



ANNUAL REPORT 2012/13





MUNICIPAL ASSOCIATION OF VICTORIA

THE VOICE OF LOCAL GOVERNMENT

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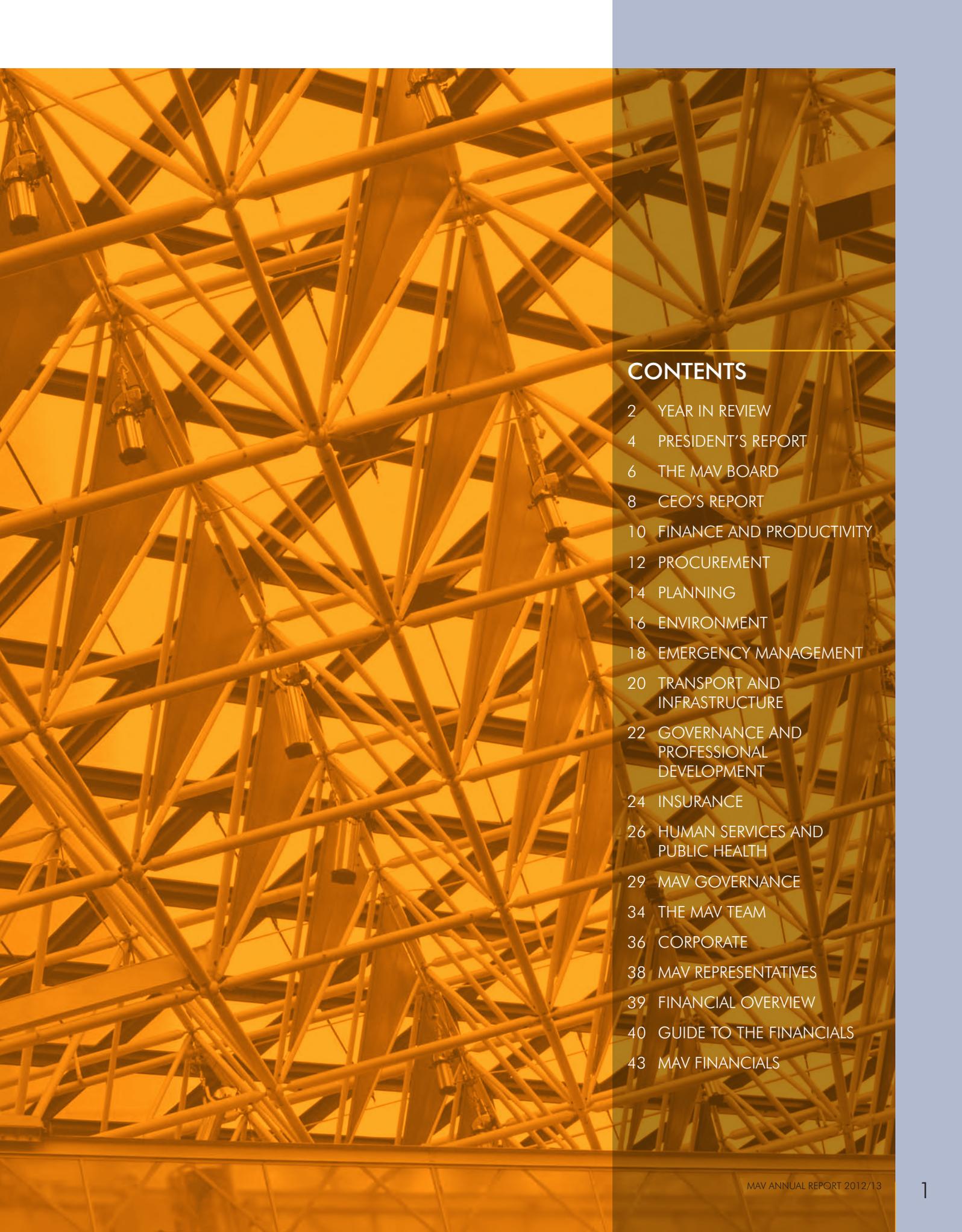
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Civic highlights

Our new quarterly publication, CiVic Magazine was launched as a hardcopy, e-magazine and iPad app. Highlighting Victorian councils' innovative work, it has a strong national readership with 2000 print copies, plus over 11 000 online views of Issue 3, double the readership of the first issue.

Rolling IT out

Victorian Government funding was secured to deliver a centralised IT systems change project to ensure that all councils' rating systems were capable of calculating the Fire Services Property Levy, applying concessions and reporting to the State Revenue Office.

Fire levy costs

Cost recovery for the State's Fire Services Property Levy was obtained for councils, covering transition and implementation costs, plus additional resources including customer service training and a statewide information campaign.

Defining the issues

We established the Defined Benefit Superannuation Taskforce and actioned recommendations from the taskforce report. A tender conducted to consolidate council borrowing achieved cost savings through lower interest rates, while negotiations continue with governments to exempt shortfall payments from WorkCover and contributions tax, and to return it to an unfunded scheme in line with other public sector super schemes.

Patching up innovation

The Patchwork pilot project, with Kingston, Yarra, Brimbank, Wyndham and Melbourne city councils, is using new innovative approaches to improve how agencies service vulnerable families in common across maternal and child health, and youth services.

Planning for change

Long-term advocacy and sector engagement informed a review of residential zones, resulting in strengthened ability for councils to specify appropriate areas for development. We established metro forums to support development of the metropolitan strategy and regional growth plans.

Taking a stand

Eighty-seven candidate information sessions, 500 news stories and 6 975 unique visitors to our campaign website are evidence of our wide-reaching Stand for Council campaign. This resulted in an increase in nominations and candidate diversity, a 23 per cent drop in uncontested vacancies and a 17 per cent rise in women elected.

Urging equality

Promoting and supporting Victorian councils' trailblazing work, we launched our Prevention of Violence Against Women handbook, 2012 Statement of Commitment to Cultural Diversity, Aboriginal Employment in Local Government resource, and Gender and Emergency Management Strategy.



Coin for communities

Targeted advocacy secured funding for public libraries, country roads and bridges, and community infrastructure in the State Budget, as well as the reinstatement of the School Focused Youth Services program. Additional State and Federal funding commitments for operational and capital costs to implement kindergarten universal access reforms were also achieved.

Put that butt away

Victorian swimming pools, playgrounds and beaches will become smoke free thanks to united advocacy that secured Government agreement to introduce smoking bans at these locations and other designated outdoor areas during children's events.

Making census of representatives

The 2013 councillor census was conducted to collect important demographic data, monitor changes in participation of elected members and gain a clear and complete picture of local government representation. This census compared data from the 2012, 2008 and 2005 council elections.

Procuring better outcomes

Tenders conducted across the fleet, IT, utilities and professional services categories provided the sector with significant time and cost savings. Implementation of a standardised contract management policy and training program improved and streamlined sector procurement processes.



Emergency IT

The award-winning MECC central IT program was rolled out to 75 councils for use in emergency relief and recovery efforts and to improve emergency management capabilities through resource-sharing.

Attractive employers

The development of an innovative new sector employment attraction project is seeking councils to opt-in to encourage more people to consider working for local government. With council support, the campaign will commence in 2014.

Future coastal safety

Collaboration on the Port Phillip Coastal Adaptation Pathways project established a new way to conduct cost-benefit analysis so that councils and other stakeholders can test the best options for addressing future flooding impacts.

Emergency management reforms

Many MAV-sought reforms were adopted in the Victorian Emergency Management White Paper from our submissions and advocacy. Our work was informed through consultation with the sector to develop policy initiatives and improvements to councils' capability in emergency management.



Positive change is afoot. Local government elections evidenced the growing shift towards gender equity resulting from great work throughout the sector, while the MAV board elections saw the first female majority Board elected in the MAV's 134 year history.

Our strategic planning meetings were a great success. Eight sessions across metro and rural areas provided broad member input and allowed us to identify the most important issues facing local government.

Space for sharing ideas, challenges and solutions was provided through our regional Board meetings and metro forums. The sessions, tailored to each region, keep the MAV abreast of sector issues that continue to challenge councils. The gathering of MAV delegates, Mayors and CEOs allows for open, frank and honest dialogue with members. I'm grateful for the time, effort and support our members have given for greater recognition, respect, and in many cases a better deal for our sector.

Despite the State Budget deferring many programs and reprioritising funding, it delivered strong investment into transport and infrastructure essential to support economic growth and productivity, as well as promised funding for libraries, children's facilities, country roads and community assets.

A heavy focus on reform led to sweeping changes by the Minister for Planning to residential zoning, which responded to calls by councils and the MAV over a number of years to provide stronger planning controls and greater certainty for local policy. Common-sense amendments to the Places of Public Entertainment (POPE) occupancy permits were also obtained following ongoing MAV negotiations.

Continued advocacy efforts on 15 hours universal access for kindergartens secured \$50 million in capital grants plus helped to accomplish a new 18 month funding deal to continue implementation. The Australian Government committed \$655.6 million as part of the new National Partnership Agreement.

I'm grateful for the time, effort and support our members have given for greater recognition, respect, and in many cases a better deal for our sector.

Extensive work by the MAV also saw \$10 million allocated by the Treasurer for councils to recover all administration expenses incurred for collection of the Government's new fire services property levy.

We continue to work closely with councils and government departments to ensure the unique strengths of Victoria's home and community care (HACC) system are maintained when the program is transferred to the Commonwealth. State cooperation with the MAV through a formal advisory process is keeping local government at the fore to articulate and maintain the benefits of our effective service platform.

Our regular engagement with Ministers across a range of portfolios continues to enable us to raise important sector issues and achieve desired outcomes. Minister Guy worked constructively with us and was guided by councils' feedback on the metropolitan planning strategy process,

President's report

and planning zone transition arrangements. Meetings with Minister Lovell and Minister Wooldridge locked in support for council involvement in reforms proposed for maternal and child health. We appreciated Minister Lovell's acknowledgment of councils' significant work to achieve 94 per cent participation in 15 hours of kindergarten this year.

More than 125 forums and events boosted sector knowledge, understanding and sustainability. Our Future of Local Government Program incorporated a number of large events that focused on building capacity at leadership levels and with the community. Our annual Environment Policy Forum concentrated on local government and the carbon economy, while new training programs offered professional and tailored councillor development.

National efforts to secure recognition of local government in the Australian Constitution were reinvigorated following the Prime Minister's announcement of a referendum coinciding with the federal election. With strong Victorian council support and participation we worked with the ALGA and our interstate counterparts to develop the national 'Yes' campaign.

More inspiring work on the prevention of violence against women continued with our new handbook highlighting councils' leading programs that promote gender equity. Launched at the White Ribbon international conference in Sydney, councils' efforts attracted national and international praise. As a dedicated White Ribbon Ambassador I'm proud to promote such worthwhile and innovative programs.

The launch of our quarterly CiVic Magazine provided a new platform to showcase the innovative work taking place in Victorian councils, through a print publication, e-magazine and iPad app.

On a personal note, being part of local government and representing my community as a councillor is exciting, rewarding, challenging and complex. I'm delighted to be delivering this report following council elections and the MAV Board elections; a sincere thanks to all the members for your ongoing support.

The MAV has worked persistently to achieve the best outcomes for the sector. I'd like to thank my Board colleagues, Deputy Presidents, Rob Spence and the MAV staff for their diligent efforts.

Through our cooperation, collaboration, and collective voice, the MAV remains strong and effective and will continue to build and support Victorian local government through the challenges and opportunities in the year ahead.

Cr Bill McArthur

President





Cr Angela Altair

Hobsons Bay City Council

METROPOLITAN
WEST
REPRESENTATIVE



Chair, Environment Committee
Deputy Chair, Arts and Culture
Committee
Planning Committee
Councillor 1999 - present
Mayor 2002, 2003, 2012 - present
Deputy Mayor 2007, 2008
Local Government Ministerial Mayors
Advisory Panel
Victorian Adaptation and Sustainability
Partnership Ministerial Advisory Committee
President, Association of Bayside
Municipalities



Cr David Clark

Pyrenees Shire Council

DEPUTY PRESIDENT
(RURAL)
RURAL SOUTH CENTRAL
REPRESENTATIVE



Deputy Chair, Environment Committee
Councillor 1992 - 1994, 1996 - 2004,
2008 - present
Mayor 1999, 2003, 2004, 2010
Pyrenees Shire Audit Committee
Western Highway Action Committee
Chair, North Central Catchment
Management Authority
Chair, Victorian Farm Tree and Land
Care Association
Treasurer, Conservation Volunteers
Australia



Cr Jackie Fristacky

Yarra City Council

METROPOLITAN
CENTRAL
REPRESENTATIVE



Chair, Transport and Infrastructure
Committee
Deputy Chair, Multicultural Committee
Councillor 2002 - present
Mayor 2005, 2012
Treasurer, Metropolitan Transport Forum
Alternate representative, Australian
Packaging Covenant Council
Telstra/MAV Local Government
Fellowship 2003



Cr Rod Fyffe

Greater Bendigo City Council

RURAL
NORTH CENTRAL
REPRESENTATIVE



MAV Insurance Committee
Chair, Arts and Culture Committee
Professional Development Reference
Group
Councillor 1996 - present
Mayor 2004, 2005, 2011
Ministerial Advisory Council on Libraries
State Library Public Libraries Advisory
Committee
Representative, Australian Packaging
Covenant Council
Victorian Councillor Service Award,
20 Years



Cr Ruth Gstrein

Corangamite Shire Council

RURAL
SOUTH WEST
REPRESENTATIVE



Deputy Chair, MAV Professional
Development Reference Group
Councillor 2002 - present
Mayor 2007, 2008, 2009
Corangamite Regional Library
Corporation
Audit Committee Member Regional
Development Australia Board (Barwon
South West)
Victorian Councillor Service Award,
Mayor Emeritus



Cr Mary Lalios

Whittlesea City Council

DEPUTY PRESIDENT
(METROPOLITAN)
INTERFACE
REPRESENTATIVE



MAV Audit Committee
Chair, Emergency Management
Reference Group
Councillor 2005 - present
Mayor 2008, 2009
Yarra Plenty Regional Library Board
YMCA (Whittlesea)
Plenty Valley Community Health Board
VMC Regional Advisory Council –
North West Region
2010 Professional of the Year (awarded
by Professions Australia)



Cr Peter Lockwood

Knox City Council

METROPOLITAN
EAST
REPRESENTATIVE



Professional Development Committee
Multicultural Committee
Councillor 1993 - 94, 2000 - 2003,
2013 - present
Eastern Regional Library Corporation
Eastern Transport Coalition
Eastern Affordable Housing Alliance



Cr Geoff Lake

Monash City Council

METROPOLITAN
SOUTH
REPRESENTATIVE



Councillor 2000 - present
Mayor 2002, 2003
Trustee Director, Vision Super

The MAV Board



Cr Bill McArthur

Golden Plains Shire Council

PRESIDENT

MAV Audit Committee
 MAV Insurance Committee
 Councillor 1991 - 1994 (Grenville),
 1996 - present (Golden Plains)
 Mayor 2004, 2005
 Australian Local Government
 Association Board
 Victorian Councillor Service Awards,
 15 Years



Cr Gary Norton

Swan Hill Rural City Council

RURAL
 NORTH WEST
 REPRESENTATIVE



Deputy Chair, Transport and
 Infrastructure Committee
 Councillor 2003, 2005, 2008, 2012
 Mayor 2007, 2008
 Chair, North West Municipalities
 Association
 Region 3 Chair, Murray Darling
 Association



Cr Coral Ross

Boroondara City Council

METROPOLITAN
 SOUTH EAST
 REPRESENTATIVE



Alternate, MAV Audit Committee
 Chair, Planning Committee
 Deputy Chair, Human Services
 Advisory Group
 Chair, Constitutional Recognition
 Communications Working Group
 Councillor 2002 - present
 Mayor 2007
 President Australian Local Government
 Women's Association (Victorian)
 Vice-President Australian Local
 Government Women's Association



Cr Jane Rowe

East Gippsland Shire Council

RURAL
 GIPPSLAND
 REPRESENTATIVE



Chair, MAV Emergency Management
 Reference Group
 Councillor 2003 - present
 Mayor 2004, 2005
 Deputy Mayor 2003, 2006, 2012



Cr Debra Swan

Strathbogie Shire Council

RURAL
 NORTH EAST
 REPRESENTATIVE



Chair, Human Services Committee
 Deputy Chair, Planning Committee
 Councillor 2008 - 2012, 2012 -
 2016
 Mayor 2012 - present
 Deputy Mayor 2008 - 2010
 Nagambie Lakes Commercial and
 Recreational Stakeholders Committee
 2010 - 2013
 Goulburn River Valley Tourism Board
 member 2010



As expected, economic conditions continued to challenge all levels of government. We held our course and were effective on many sector-wide issues of significance in a year of fiscal constraint, council and MAV elections, and an active reform agenda.

Decisive action was taken to respond when the largest shortfall in the history of the closed Vision Super Defined Benefit scheme hit councils mid-year. With \$453 million due to be paid on 1 July 2013, a comprehensive review was initiated and a taskforce convened to improve councils' capacity to pay shortfalls and provide more certainty into the future.

It has been a solid year with many reforms influenced in local government's favour and funding safeguarded, even in the tighter fiscal environment.

The Taskforce report detailed 19 recommendations that the MAV is actioning to reduce the risk to councils. Among key reforms identified were access to cheaper borrowing rates, reviewing the methodology and budget allocations for shortfalls, regulatory reforms including the waiver of ancillary government costs on shortfall payments, and greater awareness of wages and investment returns that can influence the liability.

Forty two councils participated in the MAV's collaborative debt procurement to help pay their shortfall contributions, achieving a better borrowing rate and flexibility until longer term solutions can be realised.

To boost awareness and participation in council elections, our Stand for Council campaign encouraged democratic empowerment through greater diversity in candidate nominations, particularly among women and people from multicultural backgrounds.

Seventy-two councils participated in 87 candidate information sessions attended by more than 1 000 citizens. Significant interest was also generated with 6 975 unique visitors to the Stand for Council website and over 500 news stories, representing a 200 per cent increase on free media coverage for our campaign since 2008.

These sector efforts were evidenced by the 23 per cent drop in uncontested vacancies. We welcomed back 331 councillors and 300 new councillors, with female participation rising to 34 per cent of all elected representatives. In contrast to 2008 when five councils had no female representation, the 2012 elections saw women elected to all municipalities, including 10 councils with a female majority.

Our 2013 Councillor Census provided further important demographic data on participation of elected member representation over the past three election cycles.

Disappointingly, Ministerial guidelines for differential rates and new laws requiring the collection of the State fire services property levy were introduced, undermining the autonomy of councils.

Our advocacy and submissions worked to ensure minimal backlash to the sector. A total of \$3.1 million was secured to cover estimated customer service costs, transaction fees and postage costs for councils for 2012/13, with a further \$6.9 million in 2013/14.

In the procurement space, we facilitated cost savings for members with three new contracts delivered for debt finance, street lighting hardware and passenger motor vehicles, along with the renewal of national contracts for library materials, and fuel and lubricants.

Our procurement efforts also continued to minimise compliance risks and improve council practices. More than 300 staff benefitted from our contract management training, while an innovative procurement system streamlined processes for councils, provided continuity for suppliers and created greater transparency.

In insurance, a small number of very large value claims were resolved. Although this resulted in large claims payments, proportionate reductions in our outstanding claims liability reserves were achieved. Reforms to our liability and commercial crime schemes are underway to strengthen our performance. A risk management review identified a new model to better align resources and tailor services to reduce the incidence of claims, and the operational review identified \$1 million in annual savings. Communication with our members was also enhanced through development of the MAV Insurance Bulletin and a dedicated engagement program for water authorities.

It has been a solid year with many reforms influenced in local government's favour and funding safeguarded, even in the tighter fiscal environment.

Partnering with the Department of Health we delivered the new statewide online system for single registration and notification requirements for mobile food businesses, Streatrader. The system streamlines the process for both councils and vendors providing time and cost savings, improving accountability and ensuring food safety. The success of this project was demonstrated through the 16 711 registrations received in its first nine months, which considerably exceeded original expectations.

The MAV's finances were not immune to the Defined Benefit Superannuation shortfall. This had a significant impact on our financial result, with a small deficit recorded. However, being relatively conservative and implementing strict expenditure controls, surpluses are forecast into the future in our five year plan.

In the year ahead, the federal election will provide critical opportunities to work with one voice to accomplish key commitments and policy reforms at the national level. We will revamp our efforts to work in close partnership with members, governments, and stakeholders to ensure sector views are heard, acknowledged and actioned.

Rob Spence
Chief Executive Officer



Finance and productivity

OBJECTIVE: To secure a strong financial future for councils through advocacy, economic analysis, funding agreements, developing resources and partnerships, and reforms that achieve whole-of-sector productivity gains.

Defining super tasks

The Defined Benefit Taskforce was established following the \$453 million shortfall of the Defined Benefit Plan of the Local Authorities Superannuation Fund (Vision). The Taskforce examined a comprehensive suite of options to reduce the risk of future calls, including investigating whether it is possible to close the fund, buy members out, or shift the fund to an exempt public sector scheme. Significant legislative barriers to substantial reform of the Plan were identified. We are continuing the implementation of Taskforce recommendations and achieved significant cost savings for councils through group procurement of borrowings to help fund the shortfall.

Blazing a trail for levy funds

Following a Victorian Government decision to make councils the collection agency for the new Fire Services Property Levy, the MAV worked to ensure full reimbursement for all administrative costs associated with collecting the levy. A funding package of approximately \$10 million for the 2012/13 and 2013/14 years was negotiated for councils, with ongoing finance to be discussed in 2013/14. Estimating the implementation and administration costs to the new model provided a solid base for negotiations, and our participation on the implementation committee and the State's communications committee gave us continued influence.

Defending differential rates

Draft guidelines by the Minister for Local Government sought to limit councils' capacity to introduce differential rates. In response, we mounted a strong defence of the sector's use of this tax, developing a comprehensive submission that called into question the Government's proposal. Guidance on the development of rating strategies, rather than constraining the use of differential rates was also requested. Appearing before the Ministerial committee, we reinforced sector views and sought legal advice on the draft Ministerial Guidelines highlighting significant errors in their operation. Our efforts secured a commitment from the Victorian Government to work cooperatively with the MAV to develop revised material on the development of councils' rating strategies.



Easing hardship

Following a report by the Federation of Community Legal Centres into council debt collection practices, we began developing a set of financial hardship policy guidelines and toolkits to help councils manage hardship in their communities. Considerable input from councils through the MAV hardship working group, together with advocacy groups such as the Federation of Community Legal Centre, the Financial and Consumer Rights Council, Kildonan and Centrelink ensured practical and targeted resources to ease the stresses on councils and ratepayers.



Finance and productivity

Raising the benchmark

Fifty-eight councils participated in the MAV 2013 Benchmarking Human Resources survey, up from 55 in 2012. Data was collected as at 30 June and a report compiled as a valuable tool to help councils make comparable assessments with similar municipalities to identify key human resource issues and develop appropriate responses.

Improving our brand

Following renewed member interest, the MAV revisited our 2008/9 employment branding campaign to build awareness of the workforce opportunities within local government and position the sector as an employer of choice. MAV Procurement worked with preferred supplier, Blaze Advertising, on a revised proposal for councils. Forums conducted across the state provided members with an overview of the concept and proposal, and feedback on councils' willingness to participate was sought. The campaign is expected to commence in mid-2014, with a minimum of 20 councils required for the project to proceed.



Procurement

OBJECTIVE: To achieve better procurement outcomes for local government by leveraging the combined purchasing power of councils, and delivering training programs to improve councils' procurement capacity and practices.

Contract success

Emphasis was placed on informing the sector about the range of contracts available to ensure councils are fully capitalising on the opportunities and maximising the benefits that can be realised. This resulted in a significant rise in councils utilising a number of established contracts, particularly in the areas of fleet, and parks and gardens. Contracts for library materials, and fuel and lubricants both expired and were subsequently renewed, while three new contracts were commenced for debt finance, street lighting hardware and passenger motor vehicles.

Renewed and improved

Feedback from libraries influenced MAV Procurement's expansion of the library materials panel. A broader range of suppliers than the previous contract ensures that councils have a range of options while maintaining best value. A partnership with the National Procurement Network tendered for fuel and lubricants on behalf of Victorian, Tasmanian, Western Australian, South Australian and Northern Territory councils. A higher number of Victorian council participants, combined with a broader range of suppliers, have increased the benefits available to the sector from this tender.

Training and innovating

Ongoing contract management training continued to reap benefits for members. More than 300 council staff completed one or more workshops offered through Arc Blue Consulting covering topics including: managing contracts in local government, contract law essentials for council contract managers, and managing contractor OH&S in local government.

MAV Procurement continued to deliver innovative procurement systems. The Vendor Panel quotation management system offered a streamlined procurement process and was used to access seven MAV Procurement contracts. The system also created continuity for suppliers, greater governance and transparency, plus reporting improvements to suppliers.

Come together

New contracts responded to a number of challenges facing the sector. A collaborative debt tender was conducted to leverage significant savings to participant councils through lower borrowing rates for the consolidated debt. The street lighting hardware contract, part of the MAV's ongoing support to help councils transition to energy efficient street lighting, appointed a panel of approved energy efficient lighting providers. Easy access to approved lights and newly-approved technology was also achieved for councils through the tender. Our ongoing partnership with the National Procurement Network established a panel contract for passenger and light commercial vehicles to deliver further sector cost savings.



Productive policy push

A number of council policy objectives have been supported using procurement as an enabler. In partnership with Ironbark Sustainability, MAV Procurement is providing project support for councils undertaking a bulk changeover to energy efficient street lighting. This support simplifies an otherwise complex and costly engagement process with electricity distributors. To date, we have partnered with Whitehorse, Bass Coast, South Gippsland, Brimbank, Great South Coast (6 councils), Hume, Melton, Port Phillip and Bayside. A number of additional councils will undertake this process during the 2013/14 financial year having received Federal Government support through the Community Energy Efficiency Program.



Super financing

The MAV Defined Benefit Superannuation Taskforce and Ernst & Young recommended examining the feasibility of alternate funding options for council debt financing. The potential benefits of a collaborative bank procurement structure led to a tender conducted on behalf of 42 participating councils, with a total debt requirement of over \$400 million. This large aggregated debt volume drove a competitive pricing outcome in the banking market. The 12 month contract term secured allows for consideration and implementation of a permanent funding structure, which in turn will drive process, probity and price.



Planning

OBJECTIVE: 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.

Informing reform

The MAV has been active in planning reform, developing an important submission on residential, commercial, industrial and rural zones. Our suggested three-tier implementation approach was adopted by the Victorian Government, along with a number of more specific recommendations. We coordinated council input to the review of development contributions and made two submissions to the Ministerial Advisory Committee. Submissions on contaminated land, residential aged care and bushfire provisions also advocated sector views to the Government reforms. Following release of the Auditor General's report into the building system, we worked collaboratively with the Government to confirm the role of councils in building control.

Stepping up planning improvement

Seven new members were introduced to the STEP planning program, taking sector participation to 45 per cent. A self-assessment module was developed to examine the overall health of council planning services and increase member value. A planning scheme amendment stream was added to help councils address new timelines outlined in Ministerial directions, while a trial approach to enforcement was commenced with the Shire of Campaspe and will be available more broadly in 2014. Councils involved in the STEP planning program continue to demonstrate great results and participants have developed process management skills that will benefit them throughout their careers.

Supporting superior planning

Four key projects to support better planning have been progressed by the MAV, with the assistance of external funding. Recommendations were developed for councils about how to effectively manage small rural lots through their planning schemes. A second follow-on project modelled the financial costs of different rural settlement typologies and provided an electronic tool to help councils understand the implications. A third project filled some of the communication gaps on the new bushfire provisions by developing materials about the bushfire management overlay for planning permit applicants. A web icon will ensure communities and other stakeholders can readily access the resources through council websites. Finally, for councils to best utilise limited planning enforcement resources, we developed a planning enforcement risk assessment tool to identify enforcement priorities based on risk exposure. All projects are game changers for Victorian councils.



Metro and regional planning

A Metropolitan Strategy Reference group was established to provide a cohesive local government view to the development of the Metropolitan Strategy. The group first gathered to respond to the State Government's discussion paper, *Melbourne – Let's Talk About the Future*. With representation from all metropolitan and interface councils, the group was a critical point of contact for government, and informed our submissions and advocacy efforts on the Metropolitan Strategy and the proposed Metropolitan Planning Authority. The MAV also engaged with councils and the State on the development and delivery of Regional Growth Plans. Several meetings helped refine and strengthen the plans, to improve planning frameworks for key regional centres and direction for land use and development across regional Victoria.



Leveraging the sector's presence

We held a number of briefings to discuss planning reform with key council decision-makers to influence outcomes in local government's favour. This included early sessions on the reformed zones and metropolitan planning authority led by the Minister for Planning and Deputy Secretary respectively. We also delivered a range of Ministerial Advisory Committee briefings on the development contributions review, contaminated land and the metropolitan strategy. To tap into the benefits of collective sector knowledge, 'how can we plan better' was discussed in depth at our STEP Planning Improvement conference. Our Rural and Regional Planning Conference and quarterly forums continue to go from strength to strength. Overall our planning briefings, professional development opportunities and conferences attracted in excess of 700 delegates - an impressive feat during an era of rapid planning reform and an ever increasing to-do list.



Environment

OBJECTIVE: To support and champion local government's leading role in environmental sustainability across climate change, energy, natural resources and coastal management, and waste and resource recovery.

Carbon management

Over 80 representatives from 37 councils and six partner organisations attended our annual Environment Policy Forum in September. With a focus on the carbon economy and its impacts for local government, the forum shared council knowledge and experience through case studies and an interactive session on 12 projects from across the State.

Victorian carbon neutral-certified councils were showcased at a separate forum, where the needs of a local government carbon management and utility management system were discussed. We also ran a tender for software to capture councils' electricity and gas bills to support their financial and carbon management.

Lighting the way

A tender for energy efficient street lighting was run for 47 councils by MAV Procurement. To date, installation project management services have been secured for 11 councils. Collectively they will have reduced greenhouse gas emissions by close to 11 000 tonnes of carbon dioxide equivalent and will save over \$1.4 million each year. Our advocacy continues to the Victorian Government to clarify the contestability playing field for councils seeking to upgrade their lights.

Changing with our climate

A Commonwealth-funded project was delivered that tested a methodology to assess the costs and benefits of different climate adaptation responses to catchment and coastal flooding at five sites around Port Phillip Bay. The project confirmed that an economic cost-benefit analysis is useful in weighing up climate adaptation responses and, importantly, strengthened partnerships and understanding between councils, state agencies responsible for land use planning, and the tertiary sector.

We also helped to inform the new Victorian Climate Change Adaptation Plan, which outlines the response of the State Government to a range of climate change hazards and the work to build shared understanding with local government.

Water works

This year we represented sector views through a submission and participation in the Stakeholder Reference Group for the Victorian Waterway Strategy. The MAV Model Land Capability Assessment for domestic wastewater applications was updated in line with the new Code, through collaboration with EPA Victoria and the Department of Environment and Primary Industries. This will help members to fulfil their responsibilities under the *Environment Protection Act 1970*.



Waste management

The MAV largely supported the State draft Waste Policy, reviewed throughout 2012. Importantly, a greater focus on waste avoidance was included in the final policy, in line with our submission and advocacy efforts. We also welcomed the commitment to limit increases in the landfill levy at CPI (consumer price index) level for the next decade.

A new forum with local government CEO representatives, the CEOs of EPA Victoria, Sustainability Victoria and the MAV was created to provide a high level, cooperative platform for councils to resolve challenging environmental issues.

A further partnership with Sustainability Victoria analysed the impacts of a container deposit system for local government, following the release of the Packaging Impacts Consultation Regulatory Impact Statement in 2011/12.



Environment

Native vegetation solutions

The MAV and the Department of Sustainability and Environment hosted the Local Government Native Vegetation Working Group to support development of solutions to native vegetation offsets. The group shared templates and good practice of councils that have implemented offset solutions. Consultation with councils and the working group informed our submission to the review of native vegetation permitted clearing regulations, with many issues we raised responded to in the final policy and support program. We continue to monitor a number of implementation concerns.



Sustainability done socially

Launching our online collaboration platform - MAV Environmental Sustainability on Yammer - helped councils to communicate and connect in a secure way across the state on sustainability issues. Improved navigation and revitalisation of the MAV sustainability website provided a further space for councils to share their environmental sustainability work and experiences. How-to videos and access to the completed Victorian Sustainability Accord (now the Victorian Adaptation and Sustainability Partnership) project reports were also provided to councils through the online portal.



Emergency management

OBJECTIVE: To define the role of local government in emergency management, deliver capability improvement programs and ensure that councils are properly resourced to meet their obligations.

Sustainable reforms

Changes outlined in the Victorian Emergency Management Reform White Paper released in December 2012 were largely positive for local government, and consistent with the MAV's advocacy and submissions to the Emergency Management Green Paper and related inquiries.

The Sustainable Funding Project, part of our Improving Emergency Management in Local Government program, sought to quantify councils' emergency management costs. Eighty per cent of councils completed the MAV survey detailing their emergency management expenditure and a report was developed for use as an advocacy tool. Summary reports were customised for each council and sent to CEOs, along with a copy of the main report.

Cluster cooperation

Recognising the need for a more sustainable model of emergency management operations within local government, the MAV initiated an Emergency Management Cluster Pilot. The project aims to build greater capacity and resilience within councils, strengthen their emergency management capabilities, and develop a broader geographic approach to emergency management planning and risk mitigation. Funded through the Australian Government's Natural Disaster Resilience Grants Scheme, participating councils and the MAV, the project includes Greater Bendigo, Campaspe, Loddon and Mount Alexander municipalities.

Navigating refuges pilot

The community fire refuges pilot involved collaboration between the Fire Services Commissioner's Office, Department of Education and Early Childhood Development, the MAV, Yarra Ranges and Moorabool Shire councils. Developed in response to the Black Saturday Royal Commission recommendations, three pilot sites have undergone preliminary assessments. The MAV's involvement in the pilot influenced outcomes that have implications for future policy. Our advocacy ensured councils were not made the responsible authority tasked with officially designating fire refuges, thereby removing potentially onerous liability requirements.

Banishing gender-blind practices

Evidence shows significant differences between the behaviour of men and women in emergency planning, events and recovery. Family violence also increases post-disaster. The MAV Gender and Emergency Management Strategy was developed to reduce the negative consequences of gender-blind practices. To positively change outcomes during natural disasters, the influence of gender roles and differences must be understood and addressed. Our strategy seeks to help councils improve their understanding of gender differences and incorporate gender considerations into emergency management policy, planning, decision-making and service delivery.



Speedy MECC central

The MAV received a commendation in the 2012 Resilient Australia Awards (Victoria) for MECC Central, our statewide IT solution to improve councils' incident management and operation of Municipal Emergency Coordination Centres (MECCs). The software, adopted by 75 of 79 Victorian councils, has increased safety by speeding up response times and coordination of efforts by councils and other emergency agencies. It has also been expanded for use in emergency relief and recovery, building greater resilience and capacity within the sector. The project was funded by councils with the support of a Natural Disaster Resilience Grant from the Australian Government.



Registering the vulnerable

We continued to actively represent local government in the development of the Vulnerable People in Emergencies (VPE) Program, led by the Department of Human Services. The program includes an online database of vulnerable persons. Expansion of the VPE Program will make it applicable for hazards other than bushfires, and will establish local referral pathways and emergency planning support through Red Cross to incorporate vulnerable people not receiving services. The MAV successfully sought direct council involvement in working groups relating to the policy, protocols and database. Funded agencies and the 64 councils within the CFA district continue to have a critical role in implementing the policy.



Enduring capability improvements

The Improving Emergency Management in Local Government (IEMLG) program continues to enrich emergency management capacity and performance within the sector. The MAV quantified councils' emergency management costs, produced a report for each council, and established performance measures of councils' emergency management capabilities as the baseline for an ongoing system of performance measurement. The Capability Building/ Shared Services projects also produced resources and guides for councils around individual roles in emergency management.



Emergency recovery staff development

The MAV hosted the inaugural professional development day for council emergency recovery staff in September. The event, co-sponsored by the Department of Human Services, included council presentations on recent recovery experiences, a session on effectively managing administrative arrangements of recovery, plus a discussion on current policy and financial recovery arrangements. Professor Ed Blakely from Christchurch City Council, well known for his role as Executive Director of Recovery Management for the City of New Orleans following Hurricane Katrina, also shared valuable insights with councils.

Transport and infrastructure

OBJECTIVE: 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.

Asset management improvements

The MAV Step Asset Management Program continues to expand council capability with a focus on collaboration, service planning and heavy vehicle planning. The program resulted in a 13 per cent improvement in Victorian councils' performance in the past 12 months, as measured by the National Assessment Framework Scorecard.

Over 200 delegates from across the country attended our National Local Government Infrastructure and Asset Management Conference, featuring sustainable infrastructure and asset strategies that integrate community needs and public services.

Speedy guidelines

The MAV and councils worked closely with VicRoads to implement recommendations of the 2012 Victorian Speed Limit Review. Workshops, member surveys and our representation on the VicRoads Speed Limit Advisory Group ensured a thorough consultation process informed new Speed Zone Guidelines to determine how councils set speed limits on local roads. This resulted in the easier establishment of local area 40kph zones, with fewer costly infrastructure requirements; a lower threshold of retail development required for 50kph zone rural shopping strips; school speed zones extended to remote crossings; and more flexible guidelines.

Transporting a vision

The MAV's Transport Position Paper (TPP) defines local government's vision for transport infrastructure investment and policy, and identifies actions to achieve this vision. Used as the basis for numerous representations to the Victorian Government on matters such as road safety, public transport, community transport, taxis, infrastructure, cycling and freight, the TPP has been an invaluable resource over the past year. Endorsed by the Board as a 'living document', the TPP is reviewed annually.

Dam safety

The program to identify all council-owned dams in Victoria and ensure that they are managed safely continued this year. In partnership with the Department of Sustainability and Environment, the MAV refined the council dam-owner toolkit including a hazard rating guide to determine a dam's risk, a dam safety emergency management plan template, and a dam surveillance and maintenance guide. A council-only dam safety workshop and survey further built on efforts to maintain dam safety standards.



In the safe lane

With 85 per cent of Victoria's road network controlled by councils, road safety is of critical importance to the sector. The MAV continued to represent local government on two community road safety grant programs helping councils to fund small scale road safety infrastructure improvements, portable speed detectors and community engagement projects. We highlighted councils' important role in road safety, and the historically lower investment into local road safety relative to arterial roads, in submissions to Victoria's Road Safety Strategy 2013-2022 and the Parliamentary Inquiry into Serious Injury.



Transport and infrastructure

Pedal power

Councils continue to innovate and lead development of safer cycling routes through better cycling infrastructure, enhanced mapping and way-finding, and measuring cycling numbers. The MAV supported councils in this role by facilitating a strong relationship with VicRoads and the Department of Transport, Planning and Infrastructure. Metropolitan, rural and interface council representation on the Department's Cycling Strategy Reference Group is also safeguarded. As the focus switches to implementing the Victorian Cycling Strategy Action Plan, our advocacy continues to emphasise land access arrangements for shared paths, road safety rules that affect cyclists, new cycling infrastructure standards, and better integration between cycling and public transport.

Punching above our weight with freight

Creation of the National Heavy Vehicle Regulator will place new responsibilities and powers with councils to determine local freight routes. Faced with this significant change, the MAV worked with the Regulator and VicRoads to prepare councils through implementation of a joint MAV-ARRB Group performance-based standard Route Assessment Tool to help councils match vehicles to roads based on size, weight and performance. The MAV also commenced work with the Victorian Government to develop the Victorian Freight and Logistics Plan, which has been influenced through our membership of the Ministerial Freight Advisory Council.

Solid connections

Robust intergovernmental relationships have been built across the transport portfolio by the MAV, particularly with VicRoads and the Department of Transport, Planning and Infrastructure. These relationships ensure local government views are clearly advocated and provide mechanisms for policy development and dispute resolution. The MAV represented the sector on the VicRoads Government Reference Group for Worksite Safety and Traffic Management; VicRoads Road-based Public Transport Advisory Council; VicRoads Speed Limit Advisory Group; VicRoads Community Road Safety Alliance; Department of Transport Cycling Strategy Reference Group; Department of Transport Pedestrian Advisory Council; and the Transport Accident Commission Community Road Safety Grant Reference Group.

Governance and professional development

OBJECTIVE: To support and encourage high quality governance processes, protocols, conduct and relationships across the local government sector and build the capacity of elected members to effectively fulfil their roles.

Poll position for recognition

Following announcement of a referendum, the MAV united with peak bodies in other states for a national campaign to secure local government recognition in the Constitution. After years preparing the ground for a referendum and working with councils to build the case for reform, the focus shifted to developing the national 'Yes' strategy. A steering committee, state coordinators and a council working group informed activities and ensured a unified approach. As directed by State Council, members were invited to make a voluntary contribution towards the national campaign, with \$959 026 committed from 51 councils. Seventy-two councils advised of their support for the Yes campaign and participation in campaign activities.

Take a stand

The MAV ran the 2013 Stand for Council campaign to raise awareness of council elections and prepare potential candidates. Eighty-seven workshops were attended by over 1 000 citizens. Campaign materials were provided for councils and an advertising campaign run across eight regional papers and the Leader Group. Advertising drew attention to the dedicated Stand for Council website which saw an increase of 58 per cent in unique visits and 500 per cent in page views. An increase in nominations and candidate diversity, a 23 per cent drop in uncontested vacancies and a 17 per cent rise in elected females are among the campaign's achievements.

Review of council elections

The MAV advocated strongly for a review of the local government elections by the Minister for Local Government and acknowledges the Minister's commitment to undertake the review. The MAV also consulted with councils, councillors and council officers in order to understand the priority issues for review arising from the elections. While numerous issues were raised, the most critical related to campaign donation disclosure; community awareness and access to useful information; and complaints processes and the role and powers of VEC and the Local Government Inspectorate. The Member Discussion Paper regarding these matters and other election-related issues will be circulated for member comment in 2013/14.

Easy election

Councils benefitted from a single electoral services tender, saving considerable costs and reducing their administrative burden. Fifty four participated in the second of MAV's collaborative electoral services procurement; the first occurring in 2008. The MAV provided a standard suite of documentation that included core and additional services specifications, tender and contract terms and conditions. Participating councils were provided with an evaluation of the tender and assistance in finalising the contract. Council CEOs were also provided with assistance in certifying voters rolls.



Minimising councillor misconduct

We continued to assist mayors, councillors, CEOs, Conduct Panel Registrars and other council officers to understand the options available when councillor conduct issues arose. Support was provided on issues causing concern for individual councillors, groups of councillors, the council or the administration. Assistance included workshops on councillor conduct issues, dispute facilitation and mediation advice, and advice on Councillor Conduct Panel processes. Assistance was also provided in relation to occupational health and safety issues and investigation processes that arose as a consequence of alleged councillor misconduct. Feedback from councillors and council officers on their concerns with the statutory framework will form the basis of the MAV's submission to the State on Councillor Conduct Arrangements and Related Governance Matters.



Governance and professional development

Part of the start

Accredited training is now a key element of the MAV's professional development offer. Final approval for the program from the qualifications authority came through in August 2012 and the inaugural Diploma of Local Government (Elected Members) began in February 2013. It offers many benefits including lifting the professionalism of the sector and providing councillors with a qualification that assists them in their post-council life. Forty councillors are currently enrolled, with the program delivered in Horsham, Surf Coast, Melbourne, Benalla and Bendigo. The Diploma will continue to be developed and improved by the MAV and training partner BRACE Education and Training.



Personal development opportunities

Our programs and relationship with the Australian Institute of Company Directors (AICD) remained strong with 31 councillors participating in the two Company Directors Courses conducted over the year. The AICD also partnered with the MAV on a pilot program which attracted participation from nearly 50 per cent of newly-elected mayors.

The MAV-Swinburne University Graduate Diploma in Management was completed by the first 14 participants, and a new training partnership with the Urban Development Institute of Australia will see more tailored programs rolled out in 2013/14.



The coming revolution

The MAV's Future of Local Government (FOLG) Program continued its capacity building work with councils to identify and embrace opportunities to grow.

Championing Change workshops encouraged participants to address change in the local government setting and accelerate the achievement of new outcomes. We also targeted CEOs as transforming leaders, to develop key management styles and harness the power of their influence to drive change. The ninth annual FOLG Summit featured global speakers and provided a space for members to discuss forward thinking issues and challenges.

Cloud evolution

Understanding the possible benefits of shared services and council-wide cooperation, the MAV invested into cloud computing, with the MAV investing into cloud computing with the Patchwork Maternal and Child Health pilot collaborative project with FutureGov (UK). Cloud computing workshops were also run for councils to discuss strategies, while forums focused on regional collaboration opportunity identification and analysis, and sector-wide strategies developed in areas including geographic information systems (GIS), information management and walkability.

Insurance

OBJECTIVE: To provide high-quality, low-cost public liability and professional indemnity insurance products tailored for local government and other statutory authorities.

MAV Insurance Annual Report

To improve our reporting and communication to MAV Insurance members, a separate MAV Insurance Annual Report was prepared for 2012/13. Only a summary of our insurance business highlights are provided in this report. MAV Insurance provides a range of services including liability mutual insurance and commercial crime insurance. The full report includes greater detail of MAV Insurance activities, the Chairman's report, governance arrangements and financial statements.



Liability Mutual Insurance

Reinsuring performance

Deterioration in claims performance, leading to increased reinsurance costs and net claim liabilities challenged the operations of the Liability Mutual Insurance scheme. Rising property damage and personal injury claims led to the scheme's actuary increasing the claims provisions for previous fund years. A new three-year reinsurance agreement was negotiated ahead of the 2013/14 year, securing continued coverage in the international reinsurance market.

Review for value

The review of our administrative structure and costs will result in savings of \$1 million annually commencing 2013/14. In response to the increasing claims environment, a review of LMI's risk management services targeted future resources and performance efforts towards members with the highest claims record. The revised suite of services aims to reduce the incidence of claims and ultimately the cost to members. Member premiums were also reviewed and the LMI pricing model revised so that each member's contribution better reflects their inherent risk and claims records. This approach ensures members who undertake work to reduce their risks and claims see this effort reflected in their premiums.

Boosting service quality

A tender was conducted for our legal panel and cost consultants to ensure that the scheme continues to receive value for money for these services. The MAV also appointed an in-house legal counsel to boost our capacity to provide members with timely and accurate advice. A monthly bulletin was introduced as a new means of communicating with members, containing important insurance, risk management and legal advice. Consultative committee meetings were also incorporated into the Best Practice Forums to encourage improvements in member engagement and feedback processes.

Insurance



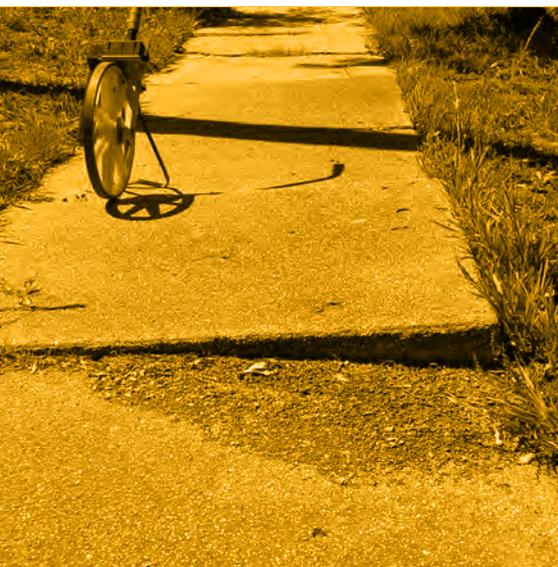
Commercial Crime Fund

The Commercial Crime Fund covers local authorities against losses from a fraudulent or dishonest act committed by an employee or third party. It is a mutual insurance scheme that exists solely for the benefit of its members. The fund used the market power of its 92 members to obtain the broadest insurance cover, with significant sums insured at very competitive rates. Three claims totalling around \$650 000 were received during the financial year.



Healthy employees

Eighty four member organisations, with 2 323 staff, took advantage of health cover under the Local Government Employee (LGE) Health Plan, delivered in partnership with Health Link, to assist in positioning councils as an employer of choice. Eligible council employees, and other specified organisations that participate in the health plan, benefit through reduced hospital premiums and, if hospitalised, a refund of the member's excess payment is made by the MAV. A total of 5 729 people were covered by the plan, and the 471 claims received during the year resulted in employees benefitting from excess reimbursements of \$153 755.



Human services and public health

OBJECTIVE: To champion the sector position and influence Federal and State policy, planning and funding for social and community services and public health, and build councils' capacity to meet their community's needs.

Prevention is the best medicine

The Prevention Community Model, an Australian-first partnership supported by the MAV and the Victorian Government, has boosted councils' innovative work to stop the rise in preventable chronic diseases. The model is now active in 12 sites, with forums held to support senior council staff to progress the project, and develop their 2013 Municipal Public Health and Wellbeing Plans. A Statement of Commitment supporting investment in preventative health was also signed by the MAV, Minister for Health and 14 mayors from participating councils. The Healthy Together initiative further advanced councils' work to improve community health and wellbeing through forums, bulletins, network meetings and resources.

The face and future of youth

A State Government-funded research project reported on council investment and activity in youth services, with a particular focus on vulnerable young people. The MAV and Youth Partnerships Secretariat conducted face-to-face interviews with over 50 councils to shape a discussion paper on local government's role. The directions, endorsed by the sector, were further explored in the final report, Local Government and Vulnerable Young People. Joint advocacy by the MAV and councils helped to ensure the continuation of a youth focused program for a further two years.

Strong and sustainable HACC

In response to councils' concerns about the sustainability of home and community care (HACC) services, we convened a workshop and established a sustainability reference group. The Department of Health agreed to partner with us and jointly funded a review of HACC unit prices, costs and fees. The work was broadened to consider the implications and options for councils arising from the shift to a Commonwealth-managed community care program, and advocacy to maintain the strengths of the Victorian system.

Future library vision

Recurrent library funding was maintained and indexed in the Victorian Budget as promised by the Minister following 'save our libraries' sector advocacy led by the MAV. The 'Victorian Library' concept has since evolved, with the second phase of the Ministerial Advisory Council review of public libraries to improve community access and statewide sustainability of library services. Our response was informed by a workshop attended by most councils and regional libraries. We advocated for a joint governance and decision-making structure to oversee the development of a business case, and ensure system reforms don't obscure the core funding issues facing public libraries. We continue to pursue a partnership agreement with the State to underpin the joint responsibilities, and funding commitment of State and local government.



Gender equality agenda

Continuing the MAV's leadership in promoting gender equity and the prevention of violence against women (PVAW), we delivered strategic leadership engagement sessions to executive and senior management teams from nine councils. We represented and promoted councils' work and leadership role on regional, state, national and international levels, and developed a booklet showcasing the innovative work by Victorian councils, along with the MAV's own PVAW activity. A fortnightly update to almost 200 council subscribers and a statewide PVAW network is further prioritising the gender equity and preventing violence against women agenda.



Human services and public health

Building better MCH

To maintain current strengths and quality while improving outcomes for vulnerable children and families, the MAV led the design and consultation strategy with councils for a review of Victoria's Maternal and Child Health (MCH) system. We provided further input to the MCH review process through representation on the State Steering Committee and numerous reference groups. The review formed part of the 2012-2015 Memorandum of Understanding signed by the MAV and the Department of Education and Early Childhood Development in 2012. Opportunities were identified to build upon the MCH universal platform and increase services to those most in need.



Joined-up patchwork

We invested in and developed the Patchwork pilot project to address councils' ongoing challenge of providing coordinated service responses to vulnerable populations. Based on a UK concept, the application was refined to meet the needs of Victorian councils and services. A simple web application that connects staff from different agencies working with clients in common, Patchwork will transform the way governments interact with vulnerable families in maternal and child health and youth services. The development phase is complete and the pilot goes live in July 2013. Patchwork will improve council and agency collaboration, lead to earlier intervention where required, and deliver better outcomes for families.

Helping kinder kids flourish

Advocacy and regular meetings with Federal and State Ministers and senior officials delivered an additional \$50 million in government grants for early years capital, and further planning grants to help councils deliver three and four year-old kindergarten in a way that best meets local needs. Highlighting councils' critical role in kindergarten planning and provision influenced the Government's commitment to more formally acknowledge and support local government's role. Our partnership work with councils resulted in nearly 100 per cent of council-owned facilities, and 94 per cent of all services providing for the increase to 15 hours of kindergarten per week to local children. Over 300 participants attended MAV workshops on the national reforms, industrial and workforce arrangements, and kindergarten cluster management.



Embracing cultural diversity

Our Multicultural Committee developed a new Statement of Commitment to Cultural Diversity and we maintained our support to the Victorian Local Government Multicultural Issues Network. We hosted a multicultural communications forum attended by over 200 delegates and made a submission, based on community consultation, to the Victorian Government's Vision for Citizenship in a Multicultural Victoria review. Our engagement with State and Federal government developed better inter-governmental coordination on migrant and refugee settlement planning, and issues arising from asylum seekers living in the community. Our work also continued with the Victorian Health Promotion Foundation to support their Localities Accepting and Embracing Diversity program.

Employing Indigenous connections

A new Aboriginal Employment Adviser came on board to strengthen connections between Victorian councils and Aboriginal communities, industry and Aboriginal agencies to progress workforce opportunities. The MAV also continued its participation in the Victorian Government's Aboriginal Employment Broker network and progressed development of a statewide Local Government Aboriginal Framework through workshops with council human resource and community development managers. Funding support from the Indigenous Economic Development Unit within the Department of State Development, Business and Innovation made these initiatives possible.

Finally something fun is healthy

We established an Arts and Culture Committee to promote local government's role in cultural development, and formed an alliance with the Cultural Development Network (CDN) to support councils' skills and capacity. Federal funding was obtained with the support of the MAV for a partnership between the Australian Local Government Association and the CDN to establish a National Local Government Cultural Forum, to advocate for increased national recognition and resourcing of that role. The MAV and City of Melbourne represent Victoria on the National Forum to support councils' growing role in vibrant and diverse local cultural and arts participation as a way to achieve broader community health and wellbeing goals.

Eighty is the new fifty

The Improved Liveability for Older People project supported council efforts to enhance the lives of older people within their communities with State funding assistance. Seventeen rural and remote councils worked with elderly residents, while the MAV assisted the Department of Health with project development, support to councils, and showcasing outcomes at regional and statewide forums. We also provided advice and collected data to assist councils' elder abuse prevention work, including activities to inform home care workers and the community about this abuse and how to prevent it.



No butts about it

For the first time in several years, all 79 councils signed the new three-year service agreements to undertake tobacco education and enforcement activities. As part of this program, the MAV secured increased funding for councils to apply new smoking bans on patrolled beaches. Other implementation issues were also considered through the facilitation of working sessions between the Department of Health and affected councils. The MAV also developed a sector position on proposals and advocated on behalf of councils.

Where's that van now?

Streatrader, a new online registration system for temporary and mobile food businesses, came into use by councils and thousands of operators following completion of the MAV-managed project to build it. Streatrader benefits councils by streamlining mobile food business registration, administration and processes. It provides a valuable case study for how regulatory red tape can be reduced while still enabling businesses and councils to meet their legislative requirements.

MAV Governance

MAV Act 1907

The *Municipal Association Act 1907* defines the MAV's purpose - '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'. It establishes the MAV as a corporation with perpetual succession and requires it to provide a mutual liability insurance scheme for local government and empowers it to provide fidelity (crime) insurance.

MAV Rules

The Act 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 (Commercial 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 and monitors its performance. The State Council Annual General Meeting was brought forward to September in 2012 due to the local government elections. Members received a report from the President on the activities of the MAV and voted on the 36 motions submitted by member councils. The MAV's consolidated financials were endorsed at the May 2013 State Council, where delegates approved the Strategic Work Plan for the MAV for 2013/14 and considered a further 72 motions from member councils. For a list of MAV representatives at 30 June 2013 see page 38.

MAV Board

The MAV Board consists of thirteen board members, elected for a two-year term. Twelve board members are elected to represent a geographic grouping of councils. The representatives in each grouping elect their regional board member. The thirteenth member of the board is the President who is popularly elected by the representatives of each member council. 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 2013. For the first time ever there is a female majority on the MAV Board. Six board members were returned, including the President, and seven new board members were elected. The term of the newly elected MAV Board will end in March 2015.

BOARD MEETING ATTENDANCE 2012/13

	JUL	AUG	SEP	OCT	NOV	DEC	JAN*	FEB	MAR	APR	MAY	JUN
Jeff Amos	✓	✓	✓	✓	-	-	-	-	-	-	-	-
Ken Gale	✓	X	✓	✓	-	-	-	-	-	-	-	-
Geoff Gough	✓	✓	✓	✓	✓	✓	-	✓	-	-	-	-
Gaetano Greco	X	✓	✓	✓	✓	✓	-	✓	-	-	-	-
Lisa Mahood	✓	✓	✓	✓	✓	✓	-	✓	-	-	-	-
Reid Mather	✓	✓	✓	✓	✓	✓	-	✓	-	-	-	-
John Sipek	✓	X	✓	X	✓	✓	-	✓	-	-	-	-
David Clark	X	✓	✓	✓	✓	✓	-	✓	✓	✓	✓	X
Rod Fyffe	✓	✓	✓	X	✓	✓	-	✓	✓	✓	✓	✓
Mary Lalios	✓	X	X	✓	✓	✓	-	✓	✓	✓	X	✓
Geoff Lake	✓	✓	✓	✓	✓	✓	X	-	✓	✓	✓	✓
Bill McArthur	✓	✓	✓	✓	✓	✓	-	✓	✓	✓	✓	✓
Coral Ross	✓	X	✓	✓	✓	✓	-	✓	✓	✓	X	✓
Angela Altair	-	-	-	-	-	-	-	-	✓	✓	✓	✓
Jackie Fristacky	-	-	-	-	-	-	-	-	✓	✓	✓	✓
Ruth Gstrein	-	-	-	-	-	-	-	-	✓	✓	✓	✓
Peter Lockwood	-	-	-	-	-	-	-	-	✓	X	✓	✓
Gary Norton	-	-	-	-	-	-	-	-	✓	✓	✓	✓
Jane Rowe	-	-	-	-	-	-	-	-	✓	✓	X	✓
Debra Swan	-	-	-	-	-	-	-	-	✓	✓	✓	✓

* No meeting held in January 2013

Allowances and expenses

The Board Allowance and Expense Policy makes provision 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.

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 2011/12 and claimed in 2012/13. 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 2013 for expenses incurred in the 2012/13 year, details of which will be reflected in the 2013/14 Annual Report.

BOARD ALLOWANCES AND EXPENSES 2012/13

	ANNUAL ALLOWANCE	DATA ALLOWANCES	EXPENSES	TOTAL
Jeff Amos	4,142.76	185.40	2,188.10	6,516.26
Ken Gale	4,142.76	185.40	9,175.05	13,503.21
Geoff Gough	8,112.43	247.20	3,262.24	11,621.87
Gaetano Greco	5,523.68	247.20	1,029.62	6,800.50
Lisa Mahood	8,112.43	247.20	2,824.93	11,184.56
Reid Mather	5,523.68	247.20	4,977.31	10,748.19
John Sipek	5,523.68	247.20	702.56	6,473.44
David Clark	9,579.89	370.80	3,860.20	13,810.89
Rod Fyffe	8,285.52	370.80	11,950.69	20,607.01
Mary Lalios	9,579.89	370.80	5,960.15	15,910.84
Geoff Lake	8,285.52	370.80	1,080.56	9,736.88
Bill McArthur	59,031.36	370.80	32,381.77	91,783.93
Coral Ross	8,285.52	370.80	3,748.79	12,405.11
Angela Altair	2,761.84	123.60	1,136.36	4,021.80
Jackie Fristacky	2,761.84	123.60	2,964.93	5,850.37
Ruth Gstrein	2,761.84	123.60	2,369.41	5,254.85
Peter Lockwood	2,761.84	123.60	7,670.39	10,555.83
Gary Norton	2,761.84	123.60	2,863.30	5,748.74
Jane Rowe	2,761.84	123.60	1,510.90	4,396.34
Debra Swan	2,761.84	123.60	2,374.93	5,260.37

* President Cr Bill McArthur was also provided with full private use of a motor vehicle at a cost of \$28,960

Compliance

In addition to the requirements of the *Municipal Association Act 1907* and MAV Rules, the MAV must comply with relevant 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 Committee and the MAV Board.

Audit Committee

The Audit Committee is an independent 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 this year. 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 independent chair from September 2012 to September 2015. Michael Ulbrick was appointed as an independent member in October 2010 to September 2013. The third independent member is Michelle Dowsett, appointed May 2012. The Board is represented by the MAV President, Cr Bill McArthur and Cr Mary Lalios. Cr Coral Ross is the alternate for both the President and Cr Lalios.

In addition to monitoring the financial and risk management performance of the MAV and reviewing the annual work program of the internal and external auditors, in 2012/13 the MAV Audit Committee received reports on the Disaster Recovery and Business Continuity Plan, the IT Event Credit Card Payments Security Audit, the Event Management Audit, MAV Procurement, Records Management, and the Local Government Health Plan and MAV Insurance capital requirements. It also reviewed the performance of the MAV's external auditor.

Independent committee members receive a sitting fee for each meeting attended.

In 2012/13 the sitting fees were:

- > Chair: \$918.00
- > Independent committee members: \$612.00.

MAV Board Advisory Committees

Seven advisory groups have been established since 2009 to provide strategic advice to the MAV Board. Committees and reference groups were resolved in July 2011. Each group is chaired by an MAV board member, and provides a conduit for feedback between the group and the Board.

Membership on MAV Board advisory committees is a two year term. Expressions of interest are sought from the MAV membership in line with the Board elections. MAV Board advisory committee chairpersons are nominated by the newly-elected Board from within the new Board, also for a two year term.

The committees facilitate consultation and guide MAV policy, and position development across core policy areas. The committees are:

MAV Human Services Committee

MAV Planning Committee

MAV Environment Committee

MAV Transport and Infrastructure Committee

MAV Arts and Culture Committee

MAV Multicultural Committee

MAV Emergency Management Councillor Reference Group

Other MAV Committees

The MAV has also established and supported several other committees across major policy areas and projects, including:

MAV PROFESSIONAL DEVELOPMENT REFERENCE GROUP

Provides advice on the MAV's professional development program for councillors, identifies ongoing areas of need within the sector to be addressed, and encourages participation of colleagues in the MAV professional development program.

MAV INFORMATION AND COMMUNICATION TECHNOLOGY COMMITTEE

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

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.

MAV-DEPARTMENT OF HEALTH 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 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 HACC AND AGEING ADVISORY GROUP

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

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-CEOs AND MAYORS WINDFARM JOINT WORKING GROUP

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

LOCAL GOVERNMENT NATIVE VEGETATION WORKING GROUP

Facilitates discussion between State and local government on native vegetation management issues and the development of over-the-counter native vegetation offset schemes.

MAV IMPROVING EMERGENCY MANAGEMENT IN LOCAL GOVERNMENT PROGRAM STEERING COMMITTEE

Oversees projects to define the role of local government in emergency management, improve capability and capacity of performance and develop robust performance measures.

MAV TOBACCO ADVISORY GROUP

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

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 and learning that develop skills and expertise to strengthen the capacity of the sector to drive change.

MECC CENTRAL JOINT MANAGEMENT PANEL

Oversees the relationship between the MAV, participant councils and Datalink to identify and create opportunities for continuous improvement and innovation.

MAV RURAL LAND USE PLANNING FORUM

Provides a quarterly forum for councillors and planners to discuss and address priority rural land use planning issues.

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 2012/13, these included:

Additional Prospecting Areas in Parks Community Reference Group
ALGWA 5050 Vision Steering Group
Animal Welfare Advisory Committee
ANZAC Commemorative Naming Program Committee
Association of Regional Waste Management Groups (observer status)
Australian Packaging Covenant Council
Building Regulation Advisory Committee
Building Working Group
Bushfire Land Acquisition Panel
Bushfire Rapid Validation Taskforce
Cleaner Yarra and Bay Taskforce
Community Fire Refuges Pilot Advisory Board
Community Recovery Fund
Country Fire Authority Board
Cultural Development Network Board
Department of Education and Early Childhood Development Roundtable
Destination Excellence Building Industry Group
Development Assessment Forum
Domestic Animal Management Implementation Committee
Electric Line Clearance Consultative Committee
EPA Victoria Business Reference Group
Essential Service Commission Customer Consultative Committee
Fire Services Property Levy Implementation Committee
Forests and Timber Biosecurity Working Group
HACC Departmental Advisory Committee (Victorian Department of Health)
Heart Foundation Safe Speed Interest Group
Heart Foundation (Vic) and Quit Victoria Smoke-Free Policies Advisory Group
Independent Panel of Experts to Assess Authority to Control Wildlife Applications
Infringements Standing Advisory Committee
Local Coastal Hazard Assessments Project Control Group
Local Government Aboriginal Partnerships Project Steering Committee
Local Government Native Vegetation Working Group
Local Government - EPA Victoria - Sustainability Victoria CEO Group
Metropolitan Local Government Waste Forum
Metropolitan Transport Forum
Ministerial Advisory Council on Public Libraries
Ministerial Utilities Infrastructure Reference Panel
Municipal Emergency Management Enhancement Group
National Aged Care Home Support Advisory Group
National Local Government Cultural Forum
National Waste Policy Data Working Group
Office for Children Early Childhood Development Advisory Group
Office of Living Victoria Local Government Taskforce
Onsite Wastewater Portfolio Strategy Committee
Planning System Performance Indicators Reference Group
Powerline Bushfire Safety Taskforce Stakeholder Reference Group
Road Freight Advisory Council
Rural Landfill Risk Assessment Project Reference Group
State Coordination and Management Committee Bushfires Sub-committee
State Emergency Management Team
State Emergency Mitigation Committee
State Emergency Relief and Recovery Planning Committee
State Emergency Relief Planning Sub-committee
State Emergency Response Planning Committee
State Fire Management Planning Committee
State Health and Medical Sub-committee
State Library Advisory Committee on Public Libraries
State Social, Health and Community Recovery Planning Sub-committee
Transport Accident Commission Community Road Safety Grants Reference Group
VicHealth Alcohol Strategy Advisory Committee
VicRoads Government Reference Group Worksite Safety and Traffic Management
VicRoads Speed Limit Advisory Group
VicRoads Victorian Community Road Safety Partnership Program Reference Group
VicRoads Victorian Road-based Public Transport Advisory Council
Victorian Adaptation and Sustainability Partnership Grants Project Control Group
Victorian Adaptation and Sustainability Partnership Ministerial Advisory Committee
Victorian Agricultural Chemicals Advisory Committee
Victorian Children's Council
Victorian Coastal Strategy Implementation Coordination Committee
Victorian Commission for Liquor and Gambling Regulation Gambling Community Stakeholder Forum
Victorian Commission for Liquor and Gambling Regulation Liquor Licensing Community Stakeholder Forum
Victorian Cycling Strategy Reference Group
Victorian Emergency Animal Welfare Committee
Victorian Flood Warning Consultative Committee
Victorian Food Regulators Forum
Victorian Government Fire and Emergency Communications Committee
Victorian Government Fire Services Property Levy Working Group
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 Prevention and Population Health Advisory Board
Victorian Primary and Community Health Network
Victorian Railway Crossing Safety Steering Committee
Victorian Waterways Strategy Stakeholder Reference Committee
Women's Participation in Local Government Coalition
Worksafe Stakeholder Reference Group

The MAV team



MAV management

Rob Spence 1
Chief Executive Officer

Alison Lyon 2
Deputy Chief Executive Officer

Emma Lake 3
Manager, Emergency Management

Clare Hargreaves 4
Manager, Social Policy

Owen Harvey-Beavis 5
Manager, Research and Strategy

Ben Morris 6
Manager, Environment

Geoff Pawsey 7
Manager, Workforce and Risk Management

Debbie Smith 8
Manager, Media and Communications

Cameron Spence 9
Manager, MAV Procurement

Alison Standish 10
Manager, Human Resources and Corporate Services





MAV staff

Zara Ahmed 11
Corporate Services Officer

Polly Banks 12
Executive Assistant to CEO

Francesca Bennett 13
Media and Communications Adviser

Lloyd Brady
Swift Systems

James Cleaver 14
Policy Adviser

Heidi Cmager 15
Events Coordinator

Jo Cross 16
Contracts Manager, MAV Procurement

Amy Denahy 17
Corporate Services Officer

Jess Dohnt 18
Marketing Coordinator, MAV Procurement

Steve Downs 19
Business Manager Relationships, MAV Procurement

Claire Dunn 20
Policy Adviser

Jaclyn Felton 21
Legal and Governance Support Officer

Hannah Fitzgerald 22
Events Coordinator

Max Fonovic 40
Marketing Manager, MAV Procurement

Michael Green 41
Electronic Records Officer

Rosemary Hancock 42
Policy Adviser

Gareth Hately 43
Senior Planning Adviser

Leah Kernahan
Corporate Services Officer

Trevor Koops
Senior Economist

Ashleigh La Rocca 44
Corporate Services Officer

Gavin Mahoney 45
Senior Projects Officer

Eliza Nolan 46
Internal Communications Adviser

Candice Ong 47
Finance Officer

Andrew Rowe 48
Councillor Development Officer

Janet Umina 49
Online Communications Coordinator

Julie-Ann Undrill 50
Manager, Events and Sponsorship

Steve Vasilevski 51
IT Coordinator

Grant and other funded staff

Wendy Allan 23
Early Years Adviser

Jan Barrett 24
Early Years Consultant

Lisa Bennetto 25
Executive Officer, Local Government Information Communications Technology

Jan Black 26
Policy Adviser

Jan Bruce 27
Positive Ageing Policy Adviser

Bernie Cotter 28
Executive Officer, Association of Bayside Municipalities

Joanne Fittock 29
Maternal and Child Health Policy Adviser

Martijn Gough 30
Policy Adviser

Ros Handley 31
Project Coordinator

Kellie Nagle 32
Policy Adviser, Prevention of Violence Against Women

Con Pagonis 33
Multicultural Policy Adviser

Kevin Peachey 34
Executive Officer, Timber Towns Victoria and National Timber Councils Association; Co-ordinator, Council Alliance for a Sustainable Built Environment

Pauline Sanders 35
Policy Adviser

Clare Smith 36
Policy Adviser

Lidia Thorpe 37
Aboriginal Employment Adviser

Nicole Wakelin
Program Coordinator, Rural Councils Victoria

Karen Ward-Smith 38
Executive Officer, Public Libraries Victoria Network

Derryn Wilson 39
Home and Community Care Adviser



Corporate

Human resources

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

In 2012/13 the staffing profile of the MAV included:

- > 34 staff (30 full-time and four part-time) funded from membership subscriptions. 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.
- > 20 staff (ten full-time and ten part-time) funded from Victorian and Australian government grants or external organisations to deliver specific projects and programs to councils.
- > Eight 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 15 staff left the organisation. The employment term of two staff concluded with the end of grant-funded projects. Ten staff moved on to new career opportunities and three retired. These positions were filled through recruitment or reorganisation of responsibilities.

Events

We ran over 125 conferences, forums, workshops, and training events, attracting more than 6 000 registrations. Councillor Development Weekend, the MAV Annual Conference, Future of Local Government Summit, and Infrastructure and Asset Management Conference were among the major events staged, supporting the ongoing professional development of councillors and senior officers. We continued to host professional events that support networking and encourage leadership, professional and personal growth, and best practice across the sector.

Social media, writing for the web and accessibility courses were also provided to improve councils' online communications practices, social media presence and help them to meet their obligations under disability legislation.

Media and communications

The MAV strengthened its position as the voice of local government, receiving 2 800 total mentions in mainstream media across Victoria including 1 550 print news stories, 1 015 radio stories and 240 TV reports. Proactive media relations work promoted council elections and encouraged community members to stand for council, as well as positioning councils' views on topical issues including the Fire Services Property Levy, differential rates, the referendum, cost pressures, superannuation shortfalls and outdoor smoking bans.

CiVic Magazine was launched in December and has generated extensive positive feedback among our membership. Reporting Victorian councils' news and innovation, this quarterly publication is distributed to 2 000 CEOs, councillors and senior council managers across Victoria. CiVic's audience reach was extended nationally through the e-magazine version which receives over 5 000 views per edition, plus a free iPad app with extra, more interactive content.

Our social media audience also continued to grow. Twitter significantly expanded the reach of the MAV's opinions and views, our event promotion and profiling the good work of councils. Our twitter messages are increasingly being retweeted and our followers grew from 702 to 1 725 in the past year.

Unique visits to the public website rose nearly 35 per cent, meaning almost 98 000 people used the website at least once over the year. The members-only website also saw a 58 per cent increase in visitors in the past year.

To cater for councillors and their movements, a mobile website was launched. The website features news, events, councillor and CEO contact details, and maps locating council offices and libraries.

Savings were accomplished through the mobile website by developing a new events calendar to replace the MAV diaries previously provided to councillors. The installation of new printers also reduced our paper waste and financial costs, and redevelopment of the MAV's internal document management system increased our efficiency.

Our webcasting interface was improved to offer a better user experience in live webcasting of meetings and forums. The opportunity for live webcasts and recorded meetings provide benefits to all involved, reducing costs and travel time. Further improvements have been planned to enable mobile devices to participate in webcasts.

Secretariats

The MAV hosts the secretariat functions for several local government groups. While agreements vary, we generally provide office space, facilities and support services at an affordable cost for an officer employed to support the activities and governance arrangements of each group.

TIMBER TOWNS VICTORIA

Timber Towns Victoria (TTV) continued to provide an important service to councils affected by forestry activities through liaison with the Victorian Government, providing important information services, and facilitating a valuable statewide network. The most recent activities of TTV include the annual update of the Timber Industry Road Evaluation Study, which identified a cost of \$105 million in repairs required to timber industry-specific roads. TTV will continue advocacy for special funding to address this issue on behalf of its 21 members across regional Victoria.

COUNCIL ALLIANCE FOR A SUSTAINABLE BUILT ENVIRONMENT (CASBE)

CASBE brings together Victorian rural and urban councils committed to the creation of a sustainable built environment within and beyond their municipalities. The Alliance focuses on applying ecologically sound development principles to the built environment through the statutory planning system. Members heard many notable speakers on this topic throughout the year, and attended several meetings to assist council officers' development and networking.

ASSOCIATION OF BAYSIDE MUNICIPALITIES

The year's priorities for the Association of Bayside Municipalities (ABM) were adopted late in 2012. The Association's strategic direction for 2012-16 follows six core themes that help to frame, develop, complete and monitor actions. Managing Better Now, a comprehensive coastal assessment within Port Phillip Bay, will provide basic information on coastal processes and likely impacts, based on extreme events and climate change predictions. An informed regional picture of the management, preparation, risks and opportunities in the bay will continue to be developed. The ABM also contributed to the Boating Coastal Action Plan, Future Coasts assessments, and the Yarra and Port Phillip Bay Action Plan taskforce.

Established in 1974, the ABM comprises ten councils around Port Phillip Bay. The City of Hobsons Bay was the presidential council in 2013, with Mayor Cr Angela Altair as ABM President.

RURAL COUNCILS VICTORIA

In the second year of the Victorian Government's four-year Networked Rural Councils Program (NRCP), Rural Councils Victoria (RCV) scoped, researched and delivered 20 projects. A retail economics study was undertaken and a handbook published based on the results. A migration trends, drivers report and software tool were developed, along with a number of other resources for rural councils including a study into creative industries and opportunities paper, and tools to plan efficiently for growth.

Three training courses were run, along with a mentoring program, to select councils. The rural recruitment and retention project brochure, report and support tools were launched; a program evaluation framework for the NRCP was developed; and elections for the Chair and representatives for the RCV Executive Committee were conducted.

RCV forums were hugely successful, with around 230 delegates attending the 2013 Rural Summit. Two forums for mayors, councillors and CEOs attracted an average of 32 rural councils, where program developments and future concerns for rural councils were shared and discussed.

PUBLIC LIBRARIES VICTORIA NETWORK

The Public Libraries Victoria Network (PLVN) continued to advocate for public libraries as a key local government service and actively participated in the Ministerial Advisory Council on Public Libraries. Following release of the Stage One Report and Stage Two Discussion Paper on the Victorian Library Concept, PLVN worked with members to develop a response.

The National Year of Reading 2012 and Love 2 Read 2013 were supported by PLVN, with programs focused on the positive benefits of reading and the challenge to improve literacy levels. PLVN, in collaboration with the Alannah and Madeline Foundation, is working to ensure Victoria's public libraries are eSmart, particularly as the NBN rolls out and access to the internet and virtual resources increase.

PLVN and its members continued to work productively with a range of stakeholders, including the MAV, the State Library of Victoria, the Australian Library and Information Association and public library associations across Australia.

LOCAL GOVERNMENT INFORMATION AND COMMUNICATION TECHNOLOGY (LGICT)

The LGICT committee continued to improve council business outcomes by enhancing efficiency, productivity and innovation. Events, projects and communication forums helped to share information, issues, solutions and collaboration opportunities for improving ICT systems, services and processes. The LGICT Awards for Excellence and the innovation fellowship encouraged new ideas and best practice in council ICT projects. There was national and international interest in the LGICT annual conference this year which, along with forums, provided valuable networking and information sharing opportunities. All Victorian councils are now members of the LGICT committee.

MAV Representatives

Alpine Shire Council

Cr Peter Roper

Ararat Rural City Council

Cr Ian Wilson

Ballarat City Council

Cr Vicki Coltman

Banyule City Council

Cr Jenny Mulholland

Bass Coast Shire Council

Cr Kimberly Brown

Baw Baw Shire Council

Cr Murray Cook

Bayside City Council

Cr Felicity Frederico

Benalla Rural City Council

Cr Barbara Alexander

Boroondara City Council

Cr Coral Ross

Brimbank City Council

Mr John Watson

Buloke Shire Council

Cr Reid Mather

Campaspe Shire Council

Cr Ian Maddison

Cardinia Shire Council

Cr Brett Owen

Casey City Council

Cr Mick Morlan

Central Goldfields Shire Council

Cr John Van Beveren

Colac Otway Shire Council

Cr Steven Hart

Corangamite Shire Council

Cr Ruth Gstrein

Darebin City Council

Cr Gaetano Greco

East Gippsland Shire Council

Cr Jane Rowe

Frankston City Council

Cr Sandra Mayer

Gannawarra Shire Council

Cr Neville Goulding

Glen Eira City Council

Cr Margaret Esakoff

Glenelg Shire Council

Cr Karen Stephens

Golden Plains Shire Council

Cr Des Phelan

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 Michael Polan

Hepburn Shire Council

Cr Bill McClenaghan

Hindmarsh Shire Council

Cr Rob Gersch

Hobsons Bay City Council

Cr Angela Altair

Horsham Rural City Council

Cr David Grimble

Hume City Council

Cr Casey Nunn

Indigo Shire Council

Cr Barbara Murdoch

Kingston City Council

Cr Ron Brownlees

Knox City Council

Cr Peter Lockwood

Latrobe City Council

Cr Dale Harriman

Loddon Shire Council

Cr Gavan Holt

Macedon Ranges Shire Council

Cr John Letchford

Manningham City Council

Cr Geoffrey Gough

Mansfield Shire Council

Cr Russell Bate

Maribyrnong City Council

Cr Michael Clarke

Maroondah City Council

Cr Tony Dib

Melbourne City Council

Cr Stephen Mayne

Melton City Council

Cr Kathy Majdlik

Mildura Rural City Council

Cr Glenn Milne

Mitchell Shire Council

Cr Bill Melbourne

Moira Shire Council

Cr Brian Keenan

Monash City Council

Cr Geoff Lake

Moonee Valley City Council

Cr John Sipek

Moorabool Shire Council

Cr Tom Sullivan

Moreland City Council

Cr Lita Gillies

Mornington Peninsula Shire Council

Cr Hugh Fraser

Mount Alexander Shire Council

Cr Tim Barber

Moynes Shire Council

Cr James Purcell

Murrindindi Shire Council

Cr John Walsh

Nillumbik Shire Council

Cr Helen Coleman

Northern Grampians Shire Council

Cr Wayne Rice

Port Phillip City Council

Cr Bernadene Voss

Pyrenees Shire

Cr David Clark

Queenscliffe Borough Council

Cr Bob Merriman

South Gippsland Shire Council

Cr Kieran Kennedy

Southern Grampians Shire Council

Cr Albert Calvano

Stonnington City Council

Cr Claude Ullin

Strathbogie Shire Council

Cr Debra Swan

Surf Coast Shire Council

Cr Brian McKiterick

Swan Hill Rural City Council

Cr Gary Norton

Towong Shire Council

Cr Peter Joyce

Wangaratta Rural City Council

Cr Rozi Parisotto

Warrnambool City Council

Cr Michael Neoh

Wellington Shire Council

Cr Malcolm Hole

West Wimmera Shire Council

Cr Bruce Meyer

Whitehorse City Council

Cr Andrew Munroe

Whittlesea City Council

Cr Mary Lalios

Wodonga City Council

Cr Lisa Mahood

Wyndham City Council

Cr John Gibbons

Yarra City Council

Cr Jackie Fristacky

Yarra Ranges Shire Council

Cr Jim Child

Yarriambiack Shire Council

Cr Ray Kingston

Financial Overview

Report on financial results for the year ended 30 June 2013

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 the 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.

The Association represents local government in Victoria. One of the activities of the MAV is that it seeks out, applies for, and administers grant funds for and on behalf of its members, for the benefit of both local government and the Victorian community.

The MAV financial statements include the activities of MAV Procurement, which provides procurement services and training in procurement for MAV members; and MAV Insurance, which operates the Liability Mutual Insurance Scheme (LMI) and the Commercial Crime Fund.

Both insurance activities are nondiscretionary mutual funds and are subject to the oversight of the Association's Board, which acts through a committee of management established by the Board, the MAV Insurance Committee (MAVIC). The MAVIC carries out oversight and management of the operational activities of MAV Insurance. Jardine Lloyd Thompson Pty Ltd provides claims and risk management services to the MAV. Taylor Fry is the independent actuary; Ernst and Young is the independent auditor; and Perennial Investment Partners Ltd provides investment services and advice.

Municipal Association of Victoria

The financial result of the MAV in 2013 was again impacted by the Defined Benefit Superannuation Fund liability of \$144 797 (2012 \$671 964). The operating surplus for the year, including grant receipts, was \$309 365 (2012 deficit \$2 744 976).

The year also saw the continued development and expansion of MAV Procurement. This entity continues to improve and make major gains in contracted services resulting in increased revenues.

Combined net assets of the MAV, before including the MAV Insurance business, increased to \$4.3 million (2012 \$3.99 million). During 2013, the MAV received a further \$10.1 million in grants and other grant-related income (2012 \$7.5 million). The MAV delivered on several significant projects during the year that were funded by grants from both Australian and Victorian governments and funds contributed by members. As at 30 June 2013, the MAV had a commitment to spend \$4.72 million (2012 \$3.96 million).

The operating deficit of the combined entity has been further impacted by events in MAV Insurance including increasing claims costs and increasing costs of re-insurance premiums. The operating deficit of the combined entity was \$5.3 million (2012 deficit \$4.02 million) with net assets reducing from \$10.37 million in 2012 to \$5.05 million in 2013.

MAV Procurement

The objective of MAV Procurement is to assist members to access significant benefits through improved purchasing and procurement processes and activities. This year procurement continued to grow and consolidate its position in the sector. Sales increased by 35 per cent from last year and participation across all councils remained at a high level. Procurement was 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 also directly invested in a number of sector-wide initiatives including the street lighting project, the VMS project and the debt funding facility. The surplus for 2013 was \$116 375 (2012 surplus \$190 915).

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 to local government and other statutory authorities. MAV Insurance is not subject to Australian Prudential Regulatory Authority (APRA) regulations. However, the MAVIC views compliance with these regulations as being good business governance and practice, and has a policy of complying with several of the APRA regulations.

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 combined deficit for 2013 was \$5.63 million (2012 \$1.28 million). The net asset position at the end of 2013 was \$743 384 (2012 \$6.37 million).

Guide to the Financials

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 2013, and the results of the various business operations and cash flows for the year ended 30 June 2013, 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, web site 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.

Statements 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.



NEW COUNCILLOR
Resource Guide
A GUIDE FOR NEW COUNCILLORS
2012



MUNICIPAL ASSOCIATION OF VICTORIA

FINANCIAL REPORT 2012/13

Statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE, 2013

	NOTE	COMBINED		MAV - GENERAL FUND	
		2013 \$	2012 \$	2013 \$	2012 \$
REVENUE	4	59,198,774	48,482,276	18,018,703	15,461,027
		59,198,774	48,482,276	18,018,703	15,461,027
EXPENSES	5(b)	64,520,626	52,507,812	17,709,338	18,206,003
NET SURPLUS/(DEFICIT)	3	(5,321,852)	(4,025,536)	309,365	(2,744,976)
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(5,321,852)	(4,025,536)	309,365	(2,744,976)

Statement of financial position

AS AT 30 JUNE, 2013

	NOTE	COMBINED		MAV - GENERAL FUND	
		2013 \$	2012 \$	2013 \$	2012 \$
CURRENT ASSETS					
Cash and cash equivalents	9(a)	33,060,125	38,719,657	4,350,506	4,586,907
Trade and other receivables	10,2(f)	58,141,665	45,862,938	5,786,459	4,137,335
Prepayments		139,103	98,939	137,301	97,810
TOTAL CURRENT ASSETS		91,340,893	84,681,534	10,274,266	8,822,052
NON-CURRENT ASSETS					
Trade and other receivables	10,2(f)	47,988,273	53,442,452	-	-
Property, plant and equipment	12,2(h)	588,857	780,945	431,019	591,542
Intangibles	13,2(h)	228,440	249,704	143,182	131,458
TOTAL NON-CURRENT ASSETS		48,805,570	54,473,101	574,201	723,000
TOTAL ASSETS		140,146,463	139,154,635	10,848,467	9,545,052
CURRENT LIABILITIES					
Trade and other payables		7,284,084	6,327,248	4,129,634	3,522,942
Premiums in advance	11	28,965,483	24,210,449	-	-
Provision for employee entitlements	17	690,134	765,906	690,134	765,906
Provision for claims outstanding	14(a),2(s)	21,126,609	18,079,388	-	-
Other current liabilities		725,173	406,823	725,173	406,823
TOTAL CURRENT LIABILITIES		58,791,483	49,789,814	5,544,941	4,695,671
NON-CURRENT LIABILITIES					
Provision for employee entitlements	17	96,714	52,402	96,714	52,402
Provision for claims outstanding	14(a),2(s)	75,308,067	78,140,836	-	-
Unfunded superannuation liability		603,935	674,749	603,935	674,749
Other non-current liabilities		299,070	127,788	299,070	127,788
TOTAL NON-CURRENT LIABILITIES		76,307,786	78,995,775	999,719	854,939
TOTAL LIABILITIES		135,099,269	128,785,589	6,544,660	5,550,610
NET ASSETS		5,047,194	10,369,046	4,303,807	3,994,442
EQUITY		5,047,194	10,369,046	4,303,807	3,994,442

The accompanying notes form an integral part of these statements.

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE, 2013

NOTE	COMBINED		MAV - GENERAL FUND	
	2013	2012	2013	2012
	\$	\$	\$	\$
RETAINED EARNINGS				
Balance at beginning of year	10,369,046	14,394,582	3,994,442	6,739,418
Surplus (deficit) from ordinary activities	(5,321,852)	(4,025,536)	309,365	(2,744,976)
BALANCE AT END OF YEAR	5,047,194	10,369,046	4,303,807	3,994,442

Statement of cash flows

FOR THE YEAR ENDED 30 JUNE, 2013

NOTE	COMBINED		MAV - GENERAL FUND	
	2013	2012	2013	2012
	\$	\$	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES				
RECEIPTS				
Subscriptions, grants and fees	45,804,358	47,695,650	25,793,202	24,736,481
Investment income	2,276,692	2,805,657	252,869	283,889
Reinsurance and other recoveries	19,071,501	11,484,989	-	-
PAYMENTS				
Suppliers	(46,494,882)	(51,322,490)	(26,193,173)	(27,551,227)
Claim payments	(26,227,902)	(11,382,656)	-	-
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	9(b) (5,570,233)	(718,850)	(147,102)	(2,530,857)
CASH FLOW FROM INVESTING ACTIVITIES				
Proceeds from sale of fixed assets	123,470	101,652	123,470	101,652
Payments for fixed assets and intangibles	(212,769)	(287,152)	(212,769)	(207,279)
NET CASH USED IN INVESTING ACTIVITIES	(89,299)	(185,500)	(89,299)	(105,627)
NET (DECREASE)/INCREASE IN CASH HELD	(5,659,532)	(904,350)	(236,401)	(2,636,484)
Cash at beginning of year	38,719,657	39,624,007	4,586,907	7,223,391
CASH AT END OF YEAR	9(a) 33,060,125	38,719,657	4,350,506	4,586,907

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 2013

1. CORPORATE INFORMATION

The combined financial report of Municipal Association of Victoria for the year ended 30 June 2013 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 provide a public liability insurance scheme for local government
- to arrange fidelity insurance for local government
- 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 serve the interests of the Victorian community.

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 2013 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 2013	Nil	1 July 2013
AASB 119	Employee benefits	1 July 2013	Nil	1 July 2013
AASB 1053	Application of tiers of Australian accounting standards	1 July 2013	Nil	1 July 2013

(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 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 Association is exempt from income tax, in accordance with sections 50-10 and 50-25 of the *Income Tax Assessment Act 1997*.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

(e) Cash and cash equivalents

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

(f) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised 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, website and other 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 2013

(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.

(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

(i) Interest revenue - Interest revenue is recognised on a time-proportionate basis that takes into account the effective yield on the financial asset on an accrual basis.

(ii) Grant 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.

(iii) Subscriptions and sponsorships - Subscriptions and sponsorships are recognised on an accrual basis.

(l) Brokerage and management fees income

Brokerage and management fees comprise amounts received from third parties and members to manage the MAV Insurance business and the various grants provided by Federal and State Government and private enterprise.

(m) 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.

(n) Other financial assets

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

(o) Comparative figures

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

(p) Cash flows

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

(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 receivable

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 billed in advance'.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

SUMMARY OF ACCOUNTING POLICIES RELATING TO INSURANCE ACTIVITIES

(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 normal and superimposed inflation to be 0% (2012 0%) and the discount rate at 3.25% (2012 3%).

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 to bring values of cash backed unit trusts to account as investment income.
- (iv) Performance bonus - on an accruals basis when firm evidence is available confirming the amount and indicating payments.

(v) 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 2013

	NOTE	COMBINED	
		2013 \$	2012 \$
3. CONTRIBUTION TO OPERATING SURPLUS			
CONTRIBUTION FROM INSURANCE ACTIVITIES			
Premium income		24,210,450	21,945,978
Performance bonus	26	319,750	678,475
Reinsurance expense	2(v)	(13,509,021)	(13,326,687)
NET PREMIUM INCOME		11,021,179	9,297,766
Claims expense	5(a)	(26,749,499)	(14,405,769)
Reinsurance and other recoveries	2(t)	15,940,791	8,834,440
NET CLAIMS EXPENSE	15	(10,808,708)	(5,571,329)
NET UNDERWRITING RESULT			
Fees received		222,014	247,494
Investment income		1,858,850	2,689,461
Administration and general expenses		(7,924,552)	(7,943,952)
INSURANCE ACTIVITY OPERATING SURPLUS		(5,631,217)	(1,280,560)
MAV SURPLUS (DEFICIT)		309,365	(2,744,976)
OPERATING SURPLUS (DEFICIT)		(5,321,852)	(4,025,536)

	NOTE	COMBINED		MAV - GENERAL FUND	
		2013 \$	2012 \$	2013 \$	2012 \$
4. REVENUE					
REVENUES FROM OPERATING ACTIVITIES					
Subscriptions/premiums		26,727,736	24,334,544	2,540,359	2,410,761
Reinsurance and other recoveries	2(t)	15,940,791	8,834,440	-	-
Performance bonus	26	319,750	678,475	-	-
Brokerage fees		1,353,322	1,487,900	1,353,322	1,487,900
Management fee income		452,987	371,155	1,579,684	1,476,065
Seminars and sale of publications		1,061,439	1,150,389	1,061,439	1,150,389
Project, sponsorship, management and rental income		2,935,416	3,665,548	2,935,416	3,665,548
Grant income		8,292,507	4,950,936	8,292,507	4,950,936
TOTAL REVENUE FROM OPERATING ACTIVITIES		57,083,948	45,473,387	17,762,727	15,141,599
REVENUES FROM NON-OPERATING ACTIVITIES					
Investment income		2,084,960	3,000,954	226,110	311,493
Gain on disposal of non-current assets		29,866	7,935	29,866	7,935
TOTAL REVENUE FROM OUTSIDE THE OPERATING ACTIVITIES		2,114,826	3,008,889	255,976	319,428
TOTAL REVENUE		59,198,774	48,482,276	18,018,703	15,461,027

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	COMBINED	
		2013	2012
		\$	\$
5(a) CLAIMS EXPENSES			
Paid		26,535,047	11,908,234
Outstanding claims at end of financial year	14(a)	96,434,676	96,220,224
Outstanding claims at beginning of financial year		(96,220,224)	(93,722,689)
TOTAL CLAIMS EXPENSES	2(s)	26,749,499	14,405,769

	NOTE	COMBINED		MAV - GENERAL FUND	
		2013	2012	2013	2012
		\$	\$	\$	\$
5(b) OPERATING EXPENSES					
The following items have been recognised in the operating surplus:					
Reinsurance expense		13,509,021	13,326,687	-	-
Claims expense		26,749,499	14,405,769	-	-
Claims handling cost		-	99,221	-	-
Scheme management fee	8	3,258,301	3,152,543	-	-
Administration		2,238,178	2,873,167	1,290,021	1,857,694
ALGA membership		408,902	394,248	408,902	394,248
Amortisation of website, educational programs and trademarks		77,314	91,309	44,326	72,105
Audit fees		156,983	176,909	40,826	43,448
Board of management expenses		258,616	238,888	258,616	238,888
Depreciation furniture and equipment		52,141	86,673	40,296	74,827
Depreciation motor vehicles		105,765	105,990	105,765	105,990
Depreciation information technology equipment		59,748	57,695	59,748	57,695
Depreciation leasehold improvements		39,005	45,898	19,285	26,177
Grants, projects and legal		7,711,206	7,159,964	7,711,206	7,159,964
Legal and actuarial fees		361,921	296,471	-	9,127
Meetings and seminars		1,348,916	1,402,757	1,348,916	1,402,757
Operating lease rental expense		647,090	752,963	635,377	740,983
Salary and payroll costs		5,746,054	6,022,100	5,746,054	6,022,100
Stamp duty		1,791,966	1,818,560	-	-
TOTAL EXPENDITURE		64,520,626	52,507,812	17,709,338	18,206,003

6. LEASING COMMITMENTS

Operating lease commitments, being for lease of new OCE and OCE colour copiers

Not later than one year	24,570	26,400	24,570	26,400
Later than one year but not later than five years	65,522	66,000	65,522	66,000
TOTAL LEASE COMMITMENT	90,092	92,400	90,092	92,400

Operating lease commitments, being for lease of leasehold premises:

Not later than one year	734,988	701,648	734,988	701,648
Later than one year but not later than five years	4,140,172	2,249,283	4,140,172	2,249,283
Later than five years	3,415,876	-	3,415,876	-
TOTAL LEASE COMMITMENT	8,291,036	2,950,931	8,291,036	2,950,931

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

NOTE	COMBINED		MAV - GENERAL FUND	
	2013 \$	2012 \$	2013 \$	2012 \$
7. AUDITORS REMUNERATION				
Amounts received or due and receivable for audit services:				
Audit services	156,983	138,550	40,826	24,600
Other services	-	38,359	-	18,848
TOTAL AUDITORS REMUNERATION	156,983	176,909	40,826	43,448

NOTE	COMBINED		MAV - GENERAL FUND	
	2013 \$	2012 \$	2013 \$	2012 \$
8. SCHEME MANAGEMENT FEES				
Scheme management fees are paid to the scheme manager for:				
Reinsurance placement	1,886,120	1,886,120		
Risk management and administrative services	1,372,181	1,266,423		
Total administration	5(b) 3,258,301	3,152,543		
Claims management (included in claims expenses)	1,053,934	1,052,758		
TOTAL SCHEME MANAGEMENT FEES	4,312,235	4,205,301		

NOTE	COMBINED		MAV - GENERAL FUND	
	2013 \$	2012 \$	2013 \$	2012 \$
9(a) NOTES TO STATEMENT OF CASH FLOWS				
Cash and cash equivalents at balance date as shown in the Statement of Cash Flows are held in Standard & Poor's rated AA and AAF cash deposits and reconciled to the related items in the Statement of Financial Position as follows:				
Cash at bank	5,796,406	8,534,026	4,350,506	4,586,907
Other financial assets	27,263,719	30,185,631	-	-
TOTAL CASH AND CASH EQUIVALENTS	33,060,125	38,719,657	4,350,506	4,586,907

9(b) Reconciliation of net cash used in operating activities to operating profit (loss)				
Profit (loss) for year	(5,321,852)	(4,025,536)	309,365	(2,744,976)
Depreciation	256,658	296,257	225,093	264,689
Amortisation	77,314	91,310	44,326	72,105
(Surplus)/deficit on disposal of assets	(29,866)	(7,935)	(29,866)	(7,934)
Changes in assets and liabilities				
(Increase)/decrease in accounts receivable	2(f) (6,824,458)	438,604	(1,649,034)	2,036,879
(Increase)/decrease in prepayments	(40,164)	(12,248)	(39,489)	(11,572)
Increase/(decrease) in accounts payable	956,837	724,997	606,691	654,238
Increase/(decrease) in provision for employee entitlements	(31,460)	14,678	(31,460)	14,678
Increase/(decrease) in outstanding claims	2(s) 214,452	2,307,431	-	-
Increase/(decrease) in accrued revenue	4,755,035	2,262,556	-	-
Increase/(decrease) in other liabilities	417,271	(2,808,964)	417,271	(2,808,964)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(5,570,233)	(718,850)	(147,102)	(2,530,857)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	COMBINED		MAV - GENERAL FUND	
		2013	2012	2013	2012
		\$	\$	\$	\$
10. RECEIVABLES					
Future reinsurance and other recoveries receivable	2(t)	73,772,856	78,128,664	-	-
Discount to present value		(6,341,639)	(7,964,231)	-	-
		67,431,217	70,164,433	-	-
Less doubtful debts		-	-	-	-
Premiums receivable	2(r)	31,862,031	24,094,922	-	-
Other receivables		6,836,690	5,046,035	5,786,459	4,137,335
TOTAL RECEIVABLES		106,129,938	99,305,390	5,786,459	4,137,335
Represented by:					
Current		58,141,665	45,862,938	5,786,459	4,137,335
Non-current		47,988,273	53,442,452	-	-
TOTAL		106,129,938	99,305,390	5,786,459	4,137,335

The ageing analysis of trade receivables are as follows:

	TOTAL	<30 days	31-60 days	61-90 days	>90 days
2013					
Combined	39,573,851	38,706,877	156,514	317,304	393,156
MAV General Fund	6,659,788	6,080,958	168,370	317,304	93,156
2012					
Combined	29,175,329	28,899,976	192,020	405	82,928
MAV General Fund	3,856,846	3,581,493	192,020	405	82,928

	NOTE	COMBINED		MAV - GENERAL FUND	
		2013	2012	2013	2012
		\$	\$	\$	\$
11. PREMIUMS IN ADVANCE					
Contributions billed in advance		28,965,483	24,210,449	-	-
12. PROPERTY, PLANT AND EQUIPMENT					
Leasehold improvements - at cost		892,633	877,799	713,192	698,358
Less accumulated depreciation		(746,645)	(707,640)	(665,811)	(646,526)
		145,988	170,159	47,381	51,832
Furniture and equipment - at cost		861,467	858,074	763,447	760,054
Less accumulated depreciation		(780,541)	(728,400)	(741,752)	(701,456)
		80,926	129,674	21,695	58,598
Motor vehicles - at cost		460,317	564,532	460,317	564,532
Less accumulated depreciation		(161,850)	(180,786)	(161,850)	(180,786)
		298,467	383,746	298,467	383,746
Information technology equipment - at cost		714,569	688,711	714,569	688,711
Less accumulated depreciation		(651,093)	(591,345)	(651,093)	(591,345)
		63,476	97,366	63,476	97,366
TOTAL PROPERTY, PLANT AND EQUIPMENT		588,857	780,945	431,019	591,542

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

NOTE	COMBINED		MAV - GENERAL FUND	
	2013 \$	2012 \$	2013 \$	2012 \$
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	170,159	216,057	51,832	78,008
Additions	14,834	-	14,834	-
Disposals	-	-	-	-
Depreciation	(39,005)	(45,898)	(19,285)	(26,176)
End of year	145,988	170,159	47,381	51,832
FURNITURE AND EQUIPMENT				
Movements during the year				
Beginning of year	129,674	206,798	58,598	123,876
Additions	3,393	9,549	3,393	9,549
Disposals	-	-	-	-
Depreciation	(52,141)	(86,673)	(40,296)	(74,827)
End of year	80,926	129,674	21,695	58,598
MOTOR VEHICLES				
Movements during the year				
Beginning of year	383,746	449,337	383,746	449,337
Additions	112,634	119,139	112,634	119,139
Disposals	(92,148)	(78,740)	(92,148)	(78,740)
Depreciation	(105,765)	(105,990)	(105,765)	(105,990)
End of year	298,467	383,746	298,467	383,746
INFORMATION TECHNOLOGY EQUIPMENT				
Movements during the year				
Beginning of year	97,366	141,519	97,366	141,519
Additions	25,858	30,272	25,858	30,272
Disposals	-	(16,730)	-	(16,730)
Depreciation	(59,748)	(57,695)	(59,748)	(57,695)
End of year	63,476	97,366	63,476	97,366

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	COMBINED		MAV - GENERAL FUND	
		2013 \$	2012 \$	2013 \$	2012 \$
13. INTANGIBLE ASSETS					
Trademarks and intellectual property		857,051	800,999	719,600	663,549
Less accumulated amortisation		(628,611)	(551,295)	(576,418)	(532,091)
		228,440	249,704	143,182	131,458
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		249,704	211,068	131,458	153,490
Additions		56,050	145,330	56,050	65,458
Disposals		-	(15,385)	-	(15,385)
Amortisation		(77,314)	(91,309)	(44,326)	(72,105)
End of year		228,440	249,704	143,182	131,458

	NOTE	COMBINED	
		2013 \$	2012 \$
14(a) OUTSTANDING CLAIMS			
Central estimate		106,181,443	101,987,759
Discount to present value		(10,284,437)	(11,298,096)
		95,897,006	90,689,663
Claims handling costs		537,670	630,333
Risk margin	14(b)	-	4,900,228
TOTAL OUTSTANDING CLAIMS		96,434,676	96,220,224
Comprising:			
Current		21,126,609	18,079,388
Non-current		75,308,067	78,140,836
TOTAL CLAIMS PROVISION	2(s)	96,434,676	96,220,224

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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

During the 2013 financial year the MAV revised their estimation process for valuing outstanding claims. In prior years, the MAV adopted a probability of sufficiency of 75% which was subsequently revised to 50% during the current financial year. This has resulted in a reduction to the risk margin of 20% and the outstanding claims provision reflecting the central estimate. The effect of the change in the accounting treatment on the Statement of Financial Position and Statement of Comprehensive Income is outlined

	2013 (before)	COMBINED Effect of change in accounting estimate	2013 (after)
STATEMENT OF FINANCIAL POSITION			
TOTAL ASSETS	140,146,463	-	140,146,463
LIABILITIES			
CURRENT LIABILITIES			
Provision for claims outstanding	22,347,404	1,220,795	21,126,609
NON-CURRENT LIABILITIES			
Provision for claims outstanding	79,659,720	4,351,653	75,308,067
TOTAL LIABILITIES	140,671,717	5,572,448	135,099,269
NET ASSETS	(525,254)	5,572,448	5,047,194
EQUITY	(525,254)	5,572,448	5,047,194
STATEMENT OF COMPREHENSIVE INCOME			
NET PREMIUM INCOME			
Claims expense	32,321,947	5,572,448	(26,749,499)
TOTAL COMPREHENSIVE INCOME/(LOSS)	(10,894,300)	5,572,448	(5,321,852)

	2013			2012		
	GROSS \$	REINSURANCE \$	NET \$	GROSS \$	REINSURANCE \$	NET \$
14(c) RECONCILIATION OF MOVEMENT IN DISCOUNTED OUTSTANDING CLAIMS LIABILITY						
Outstanding claims brought forward	96,220,224	70,164,433	26,055,791	93,722,689	70,751,776	22,970,913
Changes in assumptions	20,580,880	20,247,149	333,731	11,099,705	7,397,698	3,702,007
Increase in claims incurred/recoveries anticipated	5,114,682	(4,341,117)	9,455,799	2,253,307	1,431,843	821,464
Included claims recognised in income statement	25,695,562	15,906,032	9,789,530	13,353,012	8,829,541	4,523,471
Claim payments/recoveries during the year	(25,481,110)	(18,639,248)	(6,841,862)	(10,855,477)	(9,416,884)	(1,438,593)
Outstanding claims carried forward	96,434,676	67,431,217	29,003,459	96,220,224	70,164,433	26,055,791
	CURRENT YEAR \$	2013 PRIOR YEAR \$	TOTAL \$	CURRENT YEAR \$	2012 PRIOR YEAR \$	TOTAL \$
15. NET CLAIMS INCURRED						
Gross claims and related expenses - undiscounted	24,117,403	1,618,435	25,735,838	22,110,561	(6,451,972)	15,658,589
Discount	(2,728,898)	3,742,559	1,013,661	(2,444,593)	1,191,773	(1,252,820)
Gross claims and related expenses - discounted	21,388,505	5,360,994	26,749,499	19,665,968	(5,260,199)	14,405,769
Reinsurance and other recoveries - undiscounted	(13,689,677)	(618,655)	(14,308,332)	(11,050,667)	963,983	(10,086,684)
Discount	394,733	(2,027,192)	(1,632,459)	104,080	1,148,164	1,252,244
Reinsurance and other recoveries - discounted	(13,294,944)	(2,645,847)	(15,940,791)	(10,946,587)	2,112,147	(8,834,440)
NET CLAIMS INCURRED	8,093,561	2,715,147	10,808,708	8,719,381	(3,148,052)	5,571,329

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

16. CLAIMS DEVELOPMENT TABLE

ACCIDENT YEAR	2009 \$	2010 \$	2011 \$	2012 \$	2013 \$	TOTAL \$
GROSS ESTIMATE OF ULTIMATE CLAIMS COST - LIABILITY MUTUAL INSURANCE						
At end year of accident	33,095,464	20,293,152	28,063,635	21,064,708	23,083,333	
One year later	41,692,816	22,682,968	24,589,379	20,109,939	-	
Two years later	32,781,490	18,260,706	29,661,644	-	-	
Three years later	32,282,253	16,605,208	-	-	-	
Four years later	33,874,556	-	-	-	-	
Current estimate of cumulative claims cost	33,874,556	16,605,208	29,661,644	20,109,939	23,083,333	123,334,680
Cumulative payments	(20,787,837)	(4,693,696)	(7,576,021)	(1,211,362)	(409,054)	(34,677,970)
Outstanding claims - undiscounted	13,086,719	11,911,512	22,085,623	18,898,577	22,674,279	88,656,710
Discount						(9,189,792)
Claims handling expense						549,672
2008 and prior						16,418,086
LIABILITY MUTUAL INSURANCE - TOTAL GROSS OUTSTANDING CLAIMS						96,434,676
COMBINED GROSS OUTSTANDING CLAIMS						96,434,676
NET ESTIMATE OF ULTIMATE CLAIMS COST - LIABILITY MUTUAL INSURANCE						
At end year of accident	28,615,874	8,883,685	11,576,465	8,710,223	8,122,534	
One year later	19,307,213	9,429,739	8,098,820	7,441,671	-	
Two years later	14,069,608	7,185,550	11,987,795	-	-	
Three years later	16,406,929	6,352,770	-	-	-	
Four years later	17,537,555	-	-	-	-	
Current estimate of cumulative claims cost	17,537,555	6,352,770	11,987,795	7,441,671	8,122,534	51,442,325
Cumulative payments	(9,961,005)	(2,421,081)	(4,342,723)	(672,045)	(233,429)	(17,630,283)
Outstanding claims - undiscounted	7,576,550	3,931,689	7,645,072	6,769,626	7,889,105	33,812,042
Discount						(4,132,380)
Claims handling expense						208,767
2008 and prior						(884,970)
LIABILITY MUTUAL INSURANCE - TOTAL NET OUTSTANDING CLAIMS						29,003,459
COMBINED NET OUTSTANDING CLAIMS						29,003,459

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 2013

NOTE	COMBINED		MAV - GENERAL FUND	
	2013	2012	2013	2012
	\$	\$	\$	\$
17. PROVISIONS FOR EMPLOYEE ENTITLEMENTS				
The aggregate amount of employee entitlement liability is comprised of:				
Provisions (current)	690,134	765,906	690,134	765,906
Provisions (non-current)	96,714	52,402	96,714	52,402
TOTAL EMPLOYEE ENTITLEMENTS	786,848	818,308	786,848	818,308
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				
Beginning of year	818,308	803,630	818,308	803,630
Additions	(31,460)	14,678	(31,460)	14,678
END OF YEAR	786,848	818,308	786,848	818,308

18. SUPERANNUATION CONTRIBUTION

The Municipal Association of Victoria contributes in respect of its employees to both the Vision Super Superannuation Fund's Accumulation Fund and the Defined Benefit Fund.

The amount of superannuation contributions paid by the Municipal Association of Victoria to the Vision Super Accumulation Fund and the Defined Benefit Fund during the reporting period was \$573,510 (2012 \$1,078,590). The Municipal Association of Victoria contributes to the Accumulation Fund based on a fixed percentage of employee earnings in accordance with the Superannuation Guarantee Legislation, of 9% in 2013 and 9% in 2012. No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Contributions to the Defined Benefit Fund are determined by the Scheme's actuary. The Fund's liability for accrued benefits for defined benefit and defined contribution members was determined on the 31 December 2011 by an actuarial investigation carried out by Vision Super pursuant to the requirements of Australian Accounting Standard AASB 2005-13. The actuarial review calculated that the Defined Benefit Superannuation Fund was in deficit and a call was made on members. During the year the Municipal Association of Victoria accrued its share of the call amounting to \$144,797 (2012 \$671,964) within the superannuation contributions paid.

19. GOVERNMENT GRANTS

The Association receives 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 \$4,719,547 (2012 \$3,975,656) after deducting an estimate of costs of administering the grants.

	COMBINED		MAV - GENERAL FUND	
	2013	2012	2013	2012
	\$	\$	\$	\$
RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME				
Grant income	8,292,507	4,950,936	8,292,507	4,950,936

The Association does not receive any other government assistance.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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
	\$	\$	\$	\$
2013				
FINANCIAL ASSETS				
Cash at bank	-	5,796,406	-	4,350,505
Other financial assets	-	27,263,719	-	-
Trade and other receivables	106,129,938	-	5,786,459	-
TOTAL FINANCIAL ASSETS	106,129,938	33,060,125	5,786,459	4,350,505
Weighted average interest rate		5.8%		5.1%
FINANCIAL LIABILITIES				
Outstanding claims	96,434,676	-	-	-
Unearned premiums/subscriptions	28,965,483	-	-	-
Trade and other payables	7,284,084	-	4,129,634	-
TOTAL FINANCIAL LIABILITIES	132,684,243	-	4,129,634	-
Weighted average interest rate		0%		0%

The cash at bank and other financial assets are level 1 financial assets in accordance with AASB7 financial instruments. The carrying amounts of financial assets and financial liabilities represent their approximate net fair value.

All maturity dates are within twelve months.

	COMBINED		MAV - GENERAL FUND	
	Non-interest earning	Floating interest rate	Non-interest earning	Floating interest rate
	\$	\$	\$	\$
2012				
FINANCIAL ASSETS				
Cash at bank	-	8,534,026	-	4,586,907
Other financial assets	-	30,185,631	-	-
Trade and other receivables	99,305,390	-	4,137,335	-
TOTAL FINANCIAL ASSETS	99,305,390	38,719,657	4,137,335	4,586,907
Weighted average interest rate		8.0%		5.0%
FINANCIAL LIABILITIES				
Outstanding claims	96,220,224	-	-	-
Unearned premiums/subscriptions	24,210,449	-	-	-
Trade and other payables	7,001,997	-	4,197,691	-
TOTAL FINANCIAL LIABILITIES	127,432,670	-	4,197,691	-
Weighted average interest rate		0%		0%

Cash at bank and other financial assets are level 1 financial assets in accordance with AASB7 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 2013

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 2013. Cash flows for financial assets and liabilities without fixed amount or timing are based on conditions existing at 30 June 2013.

The remaining contractual maturities of the financial liabilities are:

	COMBINED		MAV - GENERAL FUND	
	2013 \$	2012 \$	2013 \$	2012 \$
3 months or less	19,829,065	17,496,792	4,129,634	4,197,691
3-12 months	39,405,142	33,230,236	1,415,307	1,172,729
1-5 years	62,109,133	55,803,950	999,719	180,190
Over 5 years	24,040,367	33,552,706	-	-
	145,383,707	140,083,684	6,544,660	5,550,610

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 2013	<3 months	3-12 months \$	1-5 years \$	>5 years \$	TOTAL \$
COMBINED					
FINANCIAL ASSETS					
Cash and cash equivalents	33,060,125	-	-	-	33,060,125
Trade and other receivables	45,474,195	12,895,267	38,963,748	15,138,367	112,471,577
TOTAL FINANCIAL ASSETS	78,534,320	12,895,267	38,963,748	15,138,367	145,531,702
COMBINED					
FINANCIAL LIABILITIES					
Outstanding claims	5,392,333	16,177,000	61,109,414	24,040,367	106,719,114
Unearned premiums/subscriptions	7,241,371	21,724,112	-	-	28,965,483
Trade and other payables	7,195,361	88,723	-	-	7,284,084
Other liabilities	-	1,415,307	999,719	-	2,415,026
TOTAL FINANCIAL LIABILITIES	19,829,065	39,405,142	62,109,133	24,040,367	145,383,707
NET MATURITY	58,705,255	(26,509,875)	(23,145,385)	(8,902,000)	147,995
PARENT					
FINANCIAL ASSETS					
Cash and cash equivalents	4,350,506	-	-	-	4,350,506
Trade and other receivables	5,786,459	-	-	-	5,786,459
TOTAL FINANCIAL ASSETS	10,136,965	-	-	-	10,136,965
PARENT					
FINANCIAL LIABILITIES					
Trade and other payables	4,129,634	-	-	-	4,129,634
Other liabilities	-	1,415,307	999,719	-	2,415,026
TOTAL FINANCIAL LIABILITIES	4,129,634	1,415,307	999,719	-	6,544,660
NET MATURITY	6,007,331	1,415,307	999,719	-	3,592,305

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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 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 Committee 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 30th June. Payment of the annual contribution confirms continuation of membership. Termination of membership is subject to at least 90 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.

The Scheme is a nondiscretionary 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 2013

20. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

		CREDIT RATING						TOTAL \$m
		AAA +/- \$m	AA +/- \$m	A +/- \$m	BBB \$m	Speculative grade \$m	Not rated \$m	
		Reinsurance and other recoveries on outstanding claims	2013	-	0.128	22.723	-	
	2012	-	0.431	32.22	-	-	0.454	33.105
Reinsurance and other recoveries on paid claims	2013	-	0.173	2.862	-	-	0.759	3.794
	2012	-	0.022	1.378	-	-	0.757	2.157

		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	2013	-	2.137	0.847	0.047	
	2012	-	1.053	0.347	0.026	-	0.731	2.157

Interest rate risk

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 2013 \$	Total accumulated Funds after the impact of applying variable \$
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IMPACT OF CHANGES IN INTEREST RATES

LIABILITY MUTUAL INSURANCE

Base value at 30 June 2013	3.25%		(5,627,410)	306,085
Interest rate pa		3.75%	(5,087,410)	846,085
		2.75%	(6,167,410)	(233,915)

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 AA and AAF rated cash deposits.

Price risk

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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 2013
- (iii) An allowance of 0.6% for claim settlement expenses, as assumed by the Actuary
- (iv) Allowances for claim inflation of 3.4%, as assumed by the Actuary
- (v) Allowances for discount at 3.25%, 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.

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 2013, taking into account the reinsurance terms applying to that fund year.

In accordance with the Actuarial recommendations an allowance was made for non-recoveries from relevant insurers.

22. ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial assumptions

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

	2013	2012
KEY ACTUARIAL ASSUMPTIONS		
Wage inflation	3.4%	3.25%
Claim administration expense	0.6%	0.7%
Discount rate	3.25%	3%
Reinsurer default	1%	1%
Risk margin	0%	20%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

22. ACTUARIAL ASSUMPTIONS AND METHODS (continued)

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 September 1993. The Actuary was supplied with details of all transactions (payments, recoveries, changes of estimates) from 30 September 1993 to 30 June 2013. 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 2013 forecasts for Victorian average weekly claims inflation was assumed to be 3.4%. The discount rate was assumed to be 3.25% pa., derived from the yields on Commonwealth government bonds.

The actuary has assumed a risk margin of 0% of the net liabilities to give a probability of about 50% that the provisions, including the risk margins, 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 2013	Total accumulated funds after the impact of applying variable
	%	%	\$	\$

IMPACT OF CHANGES IN INTEREST RATES

LIABILITY MUTUAL INSURANCE

Base value at 30 June 2013	3.4%		(5,627,410)	306,085
Interest rate pa		3.9%	(5,999,410)	(65,915)
		2.9%	(5,255,410)	678,085

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

23. RENT-FREE PERIOD

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 months rent free period up to 31 December 2013.

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.

24. COMMERCIAL CRIME FUND

On 1st 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*.

25. 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.

LMI and the Commercial Crime Fund are non-discretionary mutual funds and, under their Constitutions, have the ability to obtain contributions from members to pay liabilities and expenses.

26. 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 each year over the five-year reinsurance period to be shared between the various Schemes and the reinsurers on a proportional basis.

Performance bonus totalling \$319,750 (2012 \$678,475) became due and receivable on 30 June 2013 and has been independently confirmed at the date of this report.

27. 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.

28. REMUNERATION OF KEY MANAGEMENT PERSONNEL

The MAV employed five key management personnel and provided these personnel with short term employee benefits and post employment benefits.

	COMBINED		MAV - GENERAL FUND	
	2013	2012	2013	2012
	\$	\$	\$	\$
MAV Board members receive an annual allowance. The President receives \$59,402, the Deputy Presidents \$12,539 and other Board members \$8,656.				
Short term employment benefits	985,950	932,084	964,155	903,286
Post employment benefits	70,244	44,923	70,244	44,923

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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. The Deed of Establishment of the Liability Mutual Insurance Scheme provides for the MAV to appoint a committee of management (MAVIC) to be responsible for the administration of the Scheme. There were no material related party transactions during the year.

Statement by directors

AS AT 30 JUNE, 2013

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 2013;
- (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.

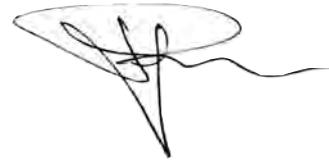


Cr. William McArthur
President

Melbourne 4 October 2013



Cr. David Clark
Director



Robert Spence
Chief Executive Officer



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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 2013, 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 2b, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards 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 about 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 as of 30 June 2013, and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Municipal Association of Victoria 1907; and
- (b). the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ernst & Young

TM Dring
Partner
Melbourne
4 October 2013



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

In relation to our audit of the financial report of Municipal Association of Victoria for the financial year ended 30 June 2013, 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

Tim Dring
Partner
4 October 2013

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 48.95 EFT.