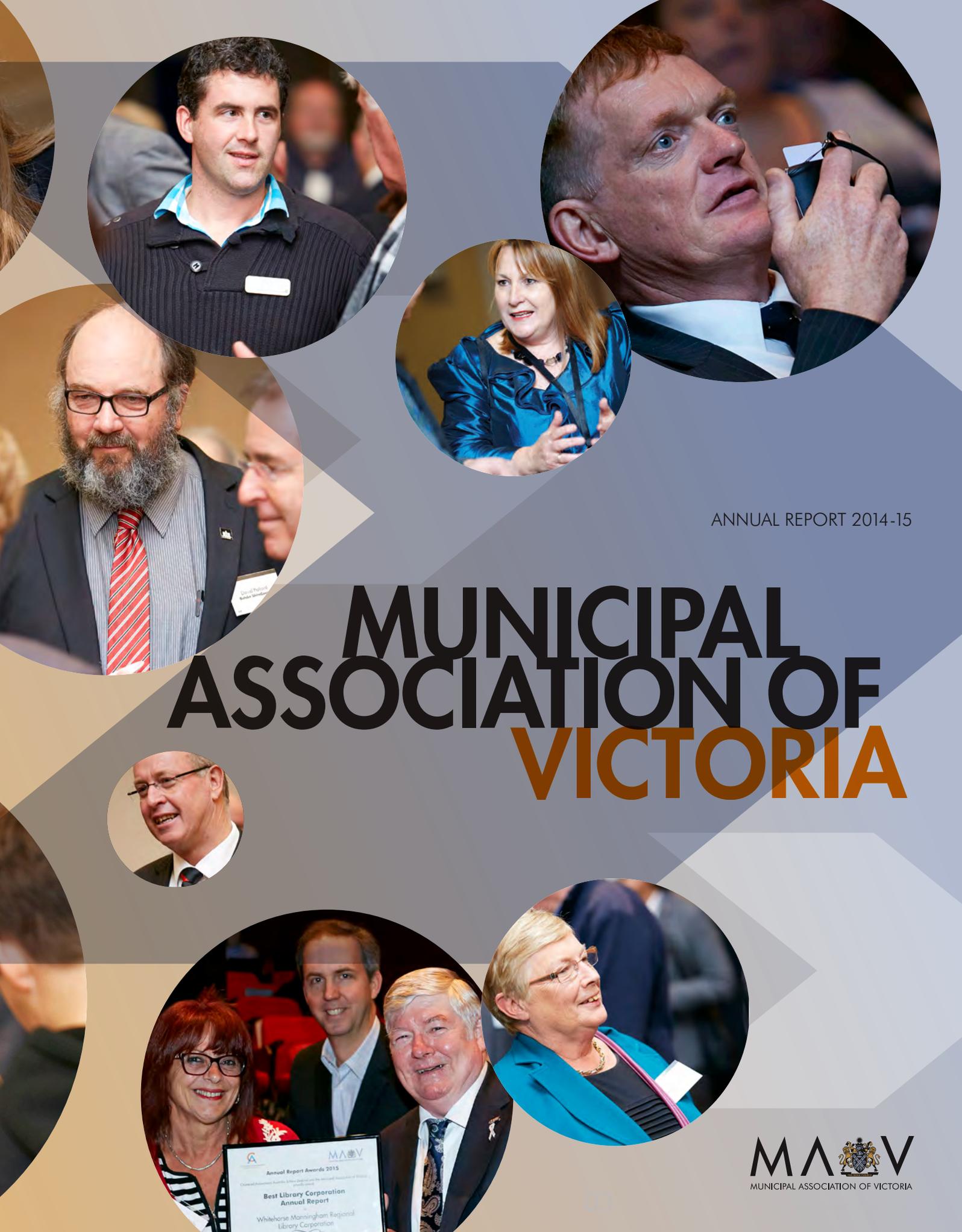


ANNUAL REPORT 2014-15

MUNICIPAL ASSOCIATION OF VICTORIA



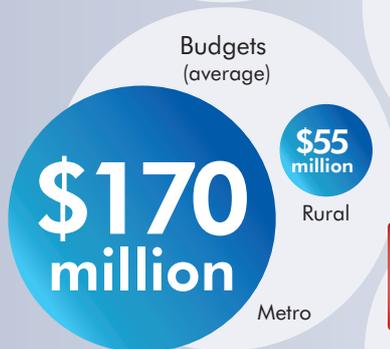
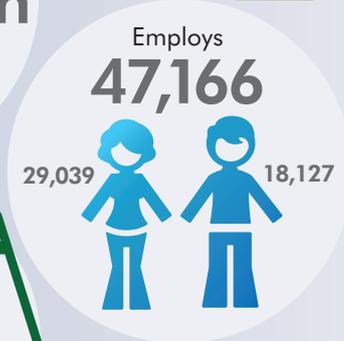
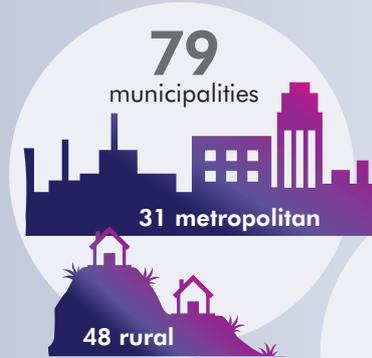


ANNUAL REPORT 2014-15

MUNICIPAL ASSOCIATION OF VICTORIA



SNAPSHOT OF VICTORIAN LOCAL GOVERNMENT



CONTENTS

06 **CONTEXT**

Snapshot of local government
Local government service delivery
About the MAV
About our members
Why we have an Annual Report

08 **OVERVIEW**

President's message
Snapshot of performance highlights
Priority issues
CEO's message
Financial overview

20 **GOVERNANCE**

Introduction
MAV Board
Listening and learning
> Consultation framework
> MAV committees

30 **OUR PEOPLE**

Human resources overview
CEO profile
Organisational structure
MAV staff
MAV council representatives

36 **DETAILED PERFORMANCE REPORTS**

Providing value to our members
MAV work team overview
Strategic Work Plan activity outcomes:
> ADVOCATE
 local government interests
> BUILD
 the capacity of councils
> PROTECT & SUPPORT
 the viability of councils
> PROMOTE
 the role of local government
> IMPROVE
 policies and processes

62 **MAV INSURANCE**

Message from the Chair
Performance highlights
MAV Insurance Board
MAV Insurance team
About MAV Insurance
Liability Mutual Insurance Scheme
Commercial Crime Fund
LGE Health Insurance

74 **DETAILED FINANCIAL REPORTS**

Guide to the financial statements

77 **MAV FINANCIAL REPORT**

MAV Financial Report
Statement by directors
Independent audit reports

109 **MAV INSURANCE FINANCIAL REPORT**

MAV Insurance Financial Report
Statement by directors
Independent audit reports

LOCAL GOVERNMENT SERVICE DELIVERY STATISTICS



ABOUT THE MAV

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

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

The MAV is a membership association, accountable to its constituent members through State Council and an elected Board. Membership of the MAV is discretionary (79 Victorian councils are current financial members), and participation in our insurance schemes, procurement program, events and other activities is voluntary.

ABOUT OUR MEMBERS

In Victoria, local government is made up of 79 councils representing over 5.5 million people. They operate with a legislative and electoral mandate to manage local issues and plan for the community's needs. In partnership with communities, councils manage more than \$73 billion worth of community infrastructure and assets.

Victorian local government has annual revenue of \$7.9 billion. It employs more than 47,000 people and provides more than 100 different services to people who live, work and visit the local council area. Key functions include health and community services; planning and land use; environmental services; recreational and cultural services; local roads, footpaths and street lighting services; domestic animal management; and emergency management planning.

Local government is closely 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.

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 future.

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.

ABOUT THIS REPORT

The MAV Annual Report documents the activities and achievements of the MAV over the 2014-15 financial year and celebrates the benefits that are delivered for all member councils when we work together as a sector.

As part of the MAV's commitment to improving its reporting methods, the structure of this year's Annual Report has been altered to better demonstrate how the MAV has provided value to its members over the reporting period. It includes a detailed picture of the governance and financial activities of the Association, and reports on our performance in delivering the objectives and activities promised in our Strategic Work Plan 2014-15.

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

The new format provides more context, statistics and detailed information (as at 30 June 2015) than previous reports. However we've also included a snapshot of our performance highlights, for those who prefer an executive summary.

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

ACCESSING THIS REPORT

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



OVERVIEW





OUR CHARTER

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



WE VALUE:

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



OUR ROLE IS:

- Representation and advocacy
- Establishing and maintaining alliances
- Responding to arising issues
- Mediation, facilitation and advice services
- Sector development
- Councillor development
- Promotional and educational events
- Collaborative procurement services
- 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.



PRESIDENT'S MESSAGE



In an increasingly challenging environment for local government, it is with great pride that I commend and present the 2014-15 MAV Annual Report to our members. I trust you will find it to be an accessible and informative account of the benefits the MAV has delivered over the past year.

At strategic planning consultation sessions early in 2014, our members identified 10 priority issues and 173 activities for inclusion in the 2014-15 MAV work plan. This year's Annual Report provides outcome summaries for these activities, along with easy-to-read performance highlights. As you will see, the great majority of activities identified through our strategic planning consultation sessions have been addressed, with many delivering outstanding outcomes for the sector.

Of particular note was the establishment of the Local Government Funding Vehicle (LGFV) - Australia's first aggregated funding vehicle for local government. Labelled as a landmark deal that created a municipal bond market in Australia, the inaugural issuance launched with a volume of A\$240 million across two tranches, providing 30 councils with access to both five-year and seven-year fixed rate, interest only loans. By accessing capital markets and paying only wholesale interest rather than retail interest levied by traditional bank borrowing, councils save significantly. The LGFV is a long-term ongoing solution available to all Victorian councils that has been estimated to save the sector up to \$100 million over the next 10 years.

Our priority to advocate for commitments from all political parties in the lead up to the State Election paid dividends for members too, influencing the delivery of much-needed funding boosts for Home and Community Care (HACC), kindergarten and early childhood facilities, public libraries and regional roads.

“These outcomes form part of more than \$400 million in service benefits that the MAV helped to unlock for members over the past year.”

I invite you to review the snapshot of performance highlights provided on the next pages of this report for an overview of the scale and scope of these outcomes. I would also like to acknowledge that these outcomes could not have been achieved without the participation of our members, who engage regularly with the MAV to inform and inspire our actions.

The MAV's contribution to the revision and strengthening of the Victorian State-Local Government Agreement (VSLGA) means that local government is now in a better position to influence future State Government policy, planning and funding decisions affecting local government as well.

The ongoing priority issue of financial sustainability was in the spotlight this year, in the lead-up to the introduction of rate capping for Victorian councils. In the 1990s rate capping in Victoria resulted in councils deferring spending on capital programs such as roads maintenance and renewal. This led to faster deterioration of roads and other assets, and has consequently imposed higher costs on future generations of ratepayers to renew and upgrade under-maintained community infrastructure.

In robust discussions during the Essential Services Commission (ESC) process, we recommended the adoption of a flexible approach that recognises the current financial pressures on the sector, and is aligned to the existing council planning and budget cycle process. The MAV's Financial Assistance Grants and Rate Capping

Taskforce continues to work with stakeholders in order to minimise the anticipated impacts of rate capping across the sector, and achieve a fair and sustainable model for communities. At the same time, the MAV is also preparing to help councils understand the new system and operate effectively within it. We will closely monitor the outcomes of applications for rate cap exemptions, and share best practice information as it emerges. We will also continue to encourage and support councils to improve productivity and efficiency in all areas of operation.

The MAV has also reflected on its own performance over the reporting period. In response to a number of internal and external reviews, we have committed to improve the way we measure and report our performance to members. The new structure of this report is one example of our transition to more transparent operations. To complete the transition, we will sharpen the focus of future MAV Work Plans and implement a more useful measurement and reporting framework. This is not without its challenges. You can read more about this work in the CEO's message on page 16.

To ensure our activities are addressing the changing needs of the sector, the MAV must continue to be informed by extensive and regular consultation with members. Our MAV Board Member regional sessions, biannual metro forums, and rural and regional forums provide two-way engagement between the MAV and member councils. These forums also inform our biannual State Council meetings which provide an opportunity for our members to raise and debate emerging issues for incorporation into the MAV's work plan.

I'm pleased to report that MAV principles of gender equality, preventing violence against women, aboriginal reconciliation and welcoming refugees were supported by various activities throughout the year.

In April, the MAV introduced the Victorian Local Government Aboriginal Employment Framework to all councils. Using the structure developed by Reconciliation Australia, the framework focuses on respect, relationships and opportunities. We were delighted to engage a number of prominent Aboriginal Victorians on a range of issues aimed at reducing the gap in poor social and economic outcomes between Aboriginal and non-Aboriginal Victorians. These relationships are also informing the development of the MAV Reconciliation Action Plan.

Our resolve to promote gender equity and the prevention of violence against women included a submission to the Royal Commission into Family Violence. The MAV was also the recipient of a prestigious international award for our booklet, Prevention of Violence Against Women – Leading Change in the Victorian Government Sector.

The MAV also represented local government interests in national migrant and refugee settlement planning programs, and partnered with the Australian Human Rights Commission to develop the first online national social cohesion resource for local government.

In closing, I would like to acknowledge the 47 councillors who received an MAV Councillor Service Award in 2014. The award recognises councillors who have contributed 10, 15 or 25 or more years of service to their local community in their elected role, influencing the decisions that shape our society and local communities. This year's recipients included 11 mayors who were awarded the Mayor Emeritus for three or more full terms as mayor. Congratulations to all.

CR BILL MCARTHUR

President

SNAPSHOT OF PERFORMANCE HIGHLIGHTS

In 2014-15, Victorian councils contributed **\$2.7 million** in membership subscriptions to the MAV.

In 2014-15 the MAV helped to unlock in excess of **\$400 million** in member service benefits including:



SNAPSHOT OF PERFORMANCE HIGHLIGHTS

New partnerships and agreements



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

Land use planning Partnership Agreement



Metropolitan Planning Authority engagement procedures for working with councils

Victorian State – Local Government Agreement



whole-of-State Government commitment to consult, communicate and negotiate with local government

Libraries



State commitment to review funding and priorities with councils

Improved working relationships



with reporting authorities and stakeholders

Victorian Local Government Aboriginal Employment Framework



Professional development



130 MAV conferences and training events attended by 9,400 council staff

New efficiencies



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

Local Government Funding Vehicle



over ten years, up to **\$100 million** value to councils

Improved freight movement across Victoria



number of roads pre-approved for heavy vehicle traffic increased from **200 to 11,000**

Collaborative procurement



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

Heavy vehicle permits



300% increase in council efficiency

New strategic planning and reporting framework



plus the implementation of 15 internal policy and process improvements

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 42-61 for details of MAV activities.

PRIORITY ISSUES 2014-15

The MAV's activities were guided by our Strategic Work Plan 2014-15, which was adopted by State Council in May 2014, following an extensive consultation process with member councils. The Strategic Work plan includes agreed activities assigned to specific work areas of the MAV. The outcome from each of these activities is presented in the detailed performance report on pages 42 - 61.

In addition to the agreed activities, the strategic planning consultation sessions identified ten priority issues to be of particular significance to the entire sector. The MAV was directed by its members to assign effort and resources toward addressing these priorities during the reporting period. Outcomes for these priority issues are presented in the table below.

2014-15 PRIORITY ISSUES		STATUS	SUMMARY
1 >	<p>STATE ELECTION</p> <p>A core focus for the MAV this year will be to secure commitments from political parties on a range of priorities identified in this document, ahead of the State election. We will produce a log of claims in consultation with members to achieve this.</p>	<p>✓ Delivered</p>	<p>Influenced the commitment of all political parties to local government priorities in the lead-up to the State election. Responses to our Call to Parties document provided a basis for ongoing discussion, advocacy and negotiation to deliver stronger engagement and action on sector priority issues.</p>
2 >	<p>FINANCIAL SUSTAINABILITY</p> <p>Financial sustainability, including the sustainability of smaller councils, is one of the MAV's core priorities and is a theme that underpins much of our strategic work program.</p>	<p>➤ Ongoing</p>	<p>Delivered and progressed whole-of-sector productivity gains through new funding agreements, resources, partnerships, reforms, economic analysis and advocacy. Raised the potential risks surrounding a rate capping framework during the Essential Services Commission (ESC) process.</p>
3 >	<p>REDUCING RED-TAPE</p> <p>In view of the Commonwealth Commission of Audit and an increased emphasis on performance under cost pressures at the state and federal levels, we will focus on reform work, this year, with a view to reducing red tape and securing local government's robust future.</p>	<p>➤ Ongoing</p>	<p>Engaged with State Government to influence the outcomes of the <i>Local Government Act</i> review and gained commitment for a review of local government performance measures and reporting requirements. Increased collaborative procurement capacity and opportunity for councils. Facilitated heavy vehicle traffic and permit reforms, improving freight movement across the state.</p>
4 >	<p>STATE & FEDERAL FUNDING FOR TRANSPORT & INFRASTRUCTURE</p> <p>The MAV will advocate to gain recommitments to current funding arrangements, including the state-funded Country Roads and Bridges program and the Regional Growth Fund and the federal-funded Roads to Recovery program.</p>	<p>➤ Ongoing</p>	<p>Advocated alongside the Australian Local Government Association to double the 2015-16 Roads to Recovery payment to councils. Established Regional Road Groups to help create a long-term approach to regional road and transport planning in Victoria. Advocated for reinstatement of State funding for local roads and community infrastructure.</p>
5 >	<p>BOND ISSUE FOR DEBT AGGREGATION</p> <p>The MAV will finalise the debt aggregation project through the NAB-Commonwealth Bank bond issue, as recommended by Defined Benefit Superannuation Taskforce.</p>	<p>✓ Delivered</p>	<p>Inaugural issuance of the Local Government Funding Vehicle (LGFV) representing 30 councils from across the state. Providing councils with access to both five-year and seven-year fixed rate, interest only loans, the LGFV could save the sector up to \$100 million over the next decade.</p>

2014-15 PRIORITY ISSUES	STATUS	SUMMARY
<p>6> <u>SELF-INSURANCE FOR WORKERS' COMPENSATION</u></p> <p>The MAV has commenced the process to apply for a licence for a self-insurance scheme for workers' compensation. The objective for the next year is to significantly advance the application and prepare the scheme to commence operations on 1 July 2015.</p>	<p> Ongoing</p>	<p>Support for the scheme grew following metro and regional stakeholder education sessions. The licence application will be submitted upon achieving the necessary critical mass of members.</p>
<p>7> <u>VICTORIAN STATE-LOCAL GOVERNMENT AGREEMENT</u></p> <p>Following our work to have local government concerns addressed in the latest iteration of the agreement, the MAV will work with the State Government to ensure the spirit and letter of the agreement are respected.</p>	<p> Delivered</p>	<p>Achieved a revised and strengthened Victorian State-Local Government Agreement (VSLGA) to create a whole-of-State-Government commitment to consult, communicate, and negotiate with local government.</p>
<p>8> <u>EARLY YEARS NATIONAL PARTNERSHIP AGREEMENTS</u></p> <p>The MAV will advocate for the Commonwealth and state governments to sustain the operational and capital funding required to deliver the intended outcomes of the early years National Partnership Agreements, including '15 hours' universal access to kindergarten and adherence to the National Quality Framework.</p>	<p> Delivered</p>	<p>Successfully campaigned for the Federal Government to continue its funding contribution towards 15 hours of kindergarten for the next two years, and for State capital investment for early childhood facilities.</p>
<p>9> <u>HOME AND COMMUNITY CARE</u></p> <p>With the funding and management of HACC set to transition to the Commonwealth in July 2015, MAV will be working with state and Commonwealth officials to define the terms of the transition. We will be looking to ensure system stability for councils and users over the next five years, with an agreement that existing service providers are to be offered Commonwealth service contracts already reached.</p>	<p> Delivered</p>	<p>Achieved Commonwealth and State recognition of local government's key role in the HACC system and secured a 45 per cent increase in the unit price paid to councils for delivery of services to more than 300,000 older people.</p> <p>Progressed negotiations towards a transition agreement that preserves and protects high quality elements of Victoria's HACC system.</p>
<p>10> <u>LIBRARIES</u></p> <p>Public library services funding is also a key concern for the MAV in the coming year, with the Tomorrow's Library proposal providing no indication of the State's capital and recurrent funding commitments. We aim to negotiate solutions that support local government in maintaining innovative and financially viable public library services.</p>	<p> Ongoing</p>	<p>Secured commitment for the State to develop a written Partnership Agreement to review library funding, examine the Ministerial Advisory Council 'Victorian Library' model, and determine library priorities with councils.</p>

CEO'S MESSAGE



Like many of our member councils, MAV has experienced a challenging year with a change of government in Victoria, the proposed introduction of rates capping for councils, the negative media campaign about the sector and the significant challenge of providing improved services to our members in an environment of increased fiscal constraint.

For the first time since the establishment of the MAV in 1879, the Victorian Auditor-General's Office (VAGO) undertook a performance audit on the MAV. The audit identified a number of areas for improvement in MAV practice, which we are well advanced in implementing.

One aspect of the audit still representing a challenge for the MAV and our members is the recommendation that could lead to the association being controlled by the State, rather than our council members.

This issue became a point of contention with the Auditor-General, Mr John Doyle.

With independent advice from Ernst & Young, we are currently investigating ways to isolate key sector priorities from the hundreds of individual issues that councils inevitably face every year, capture the key value propositions of the MAV, and find useful and practical ways to measure their effectiveness. We will, of course, consult with our members as resulting changes to our planning and reporting processes are identified.

We also need to find a useful way to measure our more intangible member services, such as facilitating collaboration between councils, developing and maintaining relationships with other levels of government, mediating when issues arise

between elected officials and council executives, and legal and policy advice services for members. These services account for a significant percentage of MAV staff time and effort, and are arguably even more important to councils than our activity outcomes, yet they are not adequately reflected in this report. Despite this gap, the report still demonstrates how the MAV team have kept their eye on the ball throughout the year to deliver outstanding results for our members.

Our tireless Community Services and Public Health team not only achieved funding and consultation commitments for HACC unit prices, libraries and kindergartens, but also extended the reach of the Patchwork program, launched the Casserole Club program and commenced the roll out of the new Child Development Information System (a shared system that offers a standardised approach to maternal and child health services across Victoria). They also achieved international recognition for their role in promoting the devastating impacts that violence against women and addiction to pokies have on our local communities.

In the planning and infrastructure space, Roads to Recovery funding for councils was doubled, freight movements were assisted by massive improvements in heavy vehicle permit approval processes, more funding was secured for regional rail upgrades and commitment to a long-term statewide transport infrastructure plan was gained.

Sector capacity was advanced through growing participation in our STEP Asset Management Program and the launch of our LEAP Continuous Improvement Procurement Development program. We also increased collaborative procurement

opportunities for councils with the delivery of several key tenders and contracts. This year's roll out of Energy Efficient Street Lighting to more than 60 councils resulted in energy and emissions reductions and costs savings to councils estimated to be in the hundreds of millions of dollars.

Benefits delivered for the environment also included roadside pests and weeds funding, Electric Line Clearance regulation amendments, and stronger representation of local government interests in planning for climate change adaptation, floods, bushfires, water, waste governance and energy efficiency in Victoria.

Our business transformation support efforts included the continuing development of the Victorian Local Government Enablement Platform, improving the integration of service planning with financial and asset management, and the development and roll out of more shared services. As a result of our initiatives to encourage open data publishing, Victorian councils are now the most prolific local government data publishers in the country and are leading the way for the sector nationally in this exciting new field.

This year's expanded MAV councillor and workforce training courses have enjoyed an increase in both participation and satisfaction rates. Professional development opportunities were delivered to 9,362 member delegates through more than 130 MAV events that focused on improving council services in emergency management, environment, procurement, finance, technology, governance, infrastructure, planning, community and health.

In thanking MAV staff for their contribution to these great outcomes, I encourage

members to note the number of staff that work in each policy area (see page 34) to fully appreciate the scale of the achievements. I also extend my thanks to our President, Cr Bill McArthur and members of the Board for their leadership and encouragement in these challenging times.

The road ahead is new territory for all of us. Transformation imperatives and opportunities available to the sector and the MAV are challenging and exciting, in equal measure. The future of local government will be determined by the way in which we respond to the challenges before us.

"We have a rare collective opportunity to use the environment of fiscal constraint as an incentive to embrace change and increase the effectiveness, value and influence of local government."

I look forward to working together toward that vision.

ROB SPENCE

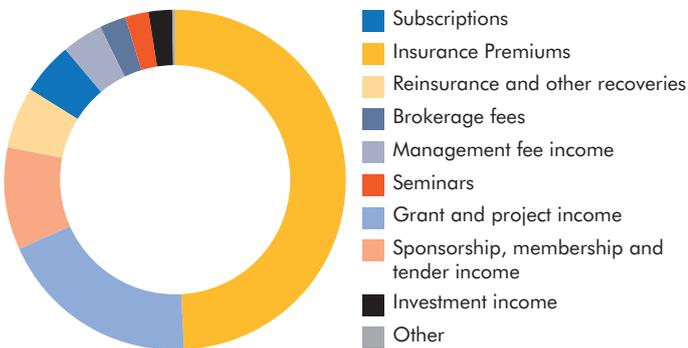
Chief Executive Officer

FINANCIAL OVERVIEW

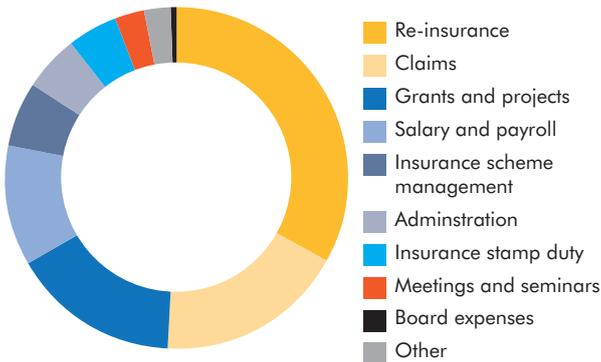
REPORT ON FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2015

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

REVENUE BY CATEGORY 2014-15



EXPENDITURE BY CATEGORY 2014-15



MUNICIPAL ASSOCIATION OF VICTORIA

The MAV financial statements include the activities of:

1. MAV Grants: 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 in procurement for MAV members; and
4. MAV Insurance: Operates the Liability Mutual Insurance Scheme (LMI) and the Commercial Crime Fund.

The financial result of the MAV General Fund in 2015 was significantly impacted by the increase in government grants received. The operating surplus of the General Fund for the year was \$3,343,424 (2014 \$504,719).

The net assets of the MAV General Fund, excluding the MAV Insurance business, increased to \$8.15 million from \$4.8 million in 2014.

MAV CONSOLIDATED FINANCIAL STRUCTURE	
MAV GRANTS	LIABILITY MUTUAL INSURANCE SCHEME
MAV PROCUREMENT	
MAV PROJECTS & EVENTS	
MAV CORE OPERATIONS	COMMERCIAL CRIME INSURANCE SCHEME
MAV	MAV INSURANCE

MAV GRANTS

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

During 2015, the MAV received a further \$10.4 million in grants and other grant-related income (2014 \$6.2 million).

As at 30 June 2015, the MAV had a commitment to spend \$8.23 million (2014 \$5.03 million).

MAV PROJECTS AND EVENTS

MAV delivered more than 130 conferences, events and projects during the year. The aim is to break even on the conferences and events held for our members over the year. This year produced a small surplus of \$12,688.

MAV PROCUREMENT

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

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

This year MAV Procurement continued to grow and consolidate its position in the sector. Gross revenue increased by 17 per cent over last year and participation across all councils remains at a high level. MAV Procurement has been involved in an increasing number of tenders providing major cost savings for the sector. In addition, a range of subsidised training programs continues to be provided for members. MAV Procurement continues to invest directly in a number of sector-wide initiatives including the street lighting project, the Child Development Information System (CDIS), the LEAP continuous improvement program and the Local Government Funding Vehicle (LGFV). The surplus earned for 2015 was \$238,973 (2014 \$166,845), which enabled the early repayment of the MAV investment in the establishment of MAV Procurement.

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 2015 of \$411,664 (2014 deficit \$1.59m). This represents a significant improvement in the underlying financial position of the scheme due to a reduction in claims – both paid and incurred throughout the year, an increase in the scheme's contributions and lower costs arising from changed reinsurance.

The scheme continues to operate in a difficult financial environment – low interest rates change actuarial parameters and have led to lower than expected investment earnings for the year. The following table provides a normalised net result from insurance operations. This removes the effect of changes to actuarial parameters and the lower than anticipated investment earnings. This indicates that for the LMI and Commercial Crime scheme, the combined normalised net result from insurance operations was a surplus of \$467,336.

Reported deficit	(\$411,664)
Impact on result from external factors	
Difference between actual investment returns and long-term expected returns	\$536,000
Change in inflation assumptions and discount rates	\$343,000
Normalised Net Result from Insurance operations	\$467,336

In addition, the actuary calculates the capital position of the scheme based on the underlying performance from insurance operations. This identifies the amount of capital the scheme has when applying long-term discount and inflation rates to the scheme's liabilities. The intention of the Board is to manage the scheme in the members' interests and this involves establishing contributions based on the underlying financial position of the scheme. The current low interest rate environment has placed a significant drag on the scheme's balance sheet. If the economic fundamentals were to reflect the long-term forecasts contained within the Commonwealth Government's Intergovernmental Report, the capital position of the LMI scheme would be improved by \$2.988m to \$1.567m.

Capital position 2014-15	LMI	Commercial Crime
Performance from insurance operations	(\$1,430,169)	\$172,169
Impact on result from external factors		
Difference between long-term discount rates and long-term expected discount and inflation rates	\$2,998,000	-
Normalised capital position	\$1,567,831	\$172,169

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

MAV Insurance holds cash in the bank and in liquid investments amounting to \$28.4 million. This amount is held in order to pay future claims.

GOVERNANCE



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

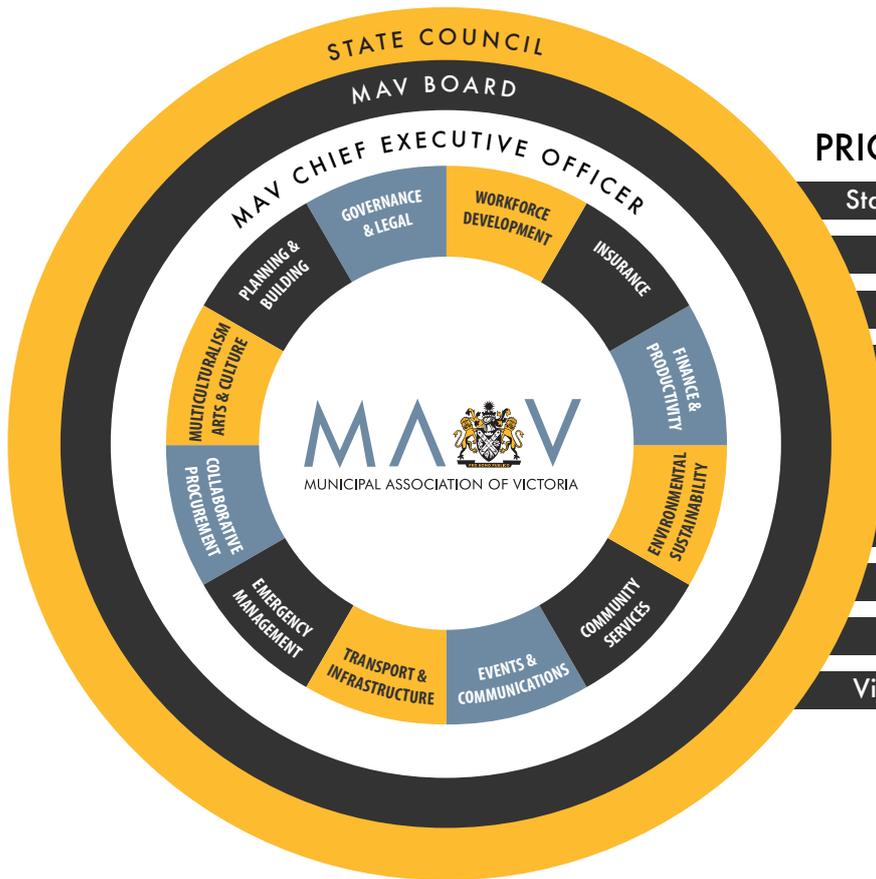
State Council is our governing body. It is made up of all the representatives of our member councils.

Our Rules of Association (the Rules) establish positions of office and set out the obligations and functions of the MAV Board.

The Board's key responsibilities are to:

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





PRIORITY ISSUES 2014 - 15

- State election
- Financial sustainability
- Reducing red tape
- Funding for transport & infrastructure
- Bond issue for debt aggregation
- Libraries
- Self-insurance for worker's compensation
- Early Years national partnership agreements
- Home and Community Care
- Victorian State-Local Government Agreement

MAV RULES

The *Municipal Association Act 1907* requires the MAV to set rules for:

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

STATE COUNCIL

The Act provides that each member council may appoint a councillor as its representative, and these representatives constitute the Association. The representatives come together twice a year to form State Council, which sets the policy direction of the MAV. The State Council Annual General Meeting was held in October 2014. Members received a report from the President on the activities of the MAV and voted on the 50 motions submitted by member councils. The MAV's consolidated financial statements were endorsed at this meeting. At the May 2015 State Council meeting, delegates approved the 2015-16 Strategic Work Plan for the MAV, and considered 64 motions from member councils. For a list of MAV representatives at 30 June 2015 see page 35.

MAV BOARD

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

Board elections were held in March 2015. Eight board members were returned, including the President, and five new board members were elected. The term of the current MAV Board will end in March 2017.

MAV BOARD

AS AT 30 JUNE 2015



Cr Bill McArthur

Cr Coral Ross

Cr Ruth Gstrein

Cr Mark Byatt

Cr Geoff Lake

Cr Rod Fyffe

CR BILL MCARTHUR

Golden Plains Shire Council

PRESIDENT

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

CR CORAL ROSS

Boroondara City Council

DEPUTY PRESIDENT METROPOLITAN METROPOLITAN SOUTH EAST REPRESENTATIVE

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

CR RUTH GSTREIN

Corangamite Shire Council

RURAL SOUTH WEST REPRESENTATIVE

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

CR MARK BYATT

Wodonga City Council

RURAL NORTH EAST REPRESENTATIVE

Chair, Professional Development
 Reference Group
 Councillor 2008 - present
 Mayor 2008 - 2013

CR GEOFF LAKE

Monash City Council

METROPOLITAN SOUTH REPRESENTATIVE

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

CR ROD FYFFE

Greater Bendigo City Council

RURAL NORTH CENTRAL REPRESENTATIVE

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



Cr Bernadene Voss

Cr Malcolm Hole

Cr David Clark

Cr Helen Coleman

Cr Gary Norton

Cr Angela Altair

Cr Tom Melican

CR BERNADENE VOSS

Port Phillip City Council

METROPOLITAN CENTRAL REPRESENTATIVE

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

CR MALCOLM HOLE

Wellington Shire Council

RURAL GIPPSLAND REPRESENTATIVE

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

CR DAVID CLARK

Pyrenees Shire Council

DEPUTY PRESIDENT RURAL RURAL SOUTH CENTRAL REPRESENTATIVE

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

CR HELEN COLEMAN

Nillumbik Shire Council

INTERFACE REPRESENTATIVE

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

CR GARY NORTON

Swan Hill Rural City Council

RURAL NORTH WEST REPRESENTATIVE

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

CR ANGELA ALTAIR

Hobsons Bay City Council

METROPOLITAN WEST REPRESENTATIVE

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

CR TOM MELICAN

Banyule City Council

METROPOLITAN EAST REPRESENTATIVE

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

BOARD MEETING ATTENDANCE 2014-15

	JUL	AUG	SEP	OCT	NOV	DEC	FEB	APR	MAY	JUN
Bill McArthur	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Angela Altair	X	✓	✓	✓	✓	X	✓	✓	✓	X
David Clark	X	✓	✓	✓	✓	✓	✓	✓	✓	✓
Jackie Fristacky	✓	X	✓	✓	✓	✓	✓			
Rod Fyffe	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ruth Gstrein	✓	X	✓	X	✓	✓	✓	✓	✓	✓
Geoff Lake	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mary Lalios	✓	✓	X	✓	✓	X	✓			
Peter Lockwood	✓	✓	✓	X	✓	✓	✓			
Gary Norton	✓	✓	✓	✓	✓	✓	✓	✓	✓	X
Coral Ross	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Jane Rowe	✓	✓	✓	X	X	✓	X			
Deb Swan	✓	✓	✓	✓	✓	✓	X			
Mark Byatt								✓	✓	✓
Helen Coleman								✓	✓	✓
Malcolm Hole								✓	✓	✓
Tom Melican								✓	✓	✓
Bernadene Voss								✓	✓	✓

No meeting held in January

No meeting held in March due to Board elections

■ Not a board member during this period

BOARD ALLOWANCES AND EXPENSES

The Board Allowance and Expense Policy provides for board members to receive an annual allowance, paid quarterly in advance. Board members are provided with a data allowance for accessing business papers via iPads and can claim out-of-pocket expenses for travel, parking, accommodation and meals 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 0.44 per cent of the total expenditure of the MAV.

	ANNUAL ALLOWANCE	DATA ALLOWANCES	EXPENSES	TOTAL
Bill McArthur ^*	62,628.00	394.00	24,743.41	87,765.41
David Clark	12,912.00	394.00	4,882.35	18,188.35
Coral Ross	9,822.00	394.00	3,527.76	13,743.76
Ruth Gstrein	8,792.00	394.00	4,619.21	13,805.21
Geoff Lake	8,792.00	394.00	1,627.27	10,813.27
Rod Fyffe	8,792.00	394.00	6,261.20	15,447.20
Angela Altair	8,792.00	394.00	1,627.27	10,813.27
Gary Norton	8,792.00	394.00	8,091.40	17,277.40
Mary Lalios*	9,684.00	295.50	5,014.75	14,994.25
Peter Lockwood	6,594.00	295.50	1,877.27	8,766.77
Jackie Fristacky	6,594.00	295.50	1,450.00	8,339.50
Debra Swan	6,594.00	295.50	2,902.25	9,791.75
Jane Rowe	6,594.00	295.50	3,418.89	10,308.39
Helen Coleman	2,930.67	98.50	-	3,029.17
Bernadene Voss	2,930.67	98.50	540.00	3,569.17
Tom Melican	2,930.67	98.50	-	3,029.17
Malcolm Hole	2,930.67	98.50	1,725.20	4,754.37
Mark Byatt	2,930.67	98.50	1,275.46	4,304.63

^ President Cr Bill McArthur was also provided with full private use of a motor vehicle at a cost of \$25,391.38

* includes expenses relating to ALGA Board positions

The amounts listed do not correlate to the allowance and expense payment figures in the financial statements as they include some payments made to board members for expenses incurred in 2013-14 and claimed in 2014-15. 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 2015 for expenses incurred in the 2014-15 year, details of which will be reflected in the 2015-16 Annual Report.

COMPLIANCE

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

AUDIT COMMITTEE

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

The Committee meets quarterly and additional meetings are convened as required. The Committee comprises three independent members and two board members. Terry Makings AM FIEAust was re-appointed as independent chair from September 2012 to September 2015. Michael Ulbrick was re-appointed as an independent member in September 2013 to September 2015. The third independent member is Michelle Dowsett, appointed in May 2012 for a term of three years. The Board was represented by the MAV President, Cr Bill McArthur, and Deputy President (metro) Cr Mary Lalios until the March 2015 elections. Up until the March elections, Cr Coral Ross was the alternate for both the President and Cr Lalios. At the first meeting of the new Board, it resolved to appoint the President (Cr McArthur) and Cr Clark to the Audit Committee. Cr Bernadene Voss was appointed the alternate for both the President and Cr Clark.

In addition to monitoring the financial and risk management performance of the MAV, and reviewing the annual work program of the internal and the external auditors, in 2014-15 the MAV Audit Committee received reports on the action plan to implement the recommendations of the Victorian Auditor-General's Office, and on new and reviewed policies. The Committee reviewed the Procurement and Payments audit, and the Payroll and Expenses Claims audit. It reviewed and recommended approval of the financial statements. It also reviewed the performance of the MAV's external auditor.

Independent committee members receive a sitting fee for each meeting attended. In 2014-15 the sitting fees were:

Chair: \$945.54 (2014 calendar year) and \$974.00 (2015 calendar year)

Independent committee members: \$630.36 (2014 calendar year) and \$649.00 (2015 calendar year).

LISTENING AND LEARNING

EXTERNAL ASSESSMENT

Earlier this year the Victorian Auditor-General's Office (VAGO) tabled its report 'Effectiveness of Support for Local Government'. This report examined the support services provided by Local Government Victoria (LGV) and a selection of services provided by the MAV to local government. The thrust of much of the Audit was to assess the effectiveness of MAV processes against a range of legislation and processes that apply to State departments and agencies of government.

The VAGO Audit survey found that councils are satisfied with the MAV's identification of their support needs, and also with their level of engagement and approval of the MAV's work. However, it also identified a number of processes and practices that required improvement.

The VAGO Audit survey results also highlighted the high importance members place on the MAV operating separately to government, with councils rating the MAV's independence as fundamental in advocating for local government and promoting the sector's interests. The MAV will explore ways to protect this independence over the course of the year.

The MAV Board has acknowledged the importance of the matters raised by VAGO and has resolved to fully address all matters raised in the report. In particular, the Board noted the breadth of the matters including:

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

The Board recognised that the report identified a number of areas in which the Board could improve its oversight and governance of the MAV. The Board committed to using the matters raised in the report to strive to become an exemplar of governance practice.

The MAV Annual Report 2014-15 is a transitional document that reflects our progress in improving our reporting processes since the release of the VAGO report in February 2015. Next year's annual report and strategic work plan will demonstrate the implementation of further improvements that address the complete annual cycle of planning and reporting; including proposed changes to our State Council process.

HOW WE DETERMINE OUR ANNUAL WORK PLAN

The MAV State Council determines the strategic objectives of the MAV, which reflect our core role and guide the development of our work programs. All MAV activities align with one or more of these objectives and contribute to delivering best value for our members.

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

MAV staff members also have significant input into development of the plan. The staff are informed by constant interaction with member councils in their areas of expertise, as well as by input and advice from more than 20 expert committees established and supported by the MAV to inform major policy and project areas (see pages 27-28 for more information about MAV Committees).

State Council is a meeting of MAV membership that occurs at least twice a year. One of the MAV's critical characteristics is our ability to respond in a timely manner to issues affecting the sector, as they arise. State Council is our members' opportunity to raise new issues as motions of business. Endorsed resolutions are incorporated into the MAV's work plan, as directed by our Board.

HOW WE IDENTIFY PRIORITY ISSUES

Consultation for the annual strategic work plan typically identifies about 80 issues as priorities. In addition to this, State Council can generate as many as 120 resolutions, which must be assessed by the MAV Board to determine how they will be progressed. Given the limited resources of the MAV, the Board must consider the impact of any additional activities on the staff's capacity to deliver the activities included in the strategic work plan, and assess each resolution against a set criteria:

- > Magnitude of impact the issue is likely to have on councils and their communities
- > Number of councils affected by the issue
- > Political ramifications of the issue
- > Immediacy of the issue
- > Likelihood of an outcome in local government's favour.

PRIORITY ISSUES

The 2014-15 strategic planning consultation sessions identified 10 priority issues:

1. State election
2. Financial sustainability
3. Reducing red-tape
4. State and federal funding for transport and infrastructure
5. Bond issue for debt aggregation
6. Self-insurance for worker's compensation
7. Victorian State-Local Government Agreement
8. Early Years National Partnership Agreements
9. Home and Community Care
10. Libraries

Outcomes delivered against these priority issues are presented on pages 14-15 of this report.

CONTINUOUS IMPROVEMENT

The outcomes from all activities of the MAV strategic work plan will be reviewed and assessed in order to identify areas for improvement.

The strategic planning and annual reporting processes of the MAV are currently under review. The review includes assessment of proposed measures of success (indicators) that can be applied to the complex advocacy environment in which the MAV operates.

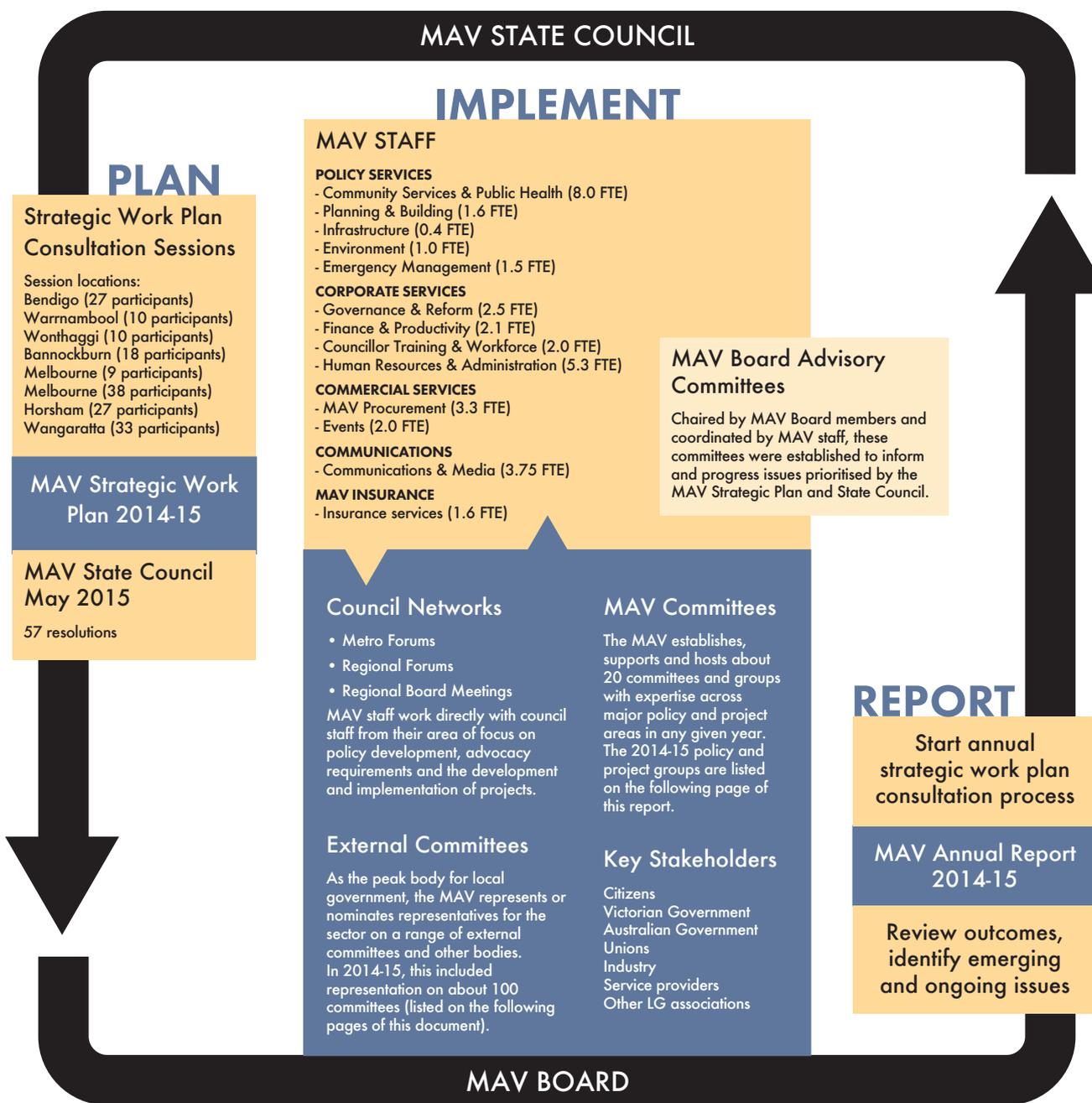
CONSULTATION FRAMEWORK

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

At Board and CEO level, our networks include elected and

appointed members, as well as representatives from all levels of government, unions, industry, service providers and fellow local government and member associations.

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



In 2009, eight Board Advisory Committees were established to inform and progress issues impacting on local government as prioritised by the MAV Strategic Plan and through State Council. Each committee is Chaired by an MAV Board member. Expressions of interest for committee members are sought every two years, in line with the MAV Board elections.

The current MAV Board advisory committees are:

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

OTHER MAV COMMITTEES

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

Financial Assistance Grants and Rate Capping Taskforce

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

MAV Future of Local Government

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

Gender and Emergency Management Advisory Group

Provides advice to facilitate the delivery of the MAV's Gender and Emergency Management Strategy.

MAV CEOs and Mayors Windfarm Joint Working Group

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

MAV Defined Benefit Superannuation Taskforce

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

MAV Food Safety Coordination Project Steering Committee

Facilitates collaboration between State and local government regarding food regulations in Victoria.

MAV Early Years Advisory Group

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

MAV HACC and Ageing Advisory Group

Guides the MAV on operational issues relating to Federal, State and local government ageing policies, home and community care and related aged programs, and positive ageing issues.

MAV HACC Sustainability Group

Guides MAV advocacy on policy reform in national aged care services, and financial sustainability and productivity improvement in Home and Community Care.

MAV Local Government 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 alcohol and other drug use.

Local Government Spatial Reference Group

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

MAV Preventing Violence Against Women Leadership Group

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

MAV Preventing Violence Against Women Network

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

MAV SWIFT Consortium Management Group

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

MAV Technology

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

MAV Tobacco Advisory Group

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

EXTERNAL COMMITTEES

As the peak body for local government, the MAV represents or nominates representatives for the sector on a range of external committees and other bodies. In 2014-15, these included:

- 100 Resilient Cities Steering Committee
- 100 Resilient Cities working group
- ALGWA 5050 Vision Steering Group
- Animal Welfare Advisory Committee
- ANZAC Commemorative Naming Program Committee
- Australian Packaging Covenant Council
- Building Regulation Advisory Committee
- Building Working Group
- Community Based Emergency Management Project Control Group
- Community Fire Refuges Advisory Board
- Consultative Committee:
taxi and hire car industry reforms
- Cultural Development Network Board
- Dental Health Services Victoria Population Health Committee
- Department of Education and Early Childhood Development - Early Childhood Development Advisory Group
- Department of Education and Early Childhood Development / MAV Roundtable
- Department of Premier & Cabinet Translating and Interpreting External Advisory Group
- Destination Excellence Building Industry Group
- Development Assessment Forum
- Electric Line Clearance Consultative Committee
- Emergency Management Joint Public Information Committee
- EPA Victoria Business Reference Group
- HACC Departmental Advisory Committee
- Heart Foundation Safe Speed Interest Group
- Heart Foundation (Vic) and Quit Victoria Smoke-Free Policies Advisory Group
- Influenza Pandemic Planning Steering Committee
- Infringements Standing Advisory Committee
- Landfill Rehabilitation Costs Working Group
- Local Government Aboriginal Partnerships Project Steering Committee
- Melbourne Flood Strategy Project Control Board
- Ministerial Advisory Council on Public Libraries
- Municipal Emergency Management Enhancement Group
- National Aged Care Home Support Advisory Group
- National Local Government Cultural Forum
- PTV Accessibility Strategic Reference Group
- PTV Public Transport Operators Committee
- Road Freight Advisory Council
- State Crisis and Resilience Council (SCRC) SCRC Capability and Response Sub-committee
- SCRC Recovery Sub-committee
- SCRC Risk and Resilience Sub-committee
- State Elder Abuse Prevention and Response Advisory Group
- State Emergency Management Team
- State Emergency Relief Group
- State Fire Management Planning Committee
- State Gender and Disaster Taskforce
- State Library Advisory Committee on Public Libraries
- State Vulnerable Children and Youth Implementation Group
- TAC Community Road Safety Grant Program Reference Group
- TAC Local Government Small Scale Infrastructure Grants Program
- VicRoads Community Road Safety Partnership Program
- VicRoads Rural Reference Group
- VicRoads Safety Alliance
- VicRoads Smartroads Reference Group
- Victorian Adaptation and Sustainability Partnership Grants Project Control Group
- Victorian Adaptation and Sustainability Partnership Ministerial Advisory Committee
- Victorian Children's Council
- Victorian Coastal Strategy Implementation Coordination Committee
- Victorian Commission for Liquor and Gambling Regulation Liquor Licensing Community Stakeholder Forum
- Victorian Cycling Strategy Reference Group
- Victorian Emergency Animal Welfare Committee
- Victorian Emergency Communication Committee
- Victorian Flood Warning Consultative Committee
- Victorian Floodplain Management Strategy Interdepartmental Stakeholder Reference Group
- Victorian Food Regulators Forum
- Victorian Litter Action Alliance
- Victorian Local Sustainability Accord Committee
- Victorian Medicare Locals Transition Advisory Committee
- Victorian Ministerial Freight Advisory Council
- Victorian Pedestrian Advisory Council
- Victorian Pollution Operation Group - State Marine Pollution Committee
- Victorian Prevention and Population Health Advisory Board
- Victorian Primary and Community Health Network
- Victorian Railway Crossing Safety Steering Committee
- Victorian Waterways Strategy Stakeholder Reference Committee
- Waste Governance Reform State Transition Committee
- Women's Participation in Local Government Coalition
- Worksafe Stakeholder Reference Group

OUR PEOPLE



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.

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

Our values are Integrity, Collaboration, Accountability, Innovation and Respect. These values provide a foundation for our decision-making that reflects ethical practices and contributes to a respectful workplace.

We take a creative approach to working together and providing quality services.



ORGANISATIONAL STRUCTURE

HUMAN RESOURCES

The MAV retained a mix of staff and consultants to advocate our members' interests, raise the profile of the sector, provide advice and capacity-building programs to support local government activities, and supply insurance and procurement services to councils. In 2014-15 the staffing profile of the MAV included:

- > 37 staff (26 full-time and 11 part-time). Core staff focus on delivering the MAV's Strategic Work Plan endorsed by State Council; provide policy support, advice and capacity-building programs to councils; and maintain representation of Victorian local government views to other governments and stakeholders.
- > 15 staff funded from Victorian and Australian government grants or external organisations (eight full-time and seven part-time) to deliver specific projects and programs to councils.
- > Nine specialist consultants who supplement the skills of staff and assist in areas such as insurance, financial management, information technology and policy advice.

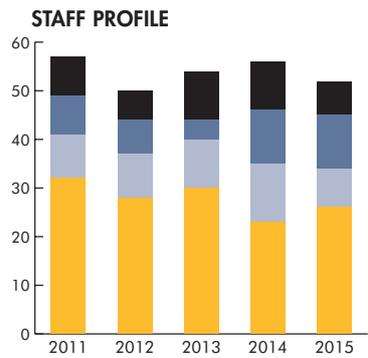
During the year nine staff left the organisation. The employment term of three staff concluded with the end of grant-funded projects. Five staff moved on to new career opportunities and one retired. These positions were filled through recruitment or reorganisation of responsibilities.

CEO PROFILE

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

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 the MAV Licensed Insurance Mutual Fund.

MAV BOARD					
CHIEF EXECUTIVE OFFICER*					*Key Management Personnel
Rob Spence					
DEPUTY CEO & GENERAL COUNSEL					
Alison Lyon					
POLICY SERVICES	CORPORATE	COMMERCIAL SERVICES	COMMUNICATIONS	INSURANCE	HOSTED ORGANISATIONS
MANAGER ENVIRONMENT Claire Dunn	MANAGER HR & CORPORATE SERVICES Alison Standish	MANAGER COMMERCIAL SERVICES Cameron Spence	MANAGER MEDIA & COMMUNICATIONS Debbie Jones	MANAGER INSURANCE, RESEARCH & STRATEGY Owen Harvey-Beavis	PUBLIC LIBRARIES VICTORIA NETWORK EXECUTIVE OFFICER Karen Ward-Smith
MANAGER SOCIAL POLICY Clare Hargreaves					SWIFT LIBRARY CONSORTIUM SYSTEMS ADMINISTRATOR Lloyd Brady
MANAGER EMERGENCY MANAGEMENT Emma Lake					ASSOCIATION OF BAYSIDE MUNICIPALITIES EXECUTIVE OFFICER Bernie Cotter
MANAGER PLANNING, BUILDING & INFRASTRUCTURE Gareth Hatley					TIMBER TOWNS VICTORIA & NATIONAL TIMBER COUNCILS ASSOCIATION EXECUTIVE OFFICER Kevin Peachy
MANAGER WORKFORCE & RISK MANAGEMENT Geoff Pawsey					RURAL COUNCILS VICTORIA POLICY & PROGRAM MANAGER Olwyn Redshaw



MAV STAFF



MAV MANAGEMENT

Rob Spence 1
Chief Executive Officer

Alison Lyon 2
Deputy Chief Executive Officer, General Counsel

Claire Dunn 3
Manager, Environment

Emma Fitzclarence Lake 4
Manager, Emergency Management Policy

Clare Hargreaves 5
Manager, Social Policy

Owen Harvey-Beavis 6
Manager, Insurance, Research and Strategy

Gareth Hatley 7
Manager, Planning, Building and Infrastructure

Debbie Jones 8
Manager, Media and Communications

Geoff Pawsey 9
Manager, Workforce and Risk Management

Cameron Spence 10
Manager, Commercial Services

Alison Standish 11
Manager, Human Resources and Corporate Services

MAV STAFF

Rylee Agius 12
Corporate Services Officer

Zara Ahmed 13
Procurement Officer

Naree Atkinson 14
Planning Policy Advisor

Polly Banks 15
Executive Assistant to CEO

Alvin Bautista 16
Online Communications Coordinator

Derryn Wilson 17
Senior Policy Advisor

Jan Black 18
Policy Advisor

Amy Denahy 19
Corporate Services Officer

Renai Di Guisti 20
Events Coordinator, Events and Sponsorship

Steve Downs 21
Business Manager Relationships, MAV Procurement

Kathryn Duffy 22
(Acting) Manager, Communications and Media

Jaclyn Felton 23
Governance and Legal Support Officer

Joanne Fittock 24
MCH Policy Advisor

Rachel Ferretto 25
Procurement Development Officer

Steve Goldsworthy 26
Governance Advisor

Martijn Gough 27
Senior Policy Advisor – Emergency Management and Environment

Michael Green 28
Electronic Records Officer

Rosemary Hancock 29
Policy Advisor

Alison Hawkins 30
Contracts Manager, MAV Procurement

Cameron Huntington
Environmental Health Officer, Streatrader

Reinard Irawan 31
Systems Support Coordinator, CDIS

Leah Kernahan 32
Finance Officer

Trevor Koops
Economist

Gavin Mahoney 33
Senior Project Officer

Darcy Mansfield 34
Finance Officer

Bianca Nutt 35
Diversity Policy Advisor

Candice Ong 36
Payroll and Finance Officer

Stephanie O'Brien 37
Media and Communications Advisor

Kevin Peachey 38
Policy Advisor, Transport and Emergency Management

Kristine Purcell 39
MAV Insurance Counsel

Andrew Rowe 40
Councillor Development Officer

John Smith 41
Insurance Claims Advisor

Paul Taylor 42
Business Relationship Manager, MAV Procurement

Lidia Thorpe 43
Aboriginal Employment Advisor

Julie-Ann Undrill 44
Manager, Events and Sponsorship

Steve Vasilevski 45
IT Coordinator

HOSTED ORGANISATIONS

Madelyn Anderson
Project Coordinator, RCV

Shannon Best
BESS Manager

Lloyd Brady
SWIFT Systems Administrator

Bernie Cotter
ABM Executive Officer

Natasha Palich
Coordinator, CASBE

Olwyn Redshaw
Program and Policy Manager, RCV

Nicole Wakelin
Project Manager, RCV

Karen Ward-Smith
Executive Officer, PLVN

OUR PEOPLE
MAV STAFF



ABOUT THE MAV TEAMS

GOVERNANCE AND REFORM

PURPOSE: To support and encourage high quality governance processes, protocols, conduct and relationships across the local government sector. FTE STAFF: 2.0

FINANCE AND PRODUCTIVITY

PURPOSE: To secure a strong financial future for councils through advocacy, economic analysis, funding agreements, partnerships, resource development and reforms that achieve whole-of-sector productivity gains. FTE STAFF: 2.1

COUNCILLOR TRAINING AND WORKFORCE DEVELOPMENT

PURPOSE: To build the capacity of elected members to effectively fulfil their roles. FTE STAFF: 2.0

COMMUNITY SERVICES AND PUBLIC HEALTH

PURPOSE: To champion the sector position and influence Australian and Victorian Government policy, planning and funding for social and community services and public health, and build councils' capacity to meet their community's needs. FTE STAFF: 8.0

PLANNING AND BUILDING

PURPOSE: To influence the government's policy and reform agenda for planning in Victoria, for improved implementation and a simpler and more certain operating environment for councils and their communities. FTE STAFF: 1.6

ENVIRONMENT

PURPOSE: To support and champion local government's role in environmental sustainability across climate change, energy, water, natural resources and coastal management, and waste and resource recovery. FTE STAFF: 1.0

EMERGENCY MANAGEMENT

PURPOSE: To represent councils through the emergency management reform period, deliver capability improvement initiatives and ensure that councils are properly resourced to meet their obligations. FTE STAFF: 1.5

INFRASTRUCTURE

PURPOSE: To demonstrate the importance of planning the transport and infrastructure requirements of communities to maximise economic opportunities, manage growth, and ensure Victorian councils' financial sustainability. FTE STAFF: 1.0

COMMERCIAL SERVICES

PURPOSE: To achieve better procurement outcomes for councils by leveraging their combined purchasing power, and delivering training programs and policy support to improve councils' procurement capacity and practices. To develop and host professional events that support networking and encourage leadership, professional growth and best practice across the sector. FTE STAFF: 5.3

COMMUNICATIONS

PURPOSE: To ensure the achievements and challenges of local government are communicated through various channels to a diverse range of stakeholders. FTE STAFF: 3.75

CORPORATE SERVICES

PURPOSE: To recruit, appoint and support appropriately skilled policy experts, strategists, political operatives, communication specialists, lawyers, project managers, event organisers and administration staff. FTE STAFF: 4.0

INSURANCE

PURPOSE: To provide high quality, low-cost public liability, professional indemnity and commercial crime insurance products tailored for local government and other statutory authorities. FTE STAFF: 1.6

MAV TECHNOLOGY

PURPOSE: To demonstrate leadership in information and communications technology to support effective delivery of council and community services. FTE STAFF: 0.6

HOSTED ORGANISATIONS

Timber Towns Victoria

TTV is an incorporated local government association representing the interests of councils in relation to forestry on both public and private land. The Association's primary function is to provide a forum for local government to address the management of forests and forest industries and their effect on local communities. FTE STAFF: 0.4

National Timber Council Association

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

The Council Alliance For a Sustainable Built Environment

CASBE is an association of more than 25 Victorian rural and urban councils focused on applying ecologically sustainable development (ESD) principles to the built environment through the statutory planning system. FTE STAFF: 0.6

The Association of Bayside Municipalities

ABM is formally recognised by the MAV as the key representative of local government in relation to the sustainable management and health of Port Phillip Bay. Today the ABM represents the interests of the 10 councils with frontage to Port Phillip Bay on various coastal and marine issues. FTE STAFF: 0.6

Rural Councils Victoria

RCV believes that liveable, sustainable and prosperous rural communities are fundamental to the ongoing success of Victoria. RCV strives to play a significant role in supporting Victoria's 38 rural councils to achieve these outcomes. FTE STAFF: 3.0

Public Libraries Victoria Network

PLVN works with key stakeholders including the Australian Library and Information Association (ALIA) and the state public library associations to engage with aggregators and publishers to address common issues. FTE STAFF: 0.6

MAV COUNCIL REPRESENTATIVES

as at 30 June 2015

Alpine Shire Council

Cr Jan Vonarx

Ararat Rural City Council

Cr Paul Hooper

Ballarat City Council

Cr Belinda Coates

Banyule City Council

Cr Tom Melican

Bass Coast Shire Council

Cr Kimberley Brown

Baw Baw Shire Council

Cr Deborah Brown

Bayside City Council

Cr Felicity Frederico

Benalla Rural City Council

Cr Justin King

Boroondara City Council

Cr Coral Ross

Brimbank City Council

Mr John Watson

Buloke Shire Council

Cr Reid Mather

Campaspe Shire Council

Cr Leigh Wilson

Cardinia Shire Council

Cr Leticia Wilmot

Casey City Council

Cr Mick Morland

Central Goldfields Shire Council

Cr Wendy McIvor

Colac Otway Shire Council

Cr Stephen Hart

Corangamite Shire Council

Cr Ruth Gstrein

Darebin City Council

Cr Tim Laurence

East Gippsland Shire Council

Cr Peter Neal

Frankston City Council

Cr Sandra Mayer

Gannawarra Shire Council

Cr Neville Goulding

Glen Eira City Council

Cr Margaret Esakoff

Glenelg Shire Council

Cr Robert Halliday

Golden Plains Shire Council

Cr Nathan Hansford

Greater Bendigo City Council

Cr Rod Fyffe

Greater Dandenong City Council

Cr Peter Brown

Greater Geelong City Council

Cr Andy Richards

Greater Shepparton City Council

Cr Dinny Adem

Hepburn Shire Council

Cr Bill McClenaghan

Hindmarsh Shire Council

Cr Ron Lowe

Hobsons Bay City Council

Cr Angela Altair

Horsham Rural City Council

Cr Mark Radford

Hume City Council

Cr Adem Atmaca

Indigo Shire Council

Cr Bernard Gaffney

Kingston City Council

Cr Geoff Gledhill

Knox City Council

Cr Peter Lockwood

Latrobe City Council

Cr Dale Hariman

Loddon Shire Council

Cr Gavan Holt

Macedon Ranges Shire Council

Cr John Letchford

Manningham City Council

Cr Sophy Galbally

Mansfield Shire Council

Cr Marg Attley

Maribyrnong City Council

Cr Catherine Cumming

Maroondah City Council

Cr Les Willmott

Melton City Council

Cr Kathy Majdlik

Melbourne City Council

Cr Stephen Mayne

Mildura Rural City Council

Cr Glenn Milne

Mitchell Shire Council

Cr Rodney Parker

Moira Shire Council

Cr Marie Martin

Monash City Council

Cr Geoff Lake

Moonee Valley City Council

Cr John Sipek

Moorabool Shire Council

Cr Tom Sullivan

Moreland City Council

Cr Oscar Yildiz

Mornington Peninsula Shire Council

Cr Hugh Fraser

Mount Alexander Shire Council

Cr Sharon Telford

Moyne Shire Council

Cr Colin Ryan

Murrindindi Shire Council

Cr Margaret Rae

Nillumbik Shire Council

Cr Helen Coleman

Northern Grampians Shire Council

Cr Murray Emerson

Port Phillip City Council

Cr Bernadene Voss

Pyrenees Shire Council

Cr David Clark

Queenscliffe Borough Council

Cr Helene Cameron

South Gippsland Shire Council

Cr Jeanette Harding

Southern Grampians Shire Council

Cr Peter Dark

Stonnington City Council

Cr Jami Klisaris

Strathbogie Shire Council

Cr Debra Swan

Surf Coast Shire Council

Cr Brian McKitterick

Swan Hill Rural City Council

Cr Gary Norton

Towong Shire Council

Cr Peter Joyce

Wangaratta Rural City Council

Mrs Ailsa Fox

Warrnambool City Council

Cr Michael Neoh

Wellington Shire Council

Cr Malcolm Hole

West Wimmera Shire Council

Cr Annette Jones

Whitehorse City Council

Cr Andrew Munroe

Whittlesea City Council

Cr Mary Lalios

Wodonga City Council

Cr Mark Byatt

Wyndham City Council

Cr John Gibbons

Yarra City Council

Cr Jackie Fristacky

Yarra Ranges Shire Council

Cr Maria McCarthy

Yarriambiack Shire Council

Cr Kylie Zanker

DETAILED PERFORMANCE REPORT



PROVIDING VALUE FOR OUR MEMBERS

This section of the Annual Report details the delivery outcomes of all 172 activities endorsed by our membership for inclusion in the 2014-15 strategic work plan. If you would prefer just the highlights, please refer to the MAV work team overview on the following two pages, or to the performance highlights presented on pages 12-13 of this report.

HOW WE DETERMINE OUR WORK PLAN

The MAV's planned activities assist in progressing outcomes in five strategic objectives of the Association:

1. Advocate local government interests
2. Build the capacity of councils
3. Protect and support the viability of councils
4. Promote the role of local government
5. Improve policies and processes

The Strategic Work Plan for 2014-15 was confirmed following extensive consultation with member councils. It was refined throughout the year as a consequence of State Council resolutions (see "Listening and learning" on pages 26-27 for more information about this process).

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 areas as a credible lobbyist with a significant track record in representing the interests of local government. Building and maintaining this reputation requires diplomacy and respect, even while campaigning passionately for our members' priority issues.

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

MEASURING OUR PERFORMANCE

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

- > Delivery of the activities of the Strategic Work Plan 2014-15 (pages 42-60)
- > Financial performance (pages 18-19 and 74-133)
- > Continuous improvement outcomes (pages 59-61)

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

The MAV is reviewing the performance measures of other member associations both here and overseas, and has also engaged the services of Ernst & Young to help us identify practical and meaningful success measures for use in future reports to our members.



MAV WORK TEAM OVERVIEW 2014-15

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

Key outcomes for each MAV work area in 2014-15 were:

GOVERNANCE & REFORM

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



In 2014-15, key achievements included signing of the second Victoria State-Local Government Agreement on 10 September 2014, which includes an expression of support for a new Cabinet process to assess the impacts of proposed policy on local government and changes to funding agreements; delivery of a submission to the State Government's independent Local Government Electoral Review panel on review of Victoria's local government electoral system; advocating concerns in relation to the Local Government Amendment (Governance and Conduct) Bill 2014; and making a submission on potential improvements to the Local Government (General) Regulations 2004 when they are remade in October 2015.

COUNCILLOR TRAINING & WORKFORCE DEVELOPMENT

In 2014-15, MAV's Councillor Training & Workforce development team key achievements included expanding our Councillor Fundamentals program to more rural and regional locations; conducting a Councillor Training Survey to identify barriers to participation; hosting a Councillor Development Weekend at Creswick; expanding the Swinburne Graduate Diploma of Management into a third cohort of students; developing an online training package to support remote access; delivering 180 training days across 58 programs with 626 registrations; working with key stakeholders to help councils address employment costs and workforce development challenges; progressing a multi-enterprise Agreement on behalf of 24 councils to cover early childhood educators engaged in the delivery of 4 year old funded kindergarten programs; developing the Victorian Local Government Aboriginal Employment Framework to help councils increase employment of Aboriginal and Torres Strait Islander people, and securing funding for this project to continue.



FINANCE & PRODUCTIVITY

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



In 2014-15, key achievements included establishing a Financial Assistance Grants and Rate Capping Taskforce (FRCT) in response to the Federal Government's decision to freeze financial assistance grants and the State Government's policy on rate capping, and advocating for the sector's ongoing revenue raising flexibility in light of the Essential Services Commission's (ESC) rate capping framework; negotiating a funding agreement for councils to administer the Fire Service Property Levy system; commissioning a revised Local Government Cost Index; undertaking our annual assessment of councils' financial position and strength; collecting and collating data on councils' proposed rate increases; and working with the Australian Local Government Association to inform the sector's responses to the Federation White Paper and Taxation White Paper processes.

SECTOR DEVELOPMENT

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



In 2014-15 the key FOLG achievements included establishing a framework for shared services at the state-wide, regional and local levels; contributing to the development of a sector-wide strategy for technology; identifying projects for collaboration; improving the capacity of the sector to integrate asset management, service planning and financial management; improving the productivity of freight vehicles through the establishment of regional road groups; and significantly reducing the time taken to process heavy vehicle permits from six days down to less than two days. We also collaborated with the Australian Local Government Association (ALGA) to identify preferred future directions for local government transport strategies and funding.

ENVIRONMENT

In 2014-15 the MAV Environment team sought to progress a number of matters in the context of the State not prioritising environmental issues.

Key achievements included securing \$5.2m funding for the management of roadside weeds and pests; entering into the first climate change adaptation memorandum of understanding with the Minister for Environment and Climate Change; securing significant amendments to the 2015 Electricity Safety (Electric Line Clearance) Regulations to enhance and protect amenity and environmental outcomes; representing and advancing councils' interests in relation to household chemical waste, whole-of-water cycle management, and energy efficiency.



EMERGENCY MANAGEMENT

MAV's Emergency Management team supports and advocates for councils in the areas of natural disaster planning and management, improving council collaboration and natural disaster funding reform.

Key achievements in 2014-15 included hosting the Emergency Management Collaboration Forum; leading the Northern Victorian Cluster pilot project for cooperative emergency management arrangements; representing councils and providing input to a number of Victorian floodplain management strategies; developing guidelines for the management of sandbags during floods in partnership with the Victoria SES; gaining commitment from Emergency Management Victoria to develop a statewide policy for directional signage to bushfire shelters; hosting a social media for emergency situations workshop for councils; and representing local government interests in the Productivity Commission's inquiry into natural disaster funding.



COMMUNITY SERVICES & PUBLIC HEALTH

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

Key achievements in 2014-15 included securing a significant increase in the unit prices paid to councils for HACC services; leading the development and piloting of 'Casserole Club'; securing Australian Government funding of \$68m to continue 15 hours of kindergarten in Victoria, achieving a funding boost of up to \$83.7m to improve staff/child ratios in kindergartens and a further \$35m in capital grants for councils; implementation of the Early Childhood Agreement for Children in Out-of-Home Care; providing support for councils using the Patchwork agency linking tool; facilitating with the State an Area Partnership structure to support councils' work in health and human services; promoting cultural diversity, refugee week and asylum seeker programs and events; securing a commitment to develop a written Partnership Agreement with the new State Government to review library funding and priorities with councils; brokering access for councils to State Government alcohol impacts data; supporting the 'Enough Pokies' campaign; winning an international award for our 'Prevention of Violence Against Women' booklet and making a submission to the Royal Commission into Family Violence; securing \$3.8m for councils to assist with their tobacco education and enforcement activities; and managing the STREATREADER online registration system enabling mobile food businesses to operate in any municipality.



PLANNING & BUILDING

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



Key achievements included securing a review of planning fees; development of standard referral agreements to streamline the planning permit assessment process; delivery of a strengthened Partnership Agreement between the Metropolitan Planning Authority and the MAV now outlining engagement protocols with councils; enabling councils to access EPA-accredited industrial auditors to provide authoritative advice on wind farm noise; and delivery of a report providing councils with an understanding of what mechanisms can be used to improve residential development design. We also hosted a series of forums and conferences to build sector capacity on planning and building matters, attended by hundreds of practitioners and councillors.

INFRASTRUCTURE

MAV's Infrastructure team aims to influence the Government's policy and reform agenda, while building capacity of the sector through our annual work plan.



Key achievements included influencing the doubling of Roads to Recovery funding from \$350 million to \$700 million nationally; increasing asset management capability in the sector with over 60 per cent of councils attaining 'core' competency status in asset management; working with VicRoads and councils to reduce the time it takes to issue a heavy vehicle permit from six days to two days; improving freight movement across the state by helping to increase the number of roads pre-approved by councils for heavy vehicle traffic from 200 to 11,000; successfully advocating for more state and federal funding for rail upgrades; successfully advocating for rural infrastructure funding (\$200 million Paddock to Port Fund); and successfully advocating for improved, cost-effective access to telecommunications infrastructure (\$21 million for the Mobile Black Spot Programme). We also hosted a series forums and briefings to build capacity of the sector.

COMMERCIAL SERVICES

MAV's Commercial Services team incorporates MAV Procurement and MAV Events. Both business units are not-for-profit units of the MAV focused on achieving better outcomes for local government.



In 2014-15, a key achievement of MAV Procurement was the establishment of the Local Government Funding Vehicle (LGFV) - Australia's first aggregated funding vehicle for local government. Labelled as a landmark deal that will create a municipal bond market in Australia, the inaugural issuance launched with a volume of A\$240 million, across two tranches, providing 30 councils with access to both five-year and seven-year fixed rate, interest only loans. By accessing the capital markets, councils stand to save significantly compared with traditional bank borrowing. The LGFV is a long-term ongoing solution available to all member councils.

Other significant achievements of MAV Procurement included the launch of LEAP - a low-cost ongoing continuous improvement procurement development program available to Victorian councils and regions; development of a sector-wide Maternal and Child Health (MCH) information system to replace existing systems and transform the way MCH services are delivered; the Victorian Local Government Enablement Platform (VLGEP) tender and strategic partnership arrangement with Telstra to develop a proof-of-concept for a collaboration platform that could facilitate better access to shared data, provide greater opportunity for shared innovation, deliver significant cost savings and enable greater opportunity for shared services; delivery of key tenders including Energy Efficient Street Lighting Installation (multiple council tenders), Tyres and Batteries, Office and Workplace Supplies, After Hours Customer Service, Unaddressed Mail Services, Corporate Wardrobe (NPN contract), Mobile Garbage Bins (NPN contract); and more than 20 procurement training and professional development sessions for councils.

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

In 2014-15, MAV Events delivered over 130 events that were attended by 9,362 delegates. Thirty per cent were social and community events. Governance events represented 22 per cent, professional development 12 per cent and infrastructure, planning and building events represented 10 per cent. Other local government key service event areas included procurement, environment, emergency management, technology and finance. New annual MAV events initiated in 2014-15 included the Future of Local Food, Procurement Leaders Conference and Governance as Leadership Conference.

TECHNOLOGY

MAV Technology aims to demonstrate leadership in information and communications technology (ICT) to support effective delivery of council and community services.



Key achievements for 2014-15 included delivering reports on implementing public WiFi services for local government and best practice for successful paperless council meetings; assisting the delivery of a new Maternal and Child Health Data Management System; progressing the proposed Victorian Local Government Enablement Platform initiative; driving sector-wide open data initiatives; hosting ICT forums in regional locations and an internationally renowned annual conference and trade expo including special events for CEOs; expanding our 260+ person Yammer network to facilitate the sharing of ICT resources, ideas and solutions; increasing the audience of the MAV Technology website, e-news, speaking engagements and CiVic magazine features to raise the visibility of council IT challenges and achievements within local, state and federal government environments; encouraging innovation through the MAV Technology Awards for Excellence and Innovation Fellowship; delivering group ICT procurement savings in partnership with MAV Procurement; and advocating for improved, cost-effective access to telecommunications infrastructure particularly in rural and remote areas.

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 2014-15 included providing administrative services for thirty-seven core staff (26 full-time and 11 part-time), nine specialist consultants and fifteen grant-funded staff; providing training and professional development opportunities for staff; coordinating stakeholder meetings; providing IT services and support; ensuring the Association’s health and safety compliance with all legislative requirements; staff recruitment and transition activities; and improving operational efficiency, accountability and transparency through the review and amendment of seven existing MAV policies and the development and implementation of eight new MAV policies.

COMMUNICATIONS

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



Key achievements in 2014-15 included attracting 1,426 MAV mentions in media reports across print, broadcast and radio on key local government issues; growing the general weekly bulletin subscriber base and achieving average readership of nearly double industry standards; introducing the MAV Procurement bulletin to build council awareness of contract, tender and procurement opportunities; achieving 51 per cent growth in LinkedIn followers, 22 per cent growth in Twitter followers and eight per cent growth in Facebook followers; achieving a 15 per cent rise in MAV website sessions, with an 18 per cent rise in the number of website visitors and a 14 per cent rise in page views; achieving a 6.7 per cent rise in extranet sessions, 21 per cent rise in the number of visitors and 5.3 per cent rise in page views on our members-only website; successfully executing campaigns on key issues including “No Kinder Cuts”, “Enough Pokies”, the prevention of violence against women, the State Government’s rate capping policy and campaigns to build knowledge of local government services and activities.

INSURANCE

MAV Insurance outcomes are presented on page 62 of this report.

STRATEGIC WORK PLAN OUTCOMES 2014-15

The MAV Strategic Work Plan 2014-15 included specific activities assigned to each work area of the MAV. These activities were nominated and confirmed by our membership through the strategic planning consultation sessions and endorsed by the MAV Board following two State Council processes.

The following pages present status reports on each of these activities, grouped according to their outcome towards achieving our strategic objectives.

ADVOCATE LOCAL GOVERNMENT INTERESTS

GOVERNANCE AND REFORM		STATUS	SUMMARY
1 >	Monitor and report on the State's adherence to the new Victorian State Local Government Agreement.	Ongoing	Achieved a revised and strengthened Victorian State-Local Government Agreement (VSLGA) to create a whole-of-State-Government commitment to consult, communicate and negotiate with local government.
2 >	Support the implementation of the new Performance Reporting Framework and advocate for a reduction in the number of performance indicators, in order to ensure that data obtained through reporting is meaningful.	Delivered	Gained commitment from the State Government to review local government performance measures and reporting requirements.
FINANCE AND PRODUCTIVITY			
3 >	Advocate for the continuation of the state-funded Country Roads and Bridges program and the Regional Growth Fund, encompassing the Putting Locals First and Local Government Infrastructure programs.	Ongoing	Advocated for the creation of a replacement funding stream. The new State Government has introduced the Regional Growth Fund in its first budget, which will provide infrastructure funding to rural and regional communities.
4 >	Advocate for continuation of the federal-funded Roads to Recovery program.	Delivered	Advocated alongside the Australian Local Government Association for Roads to Recovery funding, which resulted in the 2015-16 payment to councils nationally being doubled from \$350m to \$700m.
5 >	Advocate for new state and federal funding for road upgrades identified through regional freight plans.	Delivered	Refer to Activity 4.
6 >	Advocate for increased investment and fairer funding by the State in the provision of Victoria's public library services.	Delivered	Secured a written Partnership Agreement from the incoming Labor Government to review library funding, examine the Ministerial Advisory Council model, and determine library priorities with councils.
7 >	Advocate for the Australian Government to sustain the operational and capital funding required to bring about the intended outcomes of the early years National Partnership Agreements.	Delivered	Partnership and advocacy work with the State Government resulted in a funding boost of up to \$83.7 million to improve staff-child ratios. Advocacy with Federal and State ministers secured a further \$35 million in capital grants for councils.

STRATEGIC WORK PLAN OUTCOMES

COUNCILLOR & WORKFORCE DEVELOPMENT	STATUS	SUMMARY
8> Work with key stakeholders to develop relevant responses to the recommendations of the National Workforce Strategy.	Ongoing	The Federal Government withdrew funding for the authors of this strategy. MAV continues to work with key stakeholders to address employment cost challenges.
9> Continue to advocate jointly with disability peak bodies, such as the Australian Federation of Disability Organisations (AFDO), the Australian Disability Network (AND) and the Australian Consumers Action Network (ACCAN), to Standards Australia and the Federal Government for the development and adoption of Australian procurement standards for accessible Information and Communication Technology (ICT).	Ongoing	Preliminary scoping of the issues commenced through engagement with disability peak bodies to formulate an advocacy approach to both government and ICT vendors.
10> Continue to lobby software vendors to encourage them to make commitments to develop sector-specific solutions for accessible software programs for local government.	Delivered	MAV Technology met regularly with a wide range of software vendors regarding accessible solution development.

COMMUNITY SERVICES AND PUBLIC HEALTH

11> Advocate for the Commonwealth and state governments to sustain the operational and capital funding required to deliver the intended outcomes of the National Partnership Agreements, including '15 hours' universal access to kindergarten and adherence to the National Quality Framework.	Delivered	MAV advocacy and submission work resulted in securing Australian Government funding to Victoria of \$68m to continue 15 hours of kindergarten for almost all Victorian four year olds. Refer also to Activity 7.
12> Work with state and Commonwealth governments to define the terms of the transition to Commonwealth funding and management of HACC.	Delivered	Negotiated a partnership agreement for transition with the Federal and State Governments, and secured a substantial increase in the per hour price of home care for 2014-15, to more accurately and transparently reflect costs and service levels. This has allowed councils to separate out the programme and council-funded hours, and review their own capacity to provide the additional hours.
13> Advocate for fair funding to councils in the HACC pricing review.	Delivered	
14> Advocate for the retention and extension of the community building program (metropolitan, rural and deaf-access workers).	Delivered	Supported the Local Government Disability Planners Network with meeting facilities, information, and advice. In February 2015 the Planners Network and the MAV, with support from the City of Melbourne, presented a forum to showcase the community building program. The forum provided a catalyst for further work to articulate the achievements of local government in creating a more inclusive community for people with a disability.
15> Continue to support the network of disability planners and advocate for sufficient funding to resource councils with information, templates and good practice examples.	Delivered	
16> Negotiate with state departments for local government to be included in the intergovernmental anchor group on Area Partnerships and consulted with regarding the design of the partnerships.	Delivered	MAV participated at the highest level in structures to address issues for vulnerable children and young people in local communities. The Area Partnerships were resourced in eight sub-regional areas and we also continued to advocate strongly for the School Focussed Youth Services program and expansion of programs for vulnerable children.
17> Advocate for increased investment and fairer funding by the State in the provision of Victoria's public library services.	Delivered	
18> Pursue the recommendation of the Ministerial Advisory Council on Public Libraries that a partnership agreement be established outlining the responsibilities and funding commitment of state and local governments.	Delivered	Refer to Activity 6.
19> Advocate for increased recognition and resourcing for local government's role in cultural development through MAV representation on the National Local Government Cultural Forum.	Delivered	MAV represented Victorian local government at the National Local Government Cultural Forum, where we have sought to improve available data on community involvement in the arts facilitated by councils.

STRATEGIC WORK PLAN OUTCOMES

COMMUNITY SERVICES & PUBLIC HEALTH	STATUS	SUMMARY
20> Influence State Government regarding relevant legislative changes to reduce harms associated with a range of social issues.	✓ Delivered	Refer to Activities 11-26, 93-95, 136.
21> Coordinate State negotiation with councils of improvements for the MCH service proposed in the 'Future Directions' document released April 2014, ensuring the maintenance of the universal service offered to all families.	✓ Delivered	MAV coordinated negotiations for the next MCH Memorandum of Understanding with the State, formulating service directions proposed with councils. The MoU will also include the major funding bid required to sustain the universal service for all families.
22> Broker access for councils to State Government-held data, including alcohol-related ambulance and police attendance data and alcohol sales data, to enable councils to develop evidence-based policy, submissions and responses.	✓ Delivered	Successfully advocated for alcohol sales data to be collected by the State Government. Work continues on making this data more accessible and useful for the sector.
23> Continue advocacy for state-wide smoking bans for alfresco dining areas.	➤ Ongoing	Secured \$3.8m for new three-year service agreements to assist councils to implement tobacco education and enforcement activities. Advocacy continues for smoking bans for alfresco dining areas.
24> Advocate legislative change to require the Victorian Commission for Gambling and Liquor Regulation (VCGLR) to consider the social and economic impacts of proposed new gaming venues and increase of gaming machines in venues.	✓ Delivered	Engaged legal advice to scrutinise the legislation and highlight aspects of the current legislation we wish to see amended. We supported the Enough Pokies in Vulnerable Communities campaign, which involved over 40 councils and we continue to advocate through representations to government and the regulator.
25> Advocate for a reduction in regulatory red-tape for public health regulated businesses.	✓ Delivered	The MAV won an extra registration cycle for councils before the new one-off registration system will be introduced for hairdressing businesses, which enables them to set fees appropriate for the new system. Participation on the Victorian Food Regulators Forum brought a local government perspective to the discussions about boundaries between the various Victorian food regulators. The MAV continues to manage the STRETRADER online registration system for temporary and mobile food businesses enabling food businesses to register once to operate in any municipality.
26> Advocate for better targeting of effort to situations of highest risk.	✓ Delivered	Through continuous consultation with councils, the MAV identified and advocated to the State Government and other stakeholders for effort to be targeted to situations of highest risk in food safety regulation.

PLANNING

27> Advocate for the timely and prioritised implementation of Plan Melbourne and regional growth plans to enable government and the private sector to align work with funding.	✓ Delivered	Advocacy through the MAV's "Call to Parties" paper in the lead up to the State Election. Advocacy for Plan Melbourne (2014) resulted in the establishment of the Metropolitan Planning Authority (MPA) sub-regional planning groups.
28> Advocate for local government representation on the Metropolitan Planning Authority (MPA) Board.	➤ Ongoing	Delivered a strengthened MPA and MAV Partnership Agreement which outlines engagement procedures the MPA will abide by when working with councils on land use planning matters.
29> Call for the Rural Council Planning Flying Squad program to be funded post-2014 to assist councils to align planning schemes with recent reform.	✓ Delivered	Advocated directly to relevant ministers and in the MAV's "Call to Parties" in the lead up to the State Election. The bid was unsuccessful.
30> Call for the establishment of a state-local government standing committee to identify planning priorities, monitor outcomes and performance and trial potential new or modified provisions.	✓ Delivered	Successfully negotiated for the establishment of a state-local government standing committee.
31> Advocate for the transfer of responsibility for noise monitoring and compliance for wind energy facilities to the Environmental Protection Authority.	➤ Ongoing	Brokered an arrangement facilitating access to EPA industrial facilities auditors on a fee-for-service basis to build community confidence of noise compliance in the wind industry.

STRATEGIC WORK PLAN OUTCOMES

INFRASTRUCTURE	STATUS	SUMMARY
32> Advocate for a statewide, adequately resourced transport infrastructure plan.	✓ Delivered	Successfully advocated for the development of a statewide transport infrastructure plan, which is required to be delivered by Infrastructure Victoria.
33> Advocate for improved public transport services across Victoria.	✓ Delivered	Successfully advocated for improved public transport services across Victoria, with the State Government announcing the Regional Network Development Plan, a long-term plan to deliver a regional public transport network.
34> Advocate for further state and federal funding for road and rail upgrades identified through successful regional freight plans.	✓ Delivered	Successfully advocated for further investment in rail upgrades identified through regional freight plans, with the State Government recently announcing funding commitments to the Murray Basin Rail Project.
35> Advocate for the continuation of the state-funded \$160 million Country Roads and Bridges Program and the \$100 million Local Government Infrastructure Programs.	➤ Ongoing	Refer to Activity 3.
36> Advocate for the federal-funded Roads to Recovery program to be extended beyond 2019.	➤ Ongoing	Advocacy by the MAV, and through the ALGA continues towards this funding goal.
37> Advocate for a Federal Government funding contribution for an urban rail upgrade.	➤ Ongoing	Successfully advocated for rural infrastructure funding, with the \$200 million Paddock to Port Fund available to local governments to undertake transport infrastructure projects that support the agriculture sector.
38> Advocate for the continuation of the Timber Industry Road Evaluation Study (TIRES) funding.	➤ Ongoing	Provided management and support services to Timber Towns Victoria (TTV) Association who continue to advocate for TIRES funding.
39> Advocate for improved, cost-effective access to telecommunications infrastructure, including completion of the National Broadband Network (NBN), emphasising the adverse impacts of limited telecommunications capacity in rural and regional areas.	➤ Ongoing	Successfully advocated for improved, cost-effective access to telecommunications infrastructure, with the State Government committing \$21 million in funding to the Federal Government’s Mobile Black Spot Programme.

INFRASTRUCTURE / ENVIRONMENT

40> Continue negotiations with the State Government regarding acceptance of an approach to vegetation clearance around power lines that balances safety, amenity and environmental considerations.	✓ Delivered	Represented councils’ interests on the Electric Line Clearance Consultative Committee and negotiated an exception to the minimum clearance distance for certain structural branches, and agreement to prune vegetation in accordance with the Australian Standard for the Pruning of Amenity Trees. Secured significant amendments to the 2015 Electricity Safety (electric line clearance) Regulations.
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ENVIRONMENT

41> Work with the Victorian Government on local government-focused support to undertake and implement climate change adaptation planning.	✓ Delivered	Successfully negotiated Victoria’s first climate change adaptation Memorandum of Understanding to establish a strong, shared foundation for state and local government to continue to work together to clarify responsibilities relating to climate change adaptation.
42> Advocate for ongoing funding for councils for the management of weeds and pests on roadsides in line with community and local government commitments.	✓ Delivered	Successfully advocated for \$5.2 million in funding for Victorian rural and regional councils’ roadside weeds and pest management activities over two years.
43> Coordinate council input into the Victorian Water Act Review.	✓ Delivered	Coordinated council input and provided a submission on the draft Water Act. The Water Act did not pass through Parliament before the change of government.

STRATEGIC WORK PLAN OUTCOMES

EMERGENCY MANAGEMENT		STATUS	SUMMARY
44>	Advocate for direct council consultation on legislative reform.	✓ Delivered	The State Government's emergency management reform agenda saw new governance arrangements set out in the Emergency Management Act (2013) come into effect in 2014. Under the new Act, the MAV now formally represents councils in emergency management through its place on the State Crisis and Resilience Council (SCRC) and the three SCRC subcommittees. Through these forums MAV advocates for council interests.
45>	Ensure councils are central to the resilience-building agenda.	➤ Ongoing	We worked closely with EMV and through the SCRC risk and resilience subcommittee to ensure councils' interests are incorporated into the resilience agenda and the State recognises the important role councils play in supporting community resilience.
46>	Advocate for council interests in the Victorian Floodplain Management Strategy.	✓ Delivered	Provided input into the Draft Victorian Floodplain Management Strategy and the Revised Draft Victorian Floodplain Management Strategy. The MAV also helped coordinate councils' input into Melbourne Water's Floodplain Management Strategy for the Port Phillip and Westernport region, and represented councils on the Project Control Board.
47>	Represent councils in the development of a new policy relating to sandbags and support councils through implementation.	✓ Delivered	Worked closely with the Victoria SES and councils to develop guidelines for procurement, storage, distribution, safe use and disposal of sandbags.
MAV INSURANCE			
48>	Advocate against changes to the Wrongs Act that could reduce injury thresholds for Liability Mutual Insurance scheme members.	➤ Ongoing	Successful in limiting changes to injury thresholds with the previous government. New State Government's response to be determined.



BUILD

THE CAPACITY OF COUNCILS

GOVERNANCE & REFORM / COUNCILLOR & WORKFORCE DEVELOPMENT

	STATUS	SUMMARY
49> Prepare councillor conduct guidance material.	Ongoing	Specific guidance was provided, but planned new materials will not be prepared until anticipated new legislation occurs.

GOVERNANCE & REFORM / TECHNOLOGY

50> Improve efficiency in reporting between levels of government, through collaborative information and communications technology initiatives.	Delivered	Strengthened relationships between State and Federal government through the development and delivery of several collaborative ICT projects and events through MAV Technology.
51> Develop open data value proposition for councils to ensure potential benefits from council data assets are realised.	Delivered	MAV Technology partnered with Code for Australia and councils to deliver an Open Data Fellowship to identify challenges, support and accelerate councils' open data journey; and delivered workshops, forums and projects culminating in an MAV State Council resolution for councils to adopt open data/data access policies. Sponsored GovHack Melbourne and awarded a prize encouraging use of local government open data.
52> Develop a Local Government Private Network (cloud) to facilitate greater operational efficiency, leverage collective skills, reduce exposure to technological risk and improve customer service.	Ongoing	Development of the Victorian Local Government Enablement Platform tender and strategic partnership arrangement to develop a collaboration platform to facilitate better access to shared data, provide greater opportunity for shared innovation, deliver significant cost savings and enable more shared services.
53> Encourage and reward innovation in information and communications technology through annual Awards for Excellence and Innovation Fellowship.	Delivered	Awarded a \$10,000 Fellowship for the development of innovative and replicable ICT projects and coordinated the annual MAV Technology Awards for Excellence.

GOVERNANCE & REFORM / TECHNOLOGY / PROCUREMENT

54> Explore opportunities for establishment of information and communications technology centres of excellence, to facilitate role and skill sharing.	Ongoing	Progressed through development of the proposed Victorian Local Government Enablement Platform. Refer to Activity 52.
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FINANCE & PRODUCTIVITY / PROCUREMENT

55> Increase council efficiency and drive savings through aggregated procurement.	Delivered	Key tenders completed by MAV Procurement during 2014-15 included: Energy Efficient Street Lighting Installation (multiple council tenders), Tyres and Batteries (National Procurement Network (NPN) contract led by MAV Procurement, Office and Workplace Supplies, After Hours Customer Service, Unaddressed Mail Services, Corporate Wardrobe (NPN contract), Mobile Garbage Bins (NPN contract), Maternal and Child Health Data Management System and the Local Government Funding Vehicle. Refer also to Activities 80 and 81.
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STRATEGIC WORK PLAN OUTCOMES

GOVERNANCE & REFORM / TECHNOLOGY	STATUS	SUMMARY
56> Spread training delivery across regional and rural Victoria over an expanded variety of locations, ensuring the greatest opportunity for participation, while maintaining the sustainability of each program.	✓ Delivered	Expanded Councillor Fundamentals programs across a variety of rural and regional locations. Conducted Councillor Development Weekend at Creswick in July 2014.
57> Develop an online training package, including abridged versions of the councillor programs, primarily to support remote access.	✓ Delivered	Delivered an online training package to improve councillor access in remote areas.
58> Update and develop programs to keep councillors abreast of the impacts of legislative change.	➤ Ongoing	Programs updated to reflect legislative changes that occurred and flag anticipated legislative changes, where known.
59> Develop a monitoring tool that provides information on longer-term impacts of councillor professional development, including analysis of existing tools and identification of sector-wide impacts.	✓ Delivered	Conducted a Councillor Training Survey targeted primarily at identifying barriers to participation. Developed draft program evaluation strategy.
COMMUNITY SERVICES AND PUBLIC HEALTH		
60> Undertake activities to encourage councils to increase their employment of Aboriginal and Torres Strait Islander people, including raising awareness of the Victorian Local Government Aboriginal Employment Framework.	✓ Delivered	Developed the Victorian Local Government Aboriginal Employment Framework to help councils increase employment of Aboriginal and Torres Strait Islander people, and engaged with a number of prominent Aboriginal Victorians on a range of policy issues to inform the development of an MAV Reconciliation Action Plan.
61> Support development of 'Casserole Club' to link generations, encourage volunteering and address social isolation among older people.	✓ Delivered	Successfully piloted Casserole Club in Macedon Ranges, Boroondara and Moreland. The number of cooks, diners and meal shares continues to grow, with more councils expected to join this exciting initiative in 2016.
62> Provide support for councils using the Patchwork web application for improved collaboration by administering the program and providing helpdesk support and training.	✓ Delivered	Administered the Patchwork agency linking program, and provided helpdesk support and training for councils. Use of the Patchwork tool has continued to gain momentum with MAV supporting plans to go state-wide.
63> Facilitate an Area Partnership structure that supports councils' work in health and human services and achieves outcomes for local communities.	✓ Delivered	Refer to Activity 16.
64> Support municipal cultural diversity planning through regular professional development opportunities and act as a multicultural resource hub for councils.	✓ Delivered	Convened a forum with the Cultural Development Network and councils to discuss cultural planning in local government.
65> Utilise the alliance with the Cultural Development Network (CDN) to increase the arts and cultural development capacity of councils.	✓ Delivered	Also refer to Activity 19.
66> Develop and implement a prevention and population health training resource for councillors and new staff.	➤ Ongoing	Commenced negotiations with training provider, but funding cuts prevented implementation. MAV continues to seek funding for this activity.
67> Improve service delivery through innovative platforms and report on outcomes.	✓ Delivered	Refer to Activities 25, 62, 68, 71.
68> Develop maternal and child health information software to improve services through integrated service delivery, with better reporting functionality and better usability across a variety of access channels, including mobile devices.	✓ Delivered	Procured a new statewide client management system for MCH, that includes data collection for the Enhanced MCH program and will improve data provided to local and State government, as well as greater responsiveness to families needing additional assistance.

STRATEGIC WORK PLAN OUTCOMES

COMMUNITY SERVICES AND PUBLIC HEALTH		STATUS	SUMMARY
69>	Embed PVAW and gender equity principles in MAV organisational approaches and culture through the development of a Preventing Violence Against Women and Gender Equity Committee and 2014-15 Action Plan.	✓ Delivered	Convened leadership group of councillors and senior officers to contribute to the development of MAV actions in promoting gender equity and the formulation of a plan.
70>	Convene quarterly meetings for councils to share information and ideas, analyse key issues affecting local government and strengthen partnerships with government, non-government organisations and key service providers.	✓ Delivered	MAV's quarterly Human Services Committee meetings provided formal consultation opportunities for councils and the MAV to influence State Government representatives and other invited stakeholders on key local government public health and community services issues.
71>	Develop a food sampling e-form to streamline and improve council reporting and data sharing with food labs and the Victorian Department of Health.	✓ Delivered	Delivered a food sampling app to streamline food sample reporting for environmental health officers (in partnership with the Department of Health). Available to all councils since October 2014, the app is provided and maintained for five years at no cost to councils.

PLANNING

72>	Identify and deliver a suite of rural and regional land use planning projects to address sector needs and build capacity.	✓ Delivered	Supported the Council Alliance for a Sustainable Built Environment in its development of the Built Environment Sustainability Scorecard. The online tool will help building professionals to assess the sustainability of structures at the planning permit stage.
73>	Position councils to identify and address issues associated with recent reforms, including the Victorian planning provisions, planning fees, development contributions and environmentally sustainable design.	✓ Delivered	Commissioned the MAV Managing Residential Character in Rural and Regional Victoria report in partnership with councils, the Department of Environment, Water, Land and Planning and the Metropolitan Planning Authority. The report outlines mechanisms to guide improved residential development and areas of potential reform. Developed a guide to assist councils dealing with recommending and determining referral authorities created as part of amendments to the <i>Planning and Environment Act 1987</i> .
74>	Deliver a series of forums to facilitate broader application of best practice planning and building initiatives across the sector.	✓ Delivered	Forums facilitated best practice planning and building initiatives for councils, attracting hundreds of practitioners and councillors from across the state.

INFRASTRUCTURE

75>	Continue national rollout of the MAV's performance-based standards (PBS) Route Assessment Tool.	✓ Delivered	Our Route Assessment Tool rolled out to more than 220 councils around Australia. We are working with other State local government associations to convince the National Heavy Vehicle Regulator to utilise it.
76>	Promote council collaboration and build the sector's capacity through continued work on the STEP Asset Management program.	✓ Delivered	Increased asset management capability in the sector with over 60 per cent of councils attaining 'core' competency status in asset management, as assessed by the National Framework.
77>	Facilitate the sharing of information and ideas between councils through MAV online resources and participation in the ALGA Climate Officers network.	✓ Delivered	Participated in ALGA Climate Officers network to share information and ideas for environment-related advocacy at the Federal level. MAV's Sustainability Yammer network continues to facilitate information sharing for council officers.

EMERGENCY MANAGEMENT

78>	Support council collaboration, including development of a guide and holding a forum.	✓ Delivered	Hosted the Emergency Management Collaboration Forum in February 2015 and delivered a report detailing lessons shared by the seven regions represented.
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STRATEGIC WORK PLAN OUTCOMES

MAV PROCUREMENT		STATUS	SUMMARY
79>	Work with key partners to facilitate a local government digital business strategy and support shared services opportunities.	Ongoing	Developed the proposed Victorian Local Government Enablement Platform (VLGEP) proof of concept.
80>	Develop a procurement training program covering contract management, contractor Occupational Health and Safety, tender evaluation and negotiation, specification writing and social procurement.	Delivered	MAV Procurement provided more than twenty sessions of training and professional development to councils in 2014-15 including Procurement Essentials; Managing Contracts in Local Government; Contractor OHS Management; Spend Analysis Essentials for Savings, Efficiencies, Compliance and Collaboration; Procurement Planning and Specification Development; Evaluation, Negotiation, Supplier Selection & Contract Establishment; and Social Procurement and Economic Development.
81>	Create a set of guidelines and templates to assist councils with contract management and tender evaluation and negotiations.	Delivered	Launched the LEAP Continuous Improvement Procurement Development program to improve councils' ability to monitor compliance with policy and probity performance, visibility of savings opportunities; informing regional collaborative procurement projects and driving shared services delivery.
82>	Establish a procurement leaders' conference to increase the capability and leadership of council procurement professionals.	Delivered	The first MAV Procurement Leaders' Conference was held in September 2014. Post-event survey results assessed the program to be of high value in improving procurement capability.
MAV INSURANCE			
83>	Run risk conferences in Tasmania and Victoria for Liability Mutual Insurance scheme members.	Delivered	Risk conferences successfully delivered for Tasmanian and Victorian scheme members.



PROTECT & SUPPORT

THE VIABILITY OF COUNCILS

GOVERNANCE AND REFORM	STATUS	SUMMARY
84> Help councils respond to the changing needs of their communities through the Championing Change program (including Top Teams and Future of Local Government program).	✓ Delivered	Delivered conferences, workshops, tools and resources to assist councils to incorporate innovative and transformative changes into council planning, resulting in a 15 per cent increase in community plan development (650 statewide).
85> Work with state and federal governments towards federated data standards to enable better creation, sharing, and integration of data between levels of government.	✓ Delivered	Worked with councils, VicRoads, Infrastructure Australia, and the Federal Department of Regional Development and Infrastructure to develop common data standards for road infrastructure.
86> Improve regional collaboration through shared services opportunities and support councils to develop their implementation plans.	✓ Delivered	Identified regional priorities for shared services through consultation with councils at Future of Local Government conferences, seminars and workshops. Refer also to Activity 52.
FINANCE AND PRODUCTIVITY		
87> Negotiate an ongoing funding deal for councils' administration of the Fire Services Property Levy.	✓ Delivered	Led negotiations with the state to achieve \$15m over three years for councils' administrative costs for the collection of the Fire Services Property Levy.
88> Revise the methodology for the Cost Index to respond to the Auditor-General's recommendations.	➤ Ongoing	Commissioned the South Australian Centre for Economic Studies to develop a revised cost index for the sector. Expected delivery in the first half of 2015-16.
89> Finalise the debt aggregation project through the NAB-Commonwealth Bank bond issue, as recommended by Defined Benefit Taskforce. Ensure understanding and take-up of the bond among councils.	✓ Delivered	Refer to Priority 5.
90> Progress work towards self-insurance model for worker's compensation, preparing the scheme to commence operation on 1 July 2015.	➤ Ongoing	The licence application has not yet been made due to a need to expand the membership of the scheme.
COUNCILLOR AND WORKFORCE DEVELOPMENT		
91> Consider the findings of the Employment Census in the context of specific issues facing local government.	➤ Ongoing	Worked with state and territory Local Government Associations through the Local Government Workforce Development Group to assess local and national implications of employment-related issues, including the findings of the Employment Census.
92> Work with the MAV Board's Defined Benefit Taskforce in relation to employment costs, such as superannuation.	✓ Delivered	Delivered Council EBA outcomes. More conservative MAV WorkCover scheme in development.

STRATEGIC WORK PLAN OUTCOMES

COMMUNITY SERVICES AND PUBLIC HEALTH	STATUS	SUMMARY
93> Review the costs and benefits of the Tomorrow's Library proposal under consideration by the State Government and negotiate solutions that support local government in maintaining innovative and financially-viable services.	✓ Delivered	Refer to Activity 6 and Priority 10.
94> Undertake detailed service costing with councils and prepare a position on the unit price and indexation to lead into negotiations for the next MCH Memorandum of Understanding with the State, due in 2015.	✓ Delivered	Refer to Activity 21.
95> Pursue State Government funding to allow the MAV Preventing Violence Against Women (PVAW) program to continue for a further two years.	✓ Delivered	This recommendation was included in the MAV's submission to the Family Violence Royal Commission; has been conveyed to relevant Ministers and was included in our "Call to Parties" in the lead up to the State Election. An outcome is anticipated in February 2016.

PLANNING

96> Work with affected councils and relevant authorities to resolve ongoing challenges relating to planning fees, Bushfire Management Overlays (BMOs), flood overlays and other land-use planning challenges.	✓ Delivered	Worked with the CFA and councils to streamline the planning permit assessment process under the bushfire management overlay through the development of standard referral agreements for simple applications.
97> Evolve the STEP Planning program to facilitate a whole-of-council approach to improvement and include other important pillars, such as strategy, customer interface and staff development.	✓ Delivered	Piloted a broadened MAV STEP Planning Improvement Program. Feedback highlighted the value of engaging with senior executives to facilitate performance improvement and areas of focus for future programs.
98> Work with the State and councils to introduce the VicSmart program to ensure the sector is positioned to meet new timelines.	✓ Delivered	Coordinated input from Victorian councils on the operation of the Victoria Planning Provisions. A total of 67 councils responded, providing a solid evidence base for future reform initiatives.
99> Work with councils and the State Government to improve the operation of the building system, including the introduction of Building Control Plans.	✓ Delivered	Represented and prepared sector submissions on various planning and building reviews. Developed a Memorandum of Understanding in partnership with the Victorian Municipal Building Surveyors Group, the Victoria Building Authority and MAV to provide clarity of roles on building enforcement responsibilities.

INFRASTRUCTURE

100> Participate in national sector advocacy efforts to secure a permanent Roads to Recovery program and additional funding for local roads of \$1.2 billion, per annum.	➤ Ongoing	Refer to Activities 4 and 36.
101> Work with councils, national heavy vehicle bodies and VicRoads to identify, prioritise and fund the maintenance of designated road freight routes.	✓ Delivered	<p>Worked with councils to improve efficiency in issuing heavy vehicle permits. Victorian councils are now national exemplars for the issuing of heavy vehicle permits with the MAV, VicRoads and councils working together to reduce the time it takes to issue a heavy vehicle permit from six days to two days.</p> <p>Worked with councils to increase the number of roads pre-approved by councils for heavy vehicle traffic from 200 to 11,000 thereby improving freight movements across the state.</p>

STRATEGIC WORK PLAN OUTCOMES

ENVIRONMENT	STATUS	SUMMARY
102> Support councils to identify, plan and implement opportunities to improve energy efficiency in council operations and facilities.	✓ Delivered	Engaged extensively with the State to advocate for policy settings and programs that support local government and broader community energy efficiency initiatives. Represented councils at the Victorian Government’s Roundtable on the Energy Efficiency and Productivity Statement; and provided a submission in response to the Victorian Energy Efficiency Target (VEET) consultation paper. Held preliminary discussions with VicRoads regarding a roll-out of energy efficient lighting on major roads.
103> Support councils with transition to the new governance model for the delivery of regional-scale waste management and resource recovery.	✓ Delivered	Participated in the State Transition Committee for the waste governance reforms, and advocated for appropriate resourcing of the new waste and resource recovery groups to enable them to meet their new and expanded responsibilities.
104> Continue to work with councils and the Environment Protection Authority (EPA) to find sustainable solutions to manage and rehabilitate landfills under higher environmental management and reporting requirements.	➤ Ongoing	In response to advocacy from the sector and the Victorian Auditor-General’s report, the EPA has established a Landfill Rehabilitation Costs Working Group. Councils’ concerns and challenges have also been discussed with the Minister.

EMERGENCY MANAGEMENT

105> Participate in the review of the fire refuges pilot.	✓ Delivered	Community Fire Refuges (CFR) were piloted at two school sites in the Yarra Ranges Shire and a co-located CFA fire station and Community Fire Refuge in Moorabool Shire. MAV successfully advocated for councils to be relieved of their legislative responsibility to designate and be liable for CFRs. The CFR Pilot Program Evaluation Report supported MAV positions that the State Government should accept legal liability, funding, designation and management responsibilities for refuges.
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MAV PROCUREMENT

106> Finalise the debt aggregation project through the NAB-Commonwealth Bank bond issue, as recommended by Defined Benefit Taskforce. Ensure understanding and take-up of the bond among councils.	✓ Delivered	Refer to Priority 5.
107> Establish a Local Government Funding Vehicle to deliver significant longer-term savings to the sector through a lower cost of borrowing.	✓ Delivered	Refer to Priority 5.
108> Partner with other state local government associations to promote aggregated procurement by rolling-out national contracts, particularly in the fleet, Information and Communications Technology (ICT) and equipment categories.	➤ Ongoing	MAV Procurement participated in National Procurement Network (NPN) meetings three times a year to identify and implement opportunities for aggregated procurement. We also participated in several NPN tenders on behalf of Victorian councils.
109> Continue to work with the sector to identify opportunities for regional procurement collaboration.	✓ Delivered	Consulted with several groups of regional councils as part of the LEAP program to identify and support opportunities for regional procurement collaboration.
110> Facilitate council bulk changeover to energy efficient street lighting, delivering substantial cost, energy and emissions savings.	✓ Delivered	More than 60 councils have participated in our program, resulting in significant energy and emissions savings, and cost savings estimated at hundreds of millions.
111> Facilitate the establishment of a sector-wide Maternal and Child Health information management system to increase efficiency, resource-sharing and information transfer.	✓ Delivered	Refer to Activity 68.

STRATEGIC WORK PLAN OUTCOMES

MAV INSURANCE	STATUS	SUMMARY
112> Continue to implement the Liability Mutual Insurance scheme revised contributions model.	✓ Delivered	Third year of the new contributions model was implemented.
113> Continue to implement the Liability Mutual Insurance scheme revised risk management processes.	✓ Delivered	Revised risk service delivered to members.
114> Maintain the broadest possible crimes insurance cover for councils, at a market-leading price.	✓ Delivered	Re-marketed the scheme's insurance coverage to confirm that members were achieving the best cover in the market.
115> Provide Commercial Crime fund members with advice and assistance in managing a claim, if one arises.	➤ Ongoing	Member claims managed professionally as they arise.
116> Establish the costs and benefits of establishing and operating a worker's compensation self-insurance scheme for local government.	✓ Delivered	Comprehensive financial and actuarial modelling to understand the costs and benefits of the proposed model completed.
117> Ensure the establishment of the self-insurance scheme will provide financial savings, improvement in safety performance, flexibility and high level risk and claims management services.	➤ Ongoing	Worked with WorkSafe to establish the terms, conditions and benefits that would be associated with a MAV WorkCare self-insurance scheme.
118> Work with WorkSafe to develop a mutual program for local government, with the aim to commence on 1 July 2015.	➤ Ongoing	Consulting with the sector to determine interest in the MAV WorkCare self-insurance model.



PROMOTE THE ROLE OF LOCAL GOVERNMENT

GOVERNANCE AND REFORM	STATUS	SUMMARY
119> Hold the Annual Report Awards and Annual Report Writing Workshop.	✓ Delivered	The Annual Report Awards were presented at the MAV's State Council meeting in May. The Annual Report writing workshop was also held in May.
120> Facilitate and support councils to improve community involvement and participation in council decision-making and planning.	✓ Delivered	Refer to Activity 84.

COUNCILLOR AND WORKFORCE DEVELOPMENT

121 > Expand councillor training programs across regional and rural Victoria—for every one-day program offered in metropolitan Melbourne, two programs will be offered across rural and regional Victoria.	✓ Delivered	Promoted core-training offer strongly while abandoning less popular options. Refer also to Activities 56 and 57.
122> Monitor proceedings in relation to the four-year review of modern awards being undertaken by the Fair Work Commission, in particular, the Local Government Industry Award 2010.	✓ Delivered	In the lead up to the introduction of a new Local Government Award in mid 2015, the MAV worked with key stakeholders in the areas of employment costs and workforce development.

COMMUNITY SERVICES AND PUBLIC HEALTH

123> Promote gender equity strategies, the Victorian Local Government Women's Charter and the MAV's 'Commitment to Cultural Diversity' and the positive changes that arise from having diversity among decision-makers.	✓ Delivered	Promoted cultural diversity, refugee week and asylum seeker programs and events. Won an international award for our 'Prevention of Violence Against Women' booklet. Represented councils with a submission to the Royal Commission into Family Violence. Undertook a survey of councils around their activity, progress and innovation across a diverse range of service, policy and program areas.
124> Continue to promote early years reform priorities among councils, with particular attention to the National Quality Framework, the implementation of new staff ratios in 2016 and vulnerable children.	✓ Delivered	Partnership and advocacy work with the State Government resulted in a funding boost of up to \$83.7 million to improve staff-child ratios.
125> Work with DEECD and councils to articulate agreed roles and responsibilities for kindergarten governance, infrastructure provision, central enrolment and negotiate status, scope and resourcing of Municipal Early Years Plans.	✓ Delivered	Prepared submissions to DET regarding early childhood services planning and provision, and obtained funding support for councils in a number of areas including central enrolment development and infrastructure provision.
126> Progress more integrated support for young people and planning for schools-as-community hubs (including joint-use agreements and the School Focused Youth Service program).	✓ Delivered	Continued to promote the role of councils in working with schools' programs (such as 'Respectful Relationships'), and also supporting more vulnerable young people through targeted programs - including those aimed at suicide prevention.

STRATEGIC WORK PLAN OUTCOMES

COMMUNITY SERVICES AND PUBLIC HEALTH	STATUS	SUMMARY
127> Consult with all councils and the HACC Sustainability Group on the proposed 'statement of intent' that aims to recognise local government's role in HACC.	✓ Delivered	Consulted with councils on the development of the 'statement of intent' and negotiated key points to adequately recognise the role and commitment of local government.
128> Provide leadership and support to councils on age-friendly initiatives to encourage further development of age-friendly communities in Victoria, in line with the World Health Organisation's Global Network of Age-friendly Cities and Communities.	✓ Delivered	Hosted the MAV national conference on Age-friendly Communities and Local Government in October 2014. Successfully piloted Casserole Club in Macedon Ranges, Boroondara and Moreland. Actively encouraged councils to promote the prevention of elder abuse. The Improved Liveability for Older People (ILOP) in small towns project has helped generate new initiatives for older people in rural Victoria, and highlighted the value of councils working with older people in creating more age-friendly places.
129> Monitor impact of the National Disability Insurance Scheme on council HACC services and access/participation by people with disabilities in community life.	✓ Delivered	Monitored the impact of the NDIS roll out and kept councils regularly advised, including arranging opportunities to be briefed by the NDI Agency and councils in the Barwon trial site.
130> Represent local government's role in migrant and refugee settlement planning and multicultural policy development to other sectors and all levels of government.	✓ Delivered	Promoted cultural diversity and refugee week initiatives, contributed to Ethnic Communities Council of Victoria committees on workforce participation and new and emerging communities, consulted councils on the Federal Government's Safe Haven Enterprise Visa program, and advocated on their behalf. We hosted forums on asylum seekers living in the community, multicultural policy development, and local government arts and culture. We were instrumental in developing and promoting the first national social cohesion online resource for local government, led by the Australian Human Rights Commission.
131> Implement the plan to promote arts-associated activities and infrastructure in local government.	➤ Ongoing	Convened a consultation forum on the State's proposal to develop a Creative Industries Strategy and prepared a submission on behalf of councils. Our key recommendation was that the partnership between Creative Victoria and the sector through the MAV is strengthened and that local government is closely involved in the strategy's ongoing development.
132> Work to strengthen health and wellbeing networks, including through sharing information and projects from the Healthy Together Victoria initiative.	✓ Delivered	Participated in networks supporting the Healthy Together Victoria initiative and local government roles in developing and implementing health and wellbeing plans. Particular focus on the healthy eating enterprise and working with the Department of Health, councils and their contractors to identify opportunities to change procurement practices in leisure and recreational facilities.
133> Inform the sector of key issues through the biannual maternal and child health nurses conference.	✓ Delivered	Partnered with the State in delivering successful conferences for more than 1,000 nurses on each occasion to address key sector issues.
134> Progress PVAW and gender equity principles across a range of functions in local government, in conjunction with the community sector.	✓ Delivered	Produced the Prevention of Violence Against Women – Leading Change in the Victorian Government Sector booklet that won a prestigious international award. MAV's submission to the Royal Commission highlighted the potential for strengthening the role of councils across the spectrum of violence against women, and recommended investment to drive change at the local level.

STRATEGIC WORK PLAN OUTCOMES

COMMUNITY SERVICES AND PUBLIC HEALTH	STATUS	SUMMARY
135> Promote research into the economic and social impacts of the proliferation of packaged liquor outlets, particularly in disadvantaged communities.	✓ Delivered	Invited to participate on the freeze on late-night liquor licence approvals advisory committee. The work of this group was incorporated into advice adopted by the State Government.
136> Promote research into successful council determinations on gaming venues and develop resources that will assist decision-makers to consider social and economic impacts.	✓ Delivered	Refer to Activity 24.
137> Promote STREATRADER registration system among councils.	✓ Delivered	In partnership with the Department of Health, MAV promoted training for council officers on the Streatrader system, established council user groups, and published user guides. There are now 20,000 users (5,000 initially envisaged).

PLANNING

138> Work with the Metropolitan Planning Authority to develop a partnership to promote a spirit of cooperation and provide clarity on the role of the authority, councils, sub-regional groups of councils and the minister.	✓ Delivered	Delivery of a strengthened Metropolitan Planning Authority and MAV Partnership Agreement that outlines engagement procedures the Metropolitan Planning Authority will abide by when working with councils on land use planning matters.
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INFRASTRUCTURE

139> Update the MAV Transport Position Paper to continue to define Victorian local government's vision for transport policy and investment in Victoria.	➤ Ongoing	Continued working with councils to determine key transport objectives.
140> Represent the sector on funding committees for road safety infrastructure.	✓ Delivered	Represented local government interests on a number of VicRoads and Transport Accident Commission (TAC) funding committees.
141> Work with the Transport Accident Commission (TAC) to develop a new active transport infrastructure program.	➤ Ongoing	Worked with the TAC to develop the Local Government Small Infrastructure Grant Program, including assessment of grant applications. We also campaigned for improved walking and cycling infrastructure leading up to the State Election, resulting in the State Government committing to a \$100 million Safer Cyclists and Pedestrians Fund via the TAC.

ENVIRONMENT

142> Work with State and local government, through the Victorian Adaptation and Sustainability Partnership, to support the establishment of a Memorandum of Understanding (MOU), ensuring that the MOU clarifies roles and responsibilities in relation to climate adaptation and meets sector needs.	✓ Delivered	Refer to Activity 41.
143> Investigate opportunities for the sector to participate in the Emissions Reduction Fund.	➤ Ongoing	Prepared a Members Brief that outlined the limited opportunities for local government to benefit from the Emissions Reduction Fund. We also advocated to the Federal Minister, via ALGA, for the Fund to include programs that are more open to councils.
144> Coordinate councils input into OLV local water cycle plans, guidelines and the development of pilot local water plans.	✓ Delivered	Developed a submission, based on extensive council consultation, to the Metropolitan Whole-of-Water-Cycle Strategic Framework 2014-2024 Discussion Paper. The change in State Government and dissolution of the Office of Living Victoria means the Framework is unlikely to be finalised in its current form.

STRATEGIC WORK PLAN OUTCOMES

ENVIRONMENT	STATUS	SUMMARY
145> Represent the sector during the implementation of the State Government's response to the Rural Drainage Inquiry.	Ongoing	Implementation of the State Government's response to the Rural Drainage Inquiry has been delayed. There is no specific timeline for implementation, however MAV will continue to represent councils in this area.
146 Work with stakeholders, including the EPA, VicWater, the Department of Environment and Primary Industries and the Department of Health, to develop a longer-term strategy to improve the understanding and management of onsite domestic wastewater systems.	Ongoing	Advocated strongly for councils' interests in ongoing reform to the governance of onsite domestic wastewater. This advocacy led to EPA forming a reference group made up of council representatives to discuss the issues related to EPA's Certificate of Approval reform.

EMERGENCY MANAGEMENT

147> Represent council interests through membership of committees.	Delivered	Refer to Activity 44.
148> Support the State's communications campaign to improve community awareness.	Delivered	MAV and Emergency Management Victoria presented the annual Summer Fire Campaign briefing for councils. The MAV also hosted a social media for emergency situations workshop to demonstrate how to reach communities during emergencies while protecting a council's reputation.

EVENTS / COMMUNICATIONS

149> Improve awareness of MAV events designed to inspire improved business outcomes for councils.	Delivered	Improved awareness resulted in stronger event participation in 2014-15 than previous years with 9,362 delegates attending over 130 events. Social and community events represented the strongest share (30%), followed by governance events (22%), professional development (12%) and infrastructure, planning and building events (10%). Other local government key service event areas included procurement, environment, emergency management, technology and finance.
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EVENTS

150> Establish new event opportunities in policy areas that are increasingly top-of-mind or through State Council nominations.	Delivered	New annual MAV events included the Future of Local Food, Procurement Leaders Conference and Governance as Leadership Conference. The MAV also played a stronger role with the Department of Education and Training's Maternal and Child Health Nurses Conference, where full event management services for the Department have been taken on by the MAV.
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COMMUNICATIONS

151> Continue to profile the good work and important role of local government through our magazine CiVic, as well as proactive media relations work.	Delivered	Promoted the important work of local government by publishing four editions of CiVic magazine. Workshops were run for News Limited journalists to help increase their knowledge of local government finance and land use planning, and assist them with reporting on these matters. Videos and presentations on our website assist other journalists to better understand council roles.
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IMPROVE POLICIES AND PROCESSES

GOVERNANCE AND REFORM	STATUS	SUMMARY
152> Support councils to improve the integration of their council plan, asset management plans, service plans, strategic resource plans and community plans.	 Delivered	In response to both the Auditor General’s criticism of the lack of integration of council plans and to rate capping, the MAV launched the STEP Financial Sustainability Program which worked with councils to develop and implement best practice council planning frameworks.
COUNCILLOR AND WORKFORCE DEVELOPMENT		
153> Increase our emphasis on core one-day training programs offered to councillors.	 Delivered	Refer to Activities 56 and 57.
154> Grow the specialist MAV training offers, including the Diploma of Local Government, Company Directors Course and the Graduate Diploma of Management.	 Delivered	Expanded the Swinburne Graduate Diploma of Management into a third cohort of students. Implemented results of a review into the operation of the Diploma of Local Government Program.
155> Prepare for proposed future legislative impacts on councillor development.	 Ongoing	Refer to Activity 58.
156> Commence planning for candidate and induction training modules in response to proposed legislative changes, including a redesign of the candidate briefing sessions and a new approach to councillor induction programs and tools.	 Ongoing	Planning commenced but completion was postponed as the anticipated legislative changes did not occur in the reporting period.
COMMUNITY SERVICES AND PUBLIC HEALTH		
157> Measure the reach of MAV’s PVAW program activities into and across councils.	 Delivered	Periodically surveyed all councils’ involvement in PVAW program activities and the reach of the MAV program was analysed.
MAV INSURANCE		
158> Place Liability Mutual Insurance scheme reinsurance early, in order to offer members early renewal terms.	 Not Achieved	Negotiations with reinsurers progressed into June. These negotiations delivered an improved outcome for scheme members.
159> Review best practice forums to ensure ongoing relevance to Liability Mutual Insurance scheme membership.	 Ongoing	Review of risk management services, including Best Practice Forums commenced through the establishment of member reference groups in Victoria and Tasmania.
160> Establish an Annual General Meeting for Liability Mutual Insurance scheme Tasmanian members.	 Delivered	Held with Tasmanian General Managers through LGAT.

STRATEGIC WORK PLAN OUTCOMES

EVENTS	STATUS	SUMMARY
161> Seek more collaboration within the MAV when developing conference programs and training curriculum.	✓ Delivered	MAV Events communicated all upcoming events to key internal staff and service areas for greater collaboration. MAV Events raised prospective opportunities for collaboration to senior management for inclusion in the MAV strategic work plan.
162> Continue to seek more female speaker involvement to promote gender balance.	✓ Delivered	Gender balance is a key consideration in the development of all MAV event programs.
163> Reduce costs through direct contact with prospective speakers and/or greater negotiation with agencies.	➤ Ongoing	Where possible, MAV events contacted speakers directly rather than through third party agencies. MAV events also recommended internal staff involved in program formulation to consider cost as a part of speaker selection.
164> Strengthen communication with sponsors to ensure the MAV's role as a conduit between vendors and delegates is clear.	✓ Delivered	MAV Events updated the communications tools and methods (event exhibitor manuals, periodic email communications, face-to-face and via phone) to ensure sponsors and exhibitors have a full understanding of their participation, pre, during and post event.
COMMUNICATIONS		
165> Develop a Media and Communications Strategy document to guide MAV's communications to members, governments and other stakeholders.	✓ Delivered	A formal Media and Communications Strategy, including a work program of improvement activities, was developed and implemented to strengthen our communications capabilities with key audiences.
166> Ensure strong branding and alignment with the MAV strategic objectives in our messaging.	✓ Delivered	We better aligned communications with our strategic objectives, and included more regular updates on our strategic plan progress to members through content in the President's Update, bulletins, social media, campaigns, media messaging and other publications.
167> Improve social media planning and usage in order to enhance engagement with stakeholders.	✓ Delivered	Social media analytics informed development of a social media plan that is being implemented to better engage stakeholders, including live updates from MAV events. This work has resulted in continued growth in our social media reach and engagement.
168> Review the functionality of MAV e-bulletins and implement publication design improvements to boost readability and expand audience reach.	➤ Ongoing	Reader and usability data was analysed as a basis for expansion of audience reach. Our work plan includes a future survey of members to inform a refresh and re-design of e-bulletins to better meet reader needs.
169> Improve intranet infrastructure and usability for our staff and Board, including through the MAVIS upgrade project.	✓ Delivered	Access, storage, file retrieval and security features were improved, and sites dedicated to individual team functions and projects were developed.
170> Promote availability of the extranet as a secure portal for council staff to retrieve members-only information.	✓ Delivered	The members-only website was used by the MAV to share sensitive information and insurance-related resources with its members. Communications on this platform resulted in a 6.7 per cent rise in extranet sessions, 21 per cent rise in the number of visitors and 5.3 per cent rise in page views. The site was promoted through bulletins and social media to help drive member usage.

STRATEGIC WORK PLAN OUTCOMES

COMMUNICATIONS	STATUS	SUMMARY
171> Improve online content management and relevance, including by utilising web analytics to evaluate the effectiveness of messages delivered.	✓ Delivered	An increase in our use of image-based communications to engage readership helped boost our website communications during 2014-15. Areas of the website were also restructured, and content was optimised for search and website accessibility. These activities resulted in a 15 per cent rise in MAV website sessions experienced during this time, along with an 18 per cent rise in the number of website visitors and a 14 per cent rise in page views.
172> Enhance the profile of MAV Procurement, MAV Insurance and MAV Technology among our members.	✓ Delivered	All MAV Procurement, Insurance and Technology workshops, seminars and conferences were promoted on our website and 90 per cent of all events were promoted via social media. The procurement section of the MAV website was redeveloped to improve usability resulting in a 32 per cent increase in use of the site compared to the same time last year. An MAV Procurement e-bulletin was commenced to provide timely updates and opportunities to our members and service providers. The members-only website was regularly updated to feature up-to-date insurance and risk management advice and information.
173> Enhance staff communications, ensuring staff are engaged with the organisation and with the issues being faced by the sector.	✓ Delivered	Our intranet redevelopment project improved staff access to information and updates on organisational news, policies, procedures and healthy lifestyle activities. New Yammer groups were established across a number of policy areas to enable peer-to-peer engagement with member councils on work areas of common interest.



MAV INSURANCE



MESSAGE FROM THE CHAIR

MAV Insurance has improved its financial position despite the challenging economic environment which is strongly reducing income from investments and driving down actuarial discount rates. In 2014-15 the MAV's Liability Mutual Insurance and Commercial Crime Fund schemes incurred a combined deficit of \$411,664 (\$1.59M in 2014). This is a significant improvement to the underlying financial position of the scheme, attributable to a reduction in claims – both paid and incurred throughout the year, an increase in the scheme's contributions, and lower costs arising from changes to reinsurance. If we calculated a normalised net result for our insurance operations by removing these influencers, we would see the combined schemes \$467,366 in surplus. This is very heartening and shows we are on track to deliver on our strategic objective to bring the scheme back into surplus following a very high growth in claims in 2012-13 while providing the best possible insurance coverage and services to members.

The scheme also has \$28.4 million set aside in cash and investments to pay our members' current and new claims, as well as a comprehensive reinsurance program. This year saw the lowest number of claims lodged in seven years – a very significant achievement given it follows substantial increases in claims over the previous years. Our suite of risk management services have influenced this result, providing us with the opportunity to work closely with our members to reduce their exposures, at no additional cost to members. These services include free legal and claims advice, numerous best practice forums, as well as conferences and seminars run throughout the year. On top of this, we continued to run our Risk Analysis and Response Reviews for those members with higher claims records which are specifically tailored to help them improve their claims performance.

Part of the scheme's success is undoubtedly our extensive knowledge of the risks and exposures facing our members, as well as our demonstrated commitment to continually reassessing our product to accommodate the challenges and opportunities for members as they arise. Since its inception in 1993, MAV Insurance has confronted frightening scenarios with large claims on landfill sites and poorly remediated building sites, as well as huge potential exposures during bushfire years. Over the past seven years alone we have saved our members more than \$50 million.

This year we commissioned KPMG Actuarial to undertake a review of the insurable limits of the LMI scheme and identify catastrophic insurable risks facing the sector. By engaging an independent party to undertake this analysis we can ensure that any limits are not based on the purchasing capacity of an insurance broker. Potential catastrophes identified in the review included a major bushfire in which the member was heavily implicated in causation, a major fire in an apartment in which council was a planning authority or building surveyor, issues surrounding contaminated land, and major public events organised by council. These findings will be assessed in the coming year to see whether the limits for the LMI scheme need to be changed.

It's important to note the impact today's abnormal economic environment has had on the insurance market in general. Low interest rates and a soft market have led to a competitiveness that will be hard for private insurers to sustain without significant premium increases when the market toughens and they receive already incurred claims. MAV Insurance was created because Victorian councils were simply unable to obtain public liability and professional indemnity insurance through the private market. The move to establish MAV Insurance not only delivered substantial premium savings for members, but an active management partnership, and a collegiate approach on behalf of the industry. The commitment to be there for our members through good times and bad, and through soft and hard markets, continues to be what underpins the LMI scheme.

Finally, I would like to take the opportunity to acknowledge the professional input from our previous Chairman John Warburton, whose guidance and wisdom over the years delivered a product of which we can be justly proud. John was a valued Board member for MAV Insurance for 20 years and the chair for 10 years. His contribution to local government has been immense and I would like to thank him for his dedication to the sector. I look forward to working with the current Board, and the new appointments to be made in 2015-16, to continue this good work.

ANNE MURPHY OAM

MAV Insurance Chair



MAV INSURANCE PERFORMANCE HIGHLIGHTS

BENEFITS DELIVERED TO COUNCILS

Over the past seven years, MAV Liability Mutual Insurance (LMI) scheme claims have exceeded contributions, providing substantial benefit to members that would not have been delivered by the private market.

Our suite of risk management services **helped reduce member contributions by reducing members' exposures**. These services were reviewed in 2014-15 to ensure they remain relevant to members and continue to help the sector improve its performance. As a result, a new compliance review was introduced along with additional services for members such as road and footpath worksite inspections, claim file reviews, contractor management process reviews and risk identification training.

MAV Insurance's Risk Analysis and Response Reviews (RARR) **help LMI members with the highest claims records to improve their performance and reduce their number of claims**. This year, we continued to provide tailored services to members within this group, including the new compliance reviews for road management and tree management.

We also helped Victorian and Tasmanian councils to reduce their risks and minimise claims through **advice and training provided at 14 best practice forums and nine workshops** as part of MAV Insurance's delivery of risk management services.

SCHEME PERFORMANCE

Ongoing member engagement regarding risk management saw **the lowest number of LMI claims lodged during 2014-15 in seven years**. This drop is significant, and follows substantial increases over previous years.

MAV Insurance commissioned KPMG actuarial to undertake a **review of scheme members' catastrophic public liability and professional indemnity risks** to ensure councils are safeguarded against present and future events. This information will be used to examine reinsurance options and assess the ongoing adequacy of the LMI program's limits.

The scheme continued to protect members from significant liability exposures. This year **a class action involving more than 300 class members was received in relation to a bushfire** in Mickleham on 9 February 2014.

ADVOCACY

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

- > **a more favourable MoU between councils and Sustainability Victoria** for the delivery of the Household Chemical Waste Programme, to ensure that councils limited their liability and that the agreement fell within the coverage of the LMI policy.
- > submissions to the State Government in relation to its draft Victorian Floodplain Management Strategy, resulting in some changes to the current draft, including the **State's support of amendments to the Water Act** to treat councils in the same way as water authorities for liability of flow of water
- > **input into the review of Building legislation** through several meetings with the State Government and the Victorian Municipal Building Surveyors Group
- > many of our recommendations regarding the Draft **Food Premises Assessment** compliance guide were incorporated into the draft which is now being tested with food officers at councils
- > **Amendments to the Water Bill** following our submissions regarding liability provisions during the Water legislation review.

LEGAL

We provided **free legal advice** to members on their liability risks including statutory interpretation, potential liability, policy coverage and risk management strategies, responding to around **130 requests** for assistance.

MEMBER COMMUNICATION AND ENGAGEMENT

Last year we worked to further increase engagement with Tasmanian members. As a result we established a Tasmanian reference group to provide advice on member service needs, presented the annual report to the Tasmanian General Managers.

Relevant information, support and development is provided for members through a number of events throughout the year.

This year **more than 450 member representatives attended MAV Insurance events** including best practice forums, workshops and conferences.

Regular updates, advice and information is provided to members through the MAV Insurance e-bulletin, and in materials published on our members-only extranet.

MAVIB – GOVERNANCE

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

MAV Insurance Board 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. Jardine Lloyd Thompson Pty Ltd provides claims, risk management and reinsurance placement services to MAV Insurance. Taylor Fry is the independent actuary; Ernst and Young is the independent auditor; and Perennial Investment Partners Ltd provides investment services and advice.

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

MAV INSURANCE BOARD

ANNE MURPHY OAM

APPOINTED 1993

Chair, MAV Insurance Committee
1993-2005

Chair, MAV Insurance Board 2015 -
present

Chair, MAV Insurance Committee
1993-2005

Past President, MAV

Principal, Anne Murphy Strategy and
Facilitation

Board member, KYM Employment
Services Inc

Board member, Calvary Health Care
Bethlehem Advisory Board

President, Rotary Club of Camberwell

RON FARRELL

APPOINTED 2001

Past Member, Professional Standards
Councils (All states and territories)

Past Non-Executive Director, Victorian
Managed Insurance Authority

Past General Manager, Australian Eagle
Insurance Co Ltd

Past Chairman and Non-Executive
Director, Utilities Insurance Co Pty Ltd

Past Non-Executive Director, connect.
com.au Pty Ltd

Past Non-Executive Director,
Metropolitan Fire and Emergency
Services Board

CR ROD FYFFE

APPOINTED 2004

MAV Board Member

Councillor, Greater Bendigo City
Council

Mayor 2003-04, 2004-05, 2010-11

MICHAEL GUILMARTIN

APPOINTED 2009

Company Director, Lake Eildon Country
Club Ltd

Chief Executive Officer, Victorian
Managed Insurance Authority
1997-2007

President, Association of Risk Insurance
Managers of Australia 1980

Risk Manager, Alcoa of Australia Ltd
1971-97



CR BILL MCARTHUR

APPOINTED 2009
 MAV President
 Councillor, Golden Plains Shire Council
 Mayor 2004-05
 Vice President, Australian Local Government Association

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



MAV INSURANCE BOARD ATTENDANCE

	22 AUG	29 SEPT	15 OCT	19 DEC	19 FEB*	25 FEB	8 MAY	12 JUN
Anne Murphy	✓	✓	✓	✓	✓	✓	✓	✓
Ron Farrell	✓	✓	✓	✓	✓	✓	✓	✓
Rod Fyffe	✓	✓	✓	✓	X	✓	✓	✓
Allan Garcia	X	X	X	X	X	X	N/A	N/A
Michael Guilmartin	✓	✓	✓	✓	✓	✓	✓	✓
Michael Kennedy	X	✓	✓	✓	✓	✓	N/A	N/A
Bill McArthur	✓	X	X	✓	X	✓	✓	✓
Rob Spence	✓	✓	✓	✓	✓	✓	✓	✓
John Warburton	✓	✓	✓	✓	✓	✓	N/A	N/A

Allan Garcia, Michael Kennedy and John Warburton resigned from the MAV Insurance Board during the reporting period.

BOARD SITTING FEES

Independent Board members receive a sitting fee for each meeting attended. In 2014-15 the sitting fee was:

Chair – \$989

Independent Board Member – \$695

In addition, an allowance of \$1339 was paid to the independent board members for attendance at other insurance-related meetings.

MAV INSURANCE TEAM



Rob Spence



Alison Lyon



Owen Harvey-Beavis



Kristine Purcell



John Smith

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

LIABILITY MUTUAL INSURANCE SCHEME

OVERVIEW

The Liability Mutual Insurance (LMI) scheme is operated entirely for the benefit of members.

Its not-for-profit structure means any excess revenue is kept in the fund to help keep premiums down, rather than used to pay dividends to shareholders.

With over 20 years' experience representing the sector in insurance matters, the scheme is able to provide cover that best meets the unique needs of local government at the best possible cost.

It provides cover in public and products liability, and professional indemnity insurance that offer substantial limits of coverage in line with the exposures faced by its members - \$400 million and \$300 million respectively.

MAV Insurance works with its members to help reduce their risks by providing them with a comprehensive and integrated risk solution – risk management, claims management, legal advice, underwriting, policy advocacy and insurance coverage advice – at no extra cost.

Its extensive suite of risk management services include targeted appraisals, compliance reviews, tailored programs to address factors causing claims for individual members, regular best-practice forums, seminars and conferences.

The LMI scheme was established in 1993 under the name 'Civic Mutual Plus' to provide a stable liability insurance product for councils and other local authorities over the full market cycle. It was rebranded in 2011.

Membership of the LMI scheme is available to all Victorian councils, water corporations and other local government bodies on a voluntary basis. Membership was extended to also include equivalent 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 Act 1973* and with the Australian Financial Services Licensing requirements imposed on it as a licensed insurer.

The MAV manages the scheme with the assistance of service providers Jardine Lloyd Thompson, Taylor Fry Analytics and Actuary Consulting (actuary), Perennial Investment Partners (investment manager), MTA Consulting Pty Ltd (investment adviser), EY (auditor) and National Australia Bank Asset Servicing (custodian services).

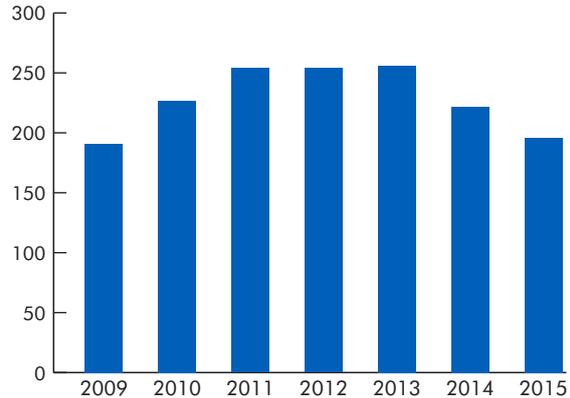
FINANCIAL PERFORMANCE

An overview of MAV Insurance's financial performance is presented as a component of the MAV's financial overview on pages 18 and 19 of this document.

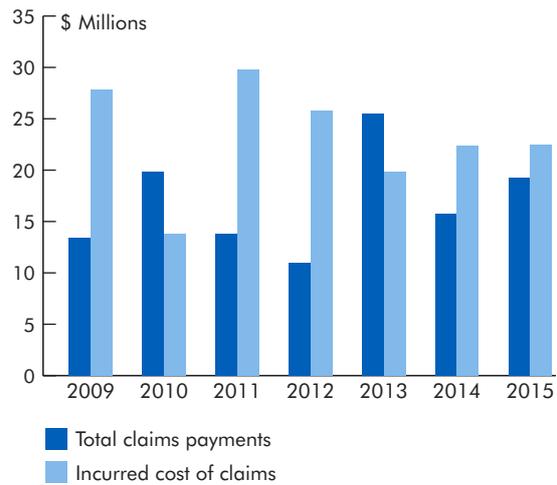
Detailed financial reports for MAV Insurance are presented on pages 109 - 134.

CLAIMS TREND

CLAIMS LODGED



CLAIM PAYMENTS



The Liability Mutual Insurance scheme's claim lodgement trend has stabilised over the past three years, with the number of claims lodged reducing over the past two. This year saw the lowest number of claims lodged in seven years.

While payments were higher than the previous year, this has been offset by a corresponding reduction in outstanding claim estimates. This is a consequence of the resolution of a number of large claims.

The average size of claims awaiting settlement is higher than at this time last year. So while claim numbers are down, their average value is higher, primarily due to a smaller proportion of property damage claims.

CLAIM LODGEMENTS 2014-15

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

Our members' claims are long-tailed as legislation allows new claims to be lodged many years after the occurrence of the event that gave rise to the claim. In 2014-15 the average time between an alleged event and first receipt of a claim was 625 days, but for certain matters it may be in excess of six years.

In 2014-15, four large matters were settled with a combined value of \$4.5 million representing over 26 per cent of the total settlement payments for the year. These claims stemmed from 2008, 2010 and 2011, which again highlights the long-tail nature of public liability and professional indemnity exposure for our members. Three of these claims related to public liability property damage and the other was a professional indemnity financial loss.

The scheme also received a bushfire class action relating to a fire in 2014. The action involves over 300 class members. It is alleged that a large section of a roadside tree failed in extreme weather conditions and brought down adjacent power lines sparking the fire.

RISK MANAGEMENT

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

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

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

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

The scheme delivered a comprehensive program of events to support members, including 14 best practice forums in 2014-15, five seminars, and Victorian and Tasmanian risk conferences.

Our help desk responded to around 100 requests for advice over the year, and we also provided free legal advice to members on their liability risks, responding to around 130 requests for assistance.

COURT CASES

During 2014-2015 MAV Insurance defended a number of matters before the courts on behalf of our members. Cases defended included a test case on the Road Management Act defences, public liability damages actions, and a number of recovery proceedings against insured members by the Victorian WorkCover Authority.

OPERATIONAL ACTIVITIES

We negotiated a new reinsurance structure for the LMI scheme that increased the proportion of payments made directly by the scheme. Ensuring best value for the scheme, we tested the reinsurance markets globally to ensure the best underwriters available are involved in the LMI program. Our approach is to establish long-term relationships with reinsurers that have a good appreciation for the risks and exposures of the scheme's members.

LIMITS REVIEW

During 2014-15, we commissioned KPMG Actuarial to complete a review of catastrophic loss scenarios faced by members to assess the adequacy of insurance limits. Engaging an independent party to undertake this analysis ensures that any limits are not based on the purchasing capacity of an insurance broker. The previous review was completed by an independent consultant in 2009.

The KPMG review identified four major catastrophe scenarios that could affect members, with losses modelled above the current scheme limits of \$400 million for public liability claims and \$300 million for professional indemnity. These major catastrophes included a major bushfire in which a member was heavily implicated in causation, a major fire in an apartment in which council was a planning authority or building surveyor, issues surrounding contaminated land, and major public events organised by a member.

MAV Insurance will consider the findings of the report in the 2015-16 year and assess whether the limits to the LMI scheme should be changed.

**LIABILITY MUTUAL
INSURANCE
MEMBERS**

VICTORIAN COUNCILS

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

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

TASMANIAN COUNCILS

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

**VICTORIAN WATER
AUTHORITIES**

City West Water
 Southern Rural Water Corporation
 Goulburn Murray Rural Water Corporation

**TASMANIAN WATER
AUTHORITIES**

Irrigation Tasmania

OTHER MEMBERS

Barwon South West Waste and Resource Recovery Group
 Eastern Regional Library Corporation
 Gippsland Waste and Resource Recovery Group
 Goulburn Valley Regional Library
 Grampians Central West Waste and Resource Recovery Group
 Local Government Association of Tasmania
 Loddon Mallee Waste and Resource Recovery Group
 Municipal Association of Victoria
 North Central Goldfields Library Service
 North East Waste and Resource Recovery Group
 Victorian Water Industry Association Inc
 West Gippsland Regional Library Service
 Whitehorse Manningham Regional Library Corporation
 Yarra Plenty Regional Library Service

COMMERCIAL CRIME FUND

OVERVIEW

The Commercial Crime Fund covers local authorities against losses from fraudulent or dishonest acts committed by an employee or third party. Like MAV Insurance's LMI scheme, the Commercial Crime Fund is a non-discretionary mutual insurance scheme that exists solely for the benefit of its members. There is no profit built into the contribution setting model, meaning the scheme is more cost effective in the long-term.

PERFORMANCE

The Commercial Crime Fund recorded a deficit of \$105,705 this financial year as a consequence of higher than expected management fees due to the correction of an historical under-collection of these fees. Members continue to save, however, through the financial benefits of collective purchasing.

The fund achieved its aim to provide high levels of insurance cover at a reasonable cost, which is particularly competitive over the long-term. Contributions from members rose by 5 per cent for the year.

Being a not-for-profit, the fund is not subject to income tax and no dividends are paid to third parties.

To ensure that members are being offered the best insurance, MAV Insurance tested the market for alternative insurers for the 2015-16 year resulting in the retention of Zurich as the scheme's insurer due to its superior coverage at the lowest price.

CLAIMS

The scheme incurred three new claims for the 2014-15 year.

RISK MANAGEMENT

Members of the Commercial Crime Fund are expected to continually test the strengths and weakness of organisational systems through their audit committees and internal auditors. Constant review of the risks inherent in member systems, and testing of the areas of risk, is a core responsibility of members. The basic concepts of separation of duties, delegation, risk appraisal and risk training need to be embedded in members' operations if they are to be protected from the risk of fraud. Incidents of fraud not only have a major impact on the organisation's financial position, but can also result in significant damage to the organisation's reputation with resulting staff morale issues.

MAV Insurance supports councils' risk management capabilities and encourages embedding of the core concepts through training opportunities and information sessions. During 2014-15, five fraud awareness seminars were conducted around the state. These seminars help to ensure members are up-to-date in fraud prevention and detection processes.

COMMERCIAL CRIME FUND MEMBERS

VICTORIAN COUNCILS

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

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

OTHER MEMBERS

Citywide Service Solutions Pty Ltd
Queen Victoria Market
Municipal Association of Victoria
Corangamite Regional Library Corporation
West Gippsland Regional Library Corporation
Eastern Regional Libraries
Tanjil Bren Water Co-op Ltd & Committee of Management - Recreation Reserve
Geelong Regional Library Corporation

LGE HEALTH INSURANCE

The LGE Health Plan is a unique health insurance offer designed to provide local government and water industry employees with great cover and value, and ongoing after-tax savings.

The MAV, alongside Health Link Consultants and GMHBA, offer employees the opportunity to join a private health cover with a hospital excess and save with significantly lower premiums. If the employee or an eligible family member is hospitalised and pays the excess, the LGE Health Plan will reimburse the excess to them, tax free.

Since its commencement in 2008, the plan has steadily grown and now includes 71 Victorian councils, 13 Tasmanian councils and 11 water authorities.

As of 30 June 2015 there were more than 6950 individual memberships with the plan and in 2014-15 over 570 claims for the recovery of hospital excess payments were processed totalling \$198,992 in member reimbursements.

VICTORIAN COUNCILS

Alpine Shire Council
 Ararat Rural City Council
 Banyule City Council
 Bass Coast Shire Council
 Baw Baw Shire Council
 Bayside City Council
 Benalla Rural City Council
 Boroondara City Council
 Brimbank City Council
 Buloke Shire Council
 Cardinia Shire Council
 Casey City Council
 Central Goldfields Shire Council
 Colac Otway Shire Council
 Corangamite Shire Council
 Darebin City Council
 East Gippsland Shire Council
 Frankston City Council
 Gannawarra Shire Council
 Glen Eira City Council
 Glenelg Shire Council
 Golden Plains Shire Council
 Greater Bendigo City Council
 Greater Dandenong City Council
 Greater Geelong City Council
 Greater Shepparton City Council
 Hepburn Shire Council

Hindmarsh Shire Council
 Hobsons Bay City Council
 Horsham Rural City Council
 Indigo Shire Council
 Kingston City Council
 La Trobe City Council
 Loddon Shire Council
 Macedon Ranges Shire Council
 Manningham City Council
 Maribyrnong City Council
 Maroondah City Council
 Melton City Council
 Mildura Shire Council
 Mitchell Shire Council
 Moira Shire Council
 Monash City Council
 Moonee Valley City Council
 Moorabool Shire Council
 Moreland City Council
 Mount Alexander Shire Council
 Moyne Shire Council
 Murrindindi Shire Council
 Nillumbik Shire Council
 Northern Grampians Shire Council
 Port Phillip City Council
 Pyrenees Shire Council
 Borough of Queenscliffe
 Southern Grampians Shire Council
 Stonnington City Council
 Strathbogie Shire Council
 Surf Coast Shire Council
 Swan Hill Rural City Council
 Towong Shire Council
 Warrnambool City Council
 Wellington Shire Council
 West Wimmera Shire Council
 Whitehorse City Council
 Whittlesea City Council
 Wangaratta Rural City Council
 Wodonga City Council
 Wyndham City Council
 Yarra City Council
 Yarra Ranges Shire Council
 Yarriambiack Shire Council

TASMANIAN COUNCILS

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

WATER AUTHORITIES

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

OTHER MEMBERS

Local Government Association
 of Tasmania
 Municipal Association of Victoria

DETAILED FINANCIAL REPORTS



GUIDE TO THE FINANCIAL STATEMENTS

COMPONENTS OF THE FINANCIAL REPORT

The financial report contains three main sections:

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

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

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

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

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

The audit report by the independent auditor expresses the auditor's opinion on whether the financial statements present fairly in all material respects, the financial position of the Association as at 30 June 2014, and the results of the various business operations and cash flows for the year ended 30 June 2015, in accordance with accounting standards and other mandatory professional reporting requirements.

FINANCIAL STATEMENTS

1. INCOME STATEMENT

The income statement shows:

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

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

2. BALANCE SHEET

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

2.1 CURRENT AND NON-CURRENT ASSETS

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

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

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

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

2.2 CURRENT AND NON-CURRENT LIABILITIES

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

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

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

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

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

2.3 NET ASSETS

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

3. STATEMENT OF CASH FLOWS

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

3.1 CASH FLOWS FROM OPERATING ACTIVITIES

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

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

3.2 CASH FLOWS FROM INVESTING ACTIVITIES

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

STATEMENT BY DIRECTORS

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

INDEPENDENT AUDIT REPORT

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

FINANCIAL REPORT 2014-15

MUNICIPAL ASSOCIATION OF VICTORIA

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	COMBINED		MAV - GENERAL FUND	
		2015 \$	2014 \$	2015 \$	2014 \$
REVENUE	4	55,054,996	70,400,167	22,034,398	16,666,698
EXPENSES	5(b)	52,123,237	71,485,169	18,690,974	16,161,979
NET SURPLUS/(DEFICIT)	3	2,931,759	(1,085,002)	3,343,424	504,719
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME(LOSS) FOR THE PERIOD		2,931,759	(1,085,002)	3,343,424	504,719

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	NOTE	COMBINED		MAV - GENERAL FUND	
		2015 \$	2014 \$	2015 \$	2014 \$
CURRENT ASSETS					
Cash and cash equivalents	9(a)	37,662,211	36,133,740	9,270,888	6,452,479
Trade and other receivables	10,2(f)	54,494,945	63,815,807	6,381,634	8,091,838
Prepayments		401,780	111,201	400,924	108,801
TOTAL CURRENT ASSETS		92,558,936	100,060,748	16,053,446	14,653,118
NON-CURRENT ASSETS					
Trade and other receivables	10,2(f)	49,957,504	60,378,046	-	-
Property, plant and equipment	12,2(h)	462,420	508,602	367,715	382,329
Intangibles	13,2(h)	102,297	151,355	83,015	99,085
TOTAL NON-CURRENT ASSETS		50,522,221	61,038,003	450,730	481,414
TOTAL ASSETS		143,081,157	161,098,751	16,504,176	15,134,532
CURRENT LIABILITIES					
Trade and other payables		9,143,941	16,251,272	5,718,614	7,640,167
Premiums in advance	11	26,791,081	29,976,070	-	-
Provision for employee entitlements	17	902,940	738,146	902,940	738,146
Provision for claims outstanding	14(a),2(s)	20,394,346	20,508,786	-	-
Other current liabilities		613,909	714,703	613,909	714,703
TOTAL CURRENT LIABILITIES		57,846,217	68,188,977	7,235,463	9,093,016
NON-CURRENT LIABILITIES					
Provision for employee entitlements	17	69,529	91,886	69,529	91,886
Provision for claims outstanding	14(a),2(s)	77,224,223	87,714,589	-	-
Unfunded superannuation liability	18,2(o)	547,765	575,422	547,765	575,422
Other non-current liabilities		499,470	565,683	499,470	565,683
TOTAL NON-CURRENT LIABILITIES		78,340,987	88,947,580	1,116,764	1,232,991
TOTAL LIABILITIES		136,187,204	157,136,557	8,352,227	10,326,007
NET ASSETS		6,893,953	3,962,194	8,151,949	4,808,525
EQUITY		6,893,953	3,962,194	8,151,949	4,808,525

The accompanying notes form an integral part of these statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

NOTE	COMBINED		MAV - GENERAL FUND	
	2015	2014	2015	2014
	\$	\$	\$	\$
RETAINED EARNINGS				
Balance at beginning of year	3,962,194	5,047,196	4,808,525	4,303,806
Surplus from ordinary activities	2,931,759	(1,085,002)	3,343,424	504,719
BALANCE AT END OF YEAR	6,893,953	3,962,194	8,151,949	4,808,525

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

NOTE	COMBINED		MAV - GENERAL FUND	
	2015	2014	2015	2014
	\$	\$	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES				
RECEIPTS				
Subscriptions, grants and fees	51,972,696	56,322,475	24,655,554	25,780,517
Investment income	1,124,637	1,504,826	219,208	195,531
Reinsurance and other recoveries	13,522,839	15,413,251	-	-
PAYMENTS				
Suppliers	(45,079,214)	(53,745,077)	(21,913,310)	(23,763,303)
Claim payments	(19,869,444)	(16,311,088)	-	-
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	1,671,514	3,184,387	2,961,452	2,212,745
CASH FLOW FROM INVESTING ACTIVITIES				
Proceeds from sale of fixed assets	15,000	193,634	15,000	193,634
Payments for fixed assets and intangibles	(158,043)	(304,406)	(158,043)	(304,406)
NET CASH USED IN INVESTING ACTIVITIES	(143,043)	(110,772)	(143,043)	(110,772)
NET (DECREASE)/INCREASE IN CASH HELD				
Cash at beginning of year	36,133,740	33,060,125	6,452,479	4,350,506
CASH AT END OF YEAR	37,662,211	36,133,740	9,270,888	6,452,479

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 2015

1. CORPORATE INFORMATION

The combined financial report of Municipal Association of Victoria for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the directors on the date shown on the attached Statement by Directors.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting standards and interpretations issued but not yet effective

Australian accounting standards and interpretations that have recently been issued or amended, but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2015 are outlined in the table below:

Reference	Title summary	Application date of standard	Impact on group financial report	Application date for group
AASB 9	Financial instruments	1 January 2018	Nil	1 July 2018
IFRS 15	Revenue from Contracts with Customers	1 July 2017	Nil	1 July 2017

All new and amended standards and interpretations which are mandatory for the first time for the year beginning 1 July 2014 have been adopted. The adoption of these standards and interpretations did not have a material impact on the current or any prior period and is not likely to materially affect future periods.

(a) Basis of preparation

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

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

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

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

(b) Statement of compliance

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

(c) Principles of the combined entity

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

A controlled entity is any entity controlled by the Municipal Association of Victoria (incorporated under the *Municipal Association Act 1907*). Control exists where the Municipal Association of Victoria has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with the Municipal Association of Victoria to achieve the objectives of the Municipal Association of Victoria. The effects of all transactions between entities in the combined entity have been eliminated. The financial statements of the divisions are prepared for the same reporting period as the Municipal Association of Victoria, using consistent accounting policies. All interdivisional balances and transactions, including unrealised profits arising from intra-divisional transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. The equity in the insurance businesses of Liability Mutual Insurance and the Commercial Crime Fund represent the assets of the members of each of the insurance mutuals' and are not available to the members of the Association.

(d) Income tax

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

(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. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the Statement of Financial Position.

(f) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(g) Trade and other payables

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

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

Plant and equipment, trademarks and intellectual property are carried at cost, less where applicable, accumulated depreciation, amortisation and impairment. On disposal of an item of property, plant, equipment, trademarks, website and other intellectual property 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 including buildings and capitalised leased assets are depreciated/amortised on a straight line basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

INTANGIBLE ASSETS

Intangible assets (computer software, trademarks, website and other intellectual property) acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the Statement of Comprehensive Income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite life are 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 prospectively 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 profit or loss in the expense category 'Amortisation'. The Association does not have any intangible assets with indefinite useful lives.

IMPAIRMENT

The carrying amount of property, plant, equipment, trademarks, website and other intellectual property is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining the recoverable amounts.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

(i) Leases

A distinction is made between finance leases, which effectively transfer substantially all the risks and benefits incidental to ownership of the leased property from the lessor to the lessee without transferring the legal ownership; and operating leases, under which the lessor effectively retains substantially all the risks and benefits. Where assets are acquired by means of finance leases, the present value of minimum lease payments is established as an asset at the beginning of the lease term and amortised on a straight line basis over the expected economic life. A corresponding liability is also established and each lease payment is allocated between such liability and interest expense.

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

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

(j) Employee entitlements

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

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

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

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

(k) Revenue recognition

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

Subscriptions and sponsorships - Subscriptions and sponsorships are recognised on an accrual basis.

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

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

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

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

(l) Other financial assets

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

(m) Comparative figures

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

(n) Cash flows

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

(o) Superannuation

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

(p) Fair Value Measurement

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

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

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the MAV determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. MAV does not have any level 3 financial assets.

Cash at Bank is considered level 1 financial assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

Other financial assets represent investments in managed investment funds that are not traded in a market considered active. The fair value of these assets is regularly revalued by the Investment Manager based on observable inputs or derivable from observable inputs. These are considered level 2 financial assets. The carrying amounts of financial assets and financial liabilities represent their approximate net fair value. All maturity dates are within twelve months. For the purpose of fair value disclosures, the MAV has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability, and the level of the fair value hierarchy as explained above.

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
2015				
Cash at Bank	10,425,972	-	-	10,425,972
Other Financial Assets	-	27,236,239	-	27,236,239
TOTAL	10,425,972	27,236,239	-	37,662,211
2014				
Cash at Bank	8,689,206	-	-	8,689,206
Other Financial Assets	-	27,444,534	-	27,444,534
TOTAL	8,689,206	27,444,534	-	36,133,740

(q) 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.

(r) 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 both the scheme and the fund for the ensuing year and accordingly the premiums are disclosed in the balance sheet as 'premiums receivable' with an offsetting liability described as 'premiums in advance'.

(s) Claims

Claims-incurred expense and liability for outstanding claims are recognised in respect of direct business. The liability covers claims incurred but not yet paid, incurred but not yet reported claims, and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by reviewing individual claim files and estimating claims not notified and settlement costs using statistical and actuarial techniques. The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all the claims do not have to be paid out in the immediate future. The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal inflation and 'superimposed inflation'. Advice from the MAV's actuary has estimated superimposed inflation to be 3 per cent per annum (2014 3 per cent) for personal injury non large claims and the discount rate at 2.5 per cent (2014 3.1 per cent).

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

Details of rates applied are disclosed in note 22.

(t) 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.

(u) Revenue recognition

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

- (i) Premiums - recognised in the period the fund is at risk.
- (ii) Future reinsurance and other recoveries - on an accruals basis.
- (iii) Investment income - on an accruals basis including adjustments made to account for changes in the value of cash backed unit trusts, to account as investment income.
- (iv) Performance bonus - on an accruals basis when firm evidence is available confirming the amount and indicating payments.

(w) Reinsurance expense

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	COMBINED	
		2015 \$	2014 \$
3. CONTRIBUTION TO OPERATING SURPLUS			
CONTRIBUTION FROM INSURANCE ACTIVITIES			
Premium income		30,008,570	28,965,483
Performance bonus	26	82,166	195,412
Reinsurance expense	2(v)	(17,262,821)	(20,706,667)
NET PREMIUM INCOME		12,827,915	8,454,228
Claims expense	5(a)	(9,264,639)	(27,899,823)
Reinsurance and other recoveries	2(f)	3,179,629	24,253,836
NET CLAIMS EXPENSE	15	(6,085,010)	(3,645,987)
NET UNDERWRITING RESULT			
		6,742,905	4,808,241
Fees received		242,076	441,030
Investment income		903,884	1,309,940
Administration and general expenses		(8,300,526)	(8,148,930)
INSURANCE ACTIVITY OPERATING SURPLUS		(411,661)	(1,589,719)
MAV SURPLUS (DEFICIT)		3,343,420	504,717
OPERATING SURPLUS (DEFICIT)		2,931,759	(1,085,002)

	NOTE	COMBINED		MAV - GENERAL FUND	
		2015 \$	2014 \$	2015 \$	2014 \$
4. REVENUE					
REVENUES FROM OPERATING ACTIVITIES					
Subscriptions/premiums		29,982,541	31,607,572	2,773,279	2,666,619
Reinsurance and other recoveries	2(f)	3,179,629	24,253,836	-	-
Performance bonus	26	82,166	195,412	-	-
Brokerage fees		1,375,789	1,373,422	1,375,789	1,373,422
Management fee income		2,125,650	626,109	3,253,272	1,792,781
Seminars and sale of publications		1,259,771	1,260,102	1,259,771	1,260,102
Sponsorship, membership and tender income		5,445,151	3,340,899	2,671,872	3,140,899
Grant and project income	19	10,446,983	6,199,976	10,446,983	6,199,976
TOTAL REVENUE FROM OPERATING ACTIVITIES		53,897,679	68,857,328	21,780,965	16,433,799
REVENUES FROM NON-OPERATING ACTIVITIES					
Investment income		1,156,985	1,525,731	253,101	215,791
Gain on disposal of non-current assets		332	17,108	332	17,108
TOTAL REVENUE FROM OUTSIDE THE OPERATING ACTIVITIES		1,157,317	1,542,839	253,433	232,899
TOTAL REVENUE		55,054,996	70,400,167	22,034,398	16,666,698

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	COMBINED		MAV - GENERAL FUND	
		2015	2014	2015	2014
		\$	\$	\$	\$
5(a) CLAIMS EXPENSES					
Paid		19,869,445	16,111,124		
Outstanding claims at end of financial year	14(a)	97,618,569	108,223,375		
Outstanding claims at beginning of financial year		(108,223,375)	(96,434,676)		
TOTAL CLAIMS EXPENSES	2(s)	9,264,639	27,899,823		
5(b) OPERATING EXPENSES					
The following items have been recognised in the operating surplus:					
Reinsurance expense		17,262,821	20,706,667	-	-
Claims expense		9,264,639	27,899,823	-	-
Claims handling cost		-	-	-	-
Scheme management fee	8	3,223,296	3,154,692	-	-
Administration		2,711,788	2,112,842	1,865,401	1,446,517
ALGA membership		447,792	423,191	447,792	423,191
Amortisation of website, educational programs and trademarks		71,058	77,655	38,070	44,667
Audit fees	7	150,661	161,465	22,763	40,515
Board of management expenses		273,917	256,206	273,917	256,206
Depreciation furniture and equipment		21,184	31,585	9,339	19,740
Depreciation motor vehicles		79,443	87,272	79,442	87,272
Depreciation information technology equipment		30,530	48,466	30,530	48,466
Depreciation leasehold improvements		36,403	39,566	16,337	19,846
Grants, projects and legal		8,172,033	5,873,457	8,172,033	5,873,457
Legal and actuarial fees		113,126	346,322	-	-
Meetings and seminars		1,433,271	1,605,236	1,433,271	1,605,236
Operating lease rental expense		368,531	729,453	355,870	717,711
Salary and payroll costs		5,946,209	5,579,155	5,946,209	5,579,155
Stamp duty		2,516,535	2,352,114	-	-
TOTAL EXPENDITURE		52,123,237	71,485,169	18,690,974	16,161,979
6. LEASING COMMITMENTS					
Operating lease commitments, being for lease of new OCE and OCE colour copiers					
Not later than one year		25,759	25,759	25,759	25,759
Later than one year but not later than five years		19,553	45,312	19,553	45,312
TOTAL LEASE COMMITMENT		45,312	71,071	45,312	71,071
Operating lease commitments, being for lease of leasehold premises:					
Not later than one year		794,964	764,388	794,964	764,388
Later than one year but not later than five years		4,477,974	4,305,743	4,477,974	4,305,743
Later than five years		1,518,686	2,485,881	1,518,686	2,485,881
TOTAL LEASE COMMITMENT		6,791,624	7,556,012	6,791,624	7,556,012

During the 2013 financial year the Association negotiated a ten-year lease over the property at levels 11 and 12, 60 Collins Street Melbourne with the Reserve Bank of Australia. The lease commenced on 1 January 2013 and included a 12 month's rent free period up to 31 December 2013.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

NOTE	COMBINED		MAV - GENERAL FUND	
	2015	2014	2015	2014
	\$	\$	\$	\$
7. AUDITORS REMUNERATION				
Amounts received or due and receivable for audit services:				
Audit services	150,661	161,465	22,763	40,515
Other services	-	265,870	-	265,870
TOTAL AUDITORS REMUNERATION	150,661	427,335	22,763	306,385

Other services relates to professional consulting fees paid for assistance with the establishment of a pooled borrowing vehicle (LGFV) on behalf of Victorian councils. The LGFV is a special purpose trust established under the laws of Victoria which will operate on a not-for-profit basis with its key purpose as an ongoing competitive cost debt provider to councils. Fees were paid by the Association on behalf of the LGFV and were reimbursed by participating councils on establishment.

8. SCHEME MANAGEMENT FEES				
Scheme management fees are paid to the scheme manager for:				
Re-insurance placement	2,109,152	2,047,720		
Risk management and administrative services	1,114,144	1,106,972		
TOTAL SCHEME MANAGEMENT FEES	5(b) 3,223,296	3,154,692		

NOTE	COMBINED		MAV - GENERAL FUND	
	2015	2014	2015	2014
	\$	\$	\$	\$
9(a) NOTES TO STATEMENT OF CASH FLOWS				
Cash and cash equivalents at balance date as shown in the Statement of Cash Flows are held in Standard & Poor's rated AAA and A- cash deposits and reconciled to the related items in the Statement of Financial Position as follows:				
Cash at bank	10,425,972	8,689,206	9,270,888	6,452,479
Other financial assets	27,236,239	27,444,534	-	-
TOTAL CASH AND CASH EQUIVALENTS	37,662,211	36,133,740	9,270,888	6,452,479

9(b) Reconciliation of net cash used in operating activities to operating profit (loss)				
Profit (loss) for year	2,931,759	(1,191,836)	3,343,424	397,883
Depreciation	167,213	206,890	135,648	175,325
Amortisation	71,058	77,655	38,070	44,667
(Surplus)/deficit on disposal of assets	(332)	(17,108)	(332)	(17,108)
Changes in assets and liabilities				
(Increase)/decrease in accounts receivable	2(f) 19,741,404	(18,063,914)	1,710,204	(2,305,382)
(Increase)/decrease in prepayments	(290,580)	27,900	(292,130)	28,500
Increase/(decrease) in accounts payable	(7,106,655)	9,074,701	(1,920,875)	3,618,046
Increase/(decrease) in provision for employee entitlements	142,438	43,184	142,438	43,184
Increase/(decrease) in outstanding claims	2(s) (10,604,805)	11,788,699	-	-
Increase/(decrease) in accrued revenue	(3,184,991)	1,010,586	-	-
Increase/(decrease) in other liabilities	(194,995)	227,630	(194,995)	227,630
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	1,671,514	3,184,387	2,961,452	2,212,745

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	COMBINED		MAV - GENERAL FUND	
		2015	2014	2015	2014
		\$	\$	\$	\$
10. RECEIVABLES					
Future reinsurance and other recoveries receivable	2(f)	73,866,185	87,266,334	-	-
Discount to present value		(4,795,236)	(7,934,341)	-	-
		69,070,949	79,331,993	-	-
Less provision for doubtful debts		-	-	-	-
Premiums receivable	2(r)	28,473,575	31,628,928	-	-
Other receivables		6,907,925	13,232,932	6,381,634	8,091,838
TOTAL RECEIVABLES		104,452,449	124,193,853	6,381,634	8,091,838
Represented by:					
Current		54,494,945	63,815,807	6,381,634	8,091,838
Non-current		49,957,504	60,378,046	-	-
TOTAL		104,452,449	124,193,853	6,381,634	8,091,838

The ageing analysis of trade receivables are as follows:

	TOTAL	<30 days	31-60 days	61-90 days	>90 days
2015					
Combined	35,054,441	34,666,977	175,895	166,205	45,364
MAV General Fund	6,053,720	5,666,256	175,895	166,205	45,364
2014					
Combined	44,632,435	44,465,791	110,237	3,300	53,107
MAV General Fund	7,862,413	7,695,769	110,237	3,300	53,107

	NOTE	COMBINED		MAV - GENERAL FUND	
		2015	2014	2015	2014
		\$	\$	\$	\$
11. PREMIUMS IN ADVANCE					
Contributions billed in advance		26,791,081	29,976,070	-	-
12. PROPERTY, PLANT AND EQUIPMENT					
Leasehold improvements - at cost		896,716	896,716	717,275	717,275
Less accumulated depreciation		(822,270)	(785,867)	(701,994)	(685,313)
		74,446	110,849	15,281	31,962
Furniture and equipment - at cost		875,543	874,433	777,523	776,413
Less accumulated depreciation		(833,307)	(812,126)	(770,827)	(761,492)
		42,236	62,307	6,696	14,921
Motor vehicles - at cost		411,037	385,385	411,037	385,385
Less accumulated depreciation		(126,183)	(82,494)	(126,183)	(82,494)
		284,854	302,891	284,854	302,891
Information technology equipment - at cost		693,941	732,114	693,941	732,114
Less accumulated depreciation		(633,057)	(699,559)	(633,057)	(699,559)
		60,884	32,555	60,884	32,555
TOTAL PROPERTY, PLANT AND EQUIPMENT		462,420	508,602	367,715	382,329

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

NOTE	COMBINED		MAV - GENERAL FUND	
	2015 \$	2014 \$	2015 \$	2014 \$
12. PROPERTY, PLANT AND EQUIPMENT (continued)				
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the financial year.				
LEASEHOLD IMPROVEMENTS				
Movements during the year				
Beginning of year	110,849	145,988	31,962	47,381
Additions	-	4,427	-	4,427
Disposals	-	-	-	-
Depreciation	(36,403)	(39,566)	(16,681)	(19,846)
End of year	74,446	110,849	15,281	31,962
FURNITURE AND EQUIPMENT				
Movements during the year				
Beginning of year	62,307	80,926	14,921	21,695
Additions	1,110	12,966	1,114	12,966
Disposals	-	-	-	-
Depreciation	(21,181)	(31,585)	(9,339)	(19,740)
End of year	42,236	62,307	6,696	14,921
MOTOR VEHICLES				
Movements during the year				
Beginning of year	302,891	298,467	302,891	298,467
Additions	76,074	267,745	76,074	267,745
Disposals	(14,668)	(176,049)	(14,668)	(176,049)
Depreciation	(79,443)	(87,272)	(79,443)	(87,272)
End of year	284,854	302,891	284,854	302,891
INFORMATION TECHNOLOGY EQUIPMENT				
Movements during the year				
Beginning of year	32,555	63,476	32,555	63,476
Additions	58,859	19,043	58,859	19,043
Disposals	-	(1,498)	-	(1,498)
Depreciation	(30,530)	(48,466)	(30,530)	(48,466)
End of year	60,884	32,555	60,884	32,555

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	COMBINED		MAV - GENERAL FUND	
		2015	2014	2015	2014
		\$	\$	\$	\$
13. INTANGIBLE ASSETS					
Trademarks and intellectual property		879,621	857,621	742,170	720,170
Less accumulated amortisation		(777,324)	(706,266)	(659,155)	(621,085)
		102,297	151,355	83,015	99,085
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		151,355	228,440	99,085	143,182
Additions		22,000	570	22,000	570
Disposals		-	-	-	-
Amortisation		(71,058)	(77,655)	(38,070)	(44,667)
End of year		102,297	151,355	83,015	99,085

	NOTE	COMBINED	
		2015	2014
		\$	\$
14(a) OUTSTANDING CLAIMS			
Central estimate		104,857,916	119,458,509
Discount to present value		(7,927,615)	(11,791,206)
		96,930,301	107,667,303
Claims handling costs		688,268	556,072
Risk margin	14(b)	-	-
TOTAL OUTSTANDING CLAIMS		97,618,569	108,223,375
Comprising:			
Current		20,394,346	20,508,786
Non-current		77,224,223	87,714,589
TOTAL CLAIMS PROVISION	2(s)	97,618,569	108,223,375

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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

As at 30 June 2015, 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 (2014 0%) to achieve the desired level of sufficiency. Please see Note 22.

	2015			2014		
	GROSS \$	REINSURANCE \$	NET \$	GROSS \$	REINSURANCE \$	NET \$
14(c) RECONCILIATION OF MOVEMENT IN DISCOUNTED OUTSTANDING CLAIMS LIABILITY						
Outstanding claims brought forward	108,223,375	79,331,994	28,891,381	96,434,676	67,431,217	29,003,459
Changes in assumptions	19,257,189	12,395,635	6,861,554	15,658,890	12,141,593	3,517,297
Increase in claims incurred/recoveries anticipated	(9,992,550)	(9,219,006)	(773,544)	12,240,933	12,108,044	132,889
Incurred claims recognised in Statement of Comprehensive Income	9,264,639	3,176,629	6,088,010	27,899,823	24,249,637	3,650,186
Claim payments/recoveries during the year	(19,869,445)	(13,437,672)	(6,431,773)	(16,111,124)	(12,348,860)	(3,762,264)
Outstanding claims carried forward	97,618,569	69,070,951	28,547,618	108,223,375	79,331,994	28,891,381
	CURRENT YEAR \$	2015 PRIOR YEAR \$	TOTAL \$	CURRENT YEAR \$	2014 PRIOR YEAR \$	TOTAL \$
15. NET CLAIMS INCURRED						
Gross claims and related expenses - undiscounted	23,063,571	(17,662,524)	5,401,047	22,636,251	6,770,341	29,406,592
Discount	(2,025,629)	5,889,221	3,863,592	(2,659,384)	1,152,616	(1,506,768)
Gross claims and related expenses - discounted	21,037,942	(11,773,303)	9,264,639	19,976,867	7,922,957	27,899,824
Reinsurance and other recoveries - undiscounted	(7,875,782)	8,885,785	1,010,003	(15,627,297)	(9,502,867)	(25,130,164)
Discount	(1,644,500)	(2,545,132)	(4,189,632)	96,398	779,929	876,327
Reinsurance and other recoveries - discounted	(9,520,282)	6,340,653	(3,179,629)	(15,530,899)	(8,722,938)	(24,253,837)
NET CLAIMS INCURRED	11,517,660	(5,432,650)	6,085,010	4,445,968	(799,981)	3,645,987

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

16. CLAIMS DEVELOPMENT TABLE

ACCIDENT YEAR	2011 \$	2012 \$	2013 \$	2014 \$	2015 \$	TOTAL \$
GROSS ESTIMATE OF ULTIMATE CLAIMS COST - LIABILITY MUTUAL INSURANCE						
At end year of accident	28,063,635	21,064,708	23,083,334	22,191,872	22,465,862	
One year later	24,589,379	20,109,939	22,302,009	22,401,912	-	
Two years later	29,661,644	27,742,511	19,817,058	-	-	
Three years later	35,007,478	25,779,374	-	-	-	
Four years later	29,799,866	-	-	-	-	
Current estimate of cumulative claims cost	29,799,866	25,779,374	19,817,058	22,401,912	22,465,862	120,264,072
Cumulative payments	(18,118,559)	(6,454,740)	(2,754,021)	(1,598,697)	(210,834)	(29,136,851)
Outstanding claims - undiscounted	11,681,307	19,324,634	17,063,037	20,803,215	22,255,028	91,127,221
Discount						(7,416,785)
Claims handling expense 2010 and prior						564,989 13,343,144
LIABILITY MUTUAL INSURANCE - TOTAL GROSS OUTSTANDING CLAIMS						97,618,569
COMBINED GROSS OUTSTANDING CLAIMS						97,618,569
NET ESTIMATE OF ULTIMATE CLAIMS COST - LIABILITY MUTUAL INSURANCE						
At end year of accident	11,576,465	8,710,223	8,122,535	4,602,870	12,238,620	
One year later	8,098,820	7,441,671	8,218,920	4,674,158	-	
Two years later	11,987,795	7,975,258	8,074,101	-	-	
Three years later	12,038,142	8,225,322	-	-	-	
Four years later	9,167,858	-	-	-	-	
Current estimate of cumulative claims cost	9,167,858	8,225,322	8,074,101	4,674,158	12,238,620	42,380,059
Cumulative payments	(8,489,480)	(3,510,429)	(1,393,121)	(1,044,379)	(184,732)	(14,622,141)
Outstanding claims - undiscounted	678,378	4,714,893	6,680,980	3,629,779	12,053,888	27,757,918
Discount						(2,920,599)
Claims handling expense 2010 and prior						172,099 3,538,200
LIABILITY MUTUAL INSURANCE - TOTAL NET OUTSTANDING CLAIMS						28,547,618
COMBINED NET OUTSTANDING CLAIMS						28,547,618

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

NOTE	COMBINED		MAV - GENERAL FUND	
	2015	2014	2015	2014
	\$	\$	\$	\$
17. PROVISIONS FOR EMPLOYEE ENTITLEMENTS				
The aggregate amount of employee entitlement liability is comprised of:				
Provisions (current)	902,940	738,146	902,940	738,146
Provisions (non-current)	69,529	91,886	69,529	91,886
TOTAL EMPLOYEE ENTITLEMENTS	972,469	830,032	972,469	830,032
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	830,032	786,848	830,032	786,848
Entitlements Paid	(350,159)	(298,841)	(350,159)	(298,841)
Increase in Provision	492,596	342,025	492,596	342,025
BALANCE AT END OF YEAR	972,469	830,032	972,469	830,032

18. SUPERANNUATION

The Association makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. The defined benefit section provides lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from the Association and the Association's legal or constructive obligation is limited to these contributions.

Obligations for contributions to the Fund are recognised as an expense in Statement of Comprehensive Income when they are made or due. The amount of superannuation contributions paid by the Municipal Association of Victoria to Vision Super. Accumulation Fund and the Defined Benefits Fund during the reporting period was \$530,629 (2014 \$501,823).

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 2015, this was 9.5 per cent 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 per cent from 1 July 2014, and was to progressively increase to 12 per cent by 2019, based on the 2014 Federal Budget announcement this progressive increase to 12 per cent will be delayed until 2022.

Defined Benefit

As provided under Paragraph 34 of AASB 119, the Association does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a multi-employer sponsored plan.

As a multi-employer sponsored plan, the Fund was established as a mutual scheme to allow for the mobility of the workforce between the participating employers without attaching a specific liability to particular employees and their current employer. Therefore, there is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of the Association in the Fund cannot be measured as a percentage compared with other participating employers. While there is an agreed methodology to allocate any shortfalls identified by the Fund Actuary for funding purposes, there is no agreed methodology to allocate benefit liabilities, assets and costs between the participating employers for accounting purposes. Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

Funding arrangements

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

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

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

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

Employer contributions

REGULAR CONTRIBUTIONS

On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 31 December 2014, the Association makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2015, this rate was 9.5 per cent of members' salaries. This rate is expected to increase in line with the required Superannuation Guarantee contribution rate.

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

FUNDING CALLS

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

There may be circumstances where:

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

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

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

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

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's defined benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

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

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

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

The post-30 June 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. In the unlikely event that the Fund is wound up and there is a surplus in the Fund, the surplus cannot be applied for the benefit of the defined benefit employers where there are on-going defined benefit obligations. The surplus would be transferred to the fund accepting those defined benefit obligations (including the lifetime pension obligations) of the Fund. In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

Differences between calculations

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

RETRENCHMENT INCREMENTS

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

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

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

19. GOVERNMENT GRANTS

The Association receives project monies from various sources including grant monies from various Federal and State Government Departments on behalf of local government. Grant monies received have been accounted for as income in accordance with Australian Accounting Standard 1004. At the end of the financial year the Association had commitments to expend grants totalling approximately \$8,272,427 (2014 \$5,029,494) after deducting an estimate of costs of administration. Project income was included in Grant income in 2014 but was transferred to MAV in 2015 and therefore not included within Grant income in 2015.

	COMBINED		MAV - GENERAL FUND	
	2015	2014	2015	2014
	\$	\$	\$	\$
RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME				
Grant income	10,446,983	6,199,976	10,446,983	6,199,976

The Association does not receive any other government assistance.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

20. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

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

	COMBINED		MAV - GENERAL FUND	
	Non-interest earning	Floating interest rate	Non-interest earning	Floating interest rate
	\$	\$	\$	\$
	2015			
FINANCIAL ASSETS				
Cash at bank	-	10,425,972	-	9,270,888
Other financial assets	-	27,236,239	-	-
Trade and other receivables	104,452,449	-	6,381,634	-
TOTAL FINANCIAL ASSETS	104,452,449	37,662,211	6,381,634	9,270,888
Weighted average interest rate		3.1%		3.2%
FINANCIAL LIABILITIES				
Outstanding claims	97,618,569	-	-	-
Unearned premiums/subscriptions	26,791,081	-	-	-
Trade and other payables	9,143,941	-	5,718,614	-
TOTAL FINANCIAL LIABILITIES	133,553,591	-	5,718,614	-
Weighted average interest rate		0%		0%

Cash at Bank is considered level 1 financial assets and Other Financial Assets 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 2015. Cash flows for financial assets and liabilities without fixed amounts or timing are based on conditions existing at 30 June 2015.

	COMBINED		MAV - GENERAL FUND	
	Non-interest earning	Floating interest rate	Non-interest earning	Floating interest rate
	\$	\$	\$	\$
	2014			
FINANCIAL ASSETS				
Cash at bank	-	8,689,206	-	6,452,479
Other financial assets	-	27,444,534	-	-
Trade and other receivables	124,193,853	-	8,091,838	-
TOTAL FINANCIAL ASSETS	124,193,853	36,133,740	8,091,838	6,452,479
Weighted average interest rate		4.4%		4.0%
FINANCIAL LIABILITIES				
Outstanding claims	108,223,375	-	-	-
Unearned premiums/subscriptions	29,976,070	-	-	-
Trade and other payables	16,358,108	-	7,747,002	-
TOTAL FINANCIAL LIABILITIES	154,557,553	-	7,747,002	-
Weighted average interest rate		0%		0%

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

20. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

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 2015. Cash flows for financial assets and liabilities without fixed amount or timing are based on conditions existing at 30 June 2015.

The remaining contractual maturities of the financial liabilities are:

	COMBINED		MAV - GENERAL FUND	
	2015 \$	2014 \$	2015 \$	2014 \$
3 months or less	20,982,847	28,971,878	5,718,614	7,747,003
3-12 months	37,104,795	39,628,227	1,516,849	1,452,848
1-5 years	62,014,367	70,253,204	1,116,764	1,232,991
Over 5 years	24,012,810	30,181,289	-	-
	144,114,819	169,034,598	8,352,227	10,432,842

LIQUIDITY RISK

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

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

Year ended 30 June 2015	<3 months \$	3-12 months \$	1-5 years \$	>5 years \$	TOTAL \$
COMBINED FINANCIAL ASSETS					
Cash and cash equivalents	37,662,211	-	-	-	37,662,211
Trade and other receivables	41,166,740	13,506,424	39,786,253	14,789,123	109,248,540
TOTAL FINANCIAL ASSETS	78,828,951	13,506,424	39,786,253	14,789,123	146,910,751
COMBINED FINANCIAL LIABILITIES					
Outstanding claims	5,158,943	15,476,830	60,897,603	24,012,808	105,546,184
Unearned premiums/subscriptions	6,697,771	20,093,311	-	-	26,791,082
Trade and other payables	9,126,134	17,806	-	-	9,143,940
Other liabilities	-	1,516,849	1,116,764	-	2,633,613
TOTAL FINANCIAL LIABILITIES	20,982,848	37,104,796	62,014,367	24,012,808	144,114,819
NET MATURITY	57,846,103	(23,598,372)	(22,228,114)	(9,223,685)	2,795,932

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

Year ended 30 June 2014	<3 months \$	3-12 months \$	1-5 years \$	>5 years \$	TOTAL \$
COMBINED					
FINANCIAL ASSETS					
Cash and cash equivalents	36,133,740	-	-	-	36,133,740
Trade and other receivables	51,591,765	12,439,648	47,412,536	20,686,643	132,130,592
	87,725,505	12,439,648	47,412,536	20,686,643	168,264,332
COMBINED					
FINANCIAL LIABILITIES					
Outstanding claims	5,203,270	15,609,809	69,020,213	30,181,289	120,014,581
Unearned premiums/subscriptions	7,494,018	22,482,053	-	-	29,976,072
Trade and other payables	16,274,590	83,518	-	-	16,358,108
Other liabilities	-	1,452,848	1,232,991	-	2,685,839
TOTAL FINANCIAL LIABILITIES	28,971,878	39,628,228	70,253,204	30,181,289	169,034,599
NET MATURITY	58,753,626	(27,188,581)	(22,840,668)	(9,494,646)	(770,268)

Year ended 30 June 2015	<3 months \$	3-12 months \$	1-5 years \$	>5 years \$	TOTAL \$
MAV GENERAL FUND					
FINANCIAL ASSETS					
Cash and cash equivalents	9,270,888	-	-	-	9,270,888
Trade and other receivables	6,381,634	-	-	-	6,381,634
	15,652,522	-	-	-	15,652,522
MAV GENERAL FUND					
FINANCIAL LIABILITIES					
Trade and other payables	5,718,614	-	-	-	5,718,614
Other liabilities	-	1,516,849	1,116,764	-	2,633,613
TOTAL FINANCIAL LIABILITIES	5,718,614	1,516,849	1,116,764	-	8,352,227
NET MATURITY	9,933,908	(1,516,849)	(1,116,764)	-	7,300,295

Year ended 30 June 2014	<3 months \$	3-12 months \$	1-5 years \$	>5 years \$	TOTAL \$
MAV GENERAL FUND					
FINANCIAL ASSETS					
Cash and cash equivalents	6,452,479	-	-	-	6,452,479
Trade and other receivables	8,091,538	-	-	-	8,091,538
	14,544,017	-	-	-	14,544,017
MAV GENERAL FUND					
FINANCIAL LIABILITIES					
Trade and other payables	7,747,003	-	-	-	7,747,003
Other liabilities	-	1,452,848	1,232,991	-	2,685,839
TOTAL FINANCIAL LIABILITIES	7,747,003	1,452,848	1,232,991	-	10,432,842
NET MATURITY	6,797,013	(1,452,848)	(1,232,991)	-	4,111,175

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

20. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

Risk management objectives and policies for mitigating insurance risk

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

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

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

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

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

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

Reinsurance strategy

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

Terms and conditions of membership

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

Product features

The Scheme operates in Victoria and Tasmania. Should a claim be accepted, the Scheme provides indemnity to the member in respect of their civil liabilities for \$400 million public/products liability (\$600 million for water authorities) and \$300 million for professional indemnity insurance, subject to any excess, for any claim incurred anywhere throughout the world.

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

Management of risks

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

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

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

Concentration of insurance risks

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

20. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

		CREDIT RATING						TOTAL \$m
		AAA +/- \$m	AA +/- \$m	AA- +/- \$m	A \$m	Speculative grade \$m	Not rated \$m	
		Reinsurance and other recoveries on outstanding claims	2015	-	-	0.180	27.101	
	2014	-	0.493	-	30.949	-	0.373	31.815
Reinsurance and other recoveries on paid claims	2015	-	-	0.101	1.652	-	0.055	1.808
	2014	-	0.130	-	2.126	-	2.098	4.354

		PAST DUE BUT NOT IMPAIRED						TOTAL \$m
		Neither past due nor impaired \$m	Less than 3 months \$m	3 to 6 months \$m	6 months to 1 year \$m	Greater than 1 year \$m	Impaired \$m	
		Reinsurance and other recoveries on paid claims	2015	-	1.753	-	-	
	2014	-	2.796	-	-	-	1.558	4.354

Credit risk

The Scheme is exposed to credit risk on insurance contracts as a result of exposure to reinsurers. The credit risk to 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 AAA and A- rated cash deposits.

Price risk

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

Interest rate risk

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

Variable	Current rate %	Change variable to %	Operating surplus (deficit) at 30 June 2015 \$	Total accumulated Funds after the impact of applying variable \$
IMPACT OF CHANGES IN INTEREST RATE ON FINANCIAL ASSETS				
MAV COMBINED				
Base value at 30 June 2015	3.1%		2,931,759	6,893,953
Interest rate pa		3.6%	3,116,249	7,078,443
		2.6%	2,747,269	6,709,463

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

21. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

21(a) Estimation of outstanding claims liability

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the 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 2015;
- (iii) An allowance of 0.7% for claim settlement expenses, as assumed by the Actuary;
- (iv) Allowances for claim inflation of 2.5%, as assumed by the Actuary;
- (v) Allowances for discount at 2.5%, as assumed by the Actuary;
- (vi) A risk margin of 0% of net outstanding claims after the effect of reinsurance has been applied, as assumed by the actuary. Refer to Note 14 b) for details

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

21(b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts were estimated for each fund year, from the payments to date and estimated outstanding claims history at 30 June 2015, taking into account the reinsurance terms applying to that fund year.

22. ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial assumptions

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

	2015	2014
KEY ACTUARIAL ASSUMPTIONS		
Wage inflation	2.5%	3.1%
Claim administration expense	0.7%	0.5%
Discount rate	2.5%	3.1%
Risk margin	0%	0%
Superimposed inflation	3%	3%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

22. ACTUARIAL ASSUMPTIONS AND METHODS (continued)

Process used to determine actuarial assumptions

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

Liability Mutual Insurance has provided public and professional indemnity insurance to local government bodies in Victoria and Tasmania and other bodies constituted under any Act for any public or local governing purpose since 30/9/1993. The Actuary was supplied with details of all transactions (payments, recoveries, changes of estimates) from 30 September 1993 to 30 June 2015. The individual claim payments and case estimates reconciled closely with totals in Liability Mutual Insurance financial statements for each year of cover. The actuary subdivided the claims data into three claim types (Public Liability, Professional Indemnity and the 2009 Bushfire claims) and made separate estimates of the gross outstanding claims liabilities for each of these claim types. The actuary estimated the gross outstanding claims liabilities for each claim type using five different actuarial methods. Large claims (claims above \$250,000) were estimated based on a numbers times average size method and non-large claims were estimated using four different actuarial methods- payments per claim incurred, payments per claim finalised, incurred cost development and projection of case estimates. The actuary selected a combination of these methods for estimating the outstanding claims. Payments were projected with a payment pattern, based on past experience. Estimates of outstanding excesses were based on a numbers times average size method and estimates of non reinsurance recoveries were made by a recoveries per claim method.

Estimates of reinsurance recoveries were made from projected gross payments, excesses and non reinsurance recoveries, allowing for the different insurance treaties applying to each year. Based on Access Economics June 2015 forecasts for Victorian average weekly claims inflation was assumed to be 2.5 per cent. The discount rate was assumed to be 2.5 per cent pa., derived from the yields on Commonwealth government bonds.

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.

Variable	Current rate %	Change variable to %	Operating surplus (deficit) at 30 June 2015 \$	Total accumulated funds after the impact of applying variable \$
IMPACT OF CHANGES IN KEY VARIABLES				
LIABILITY MUTUAL INSURANCE				
Base value at 30 June 2015	2.5%		(305,949)	(1,430,169)
Inflation rate pa		3.0%	(607,949)	(1,732,169)
		2.0%	(3,949)	(1,128,169)

The reinsurance indemnity contracts contain no clauses that expose the Scheme, directly to interest rate risk.

The reinsurance contracts are long-term arrangements, reviewed and payable annually.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

Variable	Current rate %	Change variable to %	Operating surplus (deficit) at 30 June 2015 \$	Total accumulated funds after the impact of applying variable \$
IMPACT OF CHANGES IN KEY VARIABLES				
LIABILITY MUTUAL INSURANCE				
Base value at 30 June 2015	2.50%		(305,949)	(1,430,169)
Interest rate pa		3.00%	266,051	(858,169)
		2.00%	(877,949)	(2,002,169)

Claims handling sensitivity

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

Variable	Current rate %	Change variable to %	Operating surplus (deficit) at 30 June 2015 \$	Total accumulated funds after the impact of applying variable \$
IMPACT OF CHANGES IN CLAIMS ADMINISTRATION EXPENSE				
LIABILITY MUTUAL INSURANCE				
Base value at 30 June 2015	0.7%		(305,949)	(1,430,169)
Claim administration expense		2.0%	(2,245,949)	(3,370,169)
		-2.0%	1,634,051	509,831

23. COMMERCIAL CRIME FUND

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

The Association's fee for managing and operating the Fund has for many years not been indexed to inflation. For the period 1997 to 2012 the management fee was fixed at \$127,000 per annum. From the 2013 financial year, the management fee has been increased by 3 per cent per annum. During the 2014 financial year the Board of the Association resolved to recoup the loss of a portion of these fees in two tranches:

2014 \$166,843

2015 \$100,000

24. CAPITAL MANAGEMENT AND ECONOMIC DEPENDENCY

The Association is specifically excluded from the provisions of the Insurance Act and from APRA regulation. There is no externally imposed capital requirement on the Association. The Association's capital management philosophy is focused on capital efficiency and effective risk management to support a progressive business model for the benefit of members of both LMI and the Commercial Crime Fund.

The Board of directors and management have in place a strategic plan that is aligned to achieving the Association's capital management philosophy with an objective of returning to a net surplus position within three years. Key elements of this plan include premium setting, risk management, claims management and reinsurance management. The capital management plan includes a review of the investment strategy and establishing increased flexibility in the scheme cost structures. The Association operates LMI which is a non-discretionary mutual fund, and under Sections 6.4 and 6.5 of the Constitution, the Association has the ability to obtain contributions from members to meet any shortfall in the Provision set aside in respect of that insurance year.

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

25. REINSURANCE PERFORMANCE BONUS

The Liability Mutual Insurance Scheme, in conjunction with similar local government self insured mutual liability schemes around Australia, has entered into a profit sharing arrangement with its primary reinsurers, based on the national local government claims experience. The arrangement enables any surplus per year over the five-year reinsurance period to be shared between the various Schemes and the reinsurers on a proportional basis. Performance bonus totalling \$82,166 (2014 \$195,412) was received during the year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

26. 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 the MAV. Provisions are made for obligations that are probable and able to be quantified.

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

The policies provide coverage for the first \$1 million in claim costs for \$5 million in the aggregate in each of the years. The Liability Mutual Insurance Scheme benefits from the 2009 policy when aggregate claim costs below \$1 million reach \$22 million and the 2011 policy provides coverage when aggregate claim costs reach \$20 million. The effect of the policies is to provide additional protection from adverse development for claim costs below \$1 million. The reinsurance policies commenced at the close of business on 30 June 2015.

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.

27. SPECIAL PURPOSE VEHICLE

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

Upon establishment of the SPV, the Association recovered incurred costs of \$868,0000 for professional advice in connection with the transaction. The Association is also entitled to earn a fixed fee of up to \$24,000 per annum for the management of the SPV. The Association has no interest in the SPV at the reporting date, nor has it transferred any assets to the SPV during the reporting period. In the event of a default by participating councils, the Association is not exposed to any loss.

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

28. REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

	COMBINED		MAV - GENERAL FUND	
	2015	2014	2015	2014
	\$	\$	\$	\$
MAV Board Members receive an annual allowance. The President receives \$62,628, the Deputy Presidents \$12,912 and other Board members \$8,792. There are twelve Board members plus the President. They also receive reimbursement of travel costs and data allowances. All benefits paid have been included in the table below.				
MAV Board Members				
Short term employment benefits	230,121	256,206	230,121	256,206
Post employment benefits	-	-	-	-
MAV Insurance Board Members				
Short term employment benefits	24,607	26,089	-	-
Post employment benefits	-	-	-	-
Key Management Personnel				
Short term employment benefits	355,562	336,830	355,562	336,830
Post employment benefits	30,493	23,365	30,493	23,365
TOTAL SHORT TERM EMPLOYMENT BENEFITS	610,290	619,125	585,683	593,036
TOTAL POST EMPLOYMENT BENEFITS	30,493	23,365	30,493	23,365

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

Loans to directors

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

Other transactions

There were no other material transactions with directors.

Insurance

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

29. RELATED PARTIES

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

30. SUBSEQUENT EVENTS

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

STATEMENT BY DIRECTORS

AS AT 30 JUNE 2015

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

- (a) the accompanying Statements of Comprehensive Income drawn up so as to present fairly in all material respects the result of the association for the year ended 30 June 2015;
- (b) the accompanying Statement of Financial Position is drawn up so as to present fairly in all material respects the state of affairs of the association as at that date;
- (c) at the date of this statement there are reasonable grounds to believe that the association will be able to pay its debts as and when they fall due; and
- (d) the accompanying Combined Financial Statements present fairly in all material respects the state of affairs of the association as at that date;
- (e) the financial statements and notes also comply with the international financial reporting standards as disclosed in note 2(b).

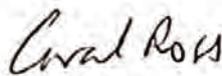
The financial statements and combined financial statements have been made out in accordance with applicable Accounting Standards and other mandatory professional reporting requirements.

Signed in accordance with the resolution of directors.



Cr. William McArthur
President

Melbourne 1 October 2015



Cr. Coral Ross
Director



Robert Spence
Chief Executive Officer



Building a better
working world

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

We have audited the accompanying financial report of Municipal Association of Victoria, which comprises the statements of financial position as at 30 June 2015 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and statement of directors.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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



Opinion

In our opinion:

- (a) the financial report presents fairly, in all material respects the financial position of Municipal Association of Victoria at 30 June 2015 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Municipal Association Act 1907; and
- (b) the financial report also complies with *International Financial Reporting Standards* as issued by the International Accounting Standards Board as disclosed in Note 2(b).

Ernst & Young

Sarah N Lowe
Partner
Melbourne
1 October 2015



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

In relation to our audit of the financial report of Municipal Association of Victoria and combined entities for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Sarah N Lowe
Partner
Melbourne
1 October 2015



OTHER INFORMATION

Legal form:

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

Domicile:

Melbourne, Australia

Address of registered office and principal place of business:

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

Nature of the operation and principal activities:

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

Employees:

Average number of equivalent full time employees during the year is 45.24 EFT.

FINANCIAL REPORT 2014-15

MAV INSURANCE

MA  V INSURANCE

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
		2015	2014	2015	2014	2015	2014
		\$	\$	\$	\$	\$	\$
Premium revenue	3	30,008,570	28,965,483	30,008,570	28,965,483	-	-
Performance bonus	18	82,166	195,412	82,166	195,412	-	-
Reinsurance expense	2(s)	(17,262,821)	(20,706,667)	(17,262,821)	(20,706,667)	-	-
NET PREMIUM INCOME		12,827,915	8,454,228	12,827,915	8,454,228	-	-
Claims expense	4(a)	(9,264,639)	(27,899,823)	(9,264,639)	(27,899,823)	-	-
Reinsurance and other recoveries	3	3,179,629	24,253,836	3,176,629	24,249,636	3,000	4,200
NET CLAIMS EXPENSE	12	(6,085,010)	(3,645,987)	(6,088,010)	(3,650,187)	3,000	4,200
NET UNDERWRITING RESULT		6,742,905	4,808,241	6,739,905	4,804,041	3,000	4,200
Management fees	3,20	242,076	441,029	-	200,000	242,076	241,029
Investment income	3	903,884	1,309,940	893,541	1,294,365	10,343	15,575
Administration and general expenses	4(b)	(8,300,529)	(8,148,930)	(7,939,395)	(7,728,711)	(361,134)	(420,219)
OPERATING PROFIT (LOSS)		(411,664)	(1,589,720)	(305,949)	(1,430,305)	(105,715)	(159,415)
Other comprehensive income		-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(411,664)	(1,589,720)	(305,949)	(1,430,305)	(105,715)	(159,415)

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	NOTE	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
		2015	2014	2015	2014	2015	2014
		\$	\$	\$	\$	\$	\$
CURRENT ASSETS							
Cash and cash equivalents	8(a)	28,391,323	29,681,261	28,172,351	29,172,700	218,972	508,561
Trade and other receivables	9	48,714,233	56,156,676	47,936,795	55,468,251	777,438	688,425
TOTAL CURRENT ASSETS		77,105,556	85,837,937	76,109,146	84,640,951	996,410	1,196,986
NON-CURRENT ASSETS							
Property, plant and equipment	7(a)	94,702	126,270	94,702	126,270	-	-
Intangible assets	7(b)	19,282	52,270	19,282	52,270	-	-
Trade and other receivables	9	49,957,504	60,378,046	49,957,504	60,378,046	-	-
TOTAL NON-CURRENT ASSETS		50,071,488	60,556,586	50,071,488	60,556,586	-	-
TOTAL ASSETS		127,177,044	146,394,523	126,180,634	145,197,537	996,410	1,196,986
CURRENT LIABILITIES							
Trade and other payables		4,025,394	9,041,414	3,201,153	8,122,312	824,241	919,102
Premiums in advance	10	26,791,081	29,976,070	26,791,081	29,976,070	-	-
Provision for claims outstanding	11(a)	20,394,346	20,508,786	20,394,346	20,508,786	-	-
TOTAL CURRENT LIABILITIES		51,210,821	59,526,270	50,386,580	58,607,168	824,241	919,102
NON-CURRENT LIABILITIES							
Provision for claims outstanding	11(a)	77,224,223	87,714,589	77,224,223	87,714,589	-	-
TOTAL NON-CURRENT LIABILITIES		77,224,223	87,714,589	77,224,223	87,714,589	-	-
TOTAL LIABILITIES		128,435,044	147,240,859	127,610,803	146,321,757	824,241	919,102
NET ASSETS		(1,258,000)	(846,336)	(1,430,169)	(1,124,220)	172,169	277,884
EQUITY		(1,258,000)	(846,336)	(1,430,169)	(1,124,220)	172,169	277,884

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

NOTE	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$
RETAINED EARNINGS						
Balance at beginning of year	(846,336)	743,384	(1,124,220)	306,085	277,884	437,299
Surplus (loss) from ordinary activities	(411,664)	(1,589,720)	(305,949)	(1,430,305)	(105,715)	(159,415)
BALANCE AT END OF YEAR	(1,258,000)	(846,336)	(1,430,169)	(1,124,220)	172,169	277,884

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

NOTE	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES						
RECEIPTS						
Premiums and fees	29,098,123	32,893,188	29,978,932	33,661,184	900,172	891,129
Performance bonus	82,166	1,193,637	82,166	1,193,637	-	-
Investment income	905,429	1,309,295	893,541	1,294,365	11,888	14,930
Reinsurance and other recoveries	13,440,673	14,219,614	13,437,673	14,215,414	3,000	4,200
PAYMENTS						
Suppliers	(24,946,885)	(32,333,004)	(25,523,217)	(33,123,719)	(1,204,649)	(868,410)
Claim payments	(19,869,444)	(16,311,088)	(19,869,444)	(16,311,088)	-	-
NET CASH PROVIDED BY/ (USED IN) OPERATING ACTIVITIES	8(b) (1,289,938)	971,642	(1,000,349)	929,793	(289,589)	41,849
CASH FLOW FROM INVESTING ACTIVITIES						
Proceeds from sale of fixed assets	-	-	-	-	-	-
Payments for fixed assets and intangibles	-	-	-	-	-	-
NET CASH USED IN INVESTING ACTIVITIES	-	-	-	-	-	-
NET INCREASE / (DECREASE) IN CASH HELD	(1,289,938)	971,642	(1,000,349)	929,793	(289,589)	41,849
Cash at beginning of year	29,681,261	28,709,619	29,172,700	28,242,907	508,561	466,712
CASH AT END OF YEAR	8(a) 28,391,323	29,681,261	28,172,351	29,172,700	218,972	508,561

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 2015

1. CORPORATE INFORMATION

The combined financial report of MAV Insurance (the Group) for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the directors of the Municipal Association of Victoria on the date shown on the attached Statement by Directors.

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

The nature of the operations and principal activities of MAV Insurance are the provision of public liability, professional indemnity and arranging fidelity insurance for its members located in Victoria and Tasmania, and community groups within its council member boundaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2015 outlined in the table below:

Reference	Title summary	Application date of standard	Impact on group financial report	Application date for group
AASB 9	Financial instruments	1 January 2018	Nil	1 July 2018
IFRS 15	Revenue from Contracts with Customers	1 July 2017	Nil	1 July 2017

All new and amended standards and interpretations which are mandatory for the first time for the year beginning 1 July 2014 have been adopted. The adoption of these standards and interpretations did not have a material impact on the current or any prior period and is not likely to materially affect future periods.

(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 the 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) The basis of the combined report

The combined financial report relates to the insurance activities of the Municipal Association of Victoria (the Association) being its controlled entities the Local Government Mutual Liability Insurance Scheme (the Scheme), and the Commercial Crime Fund.

The presentation of the combined balances is for management purposes only. The two entities are separate independent legal entities. The effects of all transactions between entities in the combined entity have been eliminated. The financial statements of the entities are prepared for the same reporting period as the Municipal Association of Victoria, using consistent accounting policies.

(d) Income tax

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

(e) Cash and cash equivalents

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

(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 are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(g) Trade and other payables

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

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

Plant and equipment, trademarks and intellectual property are carried at cost, less where applicable accumulated depreciation, amortisation and impairment.

On disposal of an item of property, plant, equipment, trademarks and intellectual property 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 including buildings and capitalised leased assets are depreciated/amortised on a straight line basis over their estimated useful lives to the entity, commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The following depreciation rates are in use:

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

INTANGIBLE ASSETS

Intangible assets (website) acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised as gains or losses in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite life are 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 the Statement of Comprehensive Income in the expense category 'Amortisation'.

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

IMPAIRMENT

The carrying amount of property, plant, equipment, trademarks and intellectual property is reviewed annually by Board members to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining the recoverable amounts.

(i) Management fees

Management fees comprise amounts received from members to manage and pay expenses for and on behalf of the Commercial Crime Fund, and an amount received in LMI for risk management projects.

(j) Investment income

Investment income consists of interest which is recognised on a time-proportionate basis that takes into account the effective yield 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

(l) 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 both the scheme and the fund for the ensuing year and accordingly the premiums are disclosed in the Statement of Financial Position as 'premiums receivable' with an offsetting liability described as 'premiums in advance'.

(m) Claims

Claims-incurred expense and liability for outstanding claims are recognised in respect of direct business. The liability covers claims incurred but not yet paid, incurred but not yet reported claims, and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by reviewing individual claim files and estimating claims not notified and settlement costs using statistical and actuarial techniques.

The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all the claims do not have to be paid out in the immediate future. The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal inflation and superimposed inflation. Advice from the MAV's actuary has estimated superimposed inflation to be 3% per annum (2014 3%) for personal injury non large claims and the discount rate at 2.5% (2014 3.1%).

(n) Other financial assets

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

(o) Cash flows

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

(p) Reinsurance and other recoveries receivable

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

(q) Revenue recognition

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

- (i) Premiums – recognised in the period the fund is at risk.
- (ii) Future reinsurance and other recoveries – on an accruals basis.
- (iii) Investment income – on an accruals basis including, adjustments made to account for changes in the value of cash-backed unit trusts, to account as investment income.
- (iv) Performance bonus – on an accruals basis when firm evidence is available confirming the amount and indicating payment.

(r) Comparative figures

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

(s) Reinsurance expense

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

(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 at Bank is considered level 1 financial assets.

Other financial assets represent investments 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

(f) Fair Value Measurement (continued)

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
2015				
Cash at Bank	1,155,084		-	1,155,084
Other Financial Assets		27,236,239	-	27,236,239
TOTAL	1,155,084	27,236,239	-	28,391,323
2014				
Cash at Bank	2,236,727		-	2,236,727
Other Financial Assets		27,444,534	-	27,444,534
TOTAL	2,236,727	27,444,534	-	29,681,261

		COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	NOTE	2015	2014	2015	2014	2015	2014
		\$	\$	\$	\$	\$	\$
3. REVENUE FROM ORDINARY ACTIVITIES							
REVENUES FROM OPERATING ACTIVITIES							
Premiums		30,008,570	28,965,483	30,008,570	28,965,483	-	-
Performance bonus	18	82,166	195,412	82,166	195,412	-	-
Reinsurance and other recoveries	2(p)	3,179,629	24,253,836	3,176,629	24,249,636	3,000	4,200
Management fees received		242,076	441,029	-	200,000	242,076	241,029
TOTAL REVENUE FROM OPERATING ACTIVITIES		33,512,441	53,855,760	33,267,365	53,610,531	245,076	245,229
REVENUES FROM NON-OPERATING ACTIVITIES							
Investment income		903,884	1,309,940	893,541	1,294,365	10,343	15,575
TOTAL REVENUE FROM OUTSIDE THE OPERATING ACTIVITIES		903,884	1,309,940	893,541	1,294,365	10,343	15,575
TOTAL REVENUE FROM ORDINARY ACTIVITIES		34,416,325	55,165,700	34,160,906	54,904,896	255,419	260,804

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
		2015	2014	2015	2014	2015	2014
		\$	\$	\$	\$	\$	\$
4(a) CLAIMS EXPENSES							
Paid		19,869,445	16,111,124	19,869,445	16,111,124	-	-
Outstanding claims at end of financial year	11(a) & 2(m)	97,618,569	108,223,375	97,618,569	108,223,375	-	-
Outstanding claims at beginning of financial year		(108,223,375)	(96,434,676)	(108,223,375)	(96,434,676)	-	-
TOTAL CLAIMS EXPENSES		9,264,639	27,899,823	9,264,639	27,899,823	-	-
4(b) Administration and general expenses							
The following items have been recognised in the operating profit (loss):							
Administration		2,016,342	1,808,720	2,003,516	1,796,978	12,826	11,742
Actuary and legal fees		113,126	346,322	113,126	346,322	-	-
Audit fees	5	127,898	120,950	120,177	113,550	7,721	7,400
Depreciation furniture and equipment		11,847	11,846	11,847	11,846	-	-
Depreciation leasehold improvements		19,721	19,721	19,721	19,721	-	-
Amortisation intangible assets		32,988	32,988	32,988	32,988	-	-
Scheme management fee	6	3,462,072	3,456,269	3,121,485	3,055,192	340,587	401,077
Stamp duty		2,516,535	2,352,114	2,516,535	2,352,114	-	-
TOTAL EXPENDITURE		8,300,529	8,148,930	7,939,395	7,728,711	361,134	420,219
5. AUDITORS REMUNERATION							
Amounts payable or due and payable for audit services:							
Audit of the entity		127,898	120,950	120,177	113,550	7,721	7,400
Tax compliance		-	-	-	-	-	-
Other services		-	-	-	-	-	-
		127,898	120,950	120,177	113,550	7,721	7,400
6. SCHEME MANAGEMENT FEES							
Included within administration and general expenses are management fees for:							
Reinsurance placement		2,109,152	2,047,720	2,109,152	2,047,720	-	-
Risk management and administrative services		1,352,920	1,408,549	1,012,333	1,007,472	340,587	401,077
TOTAL SCHEME MANAGEMENT FEES		3,462,072	3,456,269	3,121,485	3,055,192	340,587	401,077

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

NOTE	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$
7(a) PROPERTY, PLANT AND EQUIPMENT						
Leasehold improvements - at cost	179,441	179,441	179,441	179,441	-	-
Less accumulated depreciation	(120,277)	(100,555)	(120,277)	(100,555)	-	-
	59,164	78,886	59,164	78,886	-	-
Furniture and equipment - at cost	98,020	98,020	98,020	98,020	-	-
Less accumulated depreciation	(62,482)	(50,636)	(62,482)	(50,636)	-	-
	35,538	47,384	35,538	47,384	-	-
TOTAL PROPERTY, PLANT AND EQUIPMENT	94,702	126,270	94,702	126,270	-	-
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the financial year.						
LEASEHOLD IMPROVEMENTS						
Movements during the year						
Beginning of year	78,886	98,607	78,886	98,607	-	-
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Depreciation	(19,722)	(19,721)	(19,722)	(19,721)	-	-
End of year	59,164	78,886	59,164	78,886	-	-
PROPERTY, PLANT AND EQUIPMENT						
Movements during the year						
Beginning of year	47,384	59,230	47,384	59,230	-	-
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Depreciation	(11,846)	(11,846)	(11,846)	(11,846)	-	-
End of year	35,538	47,384	35,538	47,384	-	-
7(b) INTANGIBLE ASSETS						
Intangible assets - at cost	137,451	137,451	137,451	137,451	-	-
Less accumulated amortisation	(118,169)	(85,181)	(118,169)	(85,181)	-	-
	19,282	52,270	19,282	52,270	-	-
INTANGIBLE ASSETS						
Movements during the year						
Beginning of year	52,270	85,258	52,270	85,258	-	-
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Amortisation	(32,988)	(32,988)	(32,988)	(32,988)	-	-
End of year	19,282	52,270	19,282	52,270	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

NOTE	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$
8(a) NOTES TO THE STATEMENT OF CASH FLOWS						
Cash and cash equivalents at balance date as shown in the Statement of Cash Flows are held in Standard & Poor's rated AAA and A- rated cash deposits and are reconciled to the related items in the balance sheet as follows:						
Cash at bank	1,155,084	2,236,727	936,112	1,728,166	218,972	508,561
Other financial assets	27,236,239	27,444,534	27,236,239	27,444,534	-	-
TOTAL CASH	28,391,323	29,681,261	28,172,351	29,172,700	218,972	508,561
8(b) Reconciliation of net cash used in operating activities to operating profit/(loss)						
Profit (loss) for year	(411,664)	(1,589,720)	(305,949)	(1,430,305)	(105,715)	(159,415)
Depreciation	31,568	31,567	31,568	31,567	-	-
Amortisation	32,988	32,988	32,988	32,988	-	-
Changes in assets and liabilities						
(Increase)/decrease in trade and other receivables	2(f) 17,862,984	(15,841,503)	17,951,997	(15,154,877)	(89,013)	(686,626)
Increase/(decrease) in trade and other payables	(5,016,021)	5,539,023	(4,921,160)	4,651,133	(94,861)	887,890
Increase/(decrease) in premiums in advance	(3,184,988)	1,010,588	(3,184,988)	1,010,588	-	-
(Increase)/decrease in provision for reinsurance recoveries	-	-	-	-	-	-
Increase/(decrease) in outstanding claims	2(m) (10,604,805)	11,788,699	(10,604,805)	11,788,699	-	-
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(1,289,938)	971,642	(1,000,349)	929,793	(289,589)	41,849
9. RECEIVABLES						
Future reinsurance and other recoveries receivable	2(p) 73,866,185	87,266,334	73,866,185	87,266,334	-	-
Discount to present value	(4,795,236)	(7,934,341)	(4,795,236)	(7,934,341)	-	-
	69,070,949	79,331,993	69,070,949	79,331,993	-	-
Less provision for doubtful debts	-	-	-	-	-	-
Premiums receivable	2(l) 28,473,575	31,628,928	28,473,575	31,628,928	-	-
Other receivables	1,127,213	5,573,801	349,775	4,885,376	777,438	688,425
TOTAL RECEIVABLES	98,671,737	116,534,722	97,894,299	115,846,297	777,438	688,425
Represented by:						
CURRENT	48,714,233	56,156,676	47,936,795	55,468,251	777,438	688,425
NON-CURRENT	49,957,504	60,378,046	49,957,504	60,378,046	-	-
TOTAL	98,671,737	116,534,722	97,894,299	115,846,297	777,438	688,425

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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

	Total	<30 days	31-60 days	61-90 days	>90 days
2015					
Combined	29,600,788	29,600,788	-	-	-
Liability Mutual Insurance	28,823,350	28,823,350	-	-	-
Commercial Crime Fund	777,438	777,438	-	-	-
2014					
Combined	37,202,729	37,202,729	-	-	-
Liability Mutual Insurance	36,514,304	36,514,304	-	-	-
Commercial Crime Fund	688,425	688,425	-	-	-

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

	NOTE	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
		2015	2014	2015	2014	2015	2014
		\$	\$	\$	\$	\$	\$
10. PREMIUMS IN ADVANCE							
Contributions billed in advance	2(l)	26,791,081	29,976,070	26,791,081	29,976,070	-	-
11(a) OUTSTANDING CLAIMS							
Central estimate	2(m)	104,857,916	119,458,509	104,857,916	119,458,509	-	-
Discount to present value		(7,927,615)	(11,791,206)	(7,927,615)	(11,791,206)	-	-
		96,930,301	107,667,303	96,930,301	107,667,303	-	-
Claims handling costs		688,268	556,072	688,268	556,072	-	-
Risk margin	11(b)	-	-	-	-	-	-
TOTAL OUTSTANDING CLAIMS		97,618,569	108,223,375	97,618,569	108,223,375	-	-
Represented by:							
CURRENT		20,394,346	20,508,786	20,394,346	20,508,786	-	-
NON-CURRENT		77,224,223	87,714,589	77,224,223	87,714,589	-	-
TOTAL CLAIMS PROVISION		97,618,569	108,223,375	97,618,569	108,223,375	-	-

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

As at 30 June 2015, 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 (2014 0%) to achieve the desired level of sufficiency. Please see Note 16.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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

	2015			2014		
	Gross \$	Reinsurance \$	Net \$	Gross \$	Reinsurance \$	Net \$
Outstanding claims brought forward	108,223,375	79,331,994	28,891,381	96,434,676	67,431,217	29,003,459
Changes in assumptions	19,257,189	12,395,635	6,861,554	15,658,890	12,141,593	3,517,297
Increase in claims incurred/recoveries anticipated	(9,992,550)	(9,219,006)	(773,544)	12,240,933	12,108,044	132,889
Incurred claims recognised in income statement	9,264,639	3,176,629	6,088,010	27,899,823	24,249,637	3,650,186
Claim payments/recoveries during the year	(19,869,445)	(13,437,672)	(6,431,773)	(16,111,124)	(12,348,860)	(3,762,264)
Outstanding claims carried forward	97,618,569	69,070,951	28,547,618	108,223,375	79,331,994	28,891,381

12. NET CLAIMS INCURRED

	2015			2014		
	Current year \$	Prior year \$	Total \$	Current year \$	Prior year \$	Total \$
COMBINED						
Gross claims and related expenses - undiscounted	23,063,571	(17,662,524)	5,401,047	22,636,251	6,770,341	29,406,592
Discount	(2,025,629)	5,889,221	3,863,592	(2,659,384)	1,152,616	(1,506,768)
Gross claims and related expenses - discounted	21,037,942	(11,773,303)	9,264,639	19,976,867	7,922,957	27,899,824
Reinsurance and other recoveries - undiscounted	(7,875,782)	8,885,785	1,010,003	(15,627,297)	(9,502,867)	(25,130,164)
Discount	(1,644,500)	(2,545,132)	(4,189,632)	96,398	779,929	876,327
Reinsurance and other recoveries - discounted	(9,520,282)	6,340,653	(3,179,629)	(15,530,899)	(8,722,938)	(24,253,837)
NET CLAIMS INCURRED	11,517,660	(5,432,650)	6,085,010	4,445,968	(799,981)	3,645,987
LIABILITY MUTUAL INSURANCE						
Gross claims and related expenses - undiscounted	23,063,571	(17,662,524)	5,401,047	22,636,251	6,770,341	29,406,592
Discount	(2,025,629)	5,889,221	3,863,592	(2,659,384)	1,152,616	(1,506,768)
Gross claims and related expenses - discounted	21,037,942	(11,773,303)	9,264,639	19,976,867	7,922,957	27,899,824
Reinsurance and other recoveries - undiscounted	(7,875,782)	8,888,785	1,013,003	(15,627,297)	(9,498,667)	(25,125,964)
Discount	(1,644,500)	(2,545,132)	(4,189,632)	96,398	779,929	876,327
Reinsurance and other recoveries - discounted	(9,520,282)	6,343,653	(3,176,629)	(15,530,899)	(8,718,738)	(24,249,637)
NET CLAIMS INCURRED	11,517,659	(5,429,649)	6,088,010	4,445,968	(795,781)	3,650,187
COMMERCIAL CRIME FUND						
Gross claims and related expenses - undiscounted	-	-	-	-	-	-
Discount	-	-	-	-	-	-
Gross claims and related expenses - discounted	-	-	-	-	-	-
Reinsurance and other recoveries - undiscounted	-	(3,000)	(3,000)	-	(4,200)	(4,200)
Discount	-	-	-	-	-	-
Reinsurance and other recoveries - discounted	-	(3,000)	(3,000)	-	(4,200)	(4,200)
NET CLAIMS INCURRED	-	(3,000)	(3,000)	-	(4,200)	(4,200)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

13. CLAIMS DEVELOPMENT TABLE

ACCIDENT YEAR	2011	2012	2013	2014	2015	TOTAL
	\$	\$	\$	\$	\$	\$
GROSS ESTIMATE OF ULTIMATE CLAIMS COST- LIABILITY MUTUAL INSURANCE						
At end year of accident	28,063,635	21,064,708	23,083,334	22,191,872	22,465,862	
One year later	24,589,379	20,109,939	22,302,009	22,401,912	-	
Two years later	29,661,644	27,742,511	19,817,058	-	-	
Three years later	35,007,478	25,779,374	-	-	-	
Four years later	29,799,866	-	-	-	-	
Current estimate of cumulative claims cost	29,799,866	25,779,374	19,817,058	22,401,912	22,465,862	120,264,072
Cumulative payments	(18,118,559)	(6,454,740)	(2,754,021)	(1,598,697)	(210,834)	(29,136,851)
Outstanding claims - undiscounted	11,681,307	19,324,634	17,063,037	20,803,215	22,255,028	91,127,221
Discount						(7,416,785)
Claims handling expense						564,989
2010 and prior						13,343,144
LIABILITY MUTUAL INSURANCE - TOTAL GROSS OUTSTANDING CLAIMS 11(a)						
						97,618,569
COMBINED TOTAL GROSS OUTSTANDING CLAIMS 11(c)						
						97,618,569
NET ESTIMATE OF ULTIMATE CLAIMS COST - LIABILITY MUTUAL INSURANCE						
At end year of accident	11,576,465	8,710,223	8,122,535	4,602,870	12,238,620	
One year later	8,098,820	7,441,671	8,218,920	4,674,158	-	
Two years later	11,987,795	7,975,258	8,074,101	-	-	
Three years later	12,038,142	8,225,322	-	-	-	
Four years later	9,167,858	-	-	-	-	
Current estimate of cumulative claims cost	9,167,858	8,225,322	8,074,101	4,674,158	12,238,620	42,380,059
Cumulative payments	(8,489,480)	(3,510,429)	(1,393,121)	(1,044,379)	(184,732)	(14,622,141)
Outstanding claims - undiscounted	678,378	4,714,893	6,680,980	3,629,779	12,053,888	27,757,918
Discount						(2,920,599)
Claims handling expense						172,099
2010 and prior						3,538,200
LIABILITY MUTUAL INSURANCE - TOTAL NET OUTSTANDING CLAIMS						
						28,547,618
COMBINED TOTAL NET OUTSTANDING CLAIMS 11(c)						
						28,547,618

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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 Non- interest earning \$	Floating interest rate \$	LIABILITY MUTUAL INSURANCE Non- interest earning \$	Floating interest rate \$	COMMERCIAL CRIME Non- interest earning \$	Floating interest rate \$
2015						
FINANCIAL ASSETS						
Cash at bank	-	1,155,084	-	936,112	-	218,972
Other financial assets	-	27,236,239	-	27,236,239	-	-
Trade and other receivables	98,671,737	-	97,894,299	-	777,438	-
TOTAL FINANCIAL ASSETS	98,671,737	28,391,323	97,894,299	28,172,351	777,438	218,972
Weighted average interest rate		3.1%		3.1%		2.8%
FINANCIAL LIABILITIES						
Outstanding claims	97,618,569	-	97,618,569	-	-	-
Unearned premiums/ subscriptions	26,791,081	-	26,791,081	-	-	-
Trade and other payables	4,025,394	-	3,201,153	-	824,241	-
TOTAL FINANCIAL LIABILITIES	128,435,044	-	127,610,803	-	824,241	-
Weighted average interest rate		0.0%		0.0%		0.0%
2014						
FINANCIAL ASSETS						
Cash at bank	-	2,236,727	-	1,728,166	-	508,561
Other financial assets	-	27,444,534	-	27,444,534	-	-
Trade and other receivables	116,534,722	-	115,846,297	-	688,425	-
TOTAL FINANCIAL ASSETS	116,534,722	29,681,261	115,846,297	29,172,700	688,425	508,561
Weighted average interest rate		4.5%		4.5%		3.2%
FINANCIAL LIABILITIES						
Outstanding claims	108,223,375	-	108,223,375	-	-	-
Unearned premiums/ subscriptions	29,976,070	-	29,976,070	-	-	-
Trade and other payables	9,041,414	-	8,122,312	-	919,102	-
TOTAL FINANCIAL LIABILITIES	147,240,859	-	146,321,757	-	919,102	-
Weighted average interest rate		0%		0%		0%

Cash at Bank is considered a level 1 financial asset and other financial assets 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 2015. Cash flows for financial assets and liabilities without fixed amounts or timing are based on conditions existing at 30 June 2015.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

14. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

The remaining contractual maturities of the financial liabilities are:

	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$
3 months or less	15,864,302	21,655,183	15,040,061	20,736,081	824,241	919,102
3-12 months	35,587,945	38,175,379	35,587,945	38,175,379	-	-
1-5 years	60,897,603	69,020,213	60,897,603	69,020,213	-	-
Over 5 years	24,012,808	30,181,289	24,012,808	30,181,289	-	-
	136,362,658	159,032,064	135,538,417	158,112,962	824,241	919,102

LIQUIDITY RISK

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

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

Year ended 30 June 2015	<3 months	3-12 months	1-5 years	>5years	TOTAL
	\$	\$	\$	\$	\$

COMBINED FINANCIAL ASSETS

Cash and cash equivalents	28,391,323	-	-	-	28,391,323
Trade and other receivables	35,385,172	13,506,424	39,786,253	14,789,124	103,466,973
	63,776,495	13,506,424	39,786,253	14,789,124	131,858,296

COMBINED FINANCIAL LIABILITIES

Outstanding claims	5,158,944	15,476,830	60,897,603	24,012,808	105,546,185
Unearned premiums/subscriptions	6,697,770	20,093,310	-	-	26,791,080
Trade and other payables	4,007,588	17,806	-	-	4,025,394
TOTAL FINANCIAL LIABILITIES	15,864,302	35,587,946	60,897,603	24,012,808	136,362,659
NET MATURITY	47,912,193	(22,081,522)	(21,111,350)	(9,223,684)	(4,504,363)

Year ended 30 June 2014	<3 months	3-12 months	1-5 years	>5years	TOTAL
	\$	\$	\$	\$	\$

COMBINED FINANCIAL ASSETS

Cash and cash equivalents	29,681,261	-	-	-	29,681,261
Trade and other receivables	43,930,236	12,439,648	47,412,536	20,686,643	124,469,063
	73,611,497	12,439,648	47,412,536	20,686,643	154,150,324

COMBINED FINANCIAL LIABILITIES

Outstanding claims	5,203,270	15,609,809	69,020,213	30,181,289	120,014,581
Unearned premiums/subscriptions	7,494,018	22,482,053	-	-	29,976,071
Trade and other payables	8,957,896	83,518	-	-	9,041,414
TOTAL FINANCIAL LIABILITIES	21,655,184	38,175,380	69,020,213	30,181,289	159,032,066
NET MATURITY	51,956,313	(25,735,732)	(21,607,677)	(9,494,646)	(4,881,742)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

14. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

Risk management objectives and policies for mitigating insurance risk

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

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

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

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

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

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

Reinsurance strategy

The Scheme adopts a conservative approach towards management of risk and does this by using various risk transfer options. The MAV Insurance Board determines the level of risk, which is appropriate for the Scheme having regards to ordinary concepts of prudence and regulatory constraints. The risk transfer arrangements adopted by the Scheme include the use 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 Association's corporate policies. These risk transfer arrangements assist the Scheme to limit exposures to large single claims and catastrophic events. These programs are regularly reviewed each year to ensure that they continue to meet the risk needs of the Scheme.

Terms and conditions of membership

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

Product features

The Scheme operates in Victoria and Tasmania. Should a claim be accepted, the Scheme provides indemnity to the member in respect of their civil liabilities for \$400 million public/products liability (\$600 million for water authorities) and \$300 million for professional indemnity insurance, subject to any excess 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 partially manages contribution risk through its proactive approach to risk management that addresses all material risks, both financial and non-financial. There are no specific terms and conditions that are expected to have a material impact on the financial statements.

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

Concentration of insurance risks

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

14. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

		CREDIT RATING						TOTAL \$m
		AAA +/- \$m	AA +/- \$m	AA- +/- \$m	A \$m	Speculative grade \$m	Not rated \$m	
		Reinsurance and other recoveries on outstanding claims	2015	-	-	0.18	27.101	
	2014	-	0.493	-	30.949	-	0.373	31.815
Reinsurance and other recoveries on paid claims	2015	-	-	0.101	1.652	-	0.055	1.808
	2014	-	0.130	-	2.126	-	2.098	4.354

		PAST DUE BUT NOT IMPAIRED						TOTAL \$m
		Neither past due nor impaired \$m	Less than 3 months \$m	3 to 6 months \$m	6 months to 1 year \$m	Greater than 1 year \$m	Impaired \$m	
		Reinsurance and other recoveries on paid claims	2015	-	1.753	-	-	
	2014	-	2.796	-	-	-	1.558	4.354

Credit risk

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

Price risk

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

Interest rate risk

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

Variable	Current rate %	Change variable to %	Operating surplus (deficit) at 30 June 2015 \$	Total accumulated funds after the impact of applying variable \$
IMPACT OF CHANGES IN INTEREST RATE ON FINANCIAL ASSETS				
LIABILITY MUTUAL INSURANCE				
Base value at 30 June 2015	3.1%		(411,664)	(1,258,000)
Interest rate pa		3.6%	(266,483)	(1,112,819)
		2.6%	(556,846)	(1,403,181)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

15. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

15(a) Estimation of outstanding claims liability

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported (IBNR) to the Scheme. The Scheme takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome may be different from the original liability established. Provisions are calculated gross of all recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers and any third party.

The determination of an appropriate outstanding claims provision involves:

- (i) Establishing a case estimate for each reported claim at year-end taking into account legal advice where appropriate on larger claims
 - (ii) Allowance for incurred but not reported claims as confirmed by the actuarial review on 30 June 2015
 - (iii) An allowance of 0.7% for claim settlement expenses, as assumed by the Actuary;
 - (iv) Allowances for claim inflation of 2.5%, as assumed by the Actuary;
 - (v) Allowances for discount at 2.5%, as assumed by the Actuary;
 - (vi) A risk margin of 0% of net outstanding claims after the effect of reinsurance has been applied, as assumed by the actuary.
- Refer to Note 11 b) for details.

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

15(b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts were estimated for each fund year, from the payments to date and estimated outstanding claims history at 30 June 2015, 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:

	2015 %	2014 %
KEY ACTUARIAL ASSUMPTIONS		
Wage inflation	2.5%	3.1%
Claim administration expense	0.7%	0.5%
Discount rate	2.5%	3.10%
Risk margin	0%	0%
Superimposed inflation	3%	0%

Process used to determine actuarial assumptions

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

Liability Mutual Insurance has provided public and professional indemnity insurance to local government bodies in Victoria and Tasmania and other bodies constituted under any Act for any public or local governing purpose since 30/9/1993. The Actuary was supplied with details of all transactions (payments, recoveries, changes of estimates) from 30 September 1993 to 30 June 2015. 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 2015 forecasts for Victorian average weekly claims inflation was assumed to be 2.5%. The discount rate was assumed to be 2.5% pa., derived from the yields on Commonwealth government bonds.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

16. ACTUARIAL ASSUMPTIONS AND METHODS (continued)

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

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

Variable	Current rate %	Change variable to %	Operating surplus (deficit) at 30 June 2015 \$	Total accumulated funds after the impact of applying variable \$
IMPACT OF CHANGES IN KEY VARIABLES				
LIABILITY MUTUAL INSURANCE				
Base value at 30 June 2015	2.5%		(305,949)	(1,430,169)
Inflation rate pa		3.0%	(607,949)	(1,732,169)
		2.0%	(3,949)	(1,128,169)

Interest rate sensitivity

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

Variable	Current rate %	Change variable to %	Operating surplus (deficit) at 30 June 2015 \$	Total accumulated funds after the impact of applying variable \$
IMPACT OF CHANGES IN INTEREST RATES				
LIABILITY MUTUAL INSURANCE				
Base value at 30 June 2015	2.5%		(305,949)	(1,430,169)
Interest rate pa		3.0%	266,051	(858,169)
		2.0%	(877,949)	(2,002,169)

Claims handling sensitivity

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

Variable	Current rate %	Change variable to %	Operating surplus (deficit) at 30 June 2015 \$	Total accumulated funds after the impact of applying variable \$
IMPACT OF CHANGES IN INTEREST RATES				
LIABILITY MUTUAL INSURANCE				
Base value at 30 June 2015	0.7%		(305,949)	(1,430,169)
Claim administration expense		2.0%	(2,245,949)	(3,370,169)
		-2.0%	1,634,051	509,831

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

17. CAPITAL MANAGEMENT AND ECONOMIC DEPENDENCY

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

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

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

18. REINSURANCE PERFORMANCE BONUS

The Liability Insurance Mutual Scheme, in conjunction with similar local government self insured mutual liability schemes around Australia has entered into a profit sharing arrangement with its primary reinsurers, based on the national local government claims experience. The arrangement enables any surplus per each year over the five-year period of the reinsurance arrangement to be shared between the various Schemes and the reinsurers on a proportional basis.

Performance bonus totalling \$82,166 (2014 \$195,412) was received during the year.

19. CONTINGENT LIABILITY

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

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

The policies provide coverage for the first \$1 million in claim costs for \$5 million in the aggregate in each of the years. The Liability Mutual Insurance Scheme benefits from the 2009 policy when aggregate claim costs below \$1 million reach \$22 million and the 2011 policy provides coverage when aggregate claim costs reach \$20 million. The effect of the policies is to provide additional protection from adverse development for claim costs below \$1 million. The reinsurance policies commenced at the close of business on 30 June 2014. No other material contingent liabilities have arisen in the year ended 30 June 2015.

20. COMMERCIAL CRIME FUND

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

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

The Association's fee for managing and operating the Fund has for many years not been indexed to inflation. For the period 1997 to 2012 the management fee was fixed at \$127,000 per annum. From the 2013 financial year, the management fee has been increased by 3 per cent per annum. During the 2014 financial year the Board of the Association resolved to recoup the loss of a portion of these fees in two tranches:

2015	\$100,000
2014	\$166,843

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

21. RELATED PARTIES

The Municipal Association of Victoria is a body corporate established under the *Municipal Association Act 1907* to provide services for and represent local government authorities in Victoria. The Association and its wholly owned controlled entities trade with its members in the normal course of business and on an arm's length basis. 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 \$852,805 (2014 \$827,966) were payable to the Municipal Association of Victoria being payment for administrative support, and overseeing the management of the insurance activities, including the conduct of bi-monthly Board meeting. There were no other related party transactions.

Board members during the year

J. Warburton (Independent Chairperson) Resigned 31 March 2015
 A. Murphy (OAM) (Independent) Appointed Chairperson 31 March 2015
 Cr. W McArthur (MAV President)
 A. Garcia (LGAT Representative) Resigned 25 April 2015
 R. Farrell (Independent)
 M. Guilmartin (Independent)
 Dr. M. Kennedy (OAM) (CEO, Mornington Peninsula Shire Council) Resigned 14 April 2015
 R. Spence (MAV - Chief Executive Officer)
 Cr. R. Fyffe (MAV Representative)

Key management personnel remuneration

	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$
Independent Board members receive meeting fees. Chairperson receives \$989 per Board meeting and other independent Board members receive \$695 per Board meeting and each Board member receives \$1,339 per annum for claims and technical committee and other meetings.						
Short-term remuneration of MAV Insurance Board and key management personnel (Cost of key management personnel is recovered by the MAV)	156,898	154,949	156,898	154,949	-	-
Post employment benefits	12,197	9,346	12,197	9,346	-	-

Loans to Board members

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

Other transactions

There were no other material transactions with Insurance Board members.

Insurance

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

22. SUBSEQUENT EVENTS

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

STATEMENT BY BOARD OF MANAGEMENT

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

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

- (a) the financial statements and notes of the combined entity are drawn up so as to present fairly in all material respects the results of Liability Mutual Insurance and the Commercial Crime Fund for the year ended 30 June 2015;
- (b) the accompanying Statement of Financial Position is drawn up so as to present fairly in all material respects the state of affairs of Liability Mutual Insurance and the Commercial Crime Fund as at that date;
- (c) at the date of this statement there are reasonable grounds to believe that Liability Mutual Insurance and the Commercial Crime Fund will be able to pay its debts as and when they fall due;
- (d) the financial statements and notes also comply with the International Financial Reporting Standards as disclosed in note 2(b); and

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

On behalf of the MAV Insurance Board



Anne Murphy
MAV Insurance Board Chairman
Melbourne 1 October 2015



Robert Spence
MAV Chief Executive Officer

STATEMENT BY DIRECTORS

AS AT 30 JUNE 2015

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 2015;
- (b) the accompanying Statement of Financial Position is drawn up so as to present fairly in all material respects the state of affairs of the association as at that date;
- (c) at the date of this statement there are reasonable grounds to believe that the Association will be able to pay its debts as and when they fall due; and
- (d) the accompanying Combined Financial Statements present fairly in all material respects the state of affairs of the Association as at that date;
- (e) the financial statements and notes also comply with the international financial reporting standards as disclosed in note 2(b).

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

Signed in accordance with the resolution of Directors.



Cr. William McArthur
President

Melbourne 1 October 2015



Cr. Coral Ross
Director



Robert Spence
Chief Executive Officer



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Independent auditor's report to the members of MAV Insurance

We have audited the accompanying financial report of MAV Insurance, which comprises the statement of financial position as at 30 June 2015 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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



Opinion

In our opinion:

- (a) the financial report presents fairly, in all material respects the financial position of MAV Insurance at 30 June 2015 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Municipal Association of Victoria Act 1907; and
- (b) the financial report also complies with *International Financial Reporting Standards* as issued by the International Accounting Standards Board as disclosed in Note 2(b).

Capital Management and Economic Dependency

We draw your attention to note 17 of the financial statements which describes the capital management plan of MAV Insurance with respect to the recovery from the net liability position of the entity, which is impacted by the outstanding claims liability. This note describes the strategy to return to a net asset position and the time period estimated by management to achieve this. We also draw your attention to note 11 (a) of the financial statements which details the valuation of the outstanding claims liability as at 30 June 2015, of which a 0% risk margin has been applied. Our opinion is not qualified in respect of this matter.

Ernst & Young

Sarah N Lowe
Partner
Melbourne
1 October 2015

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Auditor's Independence Declaration to the Directors of MAV Insurance

In relation to our audit of the financial report of MAV Insurance for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Sarah N Lowe
Partner
Melbourne
1 October 2015



OTHER INFORMATION

Legal form:

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

Domicile:

Melbourne, Australia

Address of registered office:

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

Principal place of business:

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

Nature of the operation and principal activities:

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

Employees:

Nil

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