814	894,226	859,814
Later than one year but not later than five years	3,415,877	4,310,102	3,415,877	4,310,102
Later than five years	–	–	–	–
TOTAL LEASE COMMITMENT	4,310,103	5,169,916	4,310,103	5,169,916

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	
	2018	2017	2018	2017
	\$	\$	\$	\$
Amounts received or due and receivable for audit services:				
Audit services	299,929	217,507	30,076	81,802
TOTAL AUDITORS FEES	299,929	217,507	30,076	81,802

8. SCHEME MANAGEMENT FEES

	Combined			
	2018	2017		
	Note	\$	\$	\$
Scheme management fees are paid to the scheme manager for:				
Re-insurance placement – MAV Insurance		2,220,220	2,220,220	
Risk management and administrative services – MAV Insurance		1,307,115	1,030,341	
Occupational Health and Safety – MAV WorkCare		196,415	–	
Risk Identification and Prevention- MAV WorkCare		196,415	–	
Training and Education – MAV WorkCare		98,209	–	
TOTAL SCHEME MANAGEMENT FEES	5(b)	4,018,374	3,250,561	

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	
	2018	2017	2018	2017
	Note	\$	\$	\$
Cash and cash equivalents		18,749,371	9,402,131	8,302,680
TOTAL CASH AND CASH EQUIVALENTS		18,749,371	9,402,131	8,302,680

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

Surplus (Deficit) for year		(1,027,853)	311,892	1,515,503	(1,973,690)
Depreciation		235,359	189,494	201,101	157,929
Amortisation		16,684	26,641	16,684	26,641
(Surplus)/deficit on disposal of assets		(24,931)	(24,256)	(24,931)	(24,256)
Unrealised gains on investments		(636,605)	(683,320)	–	–
Changes in assets and liabilities					
(Increase)/decrease in accounts receivable	2(f)	(37,854,238)	3,000,623	(3,178,071)	5,779,152
(Increase)/decrease in prepayments		(1,990,614)	(50,060)	(191,380)	(49,833)
Increase/(decrease) in accounts payable		24,499,935	(2,864,582)	883,048	(1,922,704)
Increase/(decrease) in provision for employee entitlements		(6,131)	51,078	(33,561)	51,078
Increase/(decrease) in outstanding claims	2(t)	63,133,300	68,901	–	–
Increase/(decrease) in premiums in advance		17,176,552	(1,696,594)	–	–
Increase/(decrease) in other liabilities		57,747	(631,370)	57,747	(631,370)
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES		63,579,205	(2,301,553)	(753,860)	1,412,948

10. RECEIVABLES

		Combined		MAV – General Fund	
		2018	2017	2018	2017
	Note	\$	\$	\$	\$
Future reinsurance and other recoveries receivable	2(u)	114,608,348	90,755,042	–	–
Discount to present value		(8,870,325)	(7,372,537)	–	–
		105,738,023	83,382,505	–	–
Premiums receivable	2(s)	37,632,208	23,268,603	–	–
Other receivables		8,007,792	8,060,534	8,064,938	4,886,867
TOTAL RECEIVABLES		151,378,023	114,711,642	8,064,938	4,886,867
Represented By:			–		–
Current		67,137,069	48,670,923	8,064,938	4,886,867
Non-current		84,240,954	66,040,719	–	–
TOTAL		151,378,023	114,711,642	8,064,938	4,886,867

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
2018					
Combined	45,640,000	43,076,701	266,320	854,487	1,442,493
MAV General Fund	8,064,938	5,945,630	266,319	473,129	1,379,861
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

11. PREMIUMS IN ADVANCE

		Combined		MAV – General Fund	
		2018	2017	2018	2017
	Note	\$	\$	\$	\$
Contributions billed in advance		38,418,103	21,241,551	–	–

12. PROPERTY AND EQUIPMENT

	Combined		MAV – General Fund	
	2018	2017	2018	2017
	\$	\$	\$	\$
Leasehold Improvements – at cost	896,716	896,716	717,275	717,275
Less accumulated depreciation	(896,327)	(874,452)	(716,886)	(714,736)
	389	22,264	389	2,539
Furniture and Equipment – at cost	973,879	924,922	875,860	826,902
Less accumulated depreciation	(912,818)	(871,782)	(814,799)	(785,610)
	61,061	53,140	61,061	41,292
Motor vehicles – at cost	407,732	409,690	370,964	409,690
Less accumulated depreciation	(167,235)	(174,572)	(164,784)	(174,572)
	240,497	235,118	206,180	235,118
Information technology equipment – at cost	947,537	877,560	945,783	877,560
Less accumulated depreciation	(808,173)	(733,230)	(807,932)	(733,230)
	139,364	144,330	137,851	144,330
TOTAL PROPERTY AND EQUIPMENT	441,311	454,852	405,481	423,279

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	22,264	45,768	2,539	6,322
Additions	–	–	–	–
Disposals	–	–	–	–
Depreciation	(21,875)	(23,504)	(2,150)	(3,783)
End of year	389	22,264	389	2,539
FURNITURE AND EQUIPMENT				
Movements during the year		–		–
Beginning of year	53,140	37,844	41,292	14,150
Additions	50,091	37,520	50,091	37,520
Disposals	–	–	–	–
Depreciation	(42,170)	(22,224)	(30,322)	(10,378)
End of year	61,061	53,140	61,061	41,292
MOTOR VEHICLES				
Movements during the year				
Beginning of year	235,118	267,121	235,118	267,121
Additions	138,857	130,534	102,089	130,534
Disposals	(50,380)	(77,108)	(50,380)	(77,108)
Depreciation	(83,097)	(85,430)	(80,646)	(85,430)
End of year	240,497	235,118	206,180	235,118
INFORMATION TECHNOLOGY EQUIPMENT				
Movements during the year				
Beginning of year	144,330	80,537	144,330	80,537
Additions	84,633	122,140	82,879	122,140
Disposals	–	–	–	–
Depreciation	(89,599)	(58,347)	(89,358)	(58,347)
End of year	139,364	144,330	137,851	144,330

13. INTANGIBLE ASSETS

	Combined		MAV – General Fund	
	2018	2017	2018	2017
	\$	\$	\$	\$
Website, Licences and Educational Programs	1,013,169	879,620	875,718	742,169
Less accumulated amortisation	(878,400)	(861,650)	(740,949)	(724,199)
	134,769	17,970	134,769	17,970

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	17,970	44,611	17,970	44,611
Additions	133,485	–	133,485	–
Disposals	–	–	–	–
Depreciation	(16,686)	(26,641)	(16,686)	(26,641)
End of year	134,769	17,970	134,769	17,970

COMBINED – MAV INSURANCE AND MAV WORKCARE

14(a) OUTSTANDING CLAIMS

	Combined	
	2018	2017
	Note	\$
Central Estimate		184,943,205
Discount to present value		(21,533,643)
Excesses and recoveries – discounted to present value		(111,512)
		163,298,050
Claims handling costs		6,064,101
Risk margin	14(b)	–
TOTAL OUTSTANDING CLAIMS		169,362,151
Comprising:		
Current		30,284,377
Non-current		139,077,774
TOTAL CLAIMS PROVISION	2(t) & (u)	169,362,151

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

As at 30 June 2018, both the MAV Insurance Board and the MAV WorkCare 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 and the captive, non-discretionary mutual structure of MAV WorkCare. As a result, a 0% risk margin was applied to the central estimate (2017 0%) to achieve the desired level of sufficiency. Please see Note 28.

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

	2018			2017		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	\$	\$	\$	\$	\$	\$
Outstanding claims brought forward	106,228,855	83,382,509	22,846,346	106,159,952	81,401,940	24,758,012
Outstanding claims transferred from WorkSafe	67,143,225	–	67,143,225	–	–	–
Changes in assumptions	22,166,293	16,111,951	6,054,342	16,169,076	11,643,186	4,525,890
Increase in claims incurred/recoveries anticipated	3,300,386	22,052,686	(18,752,300)	68,903	2,048,307	(1,979,406)
Incurred claims recognised in Statement of Comprehensive Income	25,466,679	38,164,637	(12,697,958)	16,237,979	13,691,493	2,546,486
Claim payments/recoveries during the year	(29,476,608)	(15,954,941)	(13,521,657)	(16,169,076)	(11,710,924)	(4,458,152)
Outstanding claims carried forward	169,362,151	105,592,204	63,769,947	106,228,855	83,382,509	22,846,346
Debtor Excesses and Reinsurance Recoveries on Paid Claims	–	3,898,696	(3,898,696)	–	–	–
TOTAL NET OUTSTANDING CLAIMS	169,362,151	101,693,508	67,668,643	106,228,855	83,382,509	22,846,346

15. NET CLAIMS INCURRED

	2018			2017		
	Current Year	Prior Year	Total	Current Year	Prior Year	Total
	\$	\$	\$	\$	\$	\$
Insurance						
Gross Claims and related Expenses – undiscounted	33,142,504	(8,490,071)	24,652,433	20,700,235	(2,077,763)	18,622,472
Discount	(3,323,495)	4,137,741	814,246	(1,974,323)	(410,171)	(2,384,494)
Gross Claims and related expenses – discounted	29,819,009	(4,352,330)	25,466,679	18,725,912	(2,487,934)	16,237,978
Reinsurance and other recoveries – undiscounted	(20,709,468)	(18,326,329)	(39,035,797)	(14,687,574)	372,179	(14,315,395)
Discount	199,467	671,692	871,159	(357,072)	980,975	623,903
Reinsurance and other recoveries – discounted	(20,510,001)	(17,654,637)	(38,164,638)	(15,044,646)	1,353,154	(13,691,492)
NET CLAIMS INCURRED	9,309,009	(22,006,968)	(12,697,959)	3,681,266	(1,134,780)	2,546,486

16. CLAIMS DEVELOPMENT TABLE

Accident Year	2014	2015	2016	2017	2018	Total
		\$	\$	\$	\$	\$
GROSS ESTIMATE OF ULTIMATE CLAIMS COST – LIABILITY MUTUAL INSURANCE						
At end year of accident	22,191,872	22,465,862	22,303,614	20,097,434	37,235,803	
One year later	22,401,912	21,693,885	20,487,169	36,489,665	–	
Two years later	28,143,146	21,462,820	32,890,267	–	–	
Three years later	28,118,433	33,998,637	–	–	–	
Four years later	39,728,246	–	–	–	–	
Current estimate of cumulative claims cost	39,728,246	33,998,637	32,890,267	36,489,665	37,235,803	180,342,618
Cumulative payments	(24,486,187)	(12,363,978)	(6,713,181)	(4,244,458)	(1,850,135)	(49,657,939)
Outstanding claims – undiscounted	15,242,059	21,634,659	26,177,086	32,245,207	35,385,667	130,684,678
Discount						(14,512,445)
Claims handling expense						4,065,352
2013 and prior						49,124,565
COMBINED GROSS OUTSTANDING CLAIMS	14 (c)					169,362,150
GROSS ESTIMATE OF ULTIMATE CLAIMS COST – MAV WORKCARE AND MAV INSURANCE COMBINED						
At end year of accident	4,602,870	12,238,620	3,710,694	3,367,525	14,316,484	
One year later	4,674,158	11,932,830	3,740,554	15,263,171	–	
Two years later	4,707,042	11,973,116	14,648,934	–	–	
Three years later	4,237,880	16,537,392	–	–	–	
Four years later	16,140,949	–	–	–	–	
Current estimate of cumulative claims cost	16,140,949	16,537,392	14,648,934	15,263,171	14,316,484	76,906,930
Cumulative payments	(10,333,435)	(10,031,136)	(5,506,293)	(4,050,757)	(1,814,962)	(31,736,583)
Outstanding claims – undiscounted	5,807,514	6,506,256	9,142,641	11,212,414	12,501,522	45,170,347
Discount						(7,860,822)
Claims handling expense						4,065,352
2013 and prior						22,395,071
NET OUTSTANDING CLAIMS	14 (c)					63,769,947
Debtor excesses and recoveries on paid claims						3,898,696
COMBINED NET OUTSTANDING CLAIMS	14 (c)					67,668,643

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

MAV INSURANCE

17(a) OUTSTANDING CLAIMS

MAV Insurance			
		2018	2017
	Note	\$	\$
Central Estimate		109,673,543	114,497,031
Discount to present value		(9,549,766)	(9,948,245)
Excesses and recoveries		679,448	634,577
		100,803,225	105,183,363
Claims handling costs		1,001,231	1,045,488
Risk margin	20(b)	–	–
TOTAL OUTSTANDING CLAIMS		101,804,456	106,228,851
Comprising:			
Current		18,423,348	20,220,883
Non-current		83,381,108	86,007,968
TOTAL CLAIMS PROVISION	2(t)	101,804,456	106,228,851

17(b) RISK MARGIN – PROCESS FOR DETERMINING RISK MARGIN

As at 30 June 2018, both 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 (2017 0%) to achieve the desired level of sufficiency. Please see Note 28.

17(c) RECONCILIATION OF MOVEMENT IN DISCOUNTED OUTSTANDING CLAIMS LIABILITY

	2018			2017		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	\$	\$	\$	\$	\$	\$
Outstanding claims brought forward	106,228,851	83,382,505	22,846,346	106,159,952	80,716,429	25,443,523
Changes in assumptions	22,166,293	16,111,951	6,054,342	16,169,076	11,643,183	4,525,893
Increase in claims incurred/recoveries anticipated	(4,424,396)	21,162,403	(25,586,799)	68,903	1,810,818	(1,741,915)
Incurring claims recognised in Statement of Comprehensive Income	17,741,897	37,274,354	(19,532,457)	16,237,979	13,454,001	2,783,976
Claim payments/recoveries during the year	(22,166,292)	(15,954,943)	(6,211,349)	(16,169,076)	(11,710,924)	(4,458,152)
Outstanding claims carried forward	101,804,456	104,701,916	2,897,460	106,228,851	82,459,506	23,769,345
Debtor Excesses and Reinsurance Recoveries on Paid Claims	–	3,898,691	(3,898,691)	–	3,178,094	(3,178,094)
TOTAL NET OUTSTANDING CLAIMS	101,804,456	100,803,225	1,001,231	106,228,851	79,281,412	26,947,439

18. NET CLAIMS INCURRED

	2018			2017		
	Current Year	Prior Year	Total	Current Year	Prior Year	Total
	\$	\$	\$	\$	\$	\$
Insurance						
Gross Claims and related Expenses – undiscounted	22,362,754	(5,064,199)	17,298,555	20,700,235	(2,077,763)	18,622,472
Discount	(2,088,268)	2,531,610	443,342	(1,974,323)	(410,171)	(2,384,494)
Gross Claims and related expenses – discounted	20,274,486	(2,532,589)	17,741,897	18,725,912	(2,487,934)	16,237,978
Reinsurance and other recoveries – undiscounted	(19,498,136)	(18,326,326)	(37,824,462)	(14,687,574)	589,592	(14,097,982)
Discount	(121,584)	671,692	550,108	(352,397)	996,377	643,980
Reinsurance and other recoveries – discounted	(19,619,720)	(17,654,634)	(37,274,354)	(15,039,971)	1,585,969	(13,454,002)
NET CLAIMS INCURRED	654,766	(20,187,223)	(19,532,457)	3,685,941	(901,965)	2,783,976

19. CLAIMS DEVELOPMENT TABLE

Accident Year	2014	2015	2016	2017	2018	Total
	\$	\$	\$	\$	\$	\$
GROSS ESTIMATE OF ULTIMATE CLAIMS COST – LIABILITY MUTUAL INSURANCE						
At end year of accident	22,191,872	22,465,862	22,303,614	20,097,434	21,743,945	
One year later	22,401,912	21,693,885	20,487,169	21,295,287	–	
Two years later	28,143,146	21,462,820	18,332,130	–	–	
Three years later	28,118,433	21,059,584	–	–	–	
Four years later	26,386,725	–	–	–	–	
Current estimate of cumulative claims cost	26,386,725	21,059,584	18,332,130	21,295,287	21,743,945	108,817,672
Cumulative payments	(17,422,247)	(6,434,505)	(1,667,430)	(600,254)	(148,858)	(26,273,294)
Outstanding claims – undiscounted	8,964,478	14,625,079	16,664,700	20,695,033	21,595,087	82,544,378
Discount						(7,078,713)
Claims handling expense						748,141
2013 and prior						25,590,649
LIABILITY MUTUAL INSURANCE – TOTAL COMBINED GROSS OUTSTANDING CLAIMS	17(a) & 17(c)					101,804,456

NET ESTIMATE OF ULTIMATE CLAIMS COST – LIABILITY MUTUAL INSURANCE

Accident Year	2014	2015	2016	2017	2018	Total
	\$	\$	\$	\$	\$	\$
At end year of accident	4,602,870	12,238,620	3,710,694	3,367,525	35,959	
One year later	4,674,158	11,932,830	3,740,554	68,793	–	
Two years later	4,707,042	11,973,116	90,797	–	–	
Three years later	4,237,880	3,598,339	–	–	–	
Four years later	2,799,428	–	–	–	–	
Current estimate of cumulative claims cost	2,799,428	3,598,339	90,797	68,793	35,959	6,593,316
Cumulative payments	(3,269,495)	(4,101,663)	(460,542)	(406,553)	(113,685)	(8,351,938)
Outstanding claims – undiscounted	(470,067)	(503,324)	(369,745)	(337,760)	(77,726)	(1,758,622)
Discount						(748,141)
Claims handling expense						748,141
2013 and prior						(1,138,838)
NET OUTSTANDING CLAIMS						(2,897,460)
Debtor excesses and recoveries on paid claims						3,898,691
TOTAL NET OUTSTANDING CLAIMS	17 (c)					1,001,231

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

MAV WORKCARE

20(a) OUTSTANDING CLAIMS

		MAV WorkCare	
		2018	2017
	Note	\$	\$
Central Estimate		75,269,662	–
Discount to present value		(11,983,877)	–
Excesses and recoveries		(790,953)	–
		62,494,832	–
Claims handling costs		5,062,863	–
Risk margin	20(b)	–	–
TOTAL OUTSTANDING CLAIMS		67,557,695	–
Comprising:			
Current		11,861,029	–
Non-current		55,696,666	–
TOTAL CLAIMS PROVISION	2(u)	67,557,695	–

20(b) RISK MARGIN – PROCESS FOR DETERMINING RISK MARGIN

As at 30 June 2018, the MAV WorkCare Board determined that the outstanding claims liability is to be held at the 50% probability of sufficiency on the basis of the captive, non-discretionary mutual structure of MAV WorkCare. As a result, a 0% risk margin was applied to the central estimate to achieve the desired level of sufficiency. Please see Note 28.

20(c) RECONCILIATION OF MOVEMENT IN DISCOUNTED OUTSTANDING CLAIMS LIABILITY

	2018			2017		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	\$	\$	\$	\$	\$	\$
Outstanding claims brought forward	67,143,225	—	67,143,225	—	—	—
Changes in assumptions	—	—	—	—	—	—
Increase in claims incurred/recoveries anticipated	7,724,781	—	—	—	—	—
Inurred claims recognised in Statement of Comprehensive Income	7,724,781	890,281	6,834,499	—	—	—
Claim payments/recoveries during the year	(7,310,311)	—	(7,310,311)	—	—	—
Outstanding claims carried forward	67,557,695	890,281	66,667,414	—	—	—

21. NET CLAIMS INCURRED

	2018			2017		
	Current Year	Prior Year	Total	Current Year	Prior Year	Total
	\$	\$	\$	\$	\$	\$
MAV WorkCare						
Gross Claims and related Expenses – undiscounted	10,779,750	(3,425,872)	7,353,877	—	—	—
Discount	(1,235,220)	1,606,124	370,904	—	—	—
Gross Claims and related expenses – discounted	9,544,529	(1,819,749)	7,724,781	—	—	—
Reinsurance and other recoveries – undiscounted	(1,211,332)	—	(1,211,332)	—	—	—
Discount	321,051	—	321,051	—	—	—
Reinsurance and other recoveries – discounted	(890,281)	—	(890,281)	—	—	—
NET CLAIMS INCURRED	8,654,248	(1,819,749)	6,834,499	—	—	—

22. CLAIMS DEVELOPMENT TABLE

Accident Year	2014	2015	2016	2017	2018	Total
		\$	\$	\$	\$	\$

GROSS ESTIMATE OF ULTIMATE CLAIMS COST – LIABILITY MUTUAL INSURANCE

At end year of accident					15,491,858	
One year later				15,194,378		
Two years later			14,558,137			
Three years later		12,939,053				
Four years later	13,341,521					
Current estimate of cumulative claims cost	13,341,521	12,939,053	14,558,137	15,194,378	15,491,858	71,524,947
Cumulative payments	(7,063,940)	(5,929,473)	(5,045,751)	(3,644,204)	(1,701,277)	(23,384,645)
Outstanding claims – undiscounted	6,277,581	7,009,580	9,512,386	11,550,174	13,790,580	48,140,301
Discount						(7,433,732)
Claims handling expense						3,317,211
2013 and prior						23,533,915
LIABILITY MUTUAL INSURANCE – TOTAL GROSS OUTSTANDING CLAIMS						67,557,695
COMBINED GROSS OUTSTANDING CLAIMS	20 (a)					67,557,695

NET ESTIMATE OF ULTIMATE CLAIMS COST – LIABILITY MUTUAL INSURANCE

At end year of accident					14,280,525	
One year later				15,194,378		
Two years later			14,558,137			
Three years later		12,939,053				
Four years later	13,341,521					
Current estimate of cumulative claims cost	13,341,521	12,939,053	14,558,137	15,194,378	14,280,525	70,313,614
Cumulative payments	(7,063,940)	(5,929,473)	(5,045,751)	(3,644,204)	(1,701,277)	(23,384,645)
Outstanding claims – undiscounted	6,277,581	7,009,580	9,512,386	11,550,174	12,579,248	46,928,969
Discount						(7,112,681)
Claims handling expense						3,317,211
2013 and prior						23,533,916
LIABILITY MUTUAL INSURANCE – TOTAL NET OUTSTANDING CLAIMS	20 (c)					66,667,414

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

23. PROVISIONS FOR EMPLOYEE ENTITLEMENTS

	Combined		MAV – General Fund	
	2018	2017	2018	2017
	\$	\$	\$	\$

The aggregate amount of employee entitlement liability is comprised of:

Provisions (current)	955,438	978,647	929,042	978,647
Provisions (non-current)	118,227	101,149	117,194	101,149
TOTAL EMPLOYEE ENTITLEMENTS	1,073,665	1,079,796	1,046,236	1,079,796

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	1,079,796	1,028,716	1,079,796	1,028,716
Entitlements Paid	(386,796)	(386,796)	(386,796)	(386,796)
Increase in Provision	353,236	437,876	353,236	437,876
BALANCE AT END OF YEAR	1,073,665	1,079,796	1,046,236	1,079,796

24. 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 \$544,766 (2017 \$483,065).

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 2018, 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 30 June 2018, 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 2018, 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% at the date of the actuarial investigation); or
- (b) a fund's VBI is below its shortfall limit at any time other than at the date of the actuarial investigations.

If either of the above occur, the fund has a shortfall for the purposes of SPS 160 and the fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. There may be circumstances where the Australian Prudential Regulation Authority (APRA) may approve a period longer than three years.

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

The full actuarial investigation of the Fund's liability for accrued benefits was based on the Fund's position as at 30 June 2018.

This actuarial investigation was completed in September 2018 and confirmed that the Fund's Vested Benefits Index (VBI) was greater than 100% and as a consequence no call on member assets was required.

25. 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 \$4,818,095 (2017 \$3,985,811) after deducting an estimate of costs of administration.

	Combined		MAV – General Fund	
	2018	2017	2018	2017
	\$	\$	\$	\$
Recognised in the Statement of Comprehensive Income				
Grant Income	4,459,299	3,802,241	4,459,299	3,802,241

The MAV does not receive any other government assistance.

26. 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
2018	\$	\$	\$	\$
FINANCIAL ASSETS				
Cash and cash equivalents	–	18,749,371	–	7,250,376
Investments	–	75,817,841	–	–
Trade and other receivables	151,378,023	–	8,064,938	–
TOTAL FINANCIAL ASSETS	151,378,023	94,567,212	8,064,938	7,250,376
Weighted Average Interest Rate		2.8%		1.7%
FINANCIAL LIABILITIES				
Outstanding claims	184,943,205	–	–	–
Unearned premiums/subscriptions	38,418,103	–	–	–
Trade and other payables	32,090,282	–	6,849,797	–
TOTAL FINANCIAL LIABILITIES	255,451,590	–	6,849,797	–
Weighted Average Interest Rate		0%		0%

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

	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	114,711,642	–	4,886,867	–
TOTAL FINANCIAL ASSETS	114,711,642	30,671,826	4,886,867	8,302,680
Weighted average interest rate		3.0%		3.0%
FINANCIAL LIABILITIES				
Outstanding claims	106,228,855	–	–	–
Unearned premiums/subscriptions	21,241,551	–	–	–
Trade and other payables	8,768,259	–	5,973,339	–
TOTAL FINANCIAL LIABILITIES	136,238,665	–	5,973,339	–
Weighted average interest rate		0%		0%

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 2018. Cash flows for financial assets and liabilities without fixed amount or timing are based on conditions existing at 30 June 2018.

The remaining contractual maturities of the financial liabilities are:

	Combined		MAV – General Fund	
	2018	2017	2018	2017
	\$	\$	\$	\$
3 months or less	42,096,471	19,187,388	6,849,798	5,973,339
3-12 months	41,580,455	32,801,287	1,616,995	1,534,372
1-5 years	92,579,765	62,620,643	401,705	460,141
Over 5 years	67,879,815	32,937,524	–	–
	244,136,505	147,546,842	8,868,498	7,967,852

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 covering its insurance business that reflects the management of expected settlement of financial assets and liabilities.

Year ended 30 June 2018	<3 months	3-12 months	1-5 years	>5years	Total
	\$	\$	\$	\$	\$

COMBINED FINANCIAL ASSETS

Cash & cash equivalents	30,449,371	–	–	–	30,449,371
Investments	64,117,841	11,700,000	–	–	75,817,841
Trade and other receivables	42,425,743	15,817,032	60,962,688	32,172,585	151,378,048
	136,992,955	27,517,032	60,962,688	32,172,585	257,645,260

COMBINED FINANCIAL LIABILITIES

Outstanding claims	7,661,783	22,985,348	92,579,765	67,879,815	191,106,710
Unearned premiums/subscriptions	9,604,526	28,813,577	–	–	38,418,102
Trade and other payables	31,931,274	2,383	–	–	31,933,657
Other liabilities	–	1,616,995	401,705	–	2,018,700
TOTAL FINANCIAL LIABILITIES	49,197,582	53,418,302	92,981,470	67,879,815	263,477,169
NET MATURITY	87,795,373	(25,901,271)	(32,018,782)	(35,707,230)	(5,831,909)

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	–	1,534,373	460,141	–	1,994,514
TOTAL FINANCIAL LIABILITIES	19,187,388	32,801,288	62,620,643	32,937,524	147,546,843
NET MATURITY	48,135,676	(20,893,531)	(17,228,145)	(5,753,670)	4,260,330
Year ended 30 June 2018	<3 months	3-12 months	1-5 years	>5years	Total
	\$	\$	\$	\$	\$
MAV GENERAL FUND FINANCIAL ASSETS					
Cash & cash equivalents	7,250,376	–	–	–	7,250,376
Trade and other receivables	8,064,938	–	–	–	8,064,938
	15,315,314	–	–	–	15,315,314
MAV GENERAL FUND FINANCIAL LIABILITIES					
Trade and other payables	6,849,798	–	–	–	6,849,798
Other liabilities	–	1,616,995	401,705	–	2,018,700
Total Financial Liabilities	6,849,798	1,616,995	401,705	–	8,868,498
NET MATURITY	8,465,516	(1,616,995)	(401,705)	–	6,446,816
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

INSURANCE RISK – MAV INSURANCE

Risk management objectives and policies for mitigating insurance risk

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

Actuarial models, using information from LMI'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

LMI 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.

LMI 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 LMI.

Reinsurance strategy

LMI 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 LMI having regards to ordinary concepts of prudence and regulatory constraints. The risk transfer arrangements adopted by LMI 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 LMI 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 LMI.

Terms and conditions of membership

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

Product features

LMI operates in Victoria & Tasmania. Should a claim be accepted the Scheme provides indemnity to the member for \$600 million Public / Products Liability and \$600 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 LMI.

Management of risks

Contribution risk is the risk that LMI does not charge contributions appropriate for the indemnity cover it provides. LMI 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. LMI 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.

INSURANCE RISK – MAV WORKCARE

Risk management objectives and policies for mitigating insurance risk

The MAV WorkCare Self-Insurance mutual liability scheme – trading as MAV WorkCare (the Scheme) was established in 2017 and commenced operations on 1 November 2017. Membership is available to local government councils and prescribed bodies. The Scheme operates in Victoria to provide services to members in respect of their potential and actual workers' compensation liabilities.

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. 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 workers compensation 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 WorkCare 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 reinsurers meet the requirements of the MAV WorkCare 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 for the initial three year period of the self-insurance licence ending on 31 October 2020. Current members will be requested to advise MAV of their intention to renew their membership of the Scheme for the second licence period of either four year or six years by 28 February 2020. Other eligible local government bodies will also be invited to join the Scheme at that time. Termination of membership will be determined if the member does not renew for the second licence period.

Product features

The Scheme operates in Victoria. Should a claim be accepted the Scheme provides an unlimited indemnity to the member. The Scheme purchases excess insurance cover over \$500,000 per claim from a qualified insurance company that meets the financial criteria set down in the operational policies of MAV WorkCare. The financial strength of the insurer is continually assessed to ensure it meets policy guidelines of an S&P rating of A as well as US\$25 million of free cash on its balance sheet.

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 an active OH&S and risk management program, the reinsurance arrangements, 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.

MAV GROUP

Concentration of insurance risks

Insurance risk is managed by taking a long term approach to setting the annual contribution rates that eliminates price fluctuations, through appropriate investment strategy, reinsurance and by maintaining an active state-wide risk management profile. The MAV keeps abreast of changes in the general economic, legal and commercial environment in which it operates. The MAV 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	2018	–	–	–	39.221	–	1.175	40.396
	2017	–	–	0.044	30.543	–	0.31	30.897
Reinsurance and other recoveries on paid claims	2018	–	–	–	1.289	–	0.036	1.325
	2017	–	–	0.036	1.133	–	–	1.169
		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	2018	–	1.325	–	–	–	–	1.325
	2017	–	1.169	–	–	–	–	1.169

Credit Risk

The MAV is exposed to credit risk on insurance contracts as a result of exposure to reinsurers. The credit risk of reinsurers is managed through the Schemes' Reinsurance Management Strategies 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 +0.5% / -0.5%	Operating surplus (deficit) at 30 June 2018	Total accumulated funds after the impact of applying variable
	%	%	\$	\$

IMPACT OF CHANGES IN INTEREST RATE ON FINANCIAL ASSETS

MAV				
Base value at 30 June 2018	2.8%		(1,027,853)	6,802,424
Interest Rate p.a.		3.3%	(996,543)	6,833,734
		2.3%	(1,059,163)	6,771,114

27. ACCOUNTING ESTIMATES AND JUDGEMENTS

The MAV 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"). The MAV 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 for MAV Insurance 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 2018;
- iii. An allowance of 0.8% for claim settlement expenses, as assumed by the Actuary;
- iv. Allowances for claim inflation of 2.7%, as assumed by the Actuary;
- v. Allowances for discount at 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 28(b) for details.

The determination of an appropriate outstanding claims provision for MAV WorkCare involves:

- i. Establishing a case estimate for each reported claim at year-end taking into account legal advice where appropriate;
- ii. Allowance for incurred but not reported claims as confirmed by the actuarial review on 30 June 2018;
- iii. An allowance for 8% for claim settlement expenses, as assumed by the Actuary;
- iv. Allowances for claim inflation of 3.25%, as assumed by the Actuary;
- v. Allowances for discount at 2.7%, 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 28(b) for details.

Details of specific actuarial assumptions used in deriving the outstanding claims liability at year-end are detailed in note 28.

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 2018, taking into account the reinsurance terms applying to that fund year

28. ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Assumptions – MAV Insurance

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

	2018	2017
KEY ACTUARIAL ASSUMPTIONS		
Wage inflation	2.70%	3.15%
Claim administration expense	1.0%	1.0%
Discount rate	2.4%	2.4%
Risk margin	0%	0%
Superimposed inflation	2.5%	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 30/9/1993. The Actuary was supplied with details of all transactions (payments, recoveries, changes of estimates) from 30 September 1993 to 30 June 2018. 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 5 different actuarial methods. Large claims (claims above \$250,000) were estimated based on a numbers times average size method and non-large claims were estimated using 4 different actuarial methods- payments per claim incurred, payments per claim finalised, incurred cost development and projection of case estimates. The actuary selected a combination of these methods for estimating the outstanding claims. Payments were projected with a payment pattern, based on past experience. Estimates of outstanding excesses were based on a numbers times average size method and estimates of non reinsurance recoveries were made by a recoveries per claim method.

Estimates of reinsurance recoveries were made from projected gross payments, excesses and non reinsurance recoveries, allowing for the different insurance treaties applying to each year. Based on Access Economics June 2018 forecasts for Victorian average weekly claims inflation was assumed to be 2.7%. The discount rate was assumed to be 2.4% pa, derived from the yields on Commonwealth government bonds.

Actuarial Assumptions – MAV WorkCare

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

	2018	2017
KEY ACTUARIAL ASSUMPTIONS		
Wage inflation	3.25%	-
Claim administration expense	8.0%	-
Discount rate	2.7%	-
Risk margin	0%	-
Superimposed inflation	1.8%	-

Process used to determine actuarial assumptions

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

MAV WorkCare commenced business operations on 1 November 2017. It provides workers compensation insurance for thirty Local Government Authorities and the Municipal Association of Victoria. The Actuary was supplied with details of all transactions (payments, recoveries, estimates) to 30 June 2018. The individual claim payments and case estimates reconciled closely with totals in MAV WorkCare's financial statements for the year of cover. The actuary subdivided the claims data into 2 groups (Above Excess and Below Excess) and made separate estimates of the gross outstanding claims liabilities for each claim type. The actuary estimated the gross outstanding claims liabilities for Above Excess (Standard) claims by splitting the payments on Above Excess claims into 5 different sub-groups and modelling each sub-group separately. Above Excess claims were predominantly estimated using a numbers times average size method (PPCI). Below Excess (Minor) claims were modelled separately and utilised a numbers times average size method. Payments were projected with a payment pattern, based on past experience. Estimates of non reinsurance recoveries were made by a recoveries per claim method. Outstanding non reinsurance recoveries for accident periods up to and including 2016/17 were reduced by approximately 80% to allow for the inability of MAV WorkCare to claim TAC recoveries for these accident periods. Reinsurance recoveries for periods post 1 November 2017 were estimated by considering a total payment model and a total payment model where payments are capped at the expected excess of loss limit. The difference between these two models is the implied reinsurance recovery that would have been received if a similar reinsurance contract had been in place for historical periods. There has been no allowance for reinsurance recoveries for periods prior to 1 November 2017.

Based on Access Economics June 2018 forecasts for Victorian average weekly wage inflation was assumed to be 3.25%. The discount rate was assumed to be 2.7% 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.

MAV GROUP – 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 +0.5% / -0.5%	Operating surplus (deficit) at 30 June 2018	Total accumulated funds after the impact of applying variable
	%	%	\$	\$
IMPACT OF CHANGES IN KEY VARIABLES				
MAV GROUP				
Base value at 30 June 2018	2.70%		(1,027,853)	6,802,424
Wage inflation rate p.a.		3.20%	(3,282,853)	4,547,424
		2.20%	1,027,147	8,857,424

MAV Group – 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 +0.5% / -0.5%	Operating surplus (deficit) at 30 June 2018	Total accumulated funds after the impact of applying variable
	%	%	\$	\$
IMPACT OF CHANGES IN DISCOUNT RATES				
MAV GROUP				
Base value at 30 June 2018	2.40%		(1,027,853)	6,802,424
Discount rate p.a.		2.90%	994,147	8,824,424
		1.90%	(3,149,853)	4,680,424

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 +2% / -2%	Operating surplus (deficit) at 30 June 2018	Total accumulated funds after the impact of applying variable
	%	%	\$	\$
IMPACT OF CHANGES IN CLAIMS ADMINISTRATION EXPENSE				
MAV GROUP				
Base value at 30 June 2018	1.0%		(1,027,853)	6,802,424
Claim administration expense		3.0%	(3,029,853)	4,800,424
		-1.0%	974,147	8,804,424

29. 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 MAV Insurance. The MAV has committed to WorkSafe Victoria that MAV WorkCare will maintain a capital position in excess of 85% of its total liabilities. If the capital position of MAV WorkCare should fall below 100% of total liabilities the MAV is to introduce a capital management plan to ensure MAV WorkCare returns to surplus over time. 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 MAV Insurance and MAV WorkCare. 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 of achieving and maintaining a net surplus position within both MAV Insurance and MAV WorkCare businesses. 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 as 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.

The MAV operates MAV WorkCare as a captive, non-discretionary mutual fund, and under Schedule 1, Part B, Clause 3 of the Participation Agreement 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. Schedule 1, Part B, Clause 7 of the Participation Agreement, provides the ability for MAV to make additional calls on 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.

30. 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 \$138,212 (2017 \$2,792,580) was received during the year.

31. CONTINGENT LIABILITIES

MAV Insurance

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.

MAV WorkCare

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

On 1 November 2017 MAV WorkCare commenced business as a licensed self-insurer under the WIRC Act. WorkSafe granted the licence to MAV WorkCare to commence business as a self-insurer subject to meeting performance and financial conditions. MAV met all the conditions required to be met by WorkSafe prior to commencement. One of the conditions related to the provision of a bank guarantee equivalent to one hundred and fifty per cent (150%) of the net liabilities of the Scheme. The National Australia Bank has provided a bank guarantee on behalf of the MAV to WorkSafe in the amount of \$102.206 million.

In order for the National Australia Bank to provide the Bank Guarantee the following securities were provided by the MAV:

- a) Letter of set off over a bank deposit amounting to \$11.7 million.
- b) Security Interest and Charge over the cash and investments of the MAV WorkCare Self-Insurance Scheme.

MAV WorkCare is also subject to Covenants and Undertakings it has provided to the Bank:

- a) that the market value of the cash and investments held by MAV WorkCare is to be maintained at a minimum of 65% of the Bank Guarantee amount at all times. The National Australia Bank is to be immediately notified should the investment funds fall below this level.
- b) Where WorkSafe make a claim on the Bank Guarantee and the cash reserves are insufficient to clear the liability the MAV will undertake to make a claim on its members within 30 days.

MAV GENERAL FUND

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.

No other material contingent liabilities have arisen in the year ended 30 June 2018.

32. MAV WORKCARE – SELF-INSURANCE LICENCE

On the third of May, 2017 the MAV was awarded a workers' compensation self-insurance licence under the Accident Compensation Act 1985. The MAV WorkCare Self-Insurance Scheme was established in accordance with the licence and commenced business on 1 November 2017. The cost of acquiring the workers' compensation self-insurance licence of \$1,266,590 has been identified and has been expensed during the year. The self insurance licence is for a three year period and MAV WorkCare requires the self-insurance licence in order to conduct its business and earn both current and future revenue. On commencement of the Scheme WorkSafe paid to MAV WorkCare the sum of \$65,856,545 which was the Statistical Case Estimate (SCE) of claims outstanding for the thirty-one inaugural members of the Scheme. The independent actuary to the Scheme estimated the value of the claims outstanding, including claims handling expenses, for the thirty-one inaugural members of the Scheme that were transferred by WorkSafe to the Scheme, net of recoveries, at \$67,478,639. This resulted in a deficit of \$1,622,094 at commencement.

33. SPECIAL PURPOSE VEHICLE

In October 2014, the MAV established a special purpose vehicle, Local Government Funding Vehicle (LGFV), to facilitate the issuing of debt instruments for and on behalf of its members. The 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 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.

34. 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 2018 was \$1.25 million.

35. SUBSEQUENT EVENT – PURCHASE OF RETROSPECTIVE INSURANCE COVER – MAV INSURANCE

The MAV has purchased retrospective reinsurance cover on the net amount of all MAV Insurance outstanding net claims liabilities from 30 June 2018 for the 2008-09 to 2017-18 accident years incurred up to 30 June 2018. The coverage has a retrospective date of 30 June 2018. The MAV authorised management to negotiate the retrospective coverage on 8 June 2018, received an offer to purchase retrospective coverage on 30 August 2018, the MAV Board endorsed the purchase of coverage on 14 September 2018 and a contract was signed on 18 September 2018. The discounted net amount of claims reinsured is \$21.7 million. A premium of \$20 million has been agreed with a single reinsurer which has an S&P credit rating of A+. The premium amount is to be paid quarterly on 1 October, 2018, 1 January 2019, 1 April 2019 and 1 July 2019. The agreement to purchase the retrospective reinsurance cover has enabled LMI to realise a surplus of approximately \$1.5 million after costs. The subsequent event been adjusted for in the 2018 financial statements. The arrangement has had the following effect on the financial statements – an increase in reinsurance recovery assets of \$21.7 million and an increase in trade and other payable liabilities of \$20.2m. The surplus has been brought to account in the 2018 financial year.

36. REMUNERATION OF KEY MANAGEMENT PERSONNEL

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 tables below. The key management person is the Chief Executive Officer of the MAV.

	Annual allowance \$		Data allowance \$	
President	66,888		400	
Deputy Presidents	13,790		400	
Board members	9,389		400	
	Combined		MAV – General Fund	
	2018	2017	2018	2017
	\$	\$	\$	\$
MAV BOARD MEMBERS				
Short term employment benefits	291,015	251,392	291,015	251,392
Post employment benefits	–	–	–	–
MAV INSURANCE BOARD MEMBERS				
Short term employment benefits	19,847	19,847	–	–
Post employment benefits	–	–	–	–
MAV INSURANCE BOARD MEMBERS				
Short term employment benefits	46,667	–	–	–
Post employment benefits	–	–	–	–
KEY MANAGEMENT PERSONNEL				
Short term employment benefits	374,296	374,296	374,296	374,296
Post employment benefits	30,005	30,005	30,005	30,005
TOTAL				
Short term employment benefits	685,158	645,535	665,311	625,688
Post employment benefits	30,005	30,005	30,005	30,005

Details of the total remuneration paid to each Director

Board member	Annual Allowance	Data Allowance	Expenses	TOTAL
David Clark	\$13,789.72	\$400.00	\$12,697.06	\$26,886.78
Rod Fyffe	\$9,389.48	\$400.00	\$8,569.27	\$18,358.75
Josh Gilligan	\$9,389.48	\$400.00	\$1,754.63	\$11,544.11
Ruth Gstrein	\$9,389.48	\$400.00	\$6,710.60	\$16,500.08
Malcolm Hole	\$9,389.48	\$400.00	\$6,380.39	\$16,169.87
Ron Janas	\$9,389.48	\$400.00	\$5,247.34	\$15,036.82
Jami Klisaris	\$13,789.72	\$400.00	\$1,197.34	\$15,387.06
Geoff Lake	\$9,389.48	\$400.00	\$1,177.27	\$10,966.75
Mary Lalios	\$66,887.52	\$400.00	\$10,947.21	\$78,234.73
Rohan Leppert	\$9,389.48	\$400.00	\$450.00	\$10,239.48
Tom Melican	\$9,389.48	\$400.00	\$3,867.27	\$13,656.75
Gary Norton	\$9,389.48	\$400.00	\$9,864.81	\$19,654.29
Peter Perkins	\$9,389.48	\$400.00	\$2,527.27	\$12,316.75
Total	\$188,361.76	\$5,200.00	\$71,390.48	\$264,952.24

President Cr Mary Lalios was also provided with full private use of a motor vehicle at a cost of \$26,063.41.

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

The motor vehicle that was included in the remuneration package of the former CEO was purchased by the former CEO at an arms length price as part of the departure process. There were no other material transactions with either Key management personnel or Directors.

Insurance

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

37. EVENTS SUBSEQUENT

Other than the transaction referred to in Note 35 there were no other material events subsequent to the year end that require reporting.

38. RELATED PARTIES

The MAV is a body corporate established under the Municipal Association Act of 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 \$505,043 (2017 \$504,585) 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 \$17,636 (2017 \$17,290) and to the Commercial Crime Fund \$9,526 (2017 \$9,526).

The MAV WorkCare Self-Insurance Scheme was formed by a Deed of Participation which provides for the MAV to appoint the MAV WorkCare Board to be responsible for the administration of the Scheme. Total expenses of \$Nil (2017 \$Nil) were payable to the MAV from MAV WorkCare being payment for administrative support, and overseeing the management of the workcare activities, including the conduct of bi-monthly Board meeting. MAV WorkCare will reimburse the \$1.266 million cost to establish the Workers' compensation self insurance licence over the three year period of the licence.

The MAV pays superannuation contributions to Vision Super Pty Ltd as per Note 18. Mr. Geoff Lake, an MAV Board member and Mr. Rob Spence the MAV former CEO of the MAV 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.

During the financial year the son of the former Chief Executive Officer of the MAV managed the MAV Procurement business up until his resignation on 13 March 2018. He was remunerated at market rates and his performance assessment was conducted by the Consultant – Finance & Insurance. Other than this there were no related party transactions during the year.

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

Statement by Directors

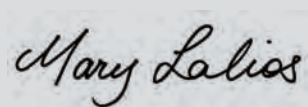
As at 30 June 2018

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

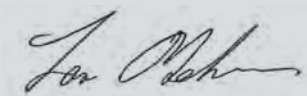
- a. the accompanying Statement of Comprehensive Income drawn up so as to present fairly in all material respects the result of the association for the year ended 30 June 2018;
- b. the accompanying Statement of Financial Position is drawn up so as to present fairly in all material respects the state 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;
- d. the accompanying Combined Financial Statements present fairly in all material respects the state of affairs of the association as at that date; and
- 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. Tom Melican
Director



Kerry Thompson
Chief Executive Officer

Melbourne
24/10/2018

Independent Audit Report



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Melbourne VIC 3000 Australia
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Independent auditor's report to the members of the 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 2018, 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 2018, 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.

Emphasis of matter - capital management and economic dependency – MAV WorkCare

We draw attention to note 29 of the financial statements which describes the capital management plan of MAV WorkCare with respect to the recovery from the net liability position, which has been impacted by the loss on transfer of liabilities on the commencement of the Scheme as described in note 32 of the financial statements.

We also draw your attention to note 20 of the financial statements which details the valuation of the outstanding claims liability as at 30 June 2018, to which a 0% risk margin has been applied to the central case estimates.

Our opinion is not qualified in respect of the above matters.

Emphasis of matter - capital management and economic dependency – MAV Insurance

We draw attention to note 29 of the financial statements which describes the capital management plan of MAV Insurance with respect to the entity remaining in a positive net asset position in the future. We also draw your attention to note 17 of the financial statements which details the valuation of the outstanding claims liability as at 30 June 2018, to which a 0% risk margin has been applied to the central case estimates.

Our opinion is not qualified in respect of the above matters.

Independent Audit Report



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

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.

Independent Audit Report



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.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Maree Pallisco'.

Maree Pallisco
Partner
Melbourne

24 October 2018

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

**MAV
INSURANCE
Financial
Report
2017-18**

Statement of Comprehensive Income

For the year ended 30 June 2018

		Combined		Liability Mutual Insurance		Commercial Crime	
		2018	2017	2018	2017	2018	2017
	Note	\$	\$	\$	\$	\$	\$
Premium revenue	3	21,421,070	22,938,145	21,421,070	22,938,145	–	–
Performance bonus	18	138,212	2,792,580	138,212	2,792,580	–	–
Re-insurance expense	2(s)	(35,169,730)	(15,169,730)	(35,169,730)	(15,169,730)	–	–
NET PREMIUM INCOME		(13,610,448)	10,560,995	(13,610,448)	10,560,995	–	–
Claims expense	4(a)	(17,741,899)	(16,237,978)	(17,741,899)	(16,237,978)	–	–
Reinsurance and other recoveries	3	37,274,353	13,691,492	37,274,353	13,691,492	–	–
NET CLAIMS EXPENSE	12	19,532,454	(2,546,486)	19,532,454	(2,546,486)	–	–
NET UNDERWRITING RESULT		5,922,006	8,014,509	5,922,006	8,014,509	–	–
Management fees	2(i),3	89,856	94,222	–	–	89,856	94,222
Investment income	3	671,880	719,991	668,037	715,866	3,843	4,125
Administration & general expenses	4(b)	(6,877,401)	(6,543,140)	(6,786,140)	(6,448,313)	(91,261)	(94,827)
OPERATING SURPLUS (DEFICIT)		(193,659)	2,285,582	(196,097)	2,282,062	2,438	3,520
Other comprehensive income		–	–	–	–	–	–
TOTAL COMPREHENSIVE SURPLUS/(DEFICIT) FOR THE YEAR		(193,659)	2,285,582	(196,097)	2,282,062	2,438	3,520

The accompanying notes form an integral part of these statements

Statement of Financial Position

As at 30 June 2018

		Combined		Liability Mutual Insurance		Commercial Crime	
		2018	2017	2018	2017	2018	2017
Note		\$	\$	\$	\$	\$	\$
CURRENT ASSETS							
Cash and cash equivalents	2e), 8(a)	1,926,466	1,099,452	1,651,643	964,618	274,823	134,834
Investments	2(n)	17,906,300	21,269,695	17,906,300	21,269,695	–	–
Trade and other receivables	9	47,404,067	44,097,869	47,403,272	43,454,421	795	643,448
TOTAL CURRENT ASSETS		67,236,833	66,467,016	66,961,215	65,688,734	275,618	778,282
NON-CURRENT ASSETS							
Property, furniture & equipment	7(a)	–	31,568	–	31,568	–	–
Trade and other receivables	9	82,562,279	66,040,719	82,562,279	66,040,719	–	–
TOTAL NON-CURRENT ASSETS		82,562,279	66,072,287	82,562,279	66,072,287	–	–
Total Assets		149,799,113	132,539,303	149,523,494	131,761,021	275,618	778,282
CURRENT LIABILITIES							
Trade and other payables		23,593,075	3,107,965	23,436,445	2,446,233	156,630	661,732
Premiums in advance	10	22,634,305	21,241,551	22,634,305	21,241,551	–	–
Outstanding Claims	11(a)	18,423,348	20,220,883	18,423,348	20,220,883	–	–
TOTAL CURRENT LIABILITIES		64,650,727	44,570,399	64,494,097	43,908,667	156,630	661,732
NON-CURRENT LIABILITY							
Outstanding Claims	11(a)	83,381,108	86,007,968	83,381,108	86,007,968	–	–
TOTAL NON-CURRENT LIABILITY		83,381,108	86,007,968	83,381,108	86,007,968	–	–
TOTAL LIABILITIES		148,031,836	130,578,367	147,875,205	129,916,635	156,630	661,732
NET ASSETS		1,767,277	1,960,936	1,648,289	1,844,386	118,988	116,550
EQUITY		1,767,277	1,960,936	1,648,289	1,844,386	118,988	116,550

The accompanying notes form an integral part of these statements.

Statement of Changes in Equity

For the year ended 30 June 2018

	Combined		Liability Mutual Insurance		Commercial Crime	
	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$
RETAINED EARNINGS						
Balance at beginning of year	1,960,936	(324,646)	1,844,386	(437,676)	116,550	113,030
Surplus (Deficit) from ordinary activities	(193,659)	2,285,582	(196,097)	2,282,062	2,438	3,520
BALANCE AT END OF YEAR	1,767,277	1,960,936	1,648,289	1,844,386	118,988	116,550

Statement of Cash Flows

For the year ended 30 June 2018

	Combined		Liability Mutual Insurance		Commercial Crime	
	2018	2017	2018	2017	2018	2017
Note	\$	\$	\$	\$	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES						
RECEIPTS						
Premiums and fees	22,068,720	20,359,262	21,238,966	22,565,381	829,756	669,696
Interest received	35,250	36,447	31,432	32,546	3,818	3,901
Performance bonus	138,212	2,792,580	138,212	2,792,580	–	–
Reinsurance and other recoveries	15,954,944	11,710,928	15,954,944	11,710,928	–	–
PAYMENTS						
Suppliers	(19,203,818)	(22,536,597)	(18,510,234)	(24,738,551)	(693,584)	(673,859)
Claim payments	(22,166,294)	(16,077,119)	(22,166,296)	(16,077,121)	–	–
NET CASH (USED IN) OPERATING ACTIVITIES	8(b) (3,172,986)	(3,714,499)	(3,312,975)	(3,714,237)	139,989	(262)
CASH FLOW FROM INVESTING ACTIVITY						
Proceeds from redemption of investments	4,000,000	4,100,000	4,000,000	4,100,000	–	–
NET CASH PROVIDED BY INVESTMENT ACTIVITIES	4,000,000	4,100,000	4,000,000	4,100,000	–	–
NET INCREASE/(DECREASE) IN CASH HELD	827,014	385,501	687,025	385,763	139,989	(262)
Cash at beginning of year	1,099,452	713,951	964,618	578,855	134,834	135,096
CASH AT END OF YEAR	1,926,466	1,099,452	1,651,643	964,618	274,823	134,834

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 2018

1. CORPORATE INFORMATION

The combined financial report of MAV Insurance (The Group) for the year ended 30 June 2018 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 Insurance by the Liability Mutual Insurance Scheme (The "Scheme") and arranging fidelity insurance by the Commercial Crime Fund (The Fund) for its members located in Victoria and Tasmania and community groups within its Council member boundaries.

On 1st July 2010 the Commercial Crime Fund ceased to write insurance business on its own account. From this date the Fund facilitated insurance for its members via a policy issued by Zurich Insurance Australia. The Fund undertook this change in business due to the inability of the Fund to offer the broad terms and conditions currently available in the market. This is due to the restrictions placed on the Fund by the provisions of the Municipal Association Act 1907. From 1 January 2011 the Fund is not at risk for any insurance claim that might be made against it.

The MAV has purchased retrospective insurance cover on the net amount of all claims incurred by the Scheme up to 30 June 2018. (Refer to Note 20).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards and Interpretations issued and effective

Reference	Title Summary	Application date of Standard	Impact on Group Financial Report	Application date for Group
AASB 9	Financial Instruments	1 January 2018	Preliminary assessment indicates minimal impact arising on the adoption of these standards	1 July 2018
AASB 15	Revenue from Contracts with Customers	1 January 2018	Preliminary assessment indicates minimal impact arising on the adoption of these standards	1 July 2018
AASB 16	Leases	1 January 2019	No impact	1 July 2019
IFRS 17	Insurance Contracts	1 January 2021	Preliminary assessment indicates minimal impact arising on the adoption of this standard	1 July 2021

(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 MAV is the only legal entity. 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.

(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 where applicable, accumulated depreciation and impairment.

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%

(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 2.5% per annum (2017: 3%) for personal injury non large claims and the discount rate at 2.4% (2017: 2.4%).

(n) Investments

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

(o) Cash flows

For the purposes of the Statement of Cash Flows, cash includes cash on hand and deposits held at call with banks 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.

2018	Level 1	Level 2	Level 3	Total
Investments	–	17,906,300	–	17,906,300
TOTAL	–	17,906,300	–	17,906,300
2017				
Investments	–	21,269,695	–	21,269,695
TOTAL	–	21,269,695	–	21,269,695

(u) Correction of a Prior Period Error

The Liability Mutual Scheme (LMI)

Prior to 1 July 2017, reinsurance recoveries on estimated claim liabilities for two members of the LMI scheme were incorrectly calculated relating to the 2011 to 2017 insurance years. The reversal of the error increases reinsurance recoveries by \$1.334m, claims handling expenses by \$0.001m and consequently reduces net claims liabilities by \$1.333m.

Impact on prior year amounts

The impact of the prior period restatement on the net surplus for the year ended 30 June 2017 is as follows:

	2017	
	Combined	LMI
Reconciliation of net surplus	\$	\$
Net surplus before change related to actuarial error	2,048,090	2,044,570
Restatement	237,492	237,492
Net surplus after change related to actuarial error	2,285,582	2,282,062

	2017 (Before)	Effect of reinstatement	2017 (After)
Reconciliation of statement of comprehensive income before the prior period restatement and after the change	\$	\$	\$
Reinsurance and other recoveries	13,454,002	237,492	13,691,492
Net Surplus	2,048,090	237,492	2,285,582

	2017 (Before)	Effect of reinstatement	2017 (After)
Reconciliation of combined statement of financial position before the prior period restatement and after the change	\$	\$	\$

CURRENT ASSETS

Reinsurance and other recoveries	43,176,847	277,574	44,097,869
TOTAL CURRENT ASSETS	66,189,442	277,574	66,467,016

NON CURRENT ASSETS

Trade and other receivables	65,395,291	645,428	66,040,719
TOTAL NON CURRENT ASSETS	65,426,859	645,428	66,072,287
TOTAL ASSETS	131,616,301	923,002	132,539,303
NET ASSETS	1,037,934	923,002	1,960,936
EQUITY	1,037,934	923,002	1,960,936

	2017 (Before)	Effect of reinstatement	2017 (After)
Reconciliation of LMI statement of financial position before the prior period restatement and after the change	\$	\$	\$

CURRENT ASSETS

Reinsurance and other recoveries	43,176,847	277,574	43,454,421
TOTAL CURRENT ASSETS	65,411,160	277,574	65,688,734

NON CURRENT ASSETS

Trade and other receivables	65,395,291	645,428	66,040,719
TOTAL NON CURRENT ASSETS	65,426,859	645,428	66,072,287
TOTAL ASSETS	130,838,019	923,002	131,761,021
NET ASSETS	921,384	923,002	1,844,386
EQUITY	921,384	923,002	1,844,386

3. REVENUE FROM ORDINARY ACTIVITIES

		Combined		Liability Mutual Insurance		Commercial Crime	
		2018	2017	2018	2017	2018	2017
Note		\$	\$	\$	\$	\$	\$
Premiums		21,421,071	22,938,145	21,421,071	22,938,145	–	–
Performance bonus	18	138,212	2,792,580	138,212	2,792,580	–	–
Reinsurance and other recoveries	2(p)	37,274,353	13,691,492	37,274,353	13,691,492	–	–
Management fees received		89,856	94,222	–	–	89,856	94,222
TOTAL REVENUE FROM OPERATING ACTIVITIES		58,923,492	39,516,439	58,833,636	39,422,217	89,856	94,222

REVENUES FROM NON-OPERATING ACTIVITIES

Investment income		671,880	719,991	668,037	715,866	3,843	4,125
TOTAL REVENUE FROM OUTSIDE THE OPERATING ACTIVITIES		671,880	719,991	668,037	715,866	3,843	4,125
TOTAL REVENUE FROM ORDINARY ACTIVITIES		59,595,372	40,236,430	59,501,673	40,138,083	93,699	98,347

4(a). CLAIMS EXPENSES

Paid		22,166,294	16,169,077	22,166,294	16,169,077	–	–
Outstanding claims at end of financial year	11(a) & 2(m)	101,804,456	106,228,851	101,804,456	106,228,851	–	–
Less: Outstanding claims at beginning of financial year		(106,228,851)	(106,159,950)	(106,228,851)	(106,159,950)	–	–
TOTAL CLAIMS EXPENSES		17,741,899	16,237,978	17,741,899	16,237,978	–	–

4(b). ADMINISTRATION & GENERAL EXPENSES

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

Administration		1,355,276	1,380,368	1,338,768	1,362,575	16,509	17,793
Actuary and legal fees		135,999	102,363	135,999	102,363	–	–
Audit fees	5	194,457	135,705	186,657	127,671	7,800	8,034
Depreciation of furniture & equipment		11,845	11,846	11,845	11,846	–	–
Depreciation of leasehold improvements		19,723	19,721	19,723	19,721	–	–
Scheme management fees	6	3,567,335	3,289,561	3,500,383	3,220,561	66,952	69,000
Stamp duty		1,592,766	1,603,576	1,592,766	1,603,576	–	–
TOTAL EXPENDITURE		6,877,401	6,543,140	6,786,140	6,448,313	91,261	94,827

5. AUDIT FEES

Amounts payable or due and payable for audit services:

	Combined		Liability Mutual Insurance		Commercial Crime	
	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$
Audit of the entity	194,457	135,705	186,657	127,671	7,800	8,034
TOTAL AUDIT FEE	194,457	135,705	186,657	127,671	7,800	8,034

6. SCHEME MANAGEMENT FEES

Included within administration and general expenses are management fees for:

Reinsurance placement	2,220,220	2,220,220	2,220,220	2,220,220	–	–
Risk management and administrative services	1,347,115	1,069,341	1,280,163	1,000,341	66,952	69,000
TOTAL SCHEME MANAGEMENT FEES	3,567,335	3,289,561	3,500,383	3,220,561	66,952	69,000

7(a). PROPERTY, FURNITURE & EQUIPMENT

Leasehold improvements – at cost	179,441	179,441	179,441	179,441	–	–
Less accumulated depreciation	(179,441)	(159,719)	(179,441)	(159,719)	–	–
	–	19,722	–	19,722	–	–
Furniture and equipment – at cost	98,019	98,019	98,019	98,019	–	–
Less accumulated depreciation	(98,019)	(86,173)	(98,019)	(86,173)	–	–
	–	11,846	–	11,846	–	–
TOTAL PROPERTY, FURNITURE AND EQUIPMENT	–	31,568	–	31,568	–	–

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

LEASEHOLD IMPROVEMENTS						
Movements during the year						
Beginning of year	19,722	39,443	19,722	39,443	–	–
Additions	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
Depreciation	(19,722)	(19,721)	(19,722)	(19,721)	–	–
End of year	–	19,722	–	19,722	–	–
PROPERTY, FURNITURE AND EQUIPMENT						
Movements during the year						
Beginning of year	11,846	23,692	11,846	23,692	–	–
Additions	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
Depreciation	(11,846)	(11,846)	(11,846)	(11,846)	–	–
End of year	–	11,846	–	11,846	–	–

7(b). WEBSITE

	Combined		Liability Mutual Insurance		Commercial Crime	
	2018	2017	2018	2017	2018	2017
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	–	–	–	–	–	–
Additions	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
Amortisation	–	–	–	–	–	–
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 NAB cash deposits and are reconciled to the related items in the Statement of Financial Position as follows:

Cash and Cash Equivalents	1,926,466	1,099,452	1,651,643	964,618	274,823	134,834
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(b) Reconciliation of Net Cash Used In Operating Activities to Operating Surplus/(Deficit)

Surplus (deficit) for year	(193,659)	2,285,582	(196,097)	2,282,062	2,438	3,520
Adjustments for:						
Depreciation	31,568	31,567	31,568	31,567	–	–
Amortisation	–	–	–	–	–	–
Unrealised gains on investments	(636,605)	(683,320)	(636,605)	(683,320)	–	–

Changes in assets and liabilities:

(Increase) in trade and other receivables	2(f)	(18,730,541)	(2,848,852)	(19,373,193)	(2,824,884)	642,652	(23,968)
Increase/(decrease) in trade and other payables		20,305,094	(871,782)	20,810,195	(891,968)	(505,101)	20,186
(Decrease) in premiums in advance		1,392,754	(1,696,595)	1,392,754	(1,696,595)	–	–
Increase/(decrease) in outstanding claims	2(m)	(4,424,395)	68,901	(4,424,395)	68,901	–	–
NET CASH (USED IN) OPERATING ACTIVITIES		(3,172,984)	(3,714,499)	(3,312,973)	(3,714,237)	139,989	(262)

9. TRADE AND OTHER RECEIVABLES

		Combined		Liability Mutual Insurance		Commercial Crime	
		2018	2017	2018	2017	2018	2017
	Note	\$	\$	\$	\$	\$	\$
Future reinsurance and other recoveries receivable	2(p)	113,572,239	90,755,042	113,572,239	90,755,042	–	–
Discount to present value		(8,870,325)	(7,372,537)	(8,870,325)	(7,372,537)	–	–
		104,701,914	83,382,505	104,701,914	83,382,505	–	–
Less provision for doubtful debts		–	–	–	–	–	–
Premiums receivable		24,843,464	23,268,603	24,843,464	23,268,603	–	–
Other receivables		420,968	3,487,480	420,173	2,844,032	795	643,448
		25,264,432	26,756,083	25,263,638	26,112,635	795	643,448
TOTAL RECEIVABLES		129,966,346	110,138,588	129,965,551	109,495,140	795	643,448
Represented by:							
CURRENT		47,404,067	44,097,869	47,403,272	43,454,421	795	643,448
NON-CURRENT		82,562,279	66,040,719	82,562,279	66,040,719	–	–
TOTAL		129,966,346	110,138,588	129,965,551	109,495,140	795	643,448

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:

2018	Total	<30 days	31 – 60 days	61 – 90 days	>90 days
Combined	25,264,433	25,264,433	–	–	–
Liability Mutual Insurance	25,263,638	25,263,638	–	–	–
Commercial Crime Fund	795	795	–	–	–
2017					
Combined	26,756,083	26,756,083	–	–	–
Liability Mutual Insurance	26,112,635	26,112,635	–	–	–
Commercial Crime Fund	643,448	643,448	–	–	–

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

10. PREMIUMS IN ADVANCE

		Combined		Liability Mutual Insurance		Commercial Crime	
		2018	2017	2018	2017	2018	2017
	Note	\$	\$	\$	\$	\$	\$
Contributions billed in advance	2(l)	22,634,305	21,241,551	22,634,305	21,241,551	–	–

11(a). OUTSTANDING CLAIMS

Central estimate	2(m)	109,673,543	114,497,031	109,673,543	114,497,031	–	–
Discount to present value		(9,549,766)	(9,948,245)	(9,549,766)	(9,948,245)	–	–
Excess and recoveries – Discount to present value		679,442	634,577	679,442	634,577	–	–
		100,803,218	105,183,363	100,803,218	105,183,363	–	–
Claims handling costs		1,001,238	1,045,488	1,001,238	1,045,488	–	–
Risk margin	11(b)	–	–	–	–	–	–
TOTAL OUTSTANDING CLAIMS		101,804,456	106,228,851	101,804,456	106,228,851	–	–
Comprising:							
CURRENT		18,423,348	20,220,883	18,423,348	20,220,883	–	–
NON-CURRENT		83,381,108	86,007,968	83,381,108	86,007,968	–	–
TOTAL OUTSTANDING CLAIMS		101,804,456	106,228,851	101,804,456	106,228,851	–	–

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

As at 30 June 2018, 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 (2017: 0%) to achieve the desired level of sufficiency. Please see Note 17.

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

	2018			2017		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	\$	\$	\$	\$	\$	\$
Outstanding claims brought forward	106,228,851	83,382,505	22,846,346	106,159,950	81,401,940	24,758,010
Changes in assumptions	22,166,293	16,111,951	6,054,342	16,169,076	11,643,183	4,525,893
Increase in claims incurred/recoveries anticipated	(4,424,396)	21,162,404	(25,586,800)	68,902	2,048,307	(1,979,405)
Incurred claims recognised in income statement	17,741,897	37,274,355	(19,532,458)	16,237,978	13,691,490	2,546,488
Claim payments during the year	(22,166,292)	(15,954,940)	(6,211,349)	(16,169,077)	(11,710,926)	(4,458,151)
Outstanding claims carried forward	101,804,456	104,701,920	(2,897,461)	106,228,851	83,382,505	22,846,346
Debtor Excesses and Reinsurance Recoveries on Paid Claims	–	3,898,696	(3,898,696)	–	–	–
TOTAL NET OUTSTANDING CLAIMS	101,804,456	100,803,224	1,001,232	106,228,851	83,382,505	22,846,346

12. NET CLAIMS INCURRED

	2018			2017		
	Current Year	Prior Year	Total	Current Year	Prior Year	Total
	\$	\$	\$	\$	\$	\$

COMBINED

Gross claims and related expenses – undiscounted	22,362,754	(5,064,199)	17,298,555	20,700,235	(2,077,763)	18,622,472
Discount	(2,088,266)	2,531,610	443,344	(1,974,323)	(410,171)	(2,384,494)
Gross Claims and related expenses – discounted	20,274,487	(2,532,588)	17,741,899	18,725,912	(2,487,934)	16,237,978
Reinsurance and other recoveries – undiscounted	(19,498,136)	(18,326,329)	(37,824,465)	(14,687,574)	372,179	(14,315,395)
Discount	(121,584)	671,692	550,108	(357,072)	980,975	623,903
Reinsurance and other recoveries – discounted	(19,619,720)	(17,654,637)	(37,274,357)	(15,044,646)	1,353,154	(13,691,492)
NET CLAIMS INCURRED	654,768	(20,187,226)	(19,532,458)	3,681,266	(1,134,780)	2,546,486

LIABILITY MUTUAL INSURANCE

Gross claims and related expenses – undiscounted	22,362,754	(5,064,199)	17,298,555	20,700,235	(2,077,763)	18,622,472
Discount	(2,088,266)	2,531,610	443,344	(1,974,323)	(410,171)	(2,384,494)
Gross Claims and related expenses – discounted	20,274,487	(2,532,588)	17,741,899	18,725,912	(2,487,934)	16,237,978
Reinsurance and other recoveries – undiscounted	(19,498,136)	(18,326,329)	(37,824,465)	(14,687,574)	372,179	(14,315,395)
Discount	(121,584)	671,692	550,108	(357,072)	980,975	623,903
Reinsurance and other recoveries – discounted	(19,619,720)	(17,654,637)	(37,274,357)	(15,044,646)	1,353,154	(13,691,492)
NET CLAIMS INCURRED	654,768	(20,187,225)	(19,532,458)	3,681,266	(1,134,780)	2,546,486

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	2014	2015	2016	2017	2018	Total
Note	\$	\$	\$	\$	\$	\$
GROSS ESTIMATE OF ULTIMATE CLAIMS COST – LIABILITY MUTUAL INSURANCE						
At end year of accident	22,191,872	22,465,862	22,303,614	20,097,434	21,743,945	
One year later	22,401,912	21,693,885	20,487,169	21,295,287	–	
Two years later	28,143,146	21,462,820	18,332,131	–	–	
Three years later	28,118,433	21,059,584	–	–	–	
Four years later	26,386,726					
Current estimate of cumulative claims cost	26,386,726	21,059,584	18,332,131	21,295,287	21,743,945	108,817,673
Cumulative payments	(17,422,247)	(6,434,505)	(1,667,430)	(600,254)	(148,858)	(26,273,294)
Outstanding claims – undiscounted	8,964,479	14,625,079	16,664,701	20,695,033	21,595,087	82,544,379
Discount						(7,078,715)
Claims handling expense						748,142
2013 and prior						25,590,650
LIABILITY MUTUAL INSURANCE – TOTAL GROSS OUTSTANDING CLAIMS	11(a)					101,804,456
COMBINED GROSS OUTSTANDING CLAIMS	11(c)					101,804,456
NET ESTIMATE OF ULTIMATE CLAIMS COST – LIABILITY MUTUAL INSURANCE						
At end year of accident	4,602,870	12,238,620	3,710,694	3,367,525	35,959	
One year later	4,674,158	11,932,830	3,740,554	68,793	–	
Two years later	4,707,042	11,973,116	90,797	–	–	
Three years later	4,237,880	3,598,339	–	–	–	
Four years later	2,799,428	–	–	–	–	
Current estimate of cumulative claims cost	2,799,428	3,598,339	90,797	68,793	35,959	6,593,316
Cumulative payments	(3,269,495)	(4,101,663)	(460,542)	(406,553)	(113,685)	(8,351,938)
Outstanding claims – undiscounted	(470,067)	(503,324)	(369,745)	(337,760)	(77,726)	(1,758,622)
Discount						(748,141)
Claims handling Expense						748,141
2013 and prior						(1,138,842)
LIABILITY MUTUAL INSURANCE – TOTAL NET OUTSTANDING CLAIMS						(2,897,464)
Debtor Excesses and Reinsurance Recoveries on Paid Claims						3,898,696
COMBINED NET OUTSTANDING CLAIMS	11(c)					1,001,232

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
2018	\$	\$	\$	\$	\$	\$

FINANCIAL ASSETS

Cash and cash equivalents	–	1,926,466	–	1,651,643	–	274,823
Investments	–	17,906,300	–	17,906,300	–	–
Trade and other receivables	129,966,346	–	129,965,551	–	795	–
TOTAL FINANCIAL ASSETS	129,966,346	19,832,766	129,965,551	19,557,943	795	274,823
Weighted Average Interest Rate	3.2%		3.2%		1.9%	

FINANCIAL LIABILITIES

Outstanding claims	101,804,456	–	101,804,456	–	–	–
Unearned premiums/subscriptions	22,634,305	–	22,634,305	–	–	–
Trade and other payables	23,593,076	–	23,436,446	–	156,630	–
TOTAL FINANCIAL LIABILITIES	148,031,837	–	147,875,206	–	156,630	–
Weighted Average Interest Rate	0.0%		0.0%		0.0%	

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	110,138,588	–	109,495,140	–	643,448	–
TOTAL FINANCIAL ASSETS	110,138,588	22,369,147	109,495,140	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	0.00%		0.00%		0.00%	

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 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 2018. Cash flows for financial assets and liabilities without fixed amounts or timing are based on conditions existing at 30 June 2018.

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
2018	\$	\$	\$	\$	\$	\$
3 months or less	33,906,029	13,527,092	33,749,399	12,865,360	156,630	661,732
3-12 months	30,948,395	31,266,915	30,948,395	31,266,915	–	–
1-5 years	60,988,860	62,160,502	60,988,860	62,160,502	–	–
Over 5 years	31,058,879	32,937,526	31,058,879	32,937,526	–	–
	156,902,163	139,892,035	156,745,533	139,230,303	156,630	661,732

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 covering its insurance business that reflects the management of settlement of financial assets and liabilities.

Year ended 30 June 2018	<3 months	3-12 months	1-5 years	>5years	Total
	\$	\$	\$	\$	\$

COMBINED FINANCIAL ASSETS

Cash and cash equivalents	1,926,466	–	–	–	1,926,466
Investments	17,906,300	–	–	–	17,906,300
Trade and other receivables	23,047,086	15,704,249	60,437,114	30,777,897	129,966,346
	42,879,853	15,704,249	60,437,114	30,777,897	149,799,113

COMBINED FINANCIAL LIABILITIES

Outstanding claims	4,656,762	13,970,283	60,988,860	31,058,877	110,674,782
Unearned premiums/subscriptions	5,658,576	16,975,728	–	–	22,634,304
Trade and other payables	23,434,062	2,384	–	–	23,436,446
TOTAL FINANCIAL LIABILITIES	33,749,400	30,948,395	60,988,860	31,058,877	156,745,532
NET MATURITY	9,130,453	(15,244,146)	(551,746)	(280,980)	(6,946,419)

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)

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 & 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. In 2018 the Scheme purchased retrospective re-insurance that fully reinsures all claims made against the Scheme up to 30 June 2018. Refer Note 20.

Terms and conditions of membership

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

Product features

The Scheme operates in Victoria & Tasmania. Should a claim be accepted the Scheme provides indemnity to the member in respect of its civil liabilities for \$600 million Public / Products Liability and \$600 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 state-wide risk management profile. The Scheme keeps abreast of changes in the general economic, legal and commercial environment in which it operates. The Scheme spreads its risk of reinsurance failure by ensuring reinsurers are of high financial quality and can meet their commitments to the 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					Not Rated	Total
		AAA	AA	AA-	A	Speculative Grade		
		+/-	+/-	+/-				
		\$m	\$m	\$m	\$m	\$m	\$m	\$m
Reinsurance and other recoveries on outstanding claims	2018	–	–	–	37,439	–	0.385	37,824
	2017	–	–	0.044	30,543	–	0.310	30,897
Reinsurance and other recoveries on paid claims	2018	–	–	–	1,289	–	0.036	1,325
	2017	–	–	0.036	1,133	–	–	1,169
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	2018	–	1,325	–	–	–	–	1,325
	2017	–	1,169	–	–	–	–	1,169

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.

Interest rate risk

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

Variable	Current rate	Change variable to +0.5% / -0.5%	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 2018	3.2%		(193,659)	1,767,277
Interest Rate p.a.		3.7%	(183,109)	1,777,828
		2.7%	(204,210)	1,756,727

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 2018;
- iii. An allowance of 1% for claim settlement expenses, as assumed by the Actuary;
- iv. Allowances for claim inflation of 2.7%, as assumed by the Actuary;
- v. Allowances for discount at 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 2018, 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:

	2018	2017
KEY ACTUARIAL ASSUMPTIONS		
Wage inflation	2.7%	3.15%
Claim administration expense	1.0%	1.0%
Discount rate	2.4%	2.4%
Risk margin	0%	0%
Superimposed inflation	2.5%	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 2018. The individual claim payments and case estimates reconciled closely with totals in Liability Mutual Insurance financial statements for each year of cover. The actuary subdivided the claims data into three claim types (Public Liability, Professional Indemnity and the 2009 Bushfire claims) and made separate estimates of the gross outstanding claims liabilities for each of these claim types. The actuary estimated the gross outstanding claims liabilities for each claim type using 5 different actuarial methods. Large claims (claims above \$250,000) were estimated based on a numbers times average size method and non-large claims were estimated using 4 different actuarial methods – payments per claim incurred, payments per claim finalised, incurred cost development and projection of case estimates. The actuary selected a combination of these methods for estimating the outstanding claims. Payments were projected with a payment pattern, based on past experience. Estimates of outstanding excesses were based on a numbers times average size method and estimates of non reinsurance recoveries were made by a recoveries per claim method.

Estimates of reinsurance recoveries were made from projected gross payments, excesses and non reinsurance recoveries, allowing for the different insurance treaties applying to each year. Based on Access Economics June 2018 forecasts for Victorian average weekly wage inflation was assumed to be 2.7%. 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.

	Current rate	Change variable to +0.5% / -0.5%	Operating surplus (deficit) at 30 June 2018	Total accumulated funds after the impact of applying variable
	%	%	\$	\$

IMPACT OF CHANGES IN KEY VARIABLES

LIABILITY MUTUAL INSURANCE

Base value at 30 June 2018	2.70%		(196,097)	1,648,289
Wage Inflation rate p.a.		3.20%	(451,097)	1,393,289
		2.20%	58,903	1,903,289

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 2018	2.4%		(196,097)	1,648,289
Discount rate p.a.		2.90%	125,903	1,970,289
		1.90%	(518,097)	1,326,289

	Current rate	Change variable to +2% / -2%	Operating surplus (deficit) at 30 June 2018	Total accumulated funds after the impact of applying variable
	%	%	\$	\$

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 2018	1.0%		(196,097)	1,648,289
Claim administration expense		3.0%	(2,198,097)	(353,711)
		-1.0%	1,805,903	3,650,289

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 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 of reinsurance premium over the amount of claims paid 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 \$138,212 \$ (2017 \$2,792,580) 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 with a cap of \$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 to the scheme from adverse development of 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 2018.

20. EVENTS SUBSEQUENT – PURCHASE OF RETROACTIVE INSURANCE COVER – MAV INSURANCE

The MAV has purchased retrospective reinsurance cover on the net amount of all MAV Insurance outstanding net claims liabilities from 30 June 2018 for the 2008-09 to 2017-18 accident years incurred up to 30 June 2018. The coverage has a retrospective date of 30 June 2018. The MAV authorised management to negotiate the retrospective coverage on 8 June 2018, received an offer to purchase retrospective coverage on 30 August 2018. The MAV Board endorsed the purchase of coverage on 14 September 2018 and a contract was signed on 18 September 2018. The discounted net amount of claims reinsured was \$21.7 million. A premium of \$20 million has been agreed with a single reinsurer which has an S&P credit rating of A+. The premium amount is to be paid quarterly on 1 October, 2018, 1 January 2019, 1 April 2019 and 1 July 2019. The agreement to purchase the retrospective reinsurance cover has enabled LMI to realise a surplus of approximately \$1.5 million after costs. This subsequent event been adjusted for in the 2018 financial statements. The arrangement has had the following effect on the financial statements for the year ended 30 June 2018 – an increase in reinsurance recovery assets of \$21.7 million and an increase in trade and other payable liabilities of \$20.2m. The surplus has been brought to account in the 2018 financial year.

21. RELATED PARTIES

The MAV is a body corporate established under the Municipal Association Act of 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 \$505,043 (2017 \$504,585) 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 \$17,636 (2017 \$17,290) and to the Commercial Crime Fund \$9,526 (2017 \$9,526). Other than this, there were no other related party transactions.

Board members during the year

A. Murphy (OAM) (Independent Chair)

Cr. M. Lalios (MAV President)

M. Guilmartin (Independent)

J. Bennie (Greater Dandenong City Council – Chief Executive Officer)

S. Crawcour (Strathbogie City Council – Chief Executive Officer)

A. Paul (Clarence City Council – Chief Executive Officer)

Dr. K. Stephenson (LGAT – Chief Executive Officer)

R. Spence (former MAV Chief Executive Officer) – Commenced 1 November 2017
ceased as Chief Executive Officer on 20 August 2018 but remains a Board member.

K. Thompson (MAV Chief Executive Officer) – Commenced 21 August 2018
appointed to the Board 17 October 2018

Key management personnel remuneration

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

						Annual meeting allowance		
						\$		
Chairperson					25,000			
Independent Board members					15,000			
Combined			Liability Mutual Insurance		Commercial Crime			
2018			2017		2018		2017	
\$			\$		\$		\$	
Short-term remuneration of MAV Insurance Board and key management personnel (Cost of key management personnel is recovered by the MAV)	102,190		79,397		102,190	79,397	–	–
Post employment benefits	5,909		5,657		5,909	5,657	–	–

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.

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 2018;
- 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.



Robert Spence
MAV Insurance Board Chairman



Kerry Thompson
Chief Executive Officer – Municipal Association of Victoria

Melbourne
24/10/2018

Statement by Directors

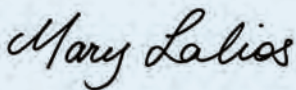
In accordance with a resolution of the directors of the Municipal Association of Victoria, we state that:

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 2018;
- 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;
- d. the accompanying Combined Financial Statements present fairly in all material respects the state of affairs of the association as at that date; and
- 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. Tom Melican
Director



Kerry Thompson
Chief Executive Officer

Melbourne
6/10/2017

Independent Audit Report



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Melbourne VIC 3000 Australia
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Independent auditor's report to the members of MAV Insurance

Opinion

We have audited the financial report of MAV Insurance (the "Scheme"), which comprises the statement of financial position as at 30 June 2018, 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's financial report presents fairly, in all material respects, the financial position of the Scheme as at 30 June 2018, 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 Scheme 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.

Emphasis of matter - capital management and economic dependency

We draw attention to note 17 of the financial statements which describes the capital management plan of MAV Insurance with respect to the entity remaining in a positive net asset position in the future. We also draw your attention to note 11(b) of the financial statements which details the valuation of the outstanding claims liability as at 30 June 2018, to which a 0% risk margin has been applied to the central case estimates. Our opinion is not qualified in respect of the above matters.

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 Scheme'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.

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 Scheme'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 Scheme'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 Scheme 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.

A stylized signature of 'Ernst & Young' in a handwritten font.

Ernst & Young

A handwritten signature of Maree Pallisco.

Maree Pallisco
Partner
Melbourne

24 October 2018

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

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 WORKCARE Financial Report 2017-18

Statement of Comprehensive Income

For the year ended 30 June 2018

		2018	2017
	Note	\$	\$
Premium revenue	3	10,092,139	—
Re-insurance expense		(647,600)	—
NET PREMIUM INCOME		9,444,539	—
Claims expense	4(a)	(7,724,781)	—
Reinsurance and other recoveries	3	890,281	—
NET CLAIMS EXPENSE		(6,834,499)	—
NET UNDERWRITING RESULT		2,610,040	—
Investment income	3	965,088	—
Loss on transfer of liabilities at scheme commencement	2(s),18	(1,622,094)	—
Administration & general expenses	4(b)	(4,302,729)	—
OPERATING SURPLUS (DEFICIT)		(2,349,695)	—
Other comprehensive income		—	—
TOTAL COMPREHENSIVE SURPLUS/(DEFICIT) FOR THE YEAR		(2,349,695)	—

The accompanying notes form an integral part of these statements.

Statement of Financial Position

As at 30 June 2018

		2018	2017
	Note	\$	\$
CURRENT ASSETS			
Cash and cash equivalents		9,572,530	–
Investments		57,911,541	–
Trade and other receivables	9	13,333,236	–
Prepayments and deposits		1,799,208	–
TOTAL CURRENT ASSETS		82,616,515	–
NON CURRENT ASSETS			
Trade and other receivables	9	1,678,675	–
Property and equipment	7a)	35,830	–
Intangibles	7b)	–	–
TOTAL NON-CURRENT ASSETS		1,714,505	–
TOTAL ASSETS		84,331,020	–
CURRENT LIABILITIES			
Trade and other payables		3,311,792	–
Premiums in advance	10	15,783,798	–
Provision for employee entitlements		26,396	–
Outstanding claims	11(a)	11,861,029	–
TOTAL CURRENT LIABILITIES		30,983,015	–
NON-CURRENT LIABILITY			
Provision for employee entitlements		1,033	–
Outstanding claims	11(a)	55,696,666	–
TOTAL NON-CURRENT LIABILITY		55,697,699	–
TOTAL LIABILITIES		86,680,715	–
NET ASSETS		(2,349,695)	–
EQUITY		(2,349,695)	–

The accompanying notes form an integral part of these statements.

Statement of Changes in Equity

For the year ended 30 June 2018

	2018	2017
	\$	\$
RETAINED EARNINGS		
Balance at beginning of year	–	–
Surplus (Deficit) from ordinary activities	(2,349,695)	–
BALANCE AT END OF YEAR	(2,349,695)	–

Statement of Cash Flows

For the year ended 30 June 2018

		2018	2017
	Note	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES			
RECEIPTS			
Premiums and fees		18,131,728	–
Receipt from WorkSafe on transfer of claims liabilities	2(s), 18	65,856,545	–
Interest received		292,184	–
PAYMENTS			
Suppliers		(8,970,569)	–
Claim payments		(7,803,837)	–
NET CASH (USED IN) OPERATING ACTIVITIES	8(b)	67,506,051	–
CASH FLOW FROM INVESTING ACTIVITY			
Proceeds from sale of fixed assets		–	–
Payments for fixed assets & intangibles		(38,521)	–
Payments to investment activities		(57,895,000)	–
NET CASH USED IN INVESTING ACTIVITIES		(57,933,521)	–
NET (DECREASE)/INCREASE IN CASH HELD		9,572,530	–
Cash at beginning of year		–	–
CASH AT END OF YEAR	8(a)	9,572,530	–

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 2018

1. CORPORATE INFORMATION

The financial report of MAV WorkCare (the Scheme) for the year ended 30 June 2018 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 WorkCare is the workers' compensation insurance division of the MAV. This division commenced business on 1 November 2017. 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 WorkCare is the provision of workers compensation insurance for its members and other Local Government Authorities. The MAV is specifically named in the Workplace Injury Rehabilitation and Compensation Act 2013 (Vic) (WIRC Act) as an entity that can hold a self-insurance licence for the benefit of its members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards and Interpretations issued but not yet effective

Reference	Title Summary	Application Date of Standard	Impact on MAV Financial Report	Application Date for MAV
AASB 9	Financial Instruments	1 January 2018	Preliminary assessment indicates minimal impact arising on the adoption of these standards.	1 July 2018
AASB 15	Revenue from Contracts with Customers	1 January 2018		1 July 2018
AASB 16	Leases	1 January 2019	No impact	1 July 2019
IFRS 17	Insurance Contracts	1 January 2021	Preliminary assessment indicates minimal impact arising on the adoption of this standard.	1 July 2021

(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 WorkCare 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) 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.

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.

(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 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.

(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 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.

(g) Motor vehicles, furniture, and equipment

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

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

All fixed assets are depreciated/amortised on a straight line basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use.

The following depreciation and amortisation rates are in use:		Annual Rate
Motor Vehicles		20%
Furniture and Equipment		33%

(h) 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.

(i) Premiums

Premiums comprise amounts charged to members of the Scheme 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.

j) Premiums in advance

During the month of June each year, the Scheme issues 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. Members have committed to participate in the Scheme for the three year licence period and accordingly the premiums are disclosed in the Statement of Financial Position as "premiums receivable" with an offsetting liability described as "premiums in advance".

k) 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 for weekly, medical and other payments to be 1.2% per annum and for Common Law payments to be 3.2% per annum. The discount rate has been estimated at 2.7%.

l) Investments

Investments are valued at fair 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.

m) Cash flows

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

n) 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.

o) 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.

p) Comparative figures

As this is the first period of operation there are no comparative figures reflected in the financial statements.

q) 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.

(r) Fair Value Measurement

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:

2018	LEVEL 1	LEVEL 2	LEVEL 2	TOTAL
Investments	–	57,911,541	–	57,911,541
Total	–	57,911,541	–	57,911,541
2017	LEVEL 1	LEVEL 2	LEVEL 2	TOTAL
Cash and cash equivalents	–	–	–	–
Investments	–	–	–	–
Total	–	–	–	–

(s) Establishment of the MAV WorkCare Self-Insurance Scheme

Under the Accident Compensation Act 1985 the MAV is specifically named as a body that can apply for a Workers' Compensation Self-Insurance Licence. Since 2015 the MAV has been working to establish the MAV WorkCare Scheme. In that time significant work has been completed on the organisational and financial structure of the Scheme, improving members Occupational Health & Safety systems and providing WorkSafe Victoria with the confidence that members can achieve one hundred percent conformance to the National Audit Tool by the end of the first licence period of three years. On 3 May 2017 WorkSafe Victoria approved the MAV as a self-insurer for a period of three years commencing from 4pm on 1 November 2017. MAV completed all conditions precedent and all pre-commencement action items to the satisfaction of WorkSafe Victoria and as a result commenced operating MAV WorkCare Self-Insurance Mutual Scheme on 1 November 2017. There were thirty-one inaugural members of the Scheme, including the MAV. All members of the Scheme are committed to the Scheme for the first licence period of three years in accordance with the Participation Agreement. On commencement of the Scheme WorkSafe Victoria transferred the Net Claims Outstanding Liability as at 31 October 2017, as per the Statistical Case Estimate (SCE), and also transferred the cash equivalent to the valuation of the Net Outstanding Claims Liability. The cost of acquiring the self insurance licence of \$1,266,590 has been expensed.

3. REVENUE FROM ORDINARY ACTIVITIES

	2018	2017
	\$	\$
Premiums	10,092,139	–
Reinsurance and other recoveries	890,281	–
Other income	–	–
TOTAL REVENUE FROM OPERATING ACTIVITIES	10,982,420	–
REVENUES FROM NON-OPERATING ACTIVITIES		
Investment income	965,088	–
TOTAL REVENUE FROM OUTSIDE THE OPERATING ACTIVITIES	965,088	–
TOTAL REVENUE FROM ORDINARY ACTIVITIES	11,947,508	–

4(a). CLAIMS EXPENSES

Paid	7,803,837	–
Outstanding claims at end of financial year	67,557,695	–
Less: Outstanding claims acquired transferred from WorkSafe	(67,478,639)	–
TOTAL CLAIMS EXPENSES	7,724,781	–

4(b). ADMINISTRATION & GENERAL EXPENSES

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

Administration	497,987	–
Actuary fees	58,462	–
Audit fees	5 75,396	–
Depreciation of motor vehicles	2,451	–
Depreciation of information technology equipment	241	–
Staffing costs and consultants	2,570,397	–
Levy	606,756	–
Scheme management fees	6 491,039	–
TOTAL EXPENDITURE	4,302,729	–

5. AUDIT FEES

	2018	2017
	\$	\$
Amounts received or due and receivable for audit services:		
Audit of the entity	75,396	–
TOTAL AUDIT FEE	75,396	–

6. SCHEME MANAGEMENT FEES

	2018	2017
	\$	\$
Included within administration and general expenses are management fees for:		
Risk Identification and prevention	196,415	–
Occupational Health and Safety	196,415	–
Training and Education	98,209	–
TOTAL SCHEME MANAGEMENT FEES	491,039	–

The Scheme service provider also received claims handling costs of \$438,944 which are included in total claims cost.

7. PROPERTY, FURNITURE & EQUIPMENT

	2018	2017
	\$	\$
Included within administration and general expenses are management fees for:		
Motor vehicles	36,768	–
Less accumulated depreciation	(2,451)	–
	34,317	–
Furniture and equipment – at cost	1,754	–
Less accumulated depreciation	(241)	–
	1,513	–
	35,830	–
Reconciliations of the carrying amounts of property, furniture and equipment at the beginning and end of the financial year.		
MOTOR VEHICLES – Movements during the year		
Beginning of year	–	–
Additions	36,768	–
Disposals	–	–
Depreciation	(2,451)	–
End of year	34,317	–
FURNITURE AND EQUIPMENT – Movements during the year		
Beginning of year	–	–
Additions	1,754	–
Disposals	–	–
Depreciation	(241)	–
End of year	1,513	–

8. 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 NAB cash deposits and are reconciled to the related items in the Statement of Financial Position as follows:

	2018	2017
Note	\$	\$
Cash and cash equivalents	9,572,530	–
TOTAL CASH AND CASH EQUIVALENTS	9,572,530	–

(b) Reconciliation of Net Cash (Used In) Operating Activities to Operating Surplus/(Deficit)

Surplus/(deficit) for year	(2,349,695)	–
Adjustments for Depreciation	2,692	–
Changes in assets and liabilities		
(Increase) in trade and other receivables	2(f) (16,827,661)	–
Increase(Decrease) in employee entitlements	27,430	–
Increase/(decrease) in trade and other payables	3,311,792	–
Increase(Decrease) in premiums in advance	15,783,798	–
Increase/(decrease) in outstanding claims	2(m) 67,557,695	–
NET CASH (USED IN) OPERATING ACTIVITIES	67,506,051	–

9. TRADE AND OTHER RECEIVABLES

	2018	2017
Note	\$	\$
Future reinsurance and other recoveries receivable	1,036,109	–
Discount to present value	–	–
	1,036,109	–
Less provision for doubtful debts	–	–
Premiums receivable	12,788,744	–
Other receivables	1,187,058	–
TOTAL RECEIVABLES	15,011,911	–
Represented By:		
Current	13,333,236	–
Non-current	1,678,675	–
TOTAL	15,011,911	–

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 trade receivables are as follows:

2018	Total	<30 days	31 – 60 days	61 – 90 days	>90 days
MAV WORKCARE	13,975,802	13,531,811	–	381,358	62,634
2017	Total	<30 days	31 – 60 days	61 – 90 days	>90 days
MAV WORKCARE	–	–	–	–	–

10. PREMIUMS IN ADVANCE

	2018	2017
	\$	\$
Contributions billed in advance	15,783,798	–

11(a). OUTSTANDING CLAIMS

	2018	2017
	\$	\$
Central estimate	75,269,662	–
Discount to present value	(11,983,877)	–
Excesses and recoveries – Discount to present value	(790,953)	–
	62,494,832	–
Claims handling costs	5,062,863	–
Risk margin	11(b) –	–
TOTAL OUTSTANDING CLAIMS	67,557,695	–
Comprising:		
CURRENT	11,861,029	–
NON-CURRENT	55,696,666	–
TOTAL OUTSTANDING CLAIMS	67,557,695	–

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

As at 30 June 2018, the MAV WorkCare Board determined that the outstanding claims liability is to be held at the 50% probability of sufficiency on the basis of the mutual structure of the MAV WorkCare Scheme. As a result, a 0% risk margin was applied to the central estimate to achieve the desired level of sufficiency. Please see Note 17.

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

	2018			2017		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	\$	\$	\$	\$	\$	\$
Outstanding claims brought forward	67,143,225	–	67,143,225			
Changes in assumptions	–	–	–			
Increase in claims incurred/recoveries anticipated	7,724,781	890,281	6,834,499			
Incurred claims recognised in income statement	7,724,781	890,281	6,834,499			
Claim payments during the year	(7,310,311)	–	(7,310,311)			
Outstanding claims carried forward	67,557,695	890,281	66,667,413			

12. NET CLAIMS INCURRED

	2018			2017		
	Current Year	Prior Year	Total	Current Year	Prior Year	Total
COMBINED	\$	\$	\$	\$	\$	\$
Gross claims and related expenses – undiscounted	10,779,750	(3,425,872)	7,353,877			
Discount	(1,235,220)	1,606,124	370,904			
Gross Claims and related expenses – discounted	9,544,529	(1,819,749)	7,724,781			
Reinsurance undiscounted	(1,211,332)	–	(1,211,332)			
Discount	321,051	–	321,051			
Reinsurance and other recoveries – discounted	(890,281)	–	(890,281)			
NET CLAIMS INCURRED	8,654,248	(1,816,539)	6,834,499			

13. CLAIMS DEVELOPMENT TABLE

Accident Year	2014	2015	2016	2017	2018	Total
Note	\$	\$	\$	\$	\$	\$
GROSS ESTIMATE OF ULTIMATE CLAIMS COST – LIABILITY MUTUAL INSURANCE						
At end year of accident					15,491,858	
One year later				15,194,378		
Two years later			14,558,137			
Three years later		12,939,053				
Four years later	13,341,521					
Current estimate of cumulative claims cost	13,341,521	12,939,053	14,558,137	15,194,378	15,491,858	71,524,947
Cumulative payments	(7,063,940)	(5,929,473)	(5,045,751)	(3,644,204)	(1,701,277)	(23,384,645)
Outstanding claims – undiscounted	6,277,581	7,009,580	9,512,386	11,550,174	13,790,580	48,140,301
Discount						(7,433,732)
Claims handling expense						3,317,211
2013 and prior						23,533,915
MAV WORKCARE – GROSS OUTSTANDING CLAIMS	11(c)					67,557,695
NET ESTIMATE OF ULTIMATE CLAIMS COST – LIABILITY MUTUAL INSURANCE						
At end year of accident					14,280,525	
One year later				15,194,378		
Two years later			14,558,137			
Three years later		12,939,053				
Four years later	13,341,521					
Current estimate of cumulative claims cost	13,341,521	12,939,053	14,558,137	15,194,378	14,280,525	70,313,614
Cumulative payments	(7,063,940)	(5,929,473)	(5,045,751)	(3,644,204)	(1,701,277)	(23,384,645)
Outstanding claims – undiscounted	6,277,581	7,009,580	9,512,386	11,550,174	12,579,248	46,928,969
Discount						(7,112,681)
Claims handling Expense						3,317,211
2013 and prior						23,533,915
MAV WORKCARE NET OUTSTANDING CLAIMS						66,667,413

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

14. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

MAV WorkCare'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
	2018 \$	2018 \$
FINANCIAL ASSETS		
Cash and cash equivalents		9,572,530
Investments		57,911,541
Trade and other receivables	13,333,236	–
TOTAL FINANCIAL ASSETS	13,333,236	67,484,071
Weighted Average Interest Rate		2.1%
FINANCIAL LIABILITIES		
Outstanding claims	67,557,695	–
Unearned premiums/subscriptions	15,783,798	–
Trade and other payables	3,339,221	–
TOTAL FINANCIAL LIABILITIES	86,680,714	–
Weighted Average Interest Rate		0.0%
	Non-Interest Earning	Floating Interest Rate
	2017 \$	2017 \$
FINANCIAL ASSETS		
Cash and cash equivalents	–	–
Investments	–	–
Trade and other receivables	–	–
TOTAL FINANCIAL ASSETS	–	–
Weighted average interest rate		0.0%
FINANCIAL LIABILITIES		
Outstanding claims	–	–
Unearned premiums/subscriptions	–	–
Trade and other payables	–	–
TOTAL FINANCIAL LIABILITIES	–	–
Weighted average interest rate		0.0%

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 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 2018. Cash flows for financial assets and liabilities without fixed amounts or timing are based on conditions existing at 30 June 2018.

The remaining contractual maturities of the financial liabilities are:

	2018	2017
	\$	\$
3 months or less	3,005,022	–
3-12 months	9,015,065	–
1-5 years	31,590,905	–
Over 5 years	36,820,938	–
	80,431,929	–

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 workers' compensation 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 covering its workcare insurance business that reflects the management of settlement of financial assets and liabilities.

Year ended 30 June 2018	<3 months	3-12 months	1-5 years	>5years	Total
	\$	\$	\$	\$	\$

COMBINED FINANCIAL ASSETS

Cash and cash equivalents	9,572,530				9,572,530
Investments	57,911,541	–	–	–	57,911,541
Trade and other receivables	12,978,866	112,783	525,574	1,394,688	15,011,911
	80,462,937	112,783	525,574	1,394,688	82,495,982

COMBINED FINANCIAL LIABILITIES

Outstanding claims	3,005,022	9,015,065	31,590,905	36,820,938	80,431,929
Unearned premiums/subscriptions	15,783,798	–	–	–	15,783,798
Trade and other payables	3,311,792	–	–	–	3,311,792
TOTAL FINANCIAL LIABILITIES	22,100,612	9,015,065	31,590,905	36,820,938	99,527,519
NET MATURITY	58,362,326	(8,902,282)	(31,065,331)	(35,426,250)	(17,031,537)

Risk management objectives and policies for mitigating insurance risk

The MAV WorkCare Self-Insurance mutual liability scheme (trading as MAV WorkCare) was established in 2017 and commenced operations on 1 November 2017. Membership is available to local government councils and prescribed bodies. The Scheme operates in Victoria to provide services to members in respect of their potential and actual workers' compensation liabilities.

Actuarial models, using information from the Scheme's management information systems are used to confirm premiums 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. 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 occupational health and safety risks, which can lead to variability in the loss experience, operating surpluses can also be affected by external factors, such as movements in asset values.

The Scheme relies on a strong relationship with its members and provides members with occupational health and safety risk management and return to work programs and encourages members to implement these programs in order to reduce the incidence of injuries to workers leading to less 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 WorkCare 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 reinsurers meet the requirements of the MAV WorkCare 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 for the initial three year period of the self-insurance licence ending on 31 October 2020. Current members will be requested to advise MAV of their intention to renew their membership of the Scheme for the second licence period of either four year or six years by 28 February 2020. Other eligible local government bodies will also be invited to join the Scheme at that time. Termination of membership will be determined if the member does not renew for the second licence period.

Product features

The Scheme operates in Victoria. Should a claim be accepted the Scheme provides an unlimited indemnity to the member. The Scheme purchases excess insurance cover over \$500,000 per claim from a qualified insurance company that meets the financial criteria set down in the operational policies of MAV WorkCare. The financial strength of the insurer is continually assessed to ensure it meets policy guidelines of an S&P rating of A as well as US\$25 million of free cash on its balance sheet.

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. The Scheme is a captive insurer for the period of the licence.

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 an active OH&S and risk management program, the reinsurance arrangements, and by managing the concentration of insurance risks. The Scheme is a captive insurer established as a non-discretionary mutual fund which, under the Constitution has the ability to obtain contributions from members to pay liabilities and expenses and the power to call on members to cover any future losses that are not recovered by contributions.

Concentration of insurance risks

Insurance risk is managed by taking a long term approach to setting the annual contribution rates that eliminates price fluctuations, through appropriate investment strategy, reinsurance and by maintaining an active state-wide risk management profile. The Scheme keeps abreast of changes in the general economic, legal and commercial environment in which it operates. The Scheme spreads its risk of reinsurance failure by ensuring reinsurers are of high financial quality and can meet their commitments to the 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	2018	–	–	–	1,036,109	–	–	1,036,109
	2017	–	–	–	–	–	–	–
Reinsurance and other recoveries on paid claims	2018	–	–	–	–	–	–	–
	2017	–	–	–	–	–	–	–
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	2018	–	–	–	–	–	–	–
	2017	–	–	–	–	–	–	–

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.

Interest rate risk

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

Variable	Current rate	Change variable to +0.5% / -0.5%	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 WORKCARE			
Base value at 30 June 2018	2.1%	(2,349,695)	(2,349,695)
Interest Rate p.a.		2.6%	(2,012,275)
		1.6%	(2,687,116)

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 2018;
- (iii) An allowance of 8% for claim administration expenses, as assumed by the Actuary;
- (iv) Allowances for claim inflation of 3.25%, as assumed by the Actuary;
- (v) Allowances for discount at 2.7%, 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 2018, 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:

	2018	2017
KEY ACTUARIAL ASSUMPTIONS		
Wage inflation	3.25%	0.0%
Claim administration expense	8.0%	0.0%
Discount rate	2.7%	0.0%
Risk margin	0%	0%
Superimposed inflation	1.8%	0.0%

Process used to determine actuarial assumptions

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

MAV WorkCare commenced business operations on 1 November 2017. It provides workers compensation insurance for thirty Local Government Authorities and the Municipal Association of Victoria. The Actuary was supplied with details of all transactions (payments, recoveries, estimates) to 30 June 2018. The individual claim payments and case estimates reconciled closely with totals in MAV WorkCare's financial statements for the year of cover. The actuary subdivided the claims data into 2 groups (Above Excess and Below Excess) and made separate estimates of the gross outstanding claims liabilities for each claim type. The actuary estimated the gross outstanding claims liabilities for Above Excess (Standard) claims by splitting the payments on Above Excess claims into 5 different sub-groups and modelling each sub-group separately. Above Excess claims were predominantly estimated using a numbers times average size method (PPCI). Below Excess (Minor) claims were modelled separately and utilised a numbers times average size method. Payments were projected with a payment pattern, based on past experience. Estimates of non reinsurance recoveries were made by a recoveries per claim method. Outstanding non reinsurance recoveries for accident periods up to and including 2016-17 were reduced by approximately 80% to allow for the inability of MAV WorkCare to claim TAC recoveries for these accident periods. Reinsurance recoveries for periods post 1 November 2017 were estimated by considering a total payment model and a total payment model where payments are capped at the expected excess of loss limit. The difference between these two models is the implied reinsurance recovery that would have been received if a similar reinsurance contract had been in place for historical periods. There has been no allowance for reinsurance recoveries for periods prior to 1 November 2017.

Based on Access Economics June 2018 forecasts for Victorian average weekly wage inflation was assumed to be 3.25%. The discount rate was assumed to be 2.7% 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.

	Current rate	Change variable to +0.5% / -0.5%	Operating surplus (deficit) at 30 June 2018	Total accumulated funds after the impact of applying variable
	%	%	\$	\$
IMPACT OF CHANGES IN KEY VARIABLES				
Base value at 30 June 2018	3.25%		(2,349,695)	(2,349,695)
Wage Inflation rate p.a.		3.75%	(4,305,464)	(4,305,464)
		2.75%	(507,027)	(507,027)

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				
Base value at 30 June 2018	2.70%		(2,349,695)	(2,349,695)
Discount rate p.a.		3.20%	(626,317)	(626,317)
		2.20%	(4,199,437)	(4,199,437)
	Current rate	Change variable to +2% / -2%	Operating surplus (deficit) at 30 June 2018	Total accumulated funds after the impact of applying variable
	%	%	\$	\$

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				
Base value at 30 June 2018	8.00%		(2,349,695)	(2,349,695)
Claim administration expense		10.00%	(3,615,411)	(3,615,411)
		6.00%	(1,083,979)	(1,083,979)

17. CAPITAL MANAGEMENT OBJECTIVES AND ECONOMIC DEPENDENCY

The MAV is specifically excluded from the provisions of the Insurance Act and from APRA regulation. The only externally imposed capital requirement on the MAV is within the self-insurance licence conditions imposed by WorkSafe. The capital ratio of MAV WorkCare must be greater than 85% of net liabilities. If the capital ratio falls below 100% the MAV must put in place strategies to return to a capital ratio of 100% or better. 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 the Scheme. 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 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. All members of the Scheme are committed to the Scheme for the first licence period of three years in accordance with the Participation Agreement.

The MAV operates MAV WorkCare as a captive, non-discretionary mutual fund, and under Schedule 1, Part B, Clause 3 of the Participation Agreement 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.

Schedule 1, Part B, Clause 7 of the Participation Agreement, provides the ability for MAV to make additional calls on 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. LOSS ON TRANSFER OF LIABILITIES ON COMMENCEMENT OF THE SCHEME

On 1 November 2017 MAV WorkCare commenced business as a licensed self-insurer under the WIRC Act. WorkSafe granted the licence to MAV WorkCare on 3rd May, 2017 to commence business as a self-insurer subject to meeting performance and financial conditions. MAV met all the conditions required to be met by WorkSafe prior to commencement. On commencement of the Scheme WorkSafe paid to MAV WorkCare the sum of \$65,856,545 which was the Statistical Case Estimate (SCE) of claims outstanding for the thirty-one inaugural members of the Scheme. The independent actuary to the Scheme estimated the value the claims outstanding, including claims handling expenses, for the thirty-one inaugural members of the Scheme that were transferred by WorkSafe to the Scheme, net of recoveries, at \$67,478,639. This resulted in a deficit of \$1,622,094 at commencement.

19. CONTINGENT LIABILITY

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

On 1 November 2017 MAV WorkCare commenced business as a licensed self-insurer under the WIRC Act. WorkSafe granted the licence to MAV WorkCare to commence business as a self-insurer subject to meeting performance and financial conditions. MAV met all the conditions required to be met by WorkSafe prior to commencement. One of the conditions related to the provision of a bank guarantee equivalent to one hundred and fifty per cent (150%) of the net liabilities of the Scheme. The National Australia Bank has provided a bank guarantee on behalf of the MAV to WorkSafe in the amount of \$102.206 million.

In order for the National Australia Bank to provide the Bank Guarantee the following securities were provided by the MAV:

- a) Letter of set off over a bank deposit amounting to \$11.7 million.
- b) Security Interest and Charge over the cash and investments of the MAV WorkCare Self-Insurance Scheme.

MAV WorkCare is also subject to Covenants and Undertakings it has provided to the Bank:

- a) that the market value of the cash and investments held by MAV WorkCare is to be maintained at a minimum of 65% of the Bank Guarantee amount at all times. The National Australia Bank is to be immediately notified should the investment funds fall below this level.
- b) Where WorkSafe make a claim on the Bank Guarantee and the cash reserves are insufficient to clear the liability the MAV will undertake to make a claim on its members within 30 days.

20. RELATED PARTIES

The MAV is a body corporate established under the Municipal Association Act of 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 Participation Agreement provides for the MAV to appoint the MAV WorkCare Board to be responsible for the administration of the Scheme. Total expenses of \$1,266,590 (2017 \$nil) were payable to the MAV being payment for establishing the self-insurance licence to allow MAV WorkCare to operate the Scheme, administrative support, and overseeing the management of MAV WorkCare's activities, including the conduct of bi-monthly Board meeting. The MAV pays workers compensation insurance premiums to MAV WorkCare \$29,889 (2017 \$Nil). Other than this, there were no other related party transactions.

Board members during the year

M. Duncan (Independent Chair) – Commenced 1 November 2017

M. Ulbrick (Independent) – Commenced 1 November 2017

P. Digby (Independent) – Commenced 1 November 2017

J. Dore (Independent) – Commenced 1 November 2017

R. Spence (former MAV Chief Executive Officer) – Commenced 1 November 2017
ceased as Chief Executive Officer on 20 August 2018 but remains a Board member.

K. Thompson (MAV Chief Executive Officer) – Commenced 21 August 2018
appointed to the Board 17 October 2018

Key management personnel remuneration

Independent Board members receive meeting fees. The key management person is the Director – MAV WorkCare.

	Annual meeting allowance
	\$
Chairperson	25,000
Independent Board members	15,000
Short-term remuneration of MAV WorkCare board and key management personnel (cost of key management personnel is recovered by the MAV)	283,268
Post employment benefits	20,817

Loans to MAV WorkCare Board members

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

Other transactions

There were no other material transactions with WorkCare Board Members.

Insurance

The activities of the MAV WorkCare 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 directors

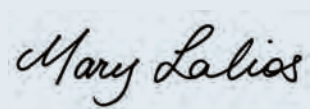
As at 30 June 2018

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 2018;
- 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 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. Tom Melican
Director



Kerry Thompson
Chief Executive Officer

Melbourne
24/10/2018

Independent Audit Report



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Independent auditor's report to the members of MAV WorkCare

Opinion

We have audited the financial report of MAV WorkCare (the "Scheme"), which comprises the statement of financial position as at 30 June 2018, 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, MAV WorkCare's financial report presents fairly, in all material respects, the financial position of the Scheme as at 30 June 2018, 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 Scheme 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.

Emphasis of matter - capital management and economic dependency

We draw attention to note 17 of the financial statements which describes the capital management plan of MAV WorkCare with respect to the recovery from the net liability position, which has been impacted by the loss on transfer of liabilities on the commencement of the Scheme as described in note 18 of the financial statements.

We also draw your attention to note 11(b) of the financial statements which details the valuation of the outstanding claims liability as at 30 June 2018, to which a 0% risk margin has been applied to the central case estimates. Our opinion is not qualified in respect of the above matters.

Responsibilities of the Directors for the Financial Report

The directors of the Scheme 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 Scheme'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 Scheme 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 Scheme'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 Scheme'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 Scheme 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.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Maree Pallisco'.

Maree Pallisco
Partner
Melbourne

24 October 2018

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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

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

Principal place of business

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

Nature of the operation and principal activities

The MAV has been approved by WorkSafe to operate a self-insurance workers compensation scheme for its members and their employees.

Number of employees

Average number of equivalent full time employees during the year is 6 EFT.

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MAV LGE HEALTH PLAN Financial Report 2017-18

Statement of Comprehensive Income

For the year ended 30 June 2018

	2018	2017
Note	\$	\$
REVENUE		
REVENUE FROM OPERATING ACTIVITIES		
Administration allowance income	491,762	470,432
Investment income	27,357	29,765
TOTAL REVENUE	519,119	500,197
EXPENSES		
Hospital Excesses refunded	200,629	196,290
Audit fees	24,151	7,650
TOTAL EXPENSES	224,780	203,940
TOTAL COMPREHENSIVE INCOME(LOSS) FOR THE YEAR	294,340	296,257

The accompanying notes form an integral part of these statements.

Statement of Financial Position

As at 30 June 2018

		2018	2017
	Note	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	4(a)	1,584,475	1,264,003
Trade and other receivables	5,2(e)	33,975	59,825
TOTAL CURRENT ASSETS		1,618,450	1,323,828
TOTAL ASSETS		1,618,450	1,323,828
CURRENT LIABILITIES			
Trade and other payables		7,932	7,650
TOTAL CURRENT LIABILITIES		7,932	7,650
TOTAL LIABILITIES		7,932	7,650
NET ASSETS		1,610,518	1,316,178
EQUITY		1,610,518	1,316,178

The accompanying notes form an integral part of these statements.

Statement of Changes in Equity

For the year ended 30 June 2018

	2018	2017
	\$	\$
RETAINED EARNINGS		
Balance at beginning of year	1,316,178	1,019,921
Surplus from ordinary activities	294,340	296,257
BALANCE AT END OF YEAR	1,610,518	1,316,178

Combined Statement of Cash Flows

For the year ended 30 June 2018

		2018	2017
	Note	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES			
RECEIPTS			
Administration allowance		516,921	469,373
Interest received		30,800	27,826
PAYMENTS			
Hospital excesses refunded		(203,098)	(210,022)
Administration overhead		(24,151)	(7,650)
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	4(b)	320,472	279,527
NET (DECREASE)/INCREASE IN CASH HELD		320,472	279,527
Cash at beginning of year		1,264,003	984,476
CASH AT END OF YEAR	4(a)	1,584,475	1,264,003

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 2018

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 LGE 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 2018 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 but not yet effective

Reference	Title Summary	Application Date of Standard	Impact on financial report	Application Date for Group
AASB 9	Financial Instruments	1 January 2018	1 July 2018	Preliminary assessment indicates minimal impact arising on the adoption of these standards.
AASB 15	Revenue from Contracts with Customers	1 January 2018	1 July 2018	
AASB 16	Leases	1 January 2019	1 July 2019	No impact
IFRS 17	Insurance Contracts	1 January 2021	1 July 2021	Preliminary assessment indicates minimal impact arising on the adoption of this standard.

(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, and therefore LGE Health Plan, 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 and Choosewell Pty Ltd 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
- 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. LGE Health Plan does not have any level 3 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 LGE Health Plan 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.

3. AUDIT FEES

	2018	2017
	\$	\$
Amounts received or due and receivable for audit services:		
Audit services	7,932	7,650
Other services	–	–
	7,932	7,650

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 NAB cash deposits and reconciled to the related items in the Statement of Financial Position as follows:

	2018	2017
Note	\$	\$
Cash and cash equivalents	1,584,475	1,264,003
TOTAL CASH AND CASH EQUIVALENTS	1,584,475	1,264,003

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

Profit (Loss) for year	294,340	296,257
Changes in assets and liabilities		
(Increase)/decrease in accounts receivable	2(e) 25,850	(2,499)
Increase/(decrease) in accounts payable	282	(14,231)
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	320,472	279,527

5. TRADE AND OTHER RECEIVABLES

	2018	2017
Note	\$	\$
Other receivables	33,975	59,825
TOTAL TRADE AND OTHER RECEIVABLES	33,975	59,825
Represented By:		
Current	33,975	59,825
Non-current	–	–
TOTAL	33,975	59,825

The ageing analysis of trade receivables are as follows:

2018	Total	< 30 days	> 30 days
LGE EMPLOYEE HEALTH PLAN	33,975	33,975	–
2017	Total	< 30 days	< 30 days
LGE EMPLOYEE HEALTH PLAN	59,825	59,825	–

6. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The LGE Health Plan'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
	2018 \$	2018 \$
FINANCIAL ASSETS		
Cash and cash equivalents	–	1,584,475
Trade and other receivables	33,975	–
TOTAL FINANCIAL ASSETS	33,975	1,584,475
Weighted Average Interest Rate		1.9%
FINANCIAL LIABILITIES		
Trade and other payables	7,932	–
TOTAL FINANCIAL LIABILITIES	7,932	–
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
	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		3.3%
FINANCIAL LIABILITIES		
Trade and other payables	7,650	–
TOTAL FINANCIAL LIABILITIES	7,650	–
Weighted average interest rate		0%

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as at 30 June 2018. Cash flows for financial assets and liabilities without fixed amount or timing are based on conditions existing at 30 June 2018.

The remaining contractual maturities of the financial liabilities are:

	2018	2017
	\$	\$
3 months or less	7,932	7,650
3-12 months	–	–
1-5 years	–	–
Over 5 years	–	–
	7,932	7,650

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 2018	<3 months \$	3-12 months \$	Total \$
FINANCIAL ASSETS			
Cash and cash equivalents	1,584,475	–	1,584,475
Trade and other receivables	33,975	–	33,975
	1,618,450	–	1,618,450
FINANCIAL LIABILITIES			
Trade and other payables	7,932	–	7,932
Other liabilities	–	–	–
TOTAL FINANCIAL LIABILITIES	3,952	–	7,932
NET MATURITY	1,610,518)	–	1,610,518
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
LGE EMPLOYEE HEALTH FUND			
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

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

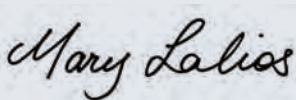
As at 30 June 2018

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

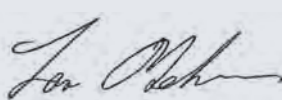
- a. the accompanying Statement of Comprehensive Income of the LGE Health Plan is drawn up so as to present fairly in all material respects the result of the Plan for the year ended 30 June 2018;
- b. the accompanying Statement of Financial Position is drawn up so as to present fairly in all material 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. Tom Melican
Director



Kerry Thompson
Chief Executive Officer

Melbourne
24/10/2018

Independent Audit Report



Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
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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 2018, 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 2018, 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



Page 2

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

24 October 2018

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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.

Photography acknowledgments

Our thanks to these councils for allowing us to feature these fantastic photographs in our Annual Report:

Page	Attribution
Front cover:	Alpine Shire Council
Inside front cover:	City of Greater Bendigo
Page 35:	City of Darebin
Page 37:	City of Monash
Page 62:	City of Greater Dandenong
Page 70:	City of Kingston
Page 83:	Latrobe City Council
Back cover:	City of Casey

Thanks also to Baw Baw Shire Council, Nillumbik Shire Council, Southern Grampians Shire Council and MAV staff for giving us permission to use their images throughout the report.



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