

THE VOICE OF LOCAL GOVERN- MENT

The MAV is the legislated peak body for Victoria's 79 councils. Formed in 1879, we have a long and proud tradition of supporting councils and councillors.

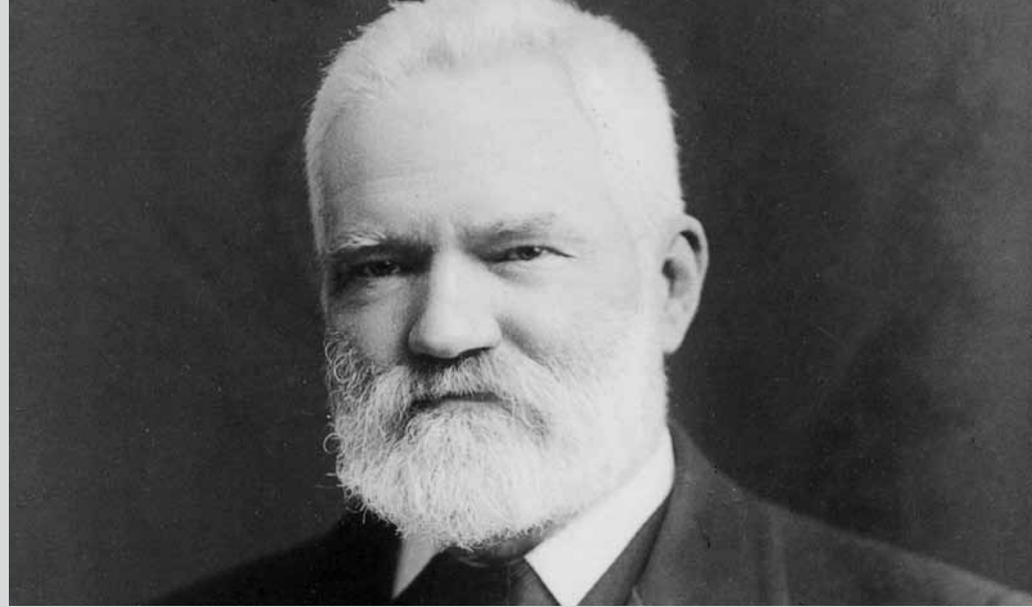
Our role is to:

- > advocate local government interests
- > build the capacity of councils
- > facilitate effective networks
- > initiate policy development and advice
- > promote the role of local government.

Our services include:

- > specialist advice and information
- > councillor development opportunities
- > liability and commercial crime insurance
- > governance support
- > group procurement.

>
Cr John Mackiehan, JP,
Shire of Mount Rouse
(pictured) served as the
MAV's first President,
July 1879 – Sept 1885.



Founding of the Municipal Association of Victoria (MAV) in 1879 was inspired by a leading article published in *The Argus* that year, referring to the value a similar organisation had conferred on local government in England.

At that time, the young Colony of Victoria had been separated from New South Wales for a period of 29 years. The population of Australia was only two million, and the telephone had been introduced to Australia only the year before (1878).

When Cr John Mackiehan of Yulangah Station, Peshurst read the article in *The Argus*, his strong interest turned to action. At that time, Cr Mackiehan was President of Mount Rouse Shire Council, and he sent a circular letter on the matter to all municipal councils in the Colony.

Meanwhile, Cr Allan McLean (later MLA for Gippsland South and Premier of Victoria), who was President of Maffra Shire Council, was doubtless inspired by the same article. He convened a preliminary conference, which was held in the Sale Town Hall on 12 June 1879. The railway line to Sale had been opened just two years earlier, and the leading men in Victoria were building a firm foundation for a progressive state.

The conference at Sale was aware of a statewide need for municipal leadership because it considered that the Mount Rouse Council's proposals should be the basis of a general municipal conference in Melbourne.

Nearly two weeks later, on 25 June, a meeting of delegates from Western District municipalities was convened by Cr John Mackiehan at the Hamilton Town Hall. That meeting also supported the setting up of a Municipal Association for the Colony.

The inaugural conference was held on 29 and 30 July 1879, in the Melbourne Town Hall, under the chairmanship of Cr McLean. Delegates representing the municipalities of Victoria unanimously decided:-

'To inaugurate a Municipal Association, to consist of all the municipal councils of Victoria, the objects being to extend the principles of local government by aiding Parliament in ascertaining the requirements of the country, with a view to facilitating the enactment of suitable laws in all matters having exclusive reference to municipal government.'

Cr John Mackiehan, fittingly enough, was thereupon elected its first President, and he occupied that office until 1885.

Five years before the founding of the Association, the colony's 'trial and error' legislation covering its municipal functions was repealed and replaced by the *Local Government Act 1874*. The Act is the framework around which has grown the present-day *Local Government Act*.

In 1907, 28 years after its founding, the Association was incorporated by an Act of Parliament and was thus given formal recognition of its status as the official voice of local government in Victoria.

Excerpt from the Centenary Dinner program, held at Melbourne Town Hall, 30 July 1979.

The Municipal Association Act was passed on 27 August 1907 '...for the purpose of promoting the efficient carrying out of municipal government throughout the State of Victoria and of watching over and protecting the interests, rights and privileges of municipal corporations... and ... empowered to establish and conduct a Municipal Officers Fidelity Guarantee Fund...'.

THE VOICE OF LOCAL GOVERNMENT

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YEAR IN REVIEW

MAV WORKCARE

The MAV's development of a self-insurance scheme will give the Victorian local government sector the long-sought opportunity to take control of its employee workers' compensation insurance through its own scheme. The process will only proceed if there is sufficient support from councils. More in the finance and productivity section of this report.

LOCAL GOVERNMENT FUNDING VEHICLE

We progressed implementation of the Defined Benefit Taskforce recommendations through establishment of the Local Government Funding Vehicle (LGFV), which will transform the way councils borrow money and deliver intergenerational savings to the sector. More in the procurement section of this report.

LEADING ENERGY INITIATIVE

The MAV street lighting replacement program is the largest energy efficiency initiative in Australian local government history and the second largest lighting replacement program in the world (behind only New York City in scale). The projects already completed and committed to will reduce greenhouse emissions by over 1.2 million tonnes and save the sector up to \$340 million over the 20-year asset life. More in the procurement section of this report.

RATE CAPPING

With the Victorian Labor Opposition announcing an election commitment to implement rate capping should it win government in late 2014, we led a public campaign against the initiative. More in the finance and productivity section of this report.

STRONGER CONNECTIONS

The MAV welcomed its first Aboriginal Employment Adviser and commenced development of a Reconciliation Action Plan to further promote stronger connections with Aboriginal and Torres Strait Islander people. More in the finance and productivity section of this report.

MAV TECHNOLOGY

MAV Technology, formerly the Local Government Information and Communications Technology (LGICT) Group, has elected to integrate with the broader MAV organisation to better advance the strategic objectives of the LGICT group and the MAV. More in the MAV Technology section of this report.





POSITIVE AGEING

Sharing the learnings from the Improved Liveability for Older People (ILOP) in small towns project has helped generate new initiatives for older people in rural Victoria and highlighted the value of councils working with older people in creating more age-friendly places. Another new initiative is the Casserole Club program, which is ready for roll-out in three council areas. More in the human services and public health section of this report.

EARLY YEARS

Our work with councils sees Victoria leading Australia with almost 100 per cent of children receiving 15-hours of kinder. Our advocacy has secured a further \$35 million in capital grants for councils, helped establish a review of the 18-month funding deal with the Australian Government, and influenced the Victorian Government to commit \$1.2 million for councils to strengthen and expand their central enrolment processes. More in the human services and public health section of this report.

LIBRARY VISION AND VIABILITY

As a result of MAV and local government advocacy, the need for a partnership agreement between State and local government has been recognised in the Ministerial Advisory Council's (MAC) Tomorrow's Library proposal. More in the human services and public health section of this report.

STEP PLANNING PROGRAM

The MAV Step Planning self-reform program, launched in 2010, is helping to deliver annual savings estimated at \$6 million by reducing council decision timeframes, simplifying processes, and improving the consistency of planning decisions. More in the planning section of this report.

STRENGTHENING HACC SUSTAINABILITY

We successfully lobbied for continued block funding to Victorian councils for the HACC program to 2018. Sustainability of HACC services has been improved by the doubling of the delivered meals subsidy for 2013/14. In-principle agreement has been reached with the Department of Health for an increase in the price of domestic assistance, personal care and respite services in 2014/15. More in the human services and public health section of this report.

EMERGENCY MANAGEMENT ADVOCACY

The MAV's advocacy resulted in a welcome announcement of \$9.12m by the Victorian Government to fund the Municipal Emergency Resourcing Program (MERP) for a further two years until June 2016. Our advocacy also ensured councils were not made the responsible authority tasked with officially designating community fire refuges, thereby removing potential liability. More in the Emergency Management section of this report.

MAV EVENTS

As the peak representative body for local government in Victoria, the MAV ran 139 events in 2013/14, attended by 8900 delegates. Major events included the MAV Environment Conference featuring an impressive array of speakers, including the Federal Minister for Environment Greg Hunt, State Minister for Environment and Climate Change Ryan Smith, renowned scientist and author Tim Flannery. More in the events and the environment sections of this report.

GENDER EQUALITY AGENDA

The MAV's leadership in promoting gender equity and the prevention of violence against women (PVAW) continues to be recognised. Our engagement of diverse areas of council in capacity building activity included training for over 200 local laws officers across the state in identifying family violence. More in the human services and public health section of this report.

NEW ON MAV MEMBERS-ONLY WEBSITE

A Comms Hub was launched on the members-only website, providing council employees with resources for communicating to and about different demographics. More in the corporate section of this report.

PRESIDENT'S REPORT

Our priorities continue to be shaped by the needs identified by the sector which, in turn, reflect those of the broader community. Our annual strategic planning process, which included eight consultation sessions throughout the state, provided an important opportunity to inform and craft the MAV's 2014/15 Strategic Work Plan. Financial sustainability is high on the agenda, particularly the need to secure ongoing funding for transport and infrastructure. Sector-wide concerns around the HACC transition, library funding, responsibility-shifting and regional waste management reforms were also prominent.

The relevance and value of our MAV Board Member regional sessions cannot be overstated. Like our biannual metro forums and our recently introduced rural and regional forums, they provide a great way of connecting and encouraging two-way engagement between the MAV and member councils, feeding into our biannual State Council meetings. State Council is our members' opportunity to raise emerging matters for incorporation into the MAV's agreed work plan.

"...The MAV seeks to build close working relationships with the Australian and Victorian governments to advance our shared interests of providing better outcomes for our communities..."

As outlined in the governance section of this report, it is pleasing to see a revised Victorian State-Local Government Agreement (VSLGA) ready for signing by the government and the MAV. We have also been pursuing the most workable outcomes for council governance in relation to the

Victorian Government's Local Government Amendment (Governance and Conduct) Bill 2014, the government's independent Local Government Electoral Review, and the implementation of a local government performance reporting framework. Further details of the latter are provided in the finance and productivity section of this report.

In our submission to the State Budget, we called for funding programs that will benefit Victorians in the long term, especially infrastructure programs. We welcomed the record State Budget investment in transport infrastructure, together with funding for community infrastructure and land use planning.

We will continue to advocate for a further four-year investment in the *Country Roads and Bridges, Local Government Infrastructure and Putting Locals First* programs so councils can continue to revitalise our regions. We will also continue to advocate for a coordinated long-term Victorian transport plan, which is critical to address population growth, liveability and economic development challenges.

The biggest budget disappointment was the absence of additional funding for public libraries. We will continue to advocate strongly on this issue.

At the MAV State Council in May 2014, Victorian councils unanimously opposed rate capping. Any proposal to cap council rates will hurt communities over the long-term as capital programs will be underfunded and will impose higher costs on future generations to renew and upgrade infrastructure currently valued at \$73 billion.

We will be working to reverse cuts to the Financial Assistance Grants program,



announced in the Australian Government's 2014/15 budget. Rural communities will be hardest hit by this decision as financial assistance grants comprise up to 31 per cent of rural shires' total budgeted revenue.

The MAV is advocating for a continued kindergarten funding commitment from the Australian Government beyond December 2014, when the National Partnership Agreement expires.

We have also been negotiating with the Australian and Victorian governments on the transition of Victoria's Home and Community Care (HACC) program to the Australian Government from July 2015.

The MAV has taken up the mantle to promote the principles of the Victorian Local Government Women's Charter of gender equity, diversity and active citizenship, including development of a Women's Charter Action Plan. This follows the formal dissolution of the Women's Participation in Local Government Coalition (WPILGC) after 18 years of activism to increase the number of women elected to Victorian councils.

The MAV welcomed its first Aboriginal Employment Adviser and commenced development of a Reconciliation Action Plan to further promote stronger connections with Aboriginal and Torres Strait Islander people. We continued our participation in the Victorian Government's Aboriginal Employment Broker network and progressed development of a statewide Local Government Aboriginal Framework.

In the lead up to Refugee Week, the MAV held a forum for councils to learn more about what is involved in being a Refugee Welcome Zone. Victorian councils are showing strong support for refugee settlement in local communities, with

30 municipalities to date formally declared as Refugee Welcome Zones.

The MAV's leadership in promoting gender equity and the prevention of violence against women (PVAW) continues, as outlined in the human services and public health section of this report, and I am proud to be a White Ribbon Ambassador. Violence against women costs the Australian economy \$13.6 billion annually and renewed funding is urgently needed so that we can continue to strengthen local government's prevention capacity from 2015 onwards.

The national campaign to achieve constitutional recognition of local government was well supported by Victorian councils when the referendum to coincide with the Federal election was abandoned, following the change in Labor party leadership and a change of the election date. We successfully advocated to the newly-elected Australian Government for Victorian councils' campaign funding - in excess of \$1 million - to be returned.

I congratulate the 66 councillors who received our 2013 Councillor Service Awards in recognition of their 10, 15 or 20 years' service to local communities through their elected role, and was pleased to receive a 20 years' service award myself. The award recipients included nine mayors who were awarded the Mayor Emeritus for three or more full terms as mayor.

CR BILL MCARTHUR

PRESIDENT



CR BILL MCARTHUR 2

Golden Plains Shire Council

PRESIDENT

MAV Audit Committee
 MAV Insurance Board
 Councillor 1991 - 1994 (Grenville),
 1996 - present (Golden Plains)
 Mayor 2004/05
 Australian Local Government Association
 Board
 Victorian Councillor Service Award,
 20 Years

CR ANGELA ALTAIR 9

Hobsons Bay City Council

METROPOLITAN
 WEST
 REPRESENTATIVE



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

CR DAVID CLARK 10

Pyrenees Shire Council

DEPUTY PRESIDENT
 (RURAL)
 RURAL SOUTH CENTRAL
 REPRESENTATIVE



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

CR JACKIE FRISTACKY 11

Yarra City Council

METROPOLITAN
 CENTRAL
 REPRESENTATIVE



Chair, Transport and Infrastructure
 Committee
 Deputy Chair, Multicultural Committee
 Councillor 2002 - present
 Mayor 2005/06, 2012/13, 2013/14
 Treasurer, Metropolitan Transport Forum
 Alternate representative, Australian
 Packaging Covenant Council
 Telstra/MAV Local Government
 Fellowship 2003

CR ROD FYFFE 1

Greater Bendigo City Council

RURAL
 NORTH CENTRAL
 REPRESENTATIVE



MAV Insurance Board
 Chair, Arts and Culture Committee
 Professional Development Reference
 Group
 Councillor 1996 - present
 Mayor 2003/04, 2004/05, 2010/11
 Ministerial Advisory Council on Libraries
 State Library Public Libraries Advisory
 Committee
 Australian Packaging Covenant Council
 Victorian Councillor Service Award,
 20 Years

CR RUTH GSTREIN 7

Corangamite Shire Council

RURAL
 SOUTH WEST
 REPRESENTATIVE



Deputy Chair, Professional Development
 Reference Group
 Councillor 2002 - present
 Mayor 2006/07, 2007/08, 2008/09
 Corangamite Regional Library
 Corporation
 Regional Development Australia (Barwon
 South West)
 Victorian Councillor Service Award, Mayor
 Emeritus

CR GEOFF LAKE 5

Monash City Council

METROPOLITAN
 SOUTH
 REPRESENTATIVE



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

CR MARY LALIOS 4

Whittlesea City Council

DEPUTY PRESIDENT
 (METROPOLITAN)
 INTERFACE
 REPRESENTATIVE



MAV Audit Committee
 Deputy Chair, Emergency Management
 Committee
 Councillor 2005 - present
 Mayor 2008/09, 2009/10, 2013/14
 Yarra Plenty Regional Library Board
 VMC Regional Advisory Council - North
 West region
 2010 Professional of the Year
 (awarded by Professions Australia)



CR PETER LOCKWOOD 13

Knox City Council
METROPOLITAN EAST REPRESENTATIVE



Chair, Professional Development Reference Group
Multicultural Committee
Councillor 1993 - 1994, 2000 - 2003, 2012 - present
Eastern Regional Library Corporation
Eastern Transport Coalition
Eastern Affordable Housing Alliance

CR GARY NORTON 12

Swan Hill Rural City Council

RURAL NORTH WEST REPRESENTATIVE



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

CR CORAL ROSS 6

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 2007/08, 2013/14
President, Australian Local Government Women's Association (Victorian)
Vice President, Australian Local Government Women's Association

CR JANE ROWE 8

East Gippsland Shire Council

RURAL GIPPSLAND REPRESENTATIVE



Chair, Emergency Management Committee
Councillor 2003 - present
Mayor 2004/05
Deputy Mayor 2003/04, 2006/07, 2012/13

CR DEBRA SWAN 3

Strathbogie Shire Council

RURAL NORTH EAST REPRESENTATIVE



Chair, Human Services Committee
Deputy Chair, Planning Committee
Councillor 2008 - present
Mayor 2012 - present
Deputy Mayor 2008/09, 2009/10
Nagambie Lakes Commercial and Recreational Stakeholders Committee

CEO'S REPORT

"Our role as the voice of local government in influencing outcomes at national and state level has never been more critical, and our success in driving an extensive sector-reform agenda in partnership with councils is evident in the tangible benefits being delivered..."

Like our members, the MAV has been dealing with the challenging impact of the Defined Benefit Superannuation shortfall. However our flexible staffing structure and strict expenditure controls have enabled us to rebuild our capital and keep our subscriptions at a reasonable level.

We successfully advocated to Vision Super to revise its model used to distribute funding shortfalls between employers, and to provide more comprehensive and frequent employer briefings. We continued to highlight the effect of wage increases in excess of the actuarial assumptions on the probability of a future call. Our implementation of the Defined Benefit Taskforce recommendations is progressing through the establishment of the Local Government Funding Vehicle (LGFV), which will transform the way councils borrow money and deliver intergenerational savings to the sector. Further details are provided in the finance and productivity, and procurement sections of this report.

The MAV's development of a self-insurance scheme will give the Victorian local government sector the long-sought opportunity to take control of its employee workers' compensation insurance through its own scheme. The MAV's independent actuary's current projections are that a MAV WorkCare scheme will provide cost savings to members from the first year of operation.

This is based on analysis of 78 councils' 10-year WorkSafe performance data. An independent audit conducted on the financial forecasts confirm these projections. The MAV will be required to participate in a rigorous application process to be approved by the Victorian WorkCover Authority (VWA) as the self-insurer for local government. As outlined in the finance and productivity section of this report, the process will only proceed if there is sufficient support from councils committing to the Scheme.

The tangible benefits of our sector-reform programs are extending beyond the obvious objectives of boosting the sector's capacity to deliver more efficient services, reducing costs and improving operational performance without external intervention.

As an example, the MAV street lighting replacement program is the largest energy efficiency initiative in Australian local government history and the second largest lighting replacement program in the world (behind only New York City in scale). Seventy-two councils have signed up to or are underway with the program, which equates to 183,000 energy efficient luminaires. The projects already completed and committed to will reduce greenhouse emissions by over 1.2 million tonnes and save the sector up to \$340 million over the 20-year asset life. Further details can be found in the procurement section of this report.

The MAV Step Planning self-reform program, launched in 2010, is helping to deliver annual savings estimated at \$6 million by reducing council decision timeframes, simplifying processes, and improving the consistency of planning decisions. Evolution of the Step Planning



program is now underway, with the program being broadened to facilitate a whole-of-council approach to improvements.

Several innovative projects led by the MAV are helping to revolutionise how councils and other agencies streamline information sharing to improve services to communities. Patchwork, a partnership between the MAV and FutureGov, has developed a simple web application to improve the services offered to vulnerable families in maternal and child health, and youth services.

As the public sector transitions to 'joined up' digital government over the next decade, the development of a local government cloud platform is also underway to facilitate greater collaboration between councils and to integrate with the State Government cloud environment. It will enable councils to leverage the benefits of technology and will ensure council data can be more easily aggregated through a single connection. Further details are provided in the MAV Technology section of this report.

MAV Technology, formerly the Local Government Information and Communications Technology (LGICT) Group, has elected to integrate with the broader MAV organisation to better advance the strategic objectives of the LGICT group and the MAV. Established with the assistance of the MAV in 2004, the group comprises the IT managers from 78 of Victoria's 79 councils. While the name has changed, MAV Technology will continue to be governed by an executive committee, elected from its membership annually for a two-year term. The group will continue to develop, support and fund IT projects that help deliver business outcomes for councils and their communities, and will work in

partnership with MAV Procurement to deliver collaborative ICT procurement options for councils.

The MAV ran over 100 conferences, forums, workshops, seminars and training events throughout the year including the year's highest profile event, the Annual Conference and dinner, which explored prominent local government issues and future challenges facing the sector.

The 10th anniversary of the MAV's Future of Local Government (FOLG) program was marked with the May 2014 national summit featuring presentations and case studies from local, interstate and international speakers, showcasing innovation and sustainable service delivery in local government.

I commend the considerable achievements of our relatively small but talented staff and extend my thanks to our President, Cr Bill McArthur and members of the Board for their leadership and encouragement. We look forward to continuing our work with members and building on partnerships to deliver sustainable outcomes for the sector.

ROB SPENCE

CHIEF EXECUTIVE OFFICER

FINANCE AND PRODUCTIVITY

economic analysis, funding agreements, developing resources and partnerships, and reforms that achieve whole-of-sector productivity gains.

SUPER PROGRESS

We progressed implementation of the Defined Benefit Taskforce recommendations through establishment of the Local Government Funding Vehicle (LGFV), to enable cooperative procurement of borrowings by the sector. Further detail is provided in the procurement section of this report. We have also successfully advocated to Vision Super to revise its model used to distribute funding shortfalls between employers, requested more comprehensive and frequent employer briefings and continued to highlight the effect of wage increases in excess of the actuarial assumptions on the probability of a future call.

LEVY IMPLEMENTATION

Implementation of the Fire Services Property Levy on 1 July 2013 represented a new responsibility for local government, as the levy collection agency. The MAV worked with councils and the Victorian Government to negotiate a cost recovery model, which achieved funding of approximately \$5 million per year, indexed annually until 2017-18 when another funding review will occur.

The MAV was a member of the State committee that designed and implemented the communication campaign to build community understanding of the levy and moderate customer service demands upon councils. We also worked with councils to identify implementation issues and raised a number of concerns with the Victorian Government such as property classifications, which were subsequently resolved through legislative change in 2014.

RATE CAPPING

With the Victorian Labor Opposition announcing an election commitment to implement rate capping should it win government in late 2014, we led a public campaign against the initiative. This included analysis of the previous periods of rate capping which showed an acceleration in the level of asset management gaps, a deterioration of services and a contraction of service provision. We will be defending councils' financial autonomy amid calls from the Opposition to cap rates.



PERFORMANCE REPORTING FRAMEWORK

The Victorian Government moved closer towards the implementation of a performance reporting framework, with indicators and measures legislated in April. However some of our concerns remain unresolved. While the MAV has long supported the concept of transparency and greater accountability in measuring councils' performance for the community, we argued for staged implementation, proposing that councils would initially report on a small number of indicators and over time expand the reporting framework. Our submission to the Regulatory Impact Statement (RIS) also raised questions about the accuracy of estimated costs, with the likely compliance and reporting costs far higher in the MAV's experience than estimated within the RIS. We were able to achieve changes in the specifications of individual indicators to better reflect the complexities and characteristics of those service areas, and we will continue to seek a phased introduction and fewer indicators to provide high quality data.

INTRODUCING MAV WORKCARE

As mentioned in the CEO's report, the MAV's WorkCare self-insurance initiative presents an exciting opportunity to drive improvement in health, safety and return-to-work outcomes and further cost savings for members over the medium to long term.

The MAV has issued a tender seeking a third party provider for the provision of workers' compensation claims/injury management, workplace health and safety, return to work, training and education services. The tender evaluation panel will include local government industry professionals.

Our application for WorkCare to be recognised by the Victorian WorkCover Authority (VWA) as the self-insurer for local government will seek approval for an initial three-year period commencing 1 January 2016. However the process will only proceed if there is sufficient support from councils, who have until 31 August 2014 to commit to the scheme.

IMPROVING WORKFORCE CAPABILITY

The National Workforce Strategy report was released by the former Australian Government prior to the 2013 election. The Australian Centre of Excellence for Local Government (ACELG) advised of its intention to seek additional government funding to address the recommendations contained in the strategy. No ongoing funding has been provided by the government and ACELG will consider how to implement the strategy without funding support. In the absence of any support, it will be left to individual councils to implement those strategies considered relevant to their operations.

The MAV has worked with Government Skills Australia (GSA) to facilitate Victorian councils' access to Australian Government funding to undertake workforce audits to identify areas of need for future resourcing. This program, like many others, has since been withdrawn by the Australian Government, and councils will now have to undertake such activities using their internal resources.



KINDERGARTEN EMPLOYEES' AGREEMENT

The MAV is currently negotiating with the Australian Education Union on behalf of 24 councils for a new multi-enterprise Kindergarten Employees' Agreement to replace the 2009 agreement which expired on 30 April 2013. The proposals developed by participating councils seek to contain costs while removing many restrictive measures and adopting more flexible working arrangements. The current negotiations have been severely affected by uncertainty that the Victorian Government will continue to support the delivery of 15 hours per week to each child, and by the lack of ongoing funding from either the Australian or Victorian governments to maintain the status quo. It is anticipated that the funding arrangements will be clarified in the near future which will allow continuation of negotiations.

FINANCIAL IMPACT OF WORKFORCE ISSUES

Data relating to issues such as wage growth and the financial impact of enterprise bargaining proposals has been provided to councils through Chief Executive Officer briefings and MAV publications such as the Workplace Bulletin. To strengthen this work, the MAV Board has approved the establishment of a strategy group, comprising interested councillors and council officers to consider the financial implications of such workforce issues and report to the Board periodically.

ABORIGINAL EMPLOYMENT PROJECT

Lidia Thorpe has joined the MAV as an Aboriginal Employment Adviser. A proud Gonnai and Gunditjmara woman from south eastern and western Victoria, Lidia has brought with her great insight, and her practical advice has assisted councils to better engage with their local Aboriginal communities. She has also enabled better understanding within the Aboriginal community of the role of councils and the types of jobs available in local government. The MAV 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 local government 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.



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.

STRENGTHENED AGREEMENT

Following significant consultation and negotiation between the MAV, councils and the Victorian Government, the Victorian State-Local Government Agreement (VSLGA) has been strengthened in a number of ways. The Premier was made a signatory to the agreement and it now includes an explicit expression of support for the introduction of a new Cabinet process to assess the impacts of proposed policy on local government. Other notable changes include ensuring references to continuous improvement capture both State and local government, inclusion of consultation on changes to funding agreements, and a requirement for quarterly meetings between the MAV and the Minister to discuss successes and failures of parties to work in accordance with the VSLGA.

NEED FOR REFORM

It was disappointing to see the Wangaratta Council sacked by the Minister in September, with administrators taking over until the next general council elections in 2016. While we acknowledge there were ongoing issues, sacking a democratically elected council highlights the limited range of options available to provide more nuanced responses. We hope that the Minister's current conduct and governance review will examine this in further detail. A thorough review of the *Local Government Act*, as advocated by the MAV for some time, is also needed.

LOCAL GOVERNMENT ELECTORAL REVIEW

We welcome the State Government's appointment of an independent Local Government Electoral Review panel. The MAV appeared at a public hearing and provided a submission in response to the panel's discussion paper. The Stage 1 report, which the panel has submitted to the Minister for Local Government, addresses the panel's first three terms of reference: the electoral process, participation, and integrity. The fourth term of reference, electoral representation, will be addressed in a second report to be released later in 2014.



GOVERNANCE AND CONDUCT BILL

We have been working with the Victorian Government around the Local Government Amendment (Governance and Conduct) Bill 2014, which was introduced to Parliament in April. The MAV played a strong advocacy role, highlighting a range of concerns in relation to defining the role of a councillor, additional processes for CEO employment matters, the use of Ministerial Governance Directions, and councillor conduct proposals. We will be pursuing the most workable outcomes for council governance, and working with the sector on guidance material once the Bill is enacted.

PROFESSIONAL DEVELOPMENT OPPORTUNITIES

We continued to review and strengthen our professional/councillor development opportunities, based on feedback and initiatives such as our Councillor Census, which provided valuable information on the profile of the current cohort of councillors. We also continued to seek opportunities to bring various training partners together. The development of a training calendar presents an ongoing challenge, given the variety of programs and workshops offered by the MAV at any one time.

STRENGTHENING PARTNERSHIPS

We have strengthened the Diploma of Local Government (Elected Members) program following a major review, which included a survey of participants and the creation of the course reference group. Outcomes have seen a restructured program, improved delivery, better communication with participants and an improved offer to the sector, along with a strengthened and better defined relationship with our training partner BRACE. The first module was completed by 24 councillors in 2013-14.

The MAV's partnership with the Institute of Company Directors has seen the Company Directors Course offered twice per year, with a total of 24 participants, and our partnership with Swinburne University has seen a successful third intake of students into the Graduate Diploma of Management program.



COUNCILLOR FUNDAMENTALS

The Councillor Fundamentals program offering continues to generate strong demand for mainstream programs and requests for further delivery into regional Victoria. We currently offer two regional workshops for every city-based option, as long as numbers support it, focusing on skills such as meeting procedures and chairing, finance, media skills, public speaking, rapid reading and dealing with difficult people and situations.

FUTURE OF LOCAL GOVERNMENT PROGRAM

The 10th anniversary of the MAV's Future of Local Government (FOLG) program was marked with the May 2014 national summit, which featured presentations and case studies from local, interstate and international speakers, showcasing innovation and sustainable service delivery in local government. Given the transformational changes occurring in society, a strategic planning group has been established to identify key reform areas, including the advent of Digital Government and the implications for local government. This will form the basis for development of a 'game plan' for discussion with the sector. This thought leadership group comprises senior representatives of 20 Victorian councils. Nominations were also sought for the Councils of the Future program whereby councils will pilot and review agreed change strategies.



HUMAN SERVICES AND PUBLIC HEALTH

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

THE FUTURE OF YOUTH

As the Victorian Government Youth Partnership initiative winds up this year, a concept has been taking shape which proposes senior government and community sector groups coming together in sub-regional area partnerships to focus on key outcomes for vulnerable youth and children. Councils' investment and activity in youth services is recognised in the design of the new area partnerships and our advocacy has ensured that all councils will have a seat at the table on these area partnerships.

PREVENTATIVE HEALTH

We continued to strengthen networks, share information, develop resources and influence government to support councils in creating the environment for communities to prosper and enjoy improved health and wellbeing.

This includes the Healthy Together initiative, which is now embedded in 14 councils, with over 100 staff working with communities to stop the rise in preventable chronic diseases.

GENDER EQUALITY AGENDA

The MAV's leadership in promoting gender equity and the prevention of violence against women (PVAW) continues to be recognised, with 20 councillor and executive teams seeking to learn more through MAV presentations. For the first time, the MAV surveyed councils about PVAW and gender equity and of the 51 councils that responded, 75 per cent reported increased recognition of the issue by their council in the past twelve months. Our engagement of diverse areas of council in capacity building activity included training for over 200 local laws officers across the state in identifying family violence.



POSITIVE AGEING

Sharing the learnings from the Improved Liveability for Older People (ILOP) in small towns project has helped generate new initiatives for older people in rural Victoria, and highlighted the value of councils working with older people in creating more age-friendly places. Another new initiative is the Casserole Club program, which will see people volunteering to share an extra portion of their home cooked meals with an older neighbour. The pilot is being rolled-out in three council areas over the next 12 months. State funding will see a number of councils working on new futures for senior citizens centres and clubs. Councils have also been actively encouraged to promote the prevention of elder abuse.

STRENGTHENING HACC SUSTAINABILITY

The MAV has played a key role with the Department of Health and other peak bodies in articulating and advocating for the strengths in the Victorian community care system. Key features of assessment and the wellness approach have been absorbed by the Australian Government into the new national home support program.

We successfully lobbied for continued block funding to Victorian councils for the HACC program to 2018. Sustainability of HACC services has been improved by the doubling of the delivered meals subsidy for 2013/14. In-principle agreement has been reached with the Department of Health for an increase in the price of domestic assistance, personal care and respite services in 2014/15. Details on the price level and implementation are being progressed in consultation with the MAV's HACC Sustainability Group.

MATERNAL AND CHILD HEALTH

In partnership with the Department of Education and Early Childhood Development (DEECD), we have been leading the Maternal and Child Health (MCH) Review including facilitated workshops with local government and providing input to the Future Directions consultation paper.

The MAV is leading a procurement process for a new statewide MCH data management system, which is outlined in further detail in the procurement section of this report.



CARE FOR VULNERABLE CHILDREN

Our partnership work with the Victorian Government has resulted in an Out of Home Care agreement, where councils act as a contact point to place our most vulnerable children in services locally. We have supported two significant state initiatives; the Linking Learning 0-12 project and the 0-4 Streamlining Services for Vulnerable Children project. Five councils have received funding to lead trials in their municipalities.

PATCHWORK: JOINING UP SERVICES

We have been actively promoting Patchwork, a web application that connects staff from different agencies working with clients in common. Through the pilot project, implemented in July in five municipalities, Patchwork is proving to be a useful tool to improve communication and collaboration between councils and other organisations, delivering better outcomes for families, particularly vulnerable families. The project has now been extended to December 2014, involving a further 15 councils, and we are assisting with training and implementation across councils and other organisations.

EARLY YEARS

Our partnership work with councils sees Victoria leading Australia with almost 100 per cent of children receiving 15 hours of kinder. Advocacy with Federal and State ministers and senior officials has secured a further \$35 million in capital grants for councils. Our advocacy helped establish a review of the 18 month funding deal, with the Australian Government setting aside contingency reserves in its extremely tight 2014/15 Budget for negotiation on further funding beyond December 2014. Over 50 councils joined the MAV in a concerted campaign to retain ongoing funding for 15 hours, resulting in the Productivity Commission strongly endorsing continued Australian Government investment in 15 hour kindergarten provision.

Highlighting councils' critical role in kindergarten planning and provision has influenced the Victorian Government to commit \$1.2 million for councils to strengthen and expand their central enrolment processes.



COMMUNITY SAFETY

Our participation in the stakeholder forums held on liquor and gaming by the Victorian Commission on Alcohol and Liquor Regulation supports the MAV and local government alcohol and other drugs network, and has extended our expertise to assist with advocacy to the Victorian Government on a range of policy issues.

The MAV has commissioned research into the decision-making process and policy determinants for gambling application approval processes, which will provide guidance to councils on the most efficient and effective use of resources for addressing applications. In responding to the Victorian Competition and Efficiency Commission review into costs of problem gambling, the MAV submission also provided analysis of the links between problem gambling prevalence and expenditure through electronic gaming machines. The MAV has been invited to submit nominations to the Gambling Ministerial Advisory Council to contribute a local government perspective.

TOBACCO CONTROL REFORMS

New smoking bans were introduced on 1 April for children's playgrounds, skate parks, public swimming pools and children's sporting events. We worked in partnership with the Department of Health and councils in the planning and implementation of this reform. In 2013/14 nearly \$1 million in funding was provided to the 79 Victorian councils for tobacco education and enforcement activities. The MAV also continued to advocate for statewide smoking bans to be introduced for alfresco dining areas.

FOOD SAFETY

Use of the STRETRADER online registration system by temporary and mobile food businesses has exceeded all expectations, with 18,354 premises registered by June 2014. This MAV-managed project is delivering real benefits for all by enabling food businesses to register once to operate in any municipality. It also allows councils to see the track record of food businesses operating in other municipalities and provides a more robust, consistent and transparent food safety regulatory system, enabling better targeting of regulatory effort where it is needed.



ENGAGING WITH CULTURAL DIVERSITY

Among the highlights this year, we published *Standing Up To Race-Based Discrimination*, a local government resource for building inclusive communities. We hosted a forum promoting local government areas as Refugee Welcome Zones, and co-organised a forum addressing participation of people from culturally diverse backgrounds in the local government workforce. With the input of the MAV Multicultural Committee, we made a submission to the Australian Attorney-General opposing proposed amendments that would weaken the *Racial Discrimination Act*.

ARTS AND CULTURE

With the support of the MAV Arts and Culture Committee, we have adopted a program plan to support councils' role in arts and cultural development. A successful statewide forum series, held in conjunction with the Cultural Development Network (CDN) targeted arts officers, with more than 50 councils participating. Major conference planning is underway with Arts Victoria and the Melbourne Planning Authority on the topic 'Cultural Planning meets Urban Planning'. Advocacy for increased national recognition and resourcing of this council role has continued, with the MAV and City of Melbourne representing Victorian local government on the National Local Government Cultural Forum, which is meeting twice yearly.

LIBRARY VISION AND VIABILITY

As a result of MAV and local government advocacy, the need for a partnership agreement between State and local government has been recognised in the Ministerial Advisory Council's (MAC) *Tomorrow's Library* proposal.

Following our coordinated input with MAC members from local government, the Victorian Government released the Stage Two report on public libraries on 28 November at Parliament House. While the general policy directions outlined for the 'Victorian Library' have been supported by the MAC, the MAC proposal provided no indication of the Victorian Government's funding commitment. We will continue to advocate for increased investment and fairer funding by the state government to maintain viable public library services in Victoria.



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.

PLANNING REFORM

The MAV has been active in planning reform, developing submissions on Plan Melbourne, development contribution reform, the State Planning Policy Framework Review and VicSmart. Our advocacy efforts on behalf of the sector generated traction, with our suggested three tier approach to the implementation of the zones and the establishment of a Standing Advisory Committee being supported by government. In partnership with the Department of Transport, Planning and Local Infrastructure (DTPLI), we have developed a series of process review workshops to assist councils to implement VicSmart – the statewide process that requires councils to assess simple planning applications within 10 days. We also developed a sector position and provided advice to the Minister for Planning, DTPLI and advisory committees on the proposed agricultural overlay, the PLANET Training program, and the draft monitoring and reporting framework for Plan Melbourne.

REGIONAL AND METROPOLITAN PLANNING

The MAV reconvened the Metropolitan Strategy Reference Group to develop a shared view with councils on the role and function of the new Metropolitan Planning Authority prior to the release of Plan Melbourne. As part of the MAV submission, a preferred model was developed by the sector and provided to the government. Several of our key recommendations were adopted by government including the development of a partnership agreement to recognise the role of councils in land use planning, and the use of sub-regional council groupings to inform infrastructure investment decisions. We held a number of briefings to discuss planning reform with key council decision makers. This included early sessions on Plan Melbourne led by the Minister for Planning and Deputy Secretary respectively.

We provided a series of rural forums and sought to build the capacity of the sector

through topic-specific forums such as 'implementing the residential zones' and 'indicators of an efficient and effective planning scheme'. Our major events – the Rural and Regional Conference, and the Planning and Process Improvement Conference were a great success and are outlined in the events section of this report. Projects we initiated included a review of the resource implications of overlay controls, a review of planning delegations, and a case study report on bushfire projects funded by DTPLI.



STEP PLANNING PROCESS IMPROVEMENT

The MAV, in partnership with DTPLI, commenced a pilot program to evolve the MAV STEP Planning Process Improvement Program to include additional areas of importance to councils such as strategy, customer service and staff development. The pilot builds on the past STEP program, but recognises that improved performance requires a whole-of-organisation approach to the delivery of planning services. The pilot program, assisted by 10 councils from metropolitan and regional Victoria, will also develop a reporting framework to enable monitoring and benchmarking of performance. We look forward to reporting back on successful results next year.

BMO PLANNING PERMIT CONDITIONS REVIEW

We established a working group with the Country Fire Authority to review standard planning permit conditions of the Bushfire Management Overlay. The feedback directly informed the review and will see modification of the conditions and the development of an explanatory document to explain the intent of the conditions.

STATE-LOCAL BIENNIAL FORUM

We have initiated a State-local biennial forum between DTPLI, the MAV and councils, to be held during the next 12 months to help identify reform priorities. Our premise is that as a result of local engagement, local government can provide valuable feedback about how State policy and provisions are performing and can play a legitimate role in helping to identify reform priorities.

BUILDING SECTOR

The MAV has been working with the Victorian Building Authority and the Victorian Municipal Building Surveyors Group to develop an agreement to clearly delineate roles and responsibilities in relation to the enforcement of private building surveyors work.

We also prepared a detailed submission on the sunset of the Building Regulations 2006 and will be participating in a technical working group over the coming months.

Focus will also be on positioning councils in the key reforms in the building sector, including continued advocacy relating to the Building Legislation (Amendment) Bill and the review of the Building Regulations.



ENVIRONMENT

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

WASTE MANAGEMENT

The Victorian Government's reform of the governance and funding arrangements for waste management continued in the 2013/14 financial year. The MAV supported local government in the reform program, advocating for the provision of guidance and ongoing resource certainty for councils. Work is continuing with the Environment Protection Authority to address councils' various challenges managing landfills. The MAV successfully negotiated significant changes to the Sustainability Victoria memorandum of understanding regarding household chemical waste collection.

CLIMATE CHANGE

In November the Minister for Environment and Climate Change, Ryan Smith announced \$4.79 million in grants for 39 successful local government adaptation projects. The MAV assisted several councils with their applications, and is providing in-kind support to a number of projects. In partnership with the Department of Environment and Primary Industries, the MAV hosted a coastal adaptation forum to share lessons from local government hazard assessments.

WATER

In our submission to the Office of Living Victoria's (OLV) *Melbourne's Water Future*, we identified three key implementation challenges for the strategy – broadly, the need for a revenue stream and a suite of tools or delivery pathways for councils, and an appropriate means to apportion costs. The MAV represented councils on the OLV's Local Government Taskforce and Integrated Water Cycle Management Steering Committee. We also provided feedback on the Water Bill Exposure Draft.



MAV ENVIRONMENT CONFERENCE

More than 120 councillors and council officers attended the MAV Environment Conference to hear from an impressive array of speakers, including the Hon. Greg Hunt, Australian Minister for Environment; the Hon. Ryan Smith, Victorian Minister for Environment and Climate Change; National Co-Director of the Australian Youth Climate Coalition, Kirsty Albion; environmentalist and former Chief Commissioner of the Climate Commission, Tim Flannery; and Chairman, Climate Works Australia, John Thwaites. The conference also showcased some of the innovative work councils are undertaking in relation to waste and resource recovery, climate change adaptation, the sustainable built environment, whole-of-water-cycle management, and carbon emissions reduction.

POWERLINE CLEARANCE

Substantial work has been done by the MAV to ensure the 2015 regulations governing vegetation clearance around powerlines achieve a better balance between safety, amenity and environmental considerations than the current regulations. The MAV has provided feedback to Energy Safe Victoria on a range of issues including training standards for vegetation management workers, unsuitable species, engineering solutions, allowances for sag and sway, and notification/consultation requirements. The MAV has also provided advice to councils regarding a number of challenges posed by the distribution businesses.



EMERGENCY MANAGEMENT

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

EMERGENCY MANAGEMENT REFORM UNDERWAY

Implementation of the Victorian Emergency Management Reform Program commenced with the passage of the *Emergency Management Act 2013* in December. This Act prescribes new State governance arrangements including the establishment of the State Crisis and Resilience Council (SCRC). The legislated membership of the SCRC includes the MAV CEO. The MAV also represents local government on the three SCRC sub-committees. From 1 July 2014, the new Act operates alongside the *Emergency Management Act 1986* until the legislative reforms are completed and the 1986 Act is fully repealed. Legislation relating to the role of local government, and other reforms that will affect councils are expected in 2014/15. The MAV will work with the Victorian Government to ensure sector engagement in these developments.

IMPROVING CAPABILITY AND INFLUENCING REFORM

State Government funding which enabled the Improving Emergency Management in Local Government (IEMLG) program concluded on 30 June 2014. The collective efforts of program participants over four years has lifted emergency management capability across the sector, and resulted in a number of commitments from the Victorian Government in the Victorian Emergency Management Reform White Paper.

Final year activity included the legislative change project team participating in a Department of Justice workshop to feed into legislative reforms relating to the White Paper commitments. In consultation with the Department of Treasury and Finance, the capability building project team developed a guide and provided a forum for council officers on the financial management of emergencies.

NATURAL DISASTER FUNDING

The MAV, in consultation with members, provided a submission to the Productivity Commission's inquiry into natural disaster funding arrangements. Our submission highlighted the importance of current Australian Government natural disaster funding to local government and raised long-standing issues such as the eligibility criteria for essential public assets, day labour and betterment. The Commission's draft report is due for release in September, followed by public hearings in October/November and the final report to government in December 2014.



EMERGENCY MANAGEMENT FUNDING

The MAV's advocacy resulted in a welcome announcement of \$9.12m by the Victorian Government to fund the Municipal Emergency Resourcing Program (MERP) for a further two years until June 2016.

The 64 councils within CFA districts will continue to receive MERP funding, which recognises the considerable work undertaken by local councils in emergency management.

SUPPORTING AFFECTED COUNCILS

The MAV represented councils affected by the 2014 fires on the State Emergency Management Team. We also sought support from within the sector for Latrobe City Council's outreach activities during the Hazelwood mine fire, resulting in assistance by more than 90 officers from 31 Victorian councils.

GENDER IN EMERGENCY MANAGEMENT

As part of our gender in emergency management strategy, the MAV formed the Gender in Emergency Management Advisory Group (GEMAG). GEMAG is a collaborative approach including representation from councils and non-government organisations to embed gender into emergency management responsibilities. GEMAG produced a fact sheet to assist councils and Municipal Emergency Management Planning Committees to understand how gender can influence behaviours during an emergency and to incorporate gender considerations into their emergency management responsibilities.

COLLABORATIVE FORUM

The Victorian Council of Social Services (VCOSS) and the MAV held a joint Emergency Management Forum with the theme of 'cooperation and collaboration in emergency management'. The forum featured presentations relating to resilience, volunteering, collaboration and vulnerable people. VCOSS also launched its *Disaster and Disadvantage: Social Vulnerability in Emergency Management report*.



SUMMER FIRE CAMPAIGN BRIEFING

The MAV and Department of Justice provided the annual Summer Fire Campaign Briefing for council communication and emergency management officers. Speakers included Fire Services Commissioner, Craig Lapsley and representatives of CFA, Victoria Police and VicSES. Presentations focused on the seasonal outlook, the new FireReady app, reckless fires and arson, and community engagement.

BUILDING CAPACITY THROUGH COOPERATION

The MAV is leading a two-year pilot project to develop a best practice governance model for sharing municipal emergency management services. In partnership with the City of Greater Bendigo and the Loddon, Mount Alexander and Campaspe shire councils, the first year of the project resulted in the development of a governance model and a commitment by the participating councils to pilot the cooperative arrangements during the next 12 months. The \$640,000 project has been funded through the Australian Government's National Disaster Resilience Grants Scheme, the MAV and the participating councils.

COMMUNITY FIRE REFUGES

The community fire refuges pilot involved collaboration between the Fire Services Commissioner's office, the Department of Education and Early Childhood Development, the MAV, Yarra Ranges Council and Moorabool Shire Council. The MAV's advocacy ensured councils were not made the responsible authority tasked with officially designating community fire refuges, thereby removing potential liability. An outcome of these negotiations was amendment to the definition of a community fire refuge in the *Country Fire Authority Act 1958* so that refuges are prescribed by regulations rather than being designated through their inclusion in Municipal Emergency Management Plans (MEMPs) or a Municipal Fire Prevention Plan.



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.

TRANSPORT POLICY AND INVESTMENT

The MAV advocated for local government transport interests through the MAV Transport Position Paper (TPP) and active participation in relevant State committees.

The TPP defines the Victorian local government vision and strategic objectives for transport policy and investment in Victoria, includes a discussion of challenges for the State's transport system and identifies a series of council and State Government steps which are necessary to achieve the vision. It also considers population growth, freight, climate change, transport disadvantage and social exclusion, health and liveability, and peak oil. First published in 2008, the TPP is a living document that is reviewed annually, providing a sound basis for our representations to the Victorian Government.

STEP ASSET MANAGEMENT

The MAV STEP Asset Management program resulted in a 22 per cent increase in the number of Victorian councils achieving core competency this year, as measured by the National Asset Management Assessment Framework Scorecard. Our National Local Government Infrastructure and Asset Management Conference was attended by approximately 220 delegates, as outlined in the events section of this report.

ROAD SAFETY

The MAV continued to work with government to improve safety on local government roads throughout Victoria, with particular focus this year on railway level crossings. The MAV has further strengthened its relationships with the Transport Accident Commission (TAC) and VicRoads, resulting in the MAV representing local government on several committees, such as the TAC Community Road Safety Grant Program Reference Group, VicRoads Community Road Safety Partnership Program, and the newly-established TAC Local Government Small Scale Infrastructure Grants Program.

The MAV is also a regular attendee of the Council Road Safety Officer Network meetings, and hosts a Traffic and Road Safety Yammer page - a vehicle for a community of council staff to network and discuss road safety issues.



NATIONAL HEAVY VEHICLE REGULATOR

Through workshops and regional training, we supported councils to implement the new national heavy vehicle legislation, which came into effect on 10 February 2014 with new responsibilities and powers for councils to determine access to local freight routes. At State level, the MAV continues to represent Victorian councils on the Ministerial Freight Advisory Council. The MAV also worked with councils to plan for the establishment of regional freight strategies.

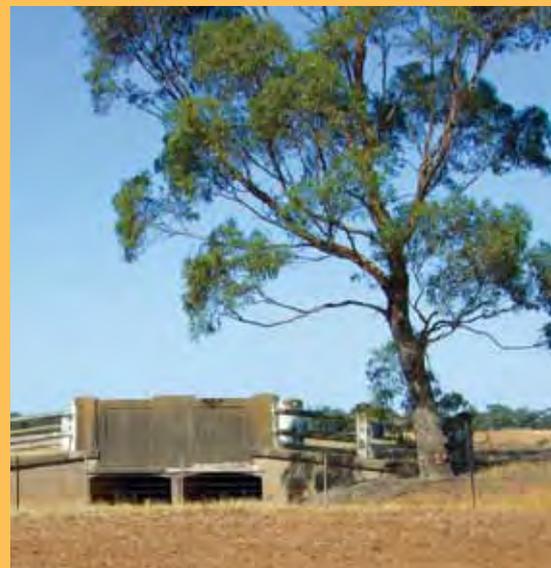
DAM SAFETY

We worked with councils and the Victorian Government to improve the management of council-owned dam safety. A workshop was convened to build awareness of council obligations in the licensing and management of their dams. Further training will be provided to councils in cooperation with the Department of Environment and Primary Industries.

ROAD FUNDING

The Country Roads and Bridges program is a four-year program of the Victorian Government that provides \$1 million per year to 40 rural councils to fund country road and bridge maintenance, concluding on 30 June 2015. The renewal of the Country Roads and Bridges program was the focus of our *Funding Regional Communities* campaign, together with renewal of the Putting Locals First and Local Government Infrastructure programs. These three State initiatives are worth \$360 million to rural and regional councils, who joined the MAV's advocacy efforts.

The Australian Government Roads to Recovery Program is a critical source of funding for all Victorian councils. The MAV is in ongoing cooperation with the Australian Local Government Association to ensure the continuation of this funding program, which has secured bipartisan support until 2018.



MAV PROCUREMENT

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

DELIVERING INTERGENERATIONAL SAVINGS

A number of high profile and strategically important procurement processes have been undertaken on behalf of the sector. Notably, the establishment of the Local Government Funding Vehicle (LGFV) will transform the way councils borrow money and deliver intergenerational savings to the sector. The first issuance of the LGFV is expected in October 2014, with more than 30 councils to participate. It is the first local government public bonds issue undertaken in Australia.

TRANSFORMING MATERNAL AND CHILD HEALTH

MAV Procurement is also leading a procurement process for the development of a sector-wide Maternal and Child Health (MCH) information system to replace existing systems and transform the way MCH services are delivered. The project, supported by a \$2 million grant from the Department of Education and Early Childhood Development, will be finalised following a formal tender process late in 2014.

TENDERS AND CONTRACTS

Other key tenders during 2013/14 included provision of:

- > workers' compensation claims/injury management, workplace health and safety, return to work, training and education services. This tender was released to market in June 2014 and will be finalised during 2014/15
- > Telecommunications services to 77 councils, which included the sourcing of a cloud computing strategic partner to guide the sector strategy
- > Microsoft Software licensing to 77 councils
- > VMware licensing to 59 councils



AUSTRALIA'S LARGEST ENERGY EFFICIENCY PROGRAM

MAV Procurement continues to work with individual councils, regional groups and regional greenhouse alliances to roll-out energy efficient street lighting bulk changeover projects. The MAV street lighting replacement program is the largest energy efficiency initiative in Australian local government history, and the second largest lighting replacement program in the world (behind only New York City in scale). Seventy-two councils have signed up to or are underway with the program, which equates to 183,000 energy efficient luminaires.

The projects already completed and committed to will reduce greenhouse emissions by over 1.2 million tonnes and save the sector up to \$340 million over the 20-year asset life.

A number of strong regional projects are being supported by MAV Procurement

including *The Great South Coast* - a collaborative partnership between six councils in the Barwon region, *Watts Working Better* - a collaborative partnership between nine councils in the Goulburn Broken Greenhouse Alliance, and *Lighting the Regions* - a collaborative partnership between 16 councils in the Central Victorian Greenhouse Alliance.

CONTRACT MANAGEMENT DEVELOPMENT PROGRAMS

Over the past two years, more than 600 council staff have completed one or more of MAV Procurement's contract management professional development programs. Previous training courses, *Managing Contracts in Local Government* and *Managing Contractor OH&S*, were complemented with new programs, *Procurement Planning and Specification Development, Evaluation and Negotiation in Local Government*, and *Social Procurement and Economic Development*.

In May 2014, MAV Procurement conducted the inaugural Procurement Leaders conference, which provided an opportunity for current and aspiring procurement leaders to undertake an intensive two-day program of activities to support their ongoing development as leaders able to meet the growing strategic and operational needs of modern councils.



MAV EVENTS

Objective: To increase the capability and effectiveness of the sector by delivering events that provide professional development opportunities, collaboration between member councils and an understanding of emerging services.

ANNUAL CONFERENCE AND DINNER

Attended by councillors, CEOs and senior management, the year's highest profile event explored prominent local government issues and future challenges facing the sector. The keynote speakers included Natasha Stott Despoja, former leader of the Australian Democrats; the Hon. Jeff Kennett, former Victorian Premier; Leah Armstrong, CEO, Reconciliation Australia; Lucy Manne, Australia Youth Climate Coalition; the Hon. Matthew Guy, Victorian Minister for Planning; and Leah Waymark, General Manager – Corporate Relations, Metro Trains Melbourne. Dinner entertainment featured Julia Zemiro, *Rockwiz*; Casey Bennetto, writer, *Keating! The Musical*; and *Higher Ground*, an eight piece band led by award-winning performer Rocky Loprevite.

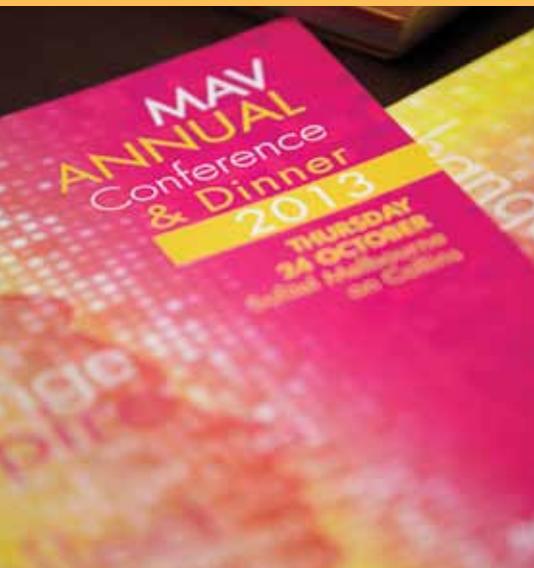
COUNCILLOR DEVELOPMENT WEEKEND

The Councillor Development Weekend is the principal training, development and networking event for Victorian councillors. The weekend provided councillors with challenging keynote presentations, highly participative workshops, engaging thought-provokers and the opportunity to learn from and share experiences with other councillors across Victoria. Keynote speakers included the Hon. Jeanette Powell, Victorian Minister for Local Government; the Hon. Richard Wynne, Shadow Minister for Local Government; Tony Jones, host of the ABC's Q&A; Beverley O'Connor, journalist and former Melbourne Football Club board member; Katrina Byers, former journalist and media trainer; and Kurt Fearnley, paralympian, wheelchair athlete and recent London Marathon winner.

PLANNING CONFERENCES

The Rural and Regional Planning Conference provided local government planners and elected members with essential knowledge and best practice examples of regional planning, process improvement, current issues and policy. The 2014 program included the Hon. Matthew Guy, Victorian Minister for Planning; Marcus Westbury, CEO, Renew Australia; Gary Dawson, Chief Executive, Australian Food and Grocery Council and Prof. Rob Adams AM, Director City Design, City of Melbourne.

The Planning and Process Improvement Conference explored the work of the MAV STEP planning program, helping member councils to examine and improve their strategic, statutory and enforcement planning services. The program featured Marcus Heath, Solicitor at Russell Kennedy Solicitors; Connie Whytcross and Markus Terjung, DTPLI; and Bob Allardice, process engineer and Partner, JW Group.



NATIONAL LOCAL GOVERNMENT INFRASTRUCTURE AND ASSET MANAGEMENT CONFERENCE

Attended by approximately 220 delegates, this conference demonstrated sustainable infrastructure and asset strategies that integrate community needs and public services. The program focused on the road and bridge funding revolution and implications for councils, improving financial sustainability and strengthening leadership. Speakers included Neil Chambers, CEO, Victorian Transport Association; Anthony Coates, Director, Local Government Infrastructure Services; Steve Brown, Executive Director Regional Operations, Vic Roads; and Tim Tamlin, CEO, South Gippsland Shire Council.

GOVERNANCE AS LEADERSHIP IN LOCAL GOVERNMENT CONFERENCE

This conference explored the importance of strong leadership and good governance in local government, testing current governance models and looking at better ways. Speakers included Maryantonnet Flumian, President, Canadian Institute on Governance and member of the advisory boards of the Harvard Policy Group and the John F. Kennedy School of Government; Diana Taylor, Director, Geelong Football Club and Executive Director CT Management Group; Phil Shanahan, former local government chief executive and now consultant to local government; and the Hon. Jeff Kennett, former Victorian Premier.



MAV TECHNOLOGY

Objective: To demonstrate leadership in information and communications technology (ICT) to support effective delivery of council and community services.

SUPPORTING COUNCIL BUSINESS PRIORITIES

MAV Technology implements and supports projects that will positively impact council business priorities in one or more of the areas of economic development, community services, governance and corporate services, planning and infrastructure, and environmental sustainability. We have delivered IT strategy templates and process guidelines to increase ICT planning consistency across the sector, progressed a new approach to Maternal and Child Health data management which will be delivered within the next 12 months, and consulted with councils to assist us in developing a flexible implementation plan for cloud computing solutions. With the Victorian Department of Health, we are developing a food sampling app to streamline and improve the council reporting process. It will be provided and maintained for five years, at no expense to councils.

GAME-CHANGING EVENTS

MAV Technology forums are held twice a year in regional locations, designed to enable council IT departments to share ideas, issues and solutions in a trusted environment.

The MAV Technology Annual Conference is a two-day event that is attracting a broader audience. This year's stellar program included Larry Irving, former head of the US National Telecommunications Infrastructure Administration (NTIA) and Tom Quinn, CIO of News Corp. The conference was chaired by former Premier of Tasmania, David Bartlett.

ADVOCATING FOR ACCESS

MAV Technology continues to advocate for improved, cost-effective access to telecommunications infrastructure, including completion of the National Broadband Network (NBN), emphasising the adverse impacts of limited telecommunications capacity in rural and regional areas.

SHARING IDEAS AND SPREADING THE WORD

Our 230+ person MAV Technology Yammer network facilitated sharing of ICT resources, ideas and solutions amongst MAV Technology members. This assists in generating more consistent approaches to ICT delivery across Victoria's 79 councils. External communications (such as the MAV Technology Annual Conference, the MAV Technology website and e-news, and CiVic magazine) also raised the visibility of MAV Technology, council IT challenges, and achievements within local, Victorian and Australian government environments.



RECOGNISING ACHIEVEMENT

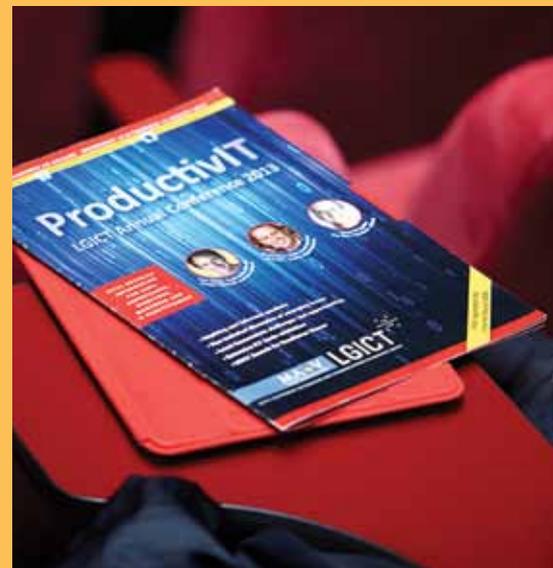
The MAV Technology Awards for Excellence celebrated the achievements of council ICT teams in improving productivity and efficiency. In 2013, the Individual Achievement winner was Les Firth from Yarra Plenty Regional Library (YPRL) for his outstanding work in NBN for YPRL. In the Team Achievement category, the winner was Macedon Ranges Shire Council for its Digital Aged Care Assessments project. Highly commended certificates went to Casey City Council for its Improvement in Customer Satisfaction rating, Melbourne City Council for its 3D Model project and Wyndham City Council for its Mobile Inspection Framework project. Collaboration of the Year went to Nillumbik Shire Council for its IT Policy Management System Implementation, and Project of the Year went to Moorabool Shire Council for implementation of a smartphone-based aged care rostering system.

ENCOURAGING INNOVATION

The MAV Technology Innovation Fellowship is a \$10,000 grant to advance a council ICT project that demonstrates outstanding innovation, supports council business objectives, and influences or assists other councils to improve service delivery. The 2013 Fellowship went to Cardinia Shire Council for its transition to Activity Based Working initiative. Cardina will be the first local government organisation in Australia to completely move to activity-based working, whereby technology will enable staff to work from anywhere in the building, other locations and within the community.

INCREASING OUR INFLUENCE

MAV Technology is working with the Victorian and Australian governments to enable better creation, sharing, and integration of data between all levels of government. Through participation in national innovation-generating initiatives such as GovHack, we are also working to ensure potential benefits from council data assets are realised. With MAV Procurement, we are delivering group ICT procurement savings and working to develop a Local Government Private Network (cloud), which will facilitate greater operational efficiency, leverage collective skills, reduce exposure to technological risk and improve customer service.



INSURANCE

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

MAV INSURANCE ANNUAL REPORT

MAV Insurance provides a range of services including liability mutual insurance and commercial crime insurance. A separate Annual Report for 2013/14 has been prepared to report on our insurance business, with a summary provided in this report. The full report gives greater detail of MAV Insurance activities, the Chairman's report, governance arrangements and financial statements.

WORKCOVER

As mentioned in the CEO's report and elsewhere in this report, the MAV's WorkCare self-insurance initiative presents an exciting opportunity to drive improvement in health, safety and return-to-work outcomes, and further cost savings for members over the medium to long term.

The MAV issued a tender seeking a third party provider for the provision of workers' compensation claims/injury management, workplace health and safety, return to work, training and education services.

Our application for WorkCare to be recognised by the Victorian WorkCover Authority (VWA) as the self-insurer for local government will seek approval for an initial three-year period commencing 1 January 2016. However the process will only proceed if there is sufficient support from councils.

RISK MANAGEMENT SERVICES

We began implementation of the new suite of risk services that focused on members with high claim numbers. The risk analysis response reviews (RARRs) provide targeted services to the quartile of members with significant claims history and involve a detailed plan to target the key claims drivers.

Those members for whom the RARR service was not applicable, tailored risk services have been provided or scheduled, based on the individual needs or in accordance with suggested improvement opportunities by MAV Insurance as part of a nominated risk service.

Member nominated services delivered include targeted risk appraisals on topics such as playground risk management, tree risk management, event management, and road management plan compliance.



REINSURANCE

A significant restructure to the reinsurance program, finalised in late 2012/13, brought new capacity into the LMI program on long-term arrangements. We successfully negotiated a larger self-insured retention for the first \$1 million in claims, which will deliver a financial benefit to members. The program was developed in accordance with our reinsurance management strategy, which ensures all our reinsurers have good credit ratings, while also managing concentration risks and ensuring long-term relationships with underwriters that understand the scheme's liability risks.

COMMERCIAL CRIME

The Commercial Crime Fund covers local authorities against losses from fraudulent or dishonest acts committed by an employee or third party. Like MAV Insurance's LMI Scheme, the Commercial Crime Fund is a non-discretionary mutual insurance scheme that exists solely for the benefit of its members. The Commercial Crime Fund utilises the market power of its 82 members to obtain the broadest insurance cover, with significant sums insured at very competitive rates. The scheme did not incur a new claim this financial year, following three claims in 2012/13.

LGE HEALTH PLAN

The Local Government Employee (LGE) Health Plan is a unique health insurance offer designed to provide local government and water industry employees with private health cover at significantly lower premiums and if hospitalised, the plan will reimburse the member's excess payment.

The plan, delivered in partnership with Health Link and GMHBA, assists in positioning councils and water authorities as employers of choice.

Since its commencement in 2008, the plan has steadily grown and now includes 72 Victorian councils, 14 Tasmanian councils and 11 water authorities. As of 1 July 2014, more than 6,000 people were covered by the plan. In 2013/14, over 500 claims were received, resulting in excess reimbursements of \$163,000.



MAV GOVERNANCE AND FINANCIAL STRUCTURE

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, empowers it to provide fidelity (crime) insurance, and to arrange insurance and to receive commissions for so doing.

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 (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 held in October 2013. Members received a report from the President on the activities of the MAV and voted on 53 motions submitted by member councils. The MAV's consolidated financial statements were endorsed at this meeting. At the May 2014 State Council meeting, delegates approved the 2014/15 Strategic Work Plan for the MAV, approved the VSLGA agreement and considered 64 motions from member councils. For a list of MAV representatives as at 30 June 2014 see page 46.

MAV BOARD

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

Board elections were held in March 2013. For the first time 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 currently elected MAV Board will end in March 2015.

BOARD MEETING ATTENDANCE 2013/14

	JUL	AUG	SEP	OCT	NOV	DEC	JAN*	FEB	MAR	APR	MAY	JUN
Bill McArthur	✓	✓	✓	✓	✓	✓	N/A	✓	✓	✓	✓	✓
Angela Altair	X	✓	✓	✓	✓	✓	N/A	✓	✓	✓	✓	✓
David Clark	✓	✓	✓	✓	✓	✓	N/A	✓	✓	✓	✓	✓
Jackie Fristacky	✓	✓	✓	✓	✓	✓	N/A	✓	✓	✓	✓	✓
Rod Fyffe	X	✓	✓	✓	✓	✓	N/A	✓	✓	✓	✓	✓
Ruth Gstrein	X	✓	✓	✓	✓	✓	N/A	✓	✓	✓	✓	✓
Geoff Lake	X	✓	X	✓	✓	X	N/A	✓	✓	✓	✓	✓
Mary Lalios	✓	✓	X	X	✓	✓	N/A	✓	✓	✓	✓	X
Peter Lockwood	✓	✓	X	✓	✓	✓	N/A	✓	✓	✓	✓	✓
Gary Norton	✓	✓	✓	✓	✓	✓	N/A	✓	✓	✓	✓	X
Coral Ross	✓	✓	✓	✓	✓	✓	N/A	X	✓	✓	X	✓
Jane Rowe	✓	✓	X	✓	✓	X	N/A	X	✓	X	X	✓
Deb Swan	✓	✓	✓	✓	✓	✓	N/A	✓	X	✓	✓	✓

* No meeting held in January 2014

BOARD ALLOWANCES AND EXPENSES

The Board Allowance and Expense Policy provides for Board members to receive an annual allowance, paid quarterly in advance. Board members are provided with a data allowance for accessing business papers via iPads and can claim out-of-pocket expenses for travel, parking, accommodation and meals when undertaking duties as a board member. Expenses also reflect costs associated with positions 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 entitles Board members to attend MAV events including the Annual Conference, Councillor Development Weekend, Asset Management Conference and Future of Local Government Summit.

BOARD ALLOWANCES AND EXPENSES 2013/14

	ANNUAL ALLOWANCE	DATA ALLOWANCES	EXPENSES	TOTAL
Rod Fyffe	8,534.60	381.92	9,659.32	18,575.84
Gary Norton	8,534.60	381.92	9,500.81	18,417.33
Angela Altair	8,534.60	381.92	2,681.65	11,598.17
Jane Rowe	8,534.60	381.92	4,056.42	12,972.94
David Clark	12,534.08	381.92	6,831.87	19,747.87
Mary Lalios**	12,534.08	381.92	7,542.90	20,458.90
Bill McArthur**	60,801.96	381.92	21,282.71	82,466.59
Geoff Lake	8,534.60	381.92	513.67	9,430.19
Coral Ross	8,534.60	381.92	2,494.28	11,410.80
Ruth Gstrein	8,534.60	381.92	5,527.84	14,444.36
Jackie Fristacky	8,534.60	381.92	3,296.36	12,212.88
Debra Swan	8,534.60	381.92	4,324.16	13,240.68
Peter Lockwood	8,534.60	381.92	241.24	9,157.76

* President Cr Bill McArthur was also provided with full private use of a motor vehicle at a cost of \$25,844.98

** includes expenses relating to ALGA Board positions

The amounts listed do not correlate to the allowance and expense payment figures in the financial statements as they include some payments made to Board members for expenses incurred in 2012/13 and claimed in 2013/14. 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 2014 for expenses incurred in the 2013/14 year, details of which will be reflected in the 2014/15 Annual Report.

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 Board and the MAV Board.

AUDIT COMMITTEE

The Audit Committee is an independent committee established by the MAV Board and operates under a charter 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 (Chair), Michael Ulbrick and Michelle Dowsett. The Board is represented by the MAV President, Cr Bill McArthur and Deputy President (metro) 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 the external auditors, in 2013/14 the MAV Audit Committee received reports on the LGE Health Plan, Records Management, MAV Procurement, Conflict of Interest and Business Continuity. It also reviewed the performance of the MAV's external auditor. Independent committee members receive a sitting fee for each meeting attended. In 2013/14 the sitting fees were: Chair: \$918.00 (2013 calendar year) increasing to \$945.54 (2014). Independent committee members: \$612.00 (2013) increasing to \$630.36 (2014).

MAV FINANCE STRUCTURE

The MAV consolidated structure is made up of three discrete components; MAV, Liability Mutual Insurance Scheme and Commercial Crime Insurance Fund. Each of these components is required to be operated for the benefit of their discrete membership base. Within MAV there are three functions which are operated as business units. These are Grants and Projects, Procurement and Events.

MEMBERSHIP SUBSCRIPTIONS

The Rules of the Association require that a council can only be a participating member by the payment of a subscription as determined by the MAV Board. MAV Board policy over recent years has been to increase subscriptions by three percent annually. This rate of increase was raised to four percent in 2012 to assist the MAV to pay the defined benefit superannuation call in excess of \$800,000.

EVENTS

The MAV holds a number of events, conferences and training workshops each year. The MAV's aim is for the events to be cost neutral to the MAV.

MAV PROCUREMENT

MAV Procurement's main objective is to achieve better procurement outcomes for local government by leveraging the combined purchasing power of councils, and delivering training programs and policy support to improve councils' procurement capacity and practices. The MAV invested capital to commence the procurement business and this investment is being repaid from surpluses earned from activities. In the longer term, it is intended that procurement be cost neutral to the MAV.

MAV GRANTS

The MAV receives grants from the Australian and Victorian governments and from various other sources to undertake projects for the benefit of local government and its communities. The objective is for the grant program to be cost neutral to the MAV.

BROKERAGE FEES

The *Municipal Association Act* was amended in 1967 to allow the MAV to undertake the activities of an insurance agent and broker and to receive commissions for doing so. MAV Insurance Broking Services was operated by the MAV until 1987 when the function was licensed to Jardine Lloyd Thompson (JLT) under an arrangement whereby MAV receives 22.5 percent of the commissions and fees received by JLT for the placement of insurance related to MAV's general broking activities. Revenue derived from brokerage fees for 2013/14 was \$1.37 million including \$225,000 for the placement by JLT of reinsurance for the Liability Mutual Insurance (LMI) Scheme.

LMI AND CORPORATE CRIME MANAGEMENT FEES

The MAV receives management fees in relation to its direct costs (i.e. staff, accommodation, IT overheads) incurred through the operation of these schemes. These funds total \$827,966 for the LMI Scheme and \$134,744 for the Commercial Crime Insurance Fund in 2013/14.

MAV BOARD ADVISORY COMMITTEES

Eight 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 valuable 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 MAV membership in line with the Board elections. MAV Board advisory committee chairpersons are nominated by the newly-elected 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 Arts and Culture Committee
- > MAV Emergency Management Committee
- > MAV Environment Committee
- > MAV Human Services Committee
- > MAV Multicultural Committee
- > MAV Planning Committee
- > MAV Professional Development Reference Group
- > MAV Transport and Infrastructure Committee

OTHER MAV COMMITTEES

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

CRISISWORKS JOINT MANAGEMENT PANEL

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

GENDER AND EMERGENCY MANAGEMENT ADVISORY GROUP (GEMAG)

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

LOCAL GOVERNMENT INFORMATION AND COMMUNICATION TECHNOLOGY COMMITTEE (LGICT)

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

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, CEOs AND MAYORS WINDFARM JOINT WORKING GROUP

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

MAV DEFINED BENEFIT SUPERANNUATION TASKFORCE

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

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 AND AGEING ADVISORY GROUP

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

MAV HACC SUSTAINABILITY GROUP

Guides MAV advocacy on policy reform in national aged care services, and financial sustainability and productivity improvement in home and community care.

MAV IMPROVING EMERGENCY MANAGEMENT IN LOCAL GOVERNMENT PROGRAM STEERING COMMITTEE

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

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

MAV RURAL LAND USE PLANNING FORUM

Provides a quarterly forum for councillors and planners to discuss and address priority rural land use planning 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 TOBACCO ADVISORY GROUP

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

EXTERNAL COMMITTEES

As the peak body for local government, the MAV represents or nominates representatives for the sector on a range of external committees and other bodies. In 2013/14, these included:

Additional Prospecting Areas in Parks Community Reference Group	Heart Foundation (Vic) and Quit Victoria Smoke-Free Policies Advisory Group	State Library Advisory Committee on Public Libraries
ALGWA 5050 Vision Steering Group	Infringements Standing Advisory Committee	State Vulnerable Children and Youth Implementation Group
Animal Welfare Advisory Committee	Local Coastal Hazard Assessment Project Control Group	TAC Community Road Safety Grant Program Reference Group
ANZAC Commemorative Naming Program Committee	Local Government Aboriginal Partnerships Project Steering Committee	TAC Local Government Small Scale Infrastructure Grants Program
Association of Regional Waste Management Groups (observer status)	Local Government - EPA Victoria - Sustainability Victoria CEO Group	VicRoads Community Road Safety Partnership Program
Australian Packaging Covenant Council	Melbourne Flood Strategy Project Control Board	VicRoads Government Reference Group Worksite Safety and Traffic Management
Building Regulation Advisory Committee	Melbourne Whole-of-Water-Cycle Management Framework Steering Committee	VicRoads Safety Alliance
Building Working Group	Metropolitan Local Government Waste Forum	VicRoads Victorian Road-based Public Transport Advisory Council
Bushfire Land Acquisition Panel	Ministerial Advisory Council on Public Libraries	Victorian Adaptation and Sustainability Partnership Grants Project Control Group
Bushfire Rapid Validation Taskforce	Ministerial Utilities Infrastructure Reference Panel	Victorian Adaptation and Sustainability Partnership Ministerial Advisory Committee
Cleaner Yarra and Bay Implementation Taskforce	Municipal Emergency Management Enhancement Group	Victorian Agricultural Chemicals Advisory Committee
Common Risk Management Policy and Practice Project Control Group	National Aged Care Home Support Advisory Group	Victorian Children's Council
Community Fire Refuges Advisory Board	National Waste Policy Data Working Group	Victorian Coastal Strategy Implementation Coordination Committee
Consultative Committee: taxi and hire car industry reforms	Office of Living Victoria Local Government Taskforce	Victorian Commission for Liquor and Gambling Regulation Liquor Licensing Community Stakeholder Forum
Country Fire Authority Board	Office of Living Victoria Metropolitan Framework Steering Committee	Victorian Cycling Strategy Reference Group
Cultural Development Network Board	Onsite Wastewater Portfolio Strategy Committee	Victorian Emergency Animal Welfare Committee
Dental Health Services Victoria Population Health Committee	Planning System Performance Indicators Reference Group	Victorian Emergency Communication Committee
Department of Education and Early Childhood Development - Early Childhood Development Advisory Group	Powerline Bushfire Safety Taskforce Stakeholder Reference Group	Victorian Flood Warning Consultative Committee
Department of Education and Early Childhood Development / MAV Roundtable	Road Freight Advisory Council	Victorian Floodplain Management Strategy Stakeholder Reference Group
Department of Premier & Cabinet Translating and Interpreting External Advisory Group	Rural Landfill Risk Assessment Project Reference Group	Victorian Food Regulators Forum
Destination Excellence Building Industry Group	Sandbag Guidelines Steering Committee	Victorian Litter Action Alliance
Development Assessment Forum	State Crisis and Resilience Council (SCRC)	Victorian Local Sustainability Accord Committee
Domestic Animal Management Implementation Committee	SCRC Capability and Response Sub-committee	Victorian Medicare Locals Transition Advisory Committee
DTPLI Cycling Reference Group	SCRC Recovery Sub-committee	Victorian Ministerial Freight Advisory Council
DTPLI Pedestrian Advisory Group	SCRC Risk and Resilience Sub-committee	Victorian Pedestrian Advisory Council
Electric Line Clearance Consultative Committee	State Coordination and Management Committee	Victorian Prevention and Population Health Advisory Board
EPA Victoria Business Reference Group	Bushfires Sub-committee	Victorian Primary and Community Health Network
Fire Services Property Levy Implementation Committee	State Elder Abuse Prevention and Response Advisory Group	Victorian Railway Crossing Safety Steering Committee
Forests and Timber Biosecurity Working Group	State Emergency Management Team	Victorian Waterways Strategy Stakeholder Reference Committee
HACC Departmental Advisory Committee (Victorian Department of Health)	State Emergency Mitigation Committee	Waste Governance Reform State Transition Committee
Heart Foundation Safe Speed Interest Group	State Emergency Relief and Recovery Committee	Women's Participation in Local Government Coalition
	State Emergency Relief Planning Sub-committee	Worksafe Stakeholder Reference Group
	State Emergency Response Planning Committee	
	State Fire Management Planning Committee	
	State Fire Management Planning Committee Executive	
	State Gender and Disaster Taskforce	
	State Health and Medical Sub-committee	

MAV TEAM



MAV MANAGEMENT

Rob Spence 1
Chief Executive Officer

Alison Lyon 2
Deputy Chief Executive Officer,
General Counsel

Clare Dunn 3
Manager, Environment

**Emma Fitzclarence
Lake** 4
Manager, Emergency
Management Policy

Clare Hargreaves 5
Manager, Social Policy

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

Gareth Hately 7
Manager, Planning, Building and
Infrastructure

Debbie Jones 8
Manager, Media and
Communications

Geoff Pawsey 9
Manager, Workforce and Risk
Management

Cameron Spence 10
Manager, Commercial Services

Alison Standish 11
Manager, Human Resources
and Corporate Services





MAV STAFF

Rylee Agius 12
Corporate Services Officer

Zara Ahmed 13
Corporate Services Officer

Polly Banks 14
Executive Assistant to CEO

Alvin Bautista 15
Online Communications Coordinator

Lloyd Brady
Swift Systems

Jo Cross 16
Contracts Manager, MAV Procurement

Amy Denahy 17
Corporate Services Officer

Steve Downs 18
Business Manager Relationships

Jaclyn Felton 19
Legal and Governance Support Officer

Steve Goldsworthy
Governance and Legislation Adviser

Martijn Gough 20
Senior Policy Adviser

Michael Green 21
Electronic Records Officer

Rosemary Hancock 22
Policy Adviser

Leah Kernahan 23
Corporate Services Officer

Trevor Koops
Senior Economist

Ashleigh La Rocca 24
Corporate Services Officer

Gavin Mahoney 25
Senior Projects Officer

Stephanie O'Brien 26
Media and Communications Adviser

Candice Ong 27
Finance Officer

Andrew Rowe 28
Councillor Development Officer

Paul Taylor
Marketing Manager, MAV Procurement

Julie-Ann Undrill 29
Manager, Events and Sponsorship

Steve Vasilevski 30
IT Coordinator



GRANT AND OTHER FUNDED STAFF

Wendy Allan 31
Early Years Adviser

Naree Atkinson
Policy Adviser

Jan Barrett 32
Early Years Consultant

Lisa Bennetto 33
Executive Officer, Local Government Information Communications Technology

Jan Black 34
Policy Adviser

Jan Bruce 35
Positive Ageing Policy Adviser

Melek Cetiner
Policy Officer

Bernie Cotter 36
Executive Officer, Association of Bayside Municipalities

Michelle Croughan 37
Planning Project Officer

Joanne Fittock 38
Maternal and Child Health Policy Adviser

Sophie Gale
Project Coordinator, Prevention of Violence Against Women

Ros Handley 39
Project Coordinator

Madelyn Jarvis 40
Policy Adviser, Emergency Management, Project Coordinator, RCV

Kellie Nagle 41
Policy Adviser, Prevention of Violence Against Women

Con Pagonis 42
Multicultural Policy Adviser

Kevin Peachey 43
Executive Officer, Timber Towns Victoria and National Timber Councils Association; Co-ordinator, Council Alliance for a Sustainable Built Environment

Olwyn Redshaw 44
Program Adviser, Rural Councils Victoria

Pauline Sanders 45
Policy Adviser

Lidia Thorpe 46
Aboriginal Employment Adviser

Nicole Wakelin
Project Manager, RCV

Karen Ward-Smith 47
Executive Officer, Public Libraries Victoria Network

Derryn Wilson 48
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 2013/14 the staffing profile of the MAV included:

- 34 staff (23 full-time and 11 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
- 22 staff (12 full-time and 10 part-time) funded from Victorian and Australian government grants or other sources to deliver specific projects and programs to councils
- Seven 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. Twelve staff moved on to new career opportunities and one retired. These positions were filled through recruitment or reorganisation of responsibilities.

MEDIA AND COMMUNICATIONS

The MAV continued to influence commentary as the voice of local government, maintaining a strong media presence on key issues, as well as extensive reporting of our campaigns.

Our ongoing efforts continued to improve community understanding of council rates with the release of annual data to media, a training session for News Ltd journalists and publishing of the workshop online for access by all media outlets statewide.

During the last 12 months, there were 1,613 MAV mentions in the media. Campaigns such as no kindergarten cuts and no rate-capping have significantly contributed to the MAV's media mentions. The Australian Government's decision to cut back Financial Assistance Grants also contributed to a bulk of media reporting that mentioned the MAV.

The MAV's CiVic Magazine has continued to strengthen its readership and provides a sought-after vehicle for councils to promote their innovative projects to the sector. Enthusiasm and appreciation of CiVic's presence led to the MAV signing a new contract to publish the magazine until the end of 2016.

Interest in the MAV weekly bulletin continues to grow, with 1,320 people subscribed. Our average readership is around 40 per cent, well above the industry average of 24 per cent. Interest in our e-policy bulletins is also strong, with the Land Use Planning Bulletin gaining the biggest audience. Readership of all policy bulletins remains well above the industry average, with the Insurance Bulletin often read by over 60 per cent of subscribers due to the specific

nature of the advice provided to our insurance members. With baseline audience statistics now established, a redesign of bulletin templates will be undertaken to improve useability and functionality for users, including on mobile devices, and to increase overall readership numbers.

Subscription to our social media channels continues to grow, with our LinkedIn page attracting 945 followers and Twitter account gaining 2,446 followers.

Our intranet, MAVIS, is in the midst of an upgrade to help improve business continuity and staff performance. Larger storage and enhanced search functionality have improved records management and file retrieval.

Visitation of the overall public website has remained steady with 676,283 views, although mobile devices and tablets have acquired a greater share of traffic. A Comms Hub was launched on the members-only website, providing council employees with resources for communicating to and about different demographics. The public website's publications area was revamped into a media centre featuring our social media accounts, campaigns, digital channels, publications and new image and video galleries. Traffic to this section of the website almost doubled with 6,566 page views in its first month.

SECRETARIATS

TIMBER TOWNS VICTORIA

Timber Towns Victoria (TTV) continues to provide policy analysis, advocacy and advice to rural and regional councils from across Victoria who host either the native or plantation forest industry, as well as related manufacturing industries. TTV has concentrated advocacy on the issue of local government roads affected by timber transport and from this advocacy, member councils have seen \$4.3 million directed to road repairs and improvements for the safety of all road users and to increase industry efficiency. Timber Towns Victoria is advocating for the continuation of the Country Roads and Bridges Fund on behalf of its 19 members across Victoria.

COUNCIL ALLIANCE FOR A SUSTAINABLE BUILT ENVIRONMENT

The Council Alliance for a Sustainable Built Environment (CASBE) is an association of more than 25 Victorian rural and urban councils. CASBE's focus is on applying ecologically sustainable development (ESD) principles to the built environment through the statutory planning system. The association provides a forum to exchange information, innovation, and best practice in ESD, to effectively represent and advocate the collective views of the member councils, to strengthen partnerships between member councils, relevant agencies and industry, and to provide leadership in advocacy and ESD policy and practice. CASBE is currently assisting councils in the creation of a new tool, the Built Environment Sustainability Scorecard (BESS) to ensure good ESD outcomes can be implemented in the planning stages of a new building.

ASSOCIATION OF BAYSIDE MUNICIPALITIES

The Association of Bayside Municipalities (ABM) is continuing to implement its Strategic Directions of 2012-16. The ABM was successful in securing funds to develop the Port Phillip Bay Regional Coastal Adaptation Plan, co-funded under the Victorian Adaptation and Sustainability Partnership (VASP). The Association has contributed to the re-write of the Victorian Coastal Strategy and the underlying Regional Coastal Plans. The ABM is represented on the Environment Minister's Cleaner Yarra and Port Phillip Bay Taskforce to improve beach and stormwater health, and the Minister for Ports' Recreational Boating Facilities Working Group to improve recreational boating needs and provision of related infrastructure in Port Phillip Bay. Established in 1974, the Association serves the needs of councils around Port Phillip Bay. The current presidential council is Frankston City Council, with Cr Rebekah Spelman as ABM President.

RURAL COUNCILS VICTORIA

During year three of the four-year Victorian Government-funded Networked Rural Councils Program (NRCP), Rural Councils Victoria (RCV) has scoped, researched, and delivered eight projects including a Rural Retail Handbook, a web-based Rural Migration tool and a toolkit to support Collaboration in Fleet Management. RCV launched two new Rural Recruitment and Retention projects and four Technology Supporting Creative Industries pilots. RCV's Economic Development Guidelines were published, as was RCV Tomorrow, a strategic plan for 2014-16. RCV provided four training programs across economic development, planning for demographic change and events planning; two forums for mayors, councillors and CEOs; and the Rural Summit in Nhill in March 2014, which was attended by 160 delegates plus support staff and members of the Hindmarsh community.

PUBLIC LIBRARIES VICTORIA NETWORK

As an active participant in the Ministerial Advisory Council on Public Libraries, Public Libraries Victoria Network (PLVN) has provided a statewide response to the Review of Public Libraries Stage Two Report and has engaged with members as they have managed their local submissions. A key challenge for public libraries relates to access to eBooks and eResources. PLVN works with the Australian Library and Information Association (ALIA) and the state public library associations to engage with aggregators and publishers to address the issues. PLVN was recognised for its key role in the development of *Victorian Public Libraries 2030: a strategic framework* by the US Strategic Planning Association's internationally recognised Richard Goodman Planning Award. PLVN continues to work with its key stakeholders including the State Library of Victoria and the ALIA.

MAV REPRESENTATIVES

as at 30 June 2014

Alpine Shire Council Cr Peter Roper	Glenelg Shire Council Cr John Northcott	Mildura Rural City Council Cr Glenn Milne	Swan Hill Rural City Council Cr Gary Norton
Ararat Rural City Council Cr Paul Hooper	Golden Plains Shire Council Cr Des Phelan	Mitchell Shire Council Cr Rodney Parker	Towong Shire Council Cr Peter Joyce
Ballarat City Council Cr Vicki Coltman	Greater Dandenong City Council Cr Maria Sampey	Moira Shire Council Cr Peter Mansfield	Wangaratta Rural City Council Mrs Alica Fox
Banyule City Council Cr Jenny Mulholland	Greater Geelong City Council Cr Andy Richards	Monash City Council Cr Geoff Lake	Warrnambool City Council Cr Michael Neoh
Bass Coast Shire Council Cr Kimberly Brown	Greater Shepparton City Council Cr Michael Polan	Moonee Valley City Council Cr John Sipek	Wellington Shire Council Cr Malcolm Hole
Baw Baw Shire Council Cr Murray Cook	Hepburn Shire Council Cr Bill McClenaghan	Moorabool Shire Council Cr Tom Sullivan	West Wimmera Shire Council Cr Ron Hawkins
Bayside City Council Cr Felicity Frederico	Hindmarsh Shire Council Cr Rob Gersch	Moreland City Council Cr Oscar Yildiz	Whitehorse City Council Cr Sharon Ellis
Benalla Rural City Council Cr Barbara Alexander	Hobsons Bay City Council Cr Angela Altair	Mornington Peninsula Shire Council Cr Hugh Fraser	Whittlesea City Council Cr Mary Laliou
Boroondara City Council Cr Coral Ross	Horsham Rural City Council Cr David Grimble	Mount Alexander Shire Council Cr Sharon Telford	Wodonga City Council Cr Lisa Mahood
Brimbank City Council Mr John Watson	Hume City Council Cr Adem Atmaca	Moyne Shire Council Cr James Purcell	Wyndham City Council Cr John Gibbons
Buloke Shire Council Cr Reid Mather	Indigo Shire Council Cr Bernard Gaffney	Murrindindi Shire Council Cr Margaret Rae	Yarra City Council Cr Jackie Fristacky
Campaspe Shire Council Cr Ian Maddison	Kingston City Council Cr Ron Brownlees	Nillumbik Shire Council Cr Helen Coleman	Yarra Ranges Shire Council Cr Fiona McAllister
Cardinia Shire Council Cr Graeme Moore	Knox City Council Cr Peter Lockwood	Northern Grampians Shire Council Cr Kevin Erwin	Yarriambiack Shire Council Cr Ray Kingston
Casey City Council Cr Mick Morland	Latrobe City Council Cr Dale Harriman	Port Phillip City Council Cr Bernadene Voss	
Central Goldfields Shire Council Cr Barry Rinaldi	Loddon Shire Council Cr Gavan Holt	Pyrenees Shire Cr David Clark	
City of Greater Bendigo Council Cr Rod Fyffe	Macedon Ranges Shire Council Cr John Letchford	Queenscliffe Borough Council Cr Bob Merriman	
Colac Otway Shire Council Cr Steven Hart	Manningham City Council Cr Geoffrey Gough	South Gippsland Shire Council Cr James Fawcett	
Corangamite Shire Council Cr Ruth Gstrein	Mansfield Shire Council Cr Ray Robinson	Southern Grampians Shire Council Cr Albert Calvano	
Darebin City Council Cr Oliver Walsh	Maribyrnong City Council Cr Michael Clarke	Stonnington City Council Cr Claude Ullin	
East Gippsland Shire Council Cr Jane Rowe	Maroondah City Council Cr Les Willmott	Strathbogie Shire Council Cr Debra Swan	
Frankston City Council Cr Darrel Taylor	Melbourne City Council Cr Stephen Mayne	Surf Coast Shire Council Cr Brian McKiterick	
Gannawarra Shire Council Cr Neville Goulding	Melton City Council Cr Kathy Majdlik		
Glen Eira City Council Cr Margaret Esakoff			

FINANCIAL OVERVIEW

REPORT ON FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2014

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 board of management established by the Board, the MAV Insurance Board (MAVIB). The MAVIB 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 2014 was again impacted by the Defined Benefit Superannuation Fund liability of \$45,086 (2013 \$144,797). The operating surplus for the year, including grant receipts, was \$397,883 (2013 deficit \$309,365).

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 \$4.7 million (2013 \$4.3 million). During 2014, the MAV received a further \$8.4 million in grants and other grant-related income (2013 \$10.1 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 2014, the MAV had a commitment to spend \$5.03 million (2013 \$4.72 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 MAVIB has put in place a strategy to reverse this trend. This strategy has been successfully implemented during the year. This has resulted in the operating deficit of the combined entity reducing to \$1.2 million (2013 deficit \$5.3 million) with net assets reducing from \$5.05 million in 2013 to \$3.85 million in 2014. A surplus is expected to be earned during the 2015 financial year.

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 5.3 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 2014 was \$60,009 (2013 surplus \$116,375). The surplus was impacted by costs associated with the retirement of a long-term employee.

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 MAVIB 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 2014 was \$1.59 million (2013 deficit \$5.63 million). The net asset position at the end of 2014 was a deficit of \$846,336 (2013 surplus \$743,384). The deficits incurred have been caused by an adverse claims environment; particularly in the public liability – property damage area. The MAVIB has implemented a strategy with its members to reverse the claims trend with the objective to bring MAV Insurance into surplus during the 2015 financial year. Financial performance during the 2014 financial year is in line with this strategy objective.

GUIDE TO THE FINANCIAL STATEMENTS

COMPONENTS OF THE FINANCIAL REPORT

The financial report contains three main sections:

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

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

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

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

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

The audit report by the independent auditor expresses the auditor's opinion on whether the financial statements present fairly in all material respects, the financial position of the Association as at 30 June 2013, and the results of the various business operations and cash flows for the year ended 30 June 2014, 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.

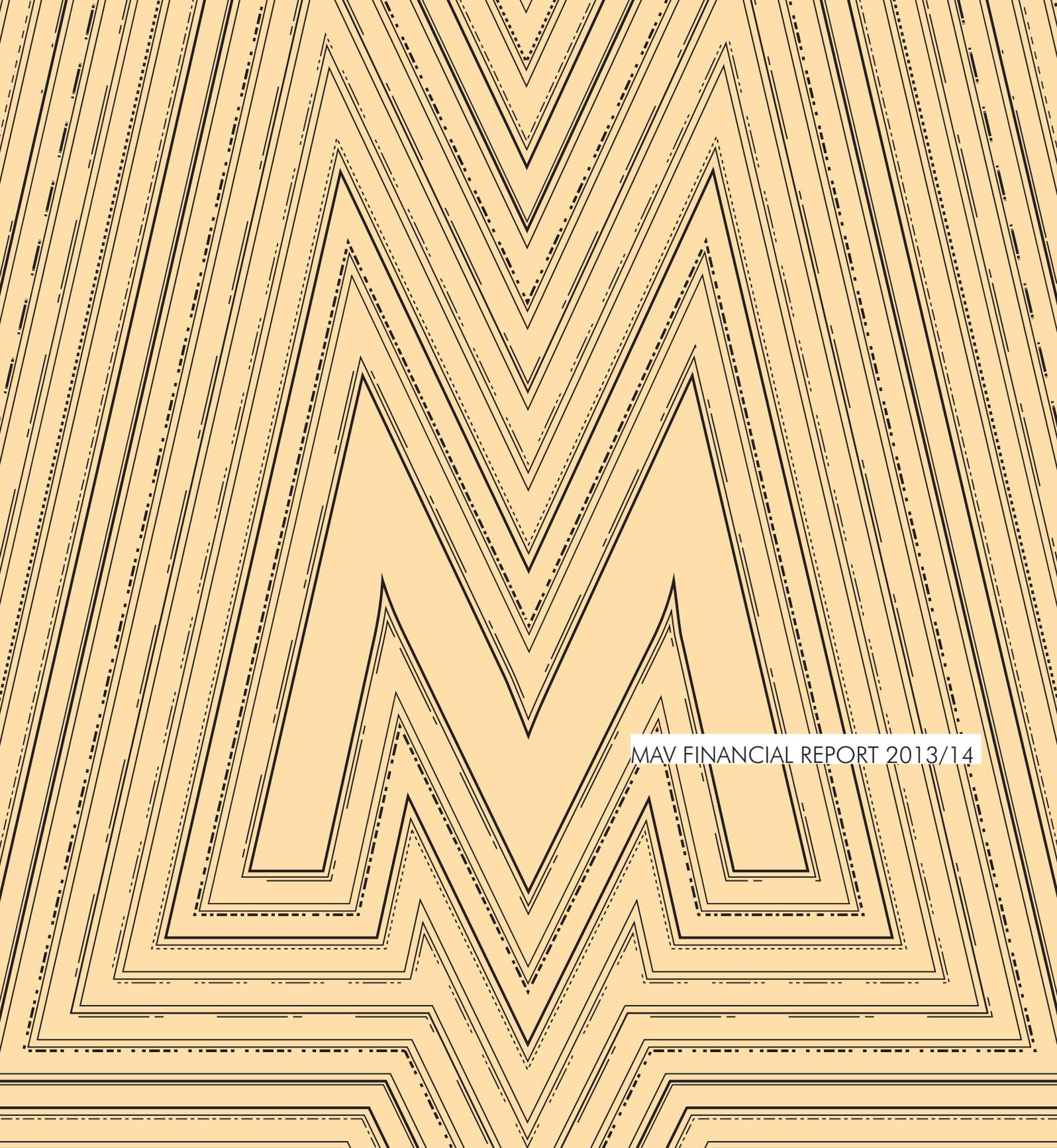
Where the Association wishes to disclose information which cannot be incorporated into the statements, this is shown in the notes. The notes should be read at the same time as the financial statements in order to get a full and clear picture of the financial statements.

STATEMENT BY DIRECTORS

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

INDEPENDENT AUDIT REPORT

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



MAV FINANCIAL REPORT 2013/14

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	COMBINED		MAV - GENERAL FUND	
		2014	2013	2014	2013
		\$	\$	\$	\$
REVENUE	4	70,400,167	59,198,774	16,666,698	18,018,703
		70,400,167	59,198,774	16,666,698	18,018,703
EXPENSES	5(b)	71,592,003	64,520,626	16,268,815	17,709,338
NET SURPLUS/(DEFICIT)	3	(1,191,836)	(5,321,852)	397,883	309,365
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME(LOSS) FOR THE PERIOD		(1,191,836)	(5,321,852)	397,883	309,365

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	NOTE	COMBINED		MAV - GENERAL FUND	
		2014	2013	2014	2013
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	9(a)	36,133,740	33,060,125	6,452,479	4,350,506
Trade and other receivables	10,2(f)	63,815,807	58,141,665	8,091,838	5,786,459
Prepayments		111,201	139,103	108,801	137,301
TOTAL CURRENT ASSETS		100,060,748	91,340,893	14,653,118	10,274,266
NON-CURRENT ASSETS					
Trade and other receivables	10,2(f)	60,378,046	47,988,273	-	-
Property, plant and equipment	12,2(h)	508,602	588,857	382,329	431,019
Intangibles	13,2(h)	151,355	228,440	99,085	143,182
TOTAL NON-CURRENT ASSETS		61,038,003	48,805,570	481,414	574,201
TOTAL ASSETS		161,098,751	140,146,463	15,134,532	10,848,467
CURRENT LIABILITIES					
Trade and other payables		16,358,108	7,284,084	7,747,002	4,129,634
Premiums in advance	11	29,976,070	28,965,483	-	-
Provision for employee entitlements	17	738,146	690,134	738,146	690,134
Provision for claims outstanding	14(a),2(s)	20,508,786	21,126,609	-	-
Other current liabilities		714,703	725,173	714,703	725,173
TOTAL CURRENT LIABILITIES		68,295,813	58,791,483	9,199,851	5,544,942
NON-CURRENT LIABILITIES					
Provision for employee entitlements	17	91,886	96,714	91,886	96,714
Provision for claims outstanding	14(a),2(s)	87,714,589	75,308,067	-	-
Unfunded superannuation liability	18,2(a)	575,422	603,935	575,422	603,935
Other non-current liabilities		565,683	299,070	565,683	299,070
TOTAL NON-CURRENT LIABILITIES		88,947,580	76,307,786	1,232,991	999,719
TOTAL LIABILITIES		157,243,393	135,099,269	10,432,842	6,544,660
NET ASSETS		3,855,358	5,047,194	4,701,690	4,303,807
EQUITY		3,855,358	5,047,194	4,701,690	4,303,807

The accompanying notes form an integral part of these statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

NOTE	COMBINED		MAV - GENERAL FUND	
	2014	2013	2014	2013
	\$	\$	\$	\$
RETAINED EARNINGS				
Balance at beginning of year	5,047,194	10,369,046	4,303,807	3,994,442
Surplus (deficit) from ordinary activities	(1,191,836)	(5,321,852)	397,883	309,365
BALANCE AT END OF YEAR	3,855,358	5,047,194	4,701,690	4,303,807

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE	COMBINED		MAV - GENERAL FUND	
	2014	2013	2014	2013
	\$	\$	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES				
RECEIPTS				
Subscriptions, grants and fees	56,322,474	45,804,358	25,780,517	25,793,202
Investment income	1,504,826	2,276,692	195,531	252,869
Reinsurance and other recoveries	15,413,251	19,071,501	-	-
PAYMENTS				
Suppliers	(53,745,076)	(46,494,882)	(23,763,303)	(26,193,173)
Claim payments	(16,311,088)	(26,227,902)	-	-
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	9(b) 3,184,387	(5,570,233)	2,212,745	(147,102)
CASH FLOW FROM INVESTING ACTIVITIES				
Proceeds from sale of fixed assets	193,634	123,470	193,634	123,470
Payments for fixed assets and intangibles	(304,406)	(212,769)	(304,406)	(212,769)
NET CASH USED IN INVESTING ACTIVITIES	(110,772)	(89,299)	(110,772)	(89,299)
NET (DECREASE)/INCREASE IN CASH HELD	3,073,615	(5,659,532)	2,101,973	(236,401)
Cash at beginning of year	33,060,125	38,719,657	4,350,506	4,586,907
CASH AT END OF YEAR	9(a) 36,133,740	33,060,125	6,452,479	4,350,506

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 2014

1. CORPORATE INFORMATION

The combined financial report of Municipal Association of Victoria for the year ended 30 June 2014 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 2014 are outlined in the table below:

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

(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 section 50-25 of the *Income Tax Assessment Act 1997* as a public authority constituted under an Australian law.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(e) Cash and cash equivalents

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

(f) Trade and other receivables

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

(g) Trade and other payables

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

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

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

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

INTANGIBLE ASSETS

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

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

IMPAIRMENT

The carrying amount of property, plant, equipment, trademarks, website and other intellectual property 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 2014

(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) Superannuation

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

(r) Premiums

Premiums comprise amounts charged to members of the Schemes for policy cover, net of amounts returned to members as bonuses.

The earned portion of premiums received is recognised as revenue. Premiums are treated as earned from date of attachment of risk.

The pattern of recognition over the policy is based on time, which is considered to closely approximate the pattern of risks undertaken.

(s) Premiums 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 2014

SUMMARY OF ACCOUNTING POLICIES RELATING TO INSURANCE ACTIVITIES

(t) Claims

Claims-incurred expense and liability for outstanding claims are recognised in respect of direct business. The liability covers claims incurred but not yet paid, incurred but not yet reported claims, and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by reviewing individual claim files and estimating claims not notified and settlement costs using statistical and actuarial techniques. The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all the claims do not have to be paid out in the immediate future. The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal inflation and 'superimposed inflation'. Advice from the MAV's actuary has estimated superimposed inflation to be 3% (2013 0%) and the discount rate at 3.1% (2013 3.25%).

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

Details of rates applied are disclosed in note 22.

(u) Reinsurance and other recoveries receivable

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

(v) Revenue recognition

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

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

(w) Reinsurance expense

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	COMBINED	
		2014 \$	2013 \$
3. CONTRIBUTION TO OPERATING SURPLUS			
CONTRIBUTION FROM INSURANCE ACTIVITIES			
Premium income		28,965,483	24,210,450
Performance bonus	26	195,412	319,750
Reinsurance expense	2(v)	(20,706,667)	(13,509,021)
NET PREMIUM INCOME		8,454,228	11,021,179
Claims expense	5(a)	(27,899,823)	(26,749,499)
Reinsurance and other recoveries	2(f)	24,253,836	15,940,791
NET CLAIMS EXPENSE	15	(3,645,987)	(10,808,708)
NET UNDERWRITING RESULT			
		4,808,241	212,471
Fees received		441,030	222,014
Investment income		1,309,940	1,858,850
Administration and general expenses		(8,148,930)	(7,924,552)
INSURANCE ACTIVITY OPERATING SURPLUS		(1,589,719)	(5,631,217)
MAV SURPLUS (DEFICIT)		397,883	309,365
OPERATING SURPLUS (DEFICIT)		(1,191,836)	(5,321,852)

	NOTE	COMBINED		MAV - GENERAL FUND	
		2014 \$	2013 \$	2014 \$	2013 \$
4. REVENUE					
REVENUES FROM OPERATING ACTIVITIES					
Subscriptions/premiums		31,607,572	26,727,736	2,666,619	2,540,359
Reinsurance and other recoveries	2(u)	24,253,836	15,940,791	-	-
Performance bonus	26	195,412	319,750	-	-
Brokerage fees		1,373,422	1,353,322	1,373,422	1,353,322
Management fee income		626,109	452,987	1,792,781	1,579,684
Seminars and sale of publications		1,260,102	1,061,439	1,260,102	1,061,439
Project, sponsorship, management and rental income		3,340,899	2,935,416	3,140,899	2,935,416
Grant income		6,199,976	8,292,507	6,199,976	8,292,507
TOTAL REVENUE FROM OPERATING ACTIVITIES		68,857,328	57,083,948	16,433,799	17,762,727
REVENUES FROM NON-OPERATING ACTIVITIES					
Investment income		1,525,731	2,084,960	215,791	226,110
Gain on disposal of non-current assets		17,108	29,866	17,108	29,866
TOTAL REVENUE FROM OUTSIDE THE OPERATING ACTIVITIES		1,542,839	2,114,826	232,899	255,976
TOTAL REVENUE		70,400,167	59,198,774	16,666,698	18,018,703

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	COMBINED	
		2014	2013
		\$	\$
5(a) CLAIMS EXPENSES			
Paid		16,111,124	26,535,047
Outstanding claims at end of financial year	14(a)	108,223,375	96,434,676
Outstanding claims at beginning of financial year		(96,434,676)	(96,220,224)
TOTAL CLAIMS EXPENSES	2(s)	27,899,823	26,749,499

	NOTE	COMBINED		MAV - GENERAL FUND	
		2014	2013	2014	2013
		\$	\$	\$	\$
5(b) OPERATING EXPENSES					
The following items have been recognised in the operating surplus:					
Reinsurance expense		20,706,667	13,509,021	-	-
Claims expense		27,899,823	26,749,499	-	-
Claims handling cost		-	-	-	-
Scheme management fee	8	3,154,692	3,258,301	-	-
Administration		2,112,842	2,238,178	1,446,517	1,290,021
ALGA membership		423,191	408,902	423,191	408,902
Amortisation of website, educational programs and trademarks		77,655	77,314	44,667	44,326
Audit fees		161,465	156,983	40,515	40,826
Board of management expenses		256,206	258,616	256,206	258,616
Depreciation furniture and equipment		31,585	52,141	19,740	40,296
Depreciation motor vehicles		87,272	105,765	87,272	105,765
Depreciation information technology equipment		48,466	59,748	48,466	59,748
Depreciation leasehold improvements		39,566	39,005	19,846	19,285
Grants, projects and legal		5,980,293	7,711,206	5,980,293	7,711,206
Legal and actuarial fees		346,322	361,921	-	-
Meetings and seminars		1,605,236	1,348,916	1,605,236	1,348,916
Operating lease rental expense		729,453	647,090	717,711	635,377
Salary and payroll costs		5,579,155	5,746,054	5,579,155	5,746,054
Stamp duty		2,352,114	1,791,966	-	-
TOTAL EXPENDITURE		71,592,003	64,520,626	16,268,815	17,709,338

6. LEASING COMMITMENTS

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

Not later than one year	25,759	24,570	25,759	24,570
Later than one year but not later than five years	45,312	65,522	45,312	65,522
TOTAL LEASE COMMITMENT	71,071	90,092	71,071	90,092

Operating lease commitments, being for lease of leasehold premises:

Not later than one year	764,388	734,988	764,388	734,988
Later than one year but not later than five years	4,305,743	4,140,172	4,305,743	4,140,172
Later than five years	2,485,881	3,415,876	2,485,881	3,415,876
TOTAL LEASE COMMITMENT	7,556,012	8,291,036	7,556,012	8,291,036

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE	COMBINED		MAV - GENERAL FUND	
	2014	2013	2014	2013
	\$	\$	\$	\$
7. AUDITORS REMUNERATION				
Amounts received or due and receivable for audit services:				
Audit services	161,465	156,983	40,515	40,826
Other services	265,870	51,500	265,870	51,500
TOTAL AUDITORS REMUNERATION	427,335	208,483	306,385	92,326

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

NOTE	COMBINED		MAV - GENERAL FUND	
	2014	2013	2014	2013
	\$	\$	\$	\$
8. SCHEME MANAGEMENT FEES				
Scheme management fees are paid to the scheme manager for:				
Reinsurance placement	2,047,720	1,886,120		
Risk management and administrative services	1,106,972	1,372,181		
Total administration	5(b) 3,154,692	3,258,301		
Claims management (included in claims expenses)	452,236	1,053,934		
TOTAL SCHEME MANAGEMENT FEES	3,606,928	4,312,235		

NOTE	COMBINED		MAV - GENERAL FUND	
	2014	2013	2014	2013
	\$	\$	\$	\$
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	8,689,206	5,796,406	6,452,479	4,350,506
Other financial assets	27,444,534	27,263,719	-	-
TOTAL CASH AND CASH EQUIVALENTS	36,133,740	33,060,125	6,452,479	4,350,506

9(b) Reconciliation of net cash used in operating activities to operating profit (loss)				
Profit (loss) for year	(1,191,836)	(5,321,852)	397,883	309,365
Depreciation	206,890	256,658	175,325	225,093
Amortisation	77,655	77,314	44,667	44,326
(Surplus)/deficit on disposal of assets	(17,108)	(29,866)	(17,108)	(29,866)
Changes in assets and liabilities				
(Increase)/decrease in accounts receivable	2(f) (18,063,914)	(6,824,458)	(2,305,382)	(1,649,034)
(Increase)/decrease in prepayments	27,900	(40,164)	28,500	(39,489)
Increase/(decrease) in accounts payable	9,074,701	956,837	3,618,046	606,691
Increase/(decrease) in provision for employee entitlements	43,184	(31,460)	43,184	(31,460)
Increase/(decrease) in outstanding claims	2(s) 11,788,699	214,451	-	-
Increase/(decrease) in accrued revenue	1,010,586	4,755,035	-	-
Increase/(decrease) in other liabilities	227,630	417,272	227,630	417,272
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	3,184,387	(5,570,233)	2,212,745	(147,102)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	COMBINED		MAV - GENERAL FUND	
		2014	2013	2014	2013
		\$	\$	\$	\$
10. RECEIVABLES					
Future reinsurance and other recoveries receivable	2(t)	87,266,334	73,772,856	-	-
Discount to present value		(7,934,341)	(6,341,639)	-	-
		79,331,993	67,431,217	-	-
Less doubtful debts		-	-	-	-
Premiums receivable	2(r)	31,628,928	31,862,031	-	-
Other receivables		13,232,932	6,836,690	8,091,838	5,786,459
TOTAL RECEIVABLES		124,193,853	106,129,938	8,091,838	5,786,459
Represented by:					
Current		63,815,807	58,141,665	8,091,838	5,786,459
Non-current		60,378,046	47,988,273	-	-
TOTAL		124,193,853	106,129,938	8,091,838	5,786,459

The ageing analysis of trade receivables are as follows:

	TOTAL	<30 days	31-60 days	61-90 days	>90 days
2014					
Combined	44,632,435	44,465,791	110,237	3,300	53,107
MAV General Fund	7,862,413	7,695,769	110,237	3,300	53,107
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

	NOTE	COMBINED		MAV - GENERAL FUND	
		2014	2013	2014	2013
		\$	\$	\$	\$
11. PREMIUMS IN ADVANCE					
Contributions billed in advance		29,976,070	28,965,483	-	-
12. PROPERTY, PLANT AND EQUIPMENT					
Leasehold improvements - at cost		896,716	892,633	717,275	713,192
Less accumulated depreciation		(785,867)	(746,645)	(685,313)	(665,811)
		110,849	145,988	31,962	47,381
Furniture and equipment - at cost		874,433	861,467	776,413	763,447
Less accumulated depreciation		(812,126)	(780,541)	(761,492)	(741,752)
		62,307	80,926	14,921	21,695
Motor vehicles - at cost		385,385	460,317	385,385	460,317
Less accumulated depreciation		(82,494)	(161,850)	(82,494)	(161,850)
		302,891	298,467	302,891	298,467
Information technology equipment - at cost		732,114	714,569	732,114	714,569
Less accumulated depreciation		(699,559)	(651,093)	(699,559)	(651,093)
		32,555	63,476	32,555	63,476
TOTAL PROPERTY, PLANT AND EQUIPMENT		508,602	588,857	382,329	431,019

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE	COMBINED		MAV - GENERAL FUND	
	2014 \$	2013 \$	2014 \$	2013 \$
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	145,988	170,159	47,381	51,832
Additions	4,427	14,834	4,427	14,834
Disposals	-	-	-	-
Depreciation	(39,566)	(39,005)	(19,846)	(19,285)
End of year	110,849	145,988	31,962	47,381
FURNITURE AND EQUIPMENT				
Movements during the year				
Beginning of year	80,926	129,674	21,695	58,598
Additions	12,966	3,393	12,966	3,393
Disposals	-	-	-	-
Depreciation	(31,585)	(52,141)	(19,740)	(40,296)
End of year	62,307	80,926	14,921	21,695
MOTOR VEHICLES				
Movements during the year				
Beginning of year	298,467	383,746	298,467	383,746
Additions	267,745	112,634	267,745	112,634
Disposals	(176,049)	(92,148)	(176,049)	(92,148)
Depreciation	(87,272)	(105,765)	(87,272)	(105,765)
End of year	302,891	298,467	302,891	298,467
INFORMATION TECHNOLOGY EQUIPMENT				
Movements during the year				
Beginning of year	63,476	97,366	63,476	97,366
Additions	19,043	25,858	19,043	25,858
Disposals	(1,498)	-	(1,498)	-
Depreciation	(48,466)	(59,748)	(48,466)	(59,748)
End of year	32,555	63,476	32,555	63,476

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	COMBINED		MAV - GENERAL FUND	
		2014	2013	2014	2013
		\$	\$	\$	\$
13. INTANGIBLE ASSETS					
Trademarks and intellectual property		857,621	857,051	720,170	719,600
Less accumulated amortisation		(706,266)	(628,611)	(621,085)	(576,418)
		151,355	228,440	99,085	143,182
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		228,440	249,704	143,182	131,458
Additions		570	56,050	570	56,050
Disposals		-	-	-	-
Amortisation		(77,655)	(77,314)	(44,667)	(44,326)
End of year		151,355	228,440	99,085	143,182

	NOTE	COMBINED	
		2014	2013
		\$	\$
14(a) OUTSTANDING CLAIMS			
Central estimate		119,458,509	106,181,443
Discount to present value		(11,791,206)	(10,284,437)
		107,667,303	95,897,006
Claims handling costs		556,072	537,670
Risk margin	14(b)	-	-
TOTAL OUTSTANDING CLAIMS		108,223,375	96,434,676
Comprising:			
Current		20,508,786	21,126,609
Non-current		87,714,589	75,308,067
TOTAL CLAIMS PROVISION	2(s)	108,223,375	96,434,676

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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

During the 2013 financial year the MAV revised their 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 in the table below.

	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)

	2014			2013		
	GROSS \$	REINSURANCE \$	NET \$	GROSS \$	REINSURANCE \$	NET \$
14(c) RECONCILIATION OF MOVEMENT IN DISCOUNTED OUTSTANDING CLAIMS LIABILITY						
Outstanding claims brought forward	96,434,676	67,431,217	29,003,459	96,220,224	70,164,433	26,055,791
Changes in assumptions	15,658,890	12,141,593	3,517,297	20,580,880	20,247,149	333,731
Increase in claims incurred/recoveries anticipated	11,788,698	12,108,044	(319,346)	5,114,682	(4,341,117)	9,455,799
Incurred claims recognised in income statement	27,447,588	24,249,637	3,197,951	25,695,562	15,906,032	9,789,530
Claim payments/recoveries during the year	(15,658,889)	(12,348,860)	(3,310,029)	(25,481,110)	(18,639,248)	(6,841,862)
Outstanding claims carried forward	108,223,375	79,331,994	28,891,381	96,434,676	67,431,217	29,003,459
	2014			2013		
	CURRENT YEAR \$	PRIOR YEAR \$	TOTAL \$	CURRENT YEAR \$	PRIOR YEAR \$	TOTAL \$
15. NET CLAIMS INCURRED						
Gross claims and related expenses - undiscounted	22,636,251	6,770,341	29,406,592	24,117,403	1,618,435	25,735,838
Discount	(2,659,384)	1,152,616	(1,506,768)	(2,728,898)	3,742,559	1,013,661
Gross claims and related expenses - discounted	19,976,867	7,922,957	27,899,824	21,388,505	5,360,994	26,749,499
Reinsurance and other recoveries - undiscounted	(15,627,297)	(9,502,867)	(25,130,164)	(13,689,677)	(618,655)	(14,308,332)
Discount	96,398	779,929	876,327	394,733	(2,027,192)	(1,632,459)
Reinsurance and other recoveries - discounted	(15,530,899)	(8,722,938)	(24,253,837)	(13,294,944)	(2,645,847)	(15,940,791)
NET CLAIMS INCURRED	4,445,968	(799,981)	3,645,987	8,093,561	2,715,147	10,808,708

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

16. CLAIMS DEVELOPMENT TABLE

ACCIDENT YEAR	2010 \$	2011 \$	2012 \$	2013 \$	2014 \$	TOTAL \$
GROSS ESTIMATE OF ULTIMATE CLAIMS COST - LIABILITY MUTUAL INSURANCE						
At end year of accident	20,293,152	28,063,635	21,064,708	23,083,334	22,191,872	
One year later	22,682,968	24,589,379	20,109,939	22,302,009	-	
Two years later	18,260,706	29,661,644	27,742,511	-	-	
Three years later	16,605,208	35,007,478	-	-	-	
Four years later	16,855,877	-	-	-	-	
Current estimate of cumulative claims cost	16,855,877	35,007,478	27,742,511	22,302,009	22,191,872	124,099,747
Cumulative payments	(7,058,374)	(12,446,998)	(2,876,168)	(963,743)	(123,099)	(23,468,382)
Outstanding claims - undiscounted	9,797,503	22,560,480	24,866,343	21,338,266	22,068,773	100,631,365
Discount						(10,740,230)
Claims handling expense 2007 and prior						623,914 17,708,326
LIABILITY MUTUAL INSURANCE - TOTAL GROSS OUTSTANDING CLAIMS						108,223,375
COMBINED GROSS OUTSTANDING CLAIMS						108,223,375
NET ESTIMATE OF ULTIMATE CLAIMS COST - LIABILITY MUTUAL INSURANCE						
At end year of accident	8,883,685	11,576,465	8,710,223	8,122,535	4,602,870	
One year later	9,429,739	8,098,820	7,441,671	8,218,920	-	
Two years later	7,185,550	11,987,795	7,975,258	-	-	
Three years later	6,352,770	12,038,142	-	-	-	
Four years later	6,343,004	-	-	-	-	
Current estimate of cumulative claims cost	6,343,004	12,038,142	7,975,258	8,218,920	4,602,870	39,178,194
Cumulative payments	(3,369,345)	(6,592,925)	(1,572,037)	(476,542)	(104,341)	(12,115,190)
Outstanding claims - undiscounted	2,973,659	5,445,217	6,403,221	7,742,378	4,498,529	27,063,004
Discount						(3,325,723)
Claims handling expense 2004 and prior						167,791 4,986,309
LIABILITY MUTUAL INSURANCE - TOTAL NET OUTSTANDING CLAIMS						28,891,381
COMBINED NET OUTSTANDING CLAIMS						28,891,381

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 2014

	NOTE	COMBINED		MAV - GENERAL FUND	
		2014	2013	2014	2013
		\$	\$	\$	\$
17. PROVISIONS FOR EMPLOYEE ENTITLEMENTS					
The aggregate amount of employee entitlement liability is comprised of:					
Provisions (current)		738,146	690,134	738,146	690,134
Provisions (non-current)		91,886	96,714	91,886	96,714
TOTAL EMPLOYEE ENTITLEMENTS		830,032	786,848	830,032	786,848
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		786,848	818,308	786,848	818,308
Additions		43,184	(31,460)	43,184	(31,460)
END OF YEAR		830,032	786,848	830,032	786,848

18. SUPERANNUATION

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

Obligations for contributions to the Fund are recognised as an expense in Comprehensive Operating Statement when they are made or due. The amount of superannuation contributions paid by the Municipal Association of Victoria to Vision Super Accumulation Fund and the Defined Benefits Fund during the reporting period was \$501,823 (2014 \$573,510).

Accumulation

The Fund's accumulation category, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2014, this was 9.25% required under the Superannuation Guarantee Legislation). Our commitment to defined contribution plans is limited to making contributions in accordance with our minimum statutory requirements. No further liability accrued to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund. While the Superannuation Guarantee contribution rate is legislated to increase to 9.5% from 1 July 2014, and was to progressively increase to 12% by 2019, based on the 2014 Federal Budget announcement, this progressive increase to 12% will be delayed until 2022.

Defined Benefit

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

Funding arrangements

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

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

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

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

Employer contributions

REGULAR CONTRIBUTIONS

On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 31 December 2011, the Association makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2014, this rate was 9.25% of members' salaries. This rate increased to 9.5% on 1 July 2014 and is expected to increase in line with the required Superannuation Guarantee contribution rate.

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

FUNDING CALLS

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

There may be circumstances where:

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

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

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

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

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

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

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

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

Differences between calculations

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

RETRENCHMENT INCREMENTS

During 2013/14, the Association was not required to make payments to the Fund in respect of retrenchment increments.

SHORTFALL AMOUNTS

The Local Authorities Superannuation Fund's latest actuarial investigation as at 31 December 2011 identified an unfunded liability of \$406 million (excluding contributions tax) in the defined benefit category of which the Association is a contributing employer.

The Association was made aware of the expected shortfall during the 2011/12 year and was informed of its share of the shortfall on 2 August 2012.

The Association has not been advised of any further adjustments.

The Association's share of the shortfall amounted to \$671,964 (excluding contributions tax) which was accounted for in the 2011/12 Comprehensive Operating Statement within Employee Benefits and in the Balance Sheet in Current Liabilities Provisions.

Accrued benefits

The Fund's liability for accrued benefits was determined in the 31 December 2011 actuarial investigation pursuant to the requirements of Australian Accounting Standard Board AAS25 follows:

	31 DECEMBER 2011
	\$
Net Market Value of Assets	4,315,324
Accrued Benefits (per accounting standards)	4,642,133
Difference between Assets and Accrued Benefits	(326,809)
Vested Benefits (Minimum sum which must be paid to members when they leave the fund)	4,838,503

The financial assumptions used to calculate the Accrued Benefits for the defined benefit category of the Fund were:

Net Investment Return	7.50% per annum
Salary Inflation	4.25% per annum
Price Inflation	2.75% per annum

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

The anticipated completion date of this actuarial investigation is 19 December 2014.

19. MAV PROJECTS AND GOVERNMENT GRANTS

The Association receives project monies from various sources including grant monies from various Federal and State Government Departments on behalf of local government. Grant monies received have been accounted for as income in accordance with Australian Accounting Standard 1004. At the end of the financial year the Association had commitments to expend grants and MAV Project funds totalling approximately \$5,029,494 (2013 \$4,719,547) 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	6,199,976	8,292,507	6,199,976	8,292,507

The Association does not receive any other government assistance.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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

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 12 months.

	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%

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 12 months.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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 2014. Cash flows for financial assets and liabilities without fixed amount or timing are based on conditions existing at 30 June 2014.

The remaining contractual maturities of the financial liabilities are:

	COMBINED		MAV - GENERAL FUND	
	2014	2013	2014	2013
	\$	\$	\$	\$
3 months or less	28,971,878	19,829,065	7,747,003	4,129,634
3-12 months	39,628,227	39,405,142	1,452,848	1,415,307
1-5 years	70,253,204	62,109,133	1,232,991	999,719
Over 5 years	30,181,289	24,040,367	-	-
	169,034,598	145,383,707	10,432,842	6,544,660

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 2014	<3 months	3-12 months	1-5 years	>5 years	TOTAL
	\$	\$	\$	\$	\$
COMBINED					
FINANCIAL ASSETS					
Cash and cash equivalents	36,133,740	-	-	-	36,133,740
Trade and other receivables	51,591,765	12,439,648	47,412,536	20,686,643	132,130,592
TOTAL FINANCIAL ASSETS	87,725,505	12,439,648	47,412,536	20,686,643	168,264,332
COMBINED					
FINANCIAL LIABILITIES					
Outstanding claims	5,203,270	15,609,809	69,020,213	30,181,289	120,014,581
Unearned premiums/subscriptions	7,494,018	22,482,053	-	-	29,976,071
Trade and other payables	16,274,590	83,518	-	-	16,358,108
Other liabilities	-	1,452,848	1,232,991	-	2,685,839
TOTAL FINANCIAL LIABILITIES	28,971,878	39,628,228	70,253,204	30,181,289	169,034,599
NET MATURITY	58,753,627	(27,188,580)	(22,840,668)	(9,494,646)	(770,267)
PARENT					
FINANCIAL ASSETS					
Cash and cash equivalents	6,452,479	-	-	-	6,452,479
Trade and other receivables	8,091,838	-	-	-	8,091,838
TOTAL FINANCIAL ASSETS	14,544,317	-	-	-	14,544,317
PARENT					
FINANCIAL LIABILITIES					
Trade and other payables	7,747,003	-	-	-	7,747,003
Other liabilities	-	1,452,848	1,232,991	-	2,685,839
TOTAL FINANCIAL LIABILITIES	7,747,003	1,452,848	1,232,991	-	10,432,842
NET MATURITY	6,797,314	(1,452,848)	(1,232,991)	-	4,111,475

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

20. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

Risk management objectives and policies for mitigating insurance risk

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

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

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

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

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

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

Reinsurance strategy

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

Terms and conditions of membership

Membership to the Scheme is offered to eligible bodies and renewed annually on June 30. 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. LMI is a non-discretionary mutual fund which, under the Constitution has the ability to obtain contributions from members to pay liabilities and expenses.

Concentration of insurance risks

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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	2014	-	0.493	30.949	-	
	2013	-	0.129	22.723	-	-	0.248	23.1
Reinsurance and other recoveries on paid claims	2014	-	0.130	2.126	-	-	2.098	4.354
	2013	-	0.173	2.862	-	-	0.759	3.794

		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	2014	-	2.796	-	-	
	2013	-	2.137	0.847	0.047	-	0.763	3.794

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 2014 \$	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 2014	3.10%		(1,430,305)	(1,124,220)
Interest rate pa		3.60%	(874,305)	(568,220)
		2.60%	(1,986,305)	(1,680,220)

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 2014

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 2014;
- (iii) An allowance of 0.5% for claim settlement expenses, as assumed by the Actuary;
- (iv) Allowances for claim inflation of 3.1%, as assumed by the Actuary;
- (v) Allowances for discount at 3.1%, as assumed by the Actuary;
- (vi) A risk margin of 0% of net outstanding claims after the effect of reinsurance has been applied, as assumed by the actuary. Refer to Note 14 b) for details

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

21(b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts were estimated for each fund year, from the payments to date and estimated outstanding claims history at 30 June 2014, 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:

	2014	2013
KEY ACTUARIAL ASSUMPTIONS		
Wage inflation	3.1%	3.4%
Claim administration expense	0.5%	0.6%
Discount rate	3.10%	3.25%
Reinsurer default	1%	1%
Risk margin	0%	0%
Superimposed inflation	3%	0%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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 2014. 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 2014 forecasts for Victorian average weekly claims inflation was assumed to be 3.1%. The discount rate was assumed to be 3.1% 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 2014	Total accumulated funds after the impact of applying variable
			\$	\$
IMPACT OF CHANGES IN INTEREST RATES				
LIABILITY MUTUAL INSURANCE				
Base value at 30 June 2014	3.1%		(1,430,305)	(1,124,220)
Interest rate pa		3.6%	(1,801,305)	(1,495,220)
		2.6%	(1,059,305)	(753,220)

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 month's 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

24. COMMERCIAL CRIME FUND

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

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

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

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.

The Board of directors and management have in place a strategic plan that is aligned to achieving the Association's capital management philosophy. Key elements of this plan include premium setting, risk management, claims management and reinsurance management. The Association operates LMI which is non-discretionary mutual fund, and under Sections 6.4 and 6.5 of the Constitution the Association has the ability to obtain contributions from members to meet any shortfall in the Provision set aside in respect of that Insurance Year.

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

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 \$195,412 (2013 \$319,750) became due and receivable on 30 June 2014 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.

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

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

The Association will, during 2015, establish a Special Purpose Vehicle (SPV) to facilitate the issuing of a debt instrument for and on behalf of its members. It has been agreed that on the establishment of the SPV, the Association will pay a fee of \$307,000 for professional advice in connection with the transaction on behalf of SPV, and recover incurred costs of \$718,000 from the SPV on completion of the issue (Refer Note 7).

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	
	2014	2013	2014	2013
	\$	\$	\$	\$
MAV Board Members receive an annual allowance. The President receives \$60,802, the Deputy President \$12,534 and other Board members \$8,535.				
Short term employment benefits	1,066,409	985,950	1,040,320	964,155
Post employment benefits	66,693	70,244	66,693	70,244

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

Loans to directors

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

Other transactions

There were no other material transactions with directors.

Insurance

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

29. RELATED PARTIES

The Municipal Association of Victoria is a body corporate established under the *Municipal Association Act 1907* to provide services for and represent local government authorities in Victoria. The Association and its wholly owned controlled entities trade with its members in the normal course of business and on an arm's length basis. The Deed of Establishment of the Liability Mutual Insurance Scheme provides for the MAV to appoint a committee of management (MAVIB) 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 2014

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 2014;
- (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 3 October 2014



Cr. David Clark
Director



Robert Spence
Chief Executive Officer

COMBINED FINANCIAL REPORTS - INDEPENDENT AUDIT REPORT



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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 2014 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 AASB 101 *Presentation of Financial Statements* as issued by the International Accounting Standards Board.

Auditor's Responsibility

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

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

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

Independence

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

COMBINED FINANCIAL REPORTS - INDEPENDENT AUDIT REPORT

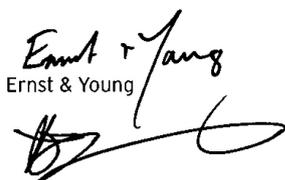


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Opinion

In our opinion:

- (a) the financial report presents fairly, in all material respects the financial position of Municipal Association of Victoria at 30 June 2014 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Municipal Association Act 1907; and
- (b) the financial report also complies with *International Financial Reporting Standards* as issued by the International Accounting Standards Board as disclosed in Note 2b.



Ernst & Young

TM Dring
Partner
Melbourne
3 October 2014



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

In relation to our audit of the financial report of Municipal Association of Victoria for the financial year ended 30 June 2014, 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

TM Dring
Partner
3 October 2014

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 49.15 EFT.