

# COMMUNITY BANK® NEWS UPDATE

Issue 1  
May 2017

**AFS**  
*Partners in success*  
Chartered Accountants



The team members at Mundaring, WA branch getting into the community spirit.

Welcome to the first edition of the AFS Community Bank® News Update. Twice a year, we will be bringing an informative newsletter to Community Banks® across Australia, keeping you up to date with the latest news and changes that you need to know.

Based in central Victoria, we audit 133 companies that operate 176 Community Bank® branches, and perform share registry services for 92 branches around Australia.

Since beginning in 1946 with just four staff, the firm has grown to a team of over 70, with our first CEO appointed in January this year. Appointing a CEO is a reflection of the maturity of the business and the strong future it holds.

We hope you enjoy the first edition of the Community Bank® News Update.

**David Hutchings, Senior Partner.**

## Updates to Community Bank® payroll

Effective from 1 July 2016, Bendigo and Adelaide Bank Limited (BEN) updated their payroll system, including for payroll processed on behalf of Community Bank® companies.

While the information reported is largely the same, you will have noticed the format of payroll reports has changed. The old Pay (Finished) by Pay Location report was a useful tool to reconcile employee expenses in the general ledger. However, this report is no longer available. We recommend using the report titled 'GAR Report for Managers' as an alternative. This report will provide a monthly and half yearly summary of payments made to all staff.

We have also noted that BEN do not add leave loading of 17.5% to the new 'Leave Liability Summary' reports. This should now be manually added along with the other on costs such as (inflation 3%, superannuation 9.5%, payroll tax if applicable and WorkCover 0.05%) when calculating the provision for annual leave in financial reports.

It is also important to remember that your staff may be paid in advance or arrears, usually depending on when they were first employed by the company. Staff paid in advance are included in Pay Group C while those in arrears are Pay Group D. As a result, accrued wages and prepaid wages may need to be recognised in financial reports. We work closely with the BEN payroll department to calculate these adjustments and can help you with any queries you may have.

## WINNER

In April we sent a client feedback survey to over 1,000 clients. By completing the survey, participants went in the draw to win a \$200 fuel card. Don Gaske, Chairman of Stanthorpe Community Bank® was the lucky winner!



## Did you know:

We completed and lodged  
132 of 132 (100%)  
Community Bank® year-end  
audits with ASIC on time for  
30 June 2016



Josh Griffin Senior Manager

## Meet the Team

Josh joined our firm in 2010 and is a senior manager of our audit division. He manages our Community Bank® external audits, as well as our local government internal audit clients. He has significant experience in these fields and enjoys working closely with his clients to develop a strong working relationship to ensure the audit process runs as smoothly as possible.

During his time at AFS Josh has further developed his knowledge and skills through completing his Graduate Diploma of Chartered Accounting and is currently in the final semester of his Graduate Certificate in Internal Auditing.

Outside of work Josh has been very active within the sporting community, playing football for the majority of his life before an early retirement when he broke his fibula last year.

After high school, Josh spent some time working with his Father who is a builder. He believes this was a great opportunity to learn some 'real life skills' before becoming an accountant! These days he enjoys gardening, mountain bike riding, going to the gym and spending time with his son, Beau.

## Changes to Revenue Share Model: Are you affected?

BEN have made changes to the Revenue Share Model (RSM) for Community Bank® companies that have adopted the new franchise agreement. Effective from 1 July 2016 the changes included are:

- margin share on core banking products will be 50/50, to be calculated under a Funds Transfer Pricing (FTP) based model
- fixed rate home loans and term deposits over 90 days will become margin rather than commission products
- Market Development Fund (MDF) will be adjusted to provide greater support to new, less profitable sites, and less support to established, more profitable sites. MDF will also be adjusted to support collaborative marketing.

BEN have recognised that the introduction of the revised RSM may adversely impact some Community Bank® companies and is making transition payments to some companies. This covers two aspects:

### Transition Term

The transition term was calculated once, based on June 2016 results. Actual revenue for that month using the old model was compared to the result that would have been achieved under the revised model. The transition term was calculated as follows:

	% difference between existing and revised models	Transition Term
If revised revenue was less than existing	By up to, but less than 5%	Up to 1 year
	By 5% or greater, up to less than 10%	Up to 2 years
	By 10% or more	Up to 3 years
If revised revenue was more than existing	Not applicable	Not applicable

### Transition Payment

The transition payment value is calculated every month during the transition term. A transition payment is made (detailed in the RevShare\_1 – Revenue Summary Report) where revenue under the revised model is less than baseline revenue. Baseline revenue is calculated using total business value as at 30 June 2016 and is adjusted each month to account for any movement in business volume.

Transition payments are made by BEN in the following month, as with existing profit share payments (for example, the transition payment relating to the month of May 2017 will be received in June 2017). It is important to accrue this revenue in the correct period when preparing your financial reports.

BEN now have five new revenue reports to coincide with the introduction of the revised revenue sharing model. These are available by the 15th business day of the next month through the LENZ portal.

Key points for consideration:

- confirm and understand the revenue model currently applied for your Community Bank® company
- clarify with BEN if you are eligible to receive transition payments and the transition term (one, two or three years)
- review and understand the new revenue share reporting formats and the timing of payments.



## Did you know:

We provide a number of services to Community Banks® including:

- ▶ Community surveys
- ▶ Share registry services
- ▶ Audit of accounts
- ▶ Prospectus preparation
- ▶ Preparation of accounts
- ▶ Valuations
- ▶ Due diligence on acquisitions
- ▶ Share splits and subsequent capital raising
- ▶ Corporate secretarial advice
- ▶ Income tax, payroll tax and FBT advice



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