



Annual Report

Financial Report 2020-21

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 four main statements – Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity 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.

Financial statements

1. Statement of Comprehensive Income

The Statement of Comprehensive Income shows:

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

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

2. Statement of Financial Position

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

The components of the Statement of Financial Position are:

2.1 Current and non-current assets

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

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

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

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

2.2 Current and non-current liabilities

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

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

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

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

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

2.3 Net assets

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

3. Statement of cash flows

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

3.1 Cash flows from operating activities

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

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

3.2 Cash flows from investing activities

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

Notes to the financial statements

To enable the reader to understand the basis on which the values shown in the statements are established, it is necessary to provide details of the Association's accounting policies. These are described in note 2. Apart from the accounting policies, the notes also give details behind many of the summary figures contained in the statements. The note numbers are shown beside the relevant items in the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Financial Position.

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 Combined Financial Report 2020-21

Independent Auditor's Report

To the Directors of Municipal Association of Victoria

Opinion	<p>I have audited the combined financial report of Municipal Association of Victoria (the association) and its controlled entities (together the combined entity), which comprises the:</p> <ul style="list-style-type: none"> combined entity and association statement of financial position as at 30 June 2021 combined entity and association statement of comprehensive income for the year then ended combined entity and association statement of changes in equity for the year then ended combined entity and association statement of cash flows for the year then ended notes to the financial report, including significant accounting policies statement by directors. <p>In my opinion, the financial report presents fairly, in all material respects, the financial positions of the combined entity and the association as at 30 June 2021 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial statements</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the association and the combined entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Directors' responsibilities for the financial report	<p>The Directors of the association are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Directors determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Directors is responsible for assessing the association and the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report


As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the association and the combined entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors
- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the association and the combined entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the association and the combined entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the association and combined entity to express an opinion on the financial report. I remain responsible for the direction, supervision and performance of the audit of the association and the combined entity. I remain solely responsible for my audit opinion.

I communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
25 October 2021



Sanchu Chummar
as delegate for the Auditor-General of Victoria

Municipal Association of Victoria

Financial Report 2020-21

Statement of Comprehensive Income

For the year ended 30 June 2021

	NOTE	COMBINED		MAV - GENERAL FUND	
		2021	2020	2021	2020
		\$	\$	\$	\$
REVENUE	4	135,577,957	86,279,837	15,672,597	15,349,093
		135,577,957	86,279,837	15,672,597	15,349,093
EXPENSES	5(b)	124,483,784	90,588,286	15,830,209	15,229,650
NET SURPLUS(DEFICIT)	3	11,094,173	(4,308,449)	(157,612)	119,443
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME(LOSS) FOR THE YEAR		11,094,173	(4,308,449)	(157,612)	119,443

The accompanying notes form an integral part of these statements.

Statement of Financial Position

as at 30 June 2021

	NOTE	COMBINED		MAV - GENERAL FUND	
		2021	2020	2021	2020
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	9(a)	73,415,838	18,807,804	5,050,323	5,768,220
Investments	2(l)	6,997,700	52,098,906	-	-
Trade and other receivables	10,2(f)	98,037,258	89,362,562	8,688,052	11,232,331
Prepayments		134,565	2,627,181	134,565	81,519
TOTAL CURRENT ASSETS		178,585,361	162,896,453	13,872,940	17,082,070
NON-CURRENT ASSETS					
Trade and other receivables	10,2(f)	98,766,043	95,162,669	-	-
Property and equipment	12,2(h)	299,887	354,906	286,454	332,281
Right of use assets	6, 2(k)	1,480,568	2,464,917	1,480,568	2,464,917
Intangibles	13,2(h)	232,483	162,261	232,483	162,261
TOTAL NON-CURRENT ASSETS		100,778,981	98,144,753	1,999,505	2,959,459
TOTAL ASSETS		279,364,342	261,041,207	15,872,445	20,041,529
CURRENT LIABILITIES					
Trade and other payables		10,976,177	9,730,930	869,968	2,717,328
Premiums and Income in advance	11	48,720,459	66,009,615	5,092,484	6,211,301
Provision for employee entitlements	23	1,045,592	971,050	976,656	926,865
Provision for claims outstanding	14(a),2(t),2(u)	35,834,452	32,864,666	-	-
Lease liabilities	6, 2(k)	1,052,794	957,822	1,052,794	957,822
Other current liabilities	1	2,023,768	764,707	741,440	764,707
TOTAL CURRENT LIABILITIES		99,653,242	111,298,790	8,733,342	11,578,023
NON-CURRENT LIABILITIES					
Provision for employee entitlements	23	54,492	97,188	54,492	84,707
Provision for claims outstanding	14(a),2(t),2(u)	168,623,216	150,404,435	-	-
Lease liabilities	6, 2(k)	569,781	1,622,575	569,781	1,622,576
Other non-current liabilities	1	1,877,712	126,493	42,712	126,493
TOTAL NON-CURRENT LIABILITIES		171,125,201	152,250,691	666,985	1,833,776
TOTAL LIABILITIES		270,778,443	263,549,481	9,400,327	13,411,799
NET ASSETS (LIABILITY)		8,585,899	(2,508,274)	6,472,118	6,629,730
EQUITY / (DEFICIENCY)		8,585,899	(2,508,274)	6,472,118	6,629,730

The accompanying notes form an integral part of these statements.

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Statement of Changes in Equity

For the year ended 30 June 2021

	COMBINED		MAV - GENERAL FUND	
	2021 \$	2020 \$	2021 \$	2020 \$
RETAINED EARNINGS				
Balance at beginning of year	(2,508,274)	1,800,175	6,629,730	6,510,287
Surplus/(deficit) from ordinary activities	11,094,173	(4,308,449)	(157,612)	119,443
BALANCE AT END OF YEAR	8,585,899	(2,508,274)	6,472,118	6,629,730

Combined Statement of Cash Flows

for the year ended 30 June 2021

	NOTE	COMBINED		MAV - GENERAL FUND	
		2021 \$	2020 \$	2021 \$	2020 \$
CASH FLOW FROM OPERATING ACTIVITIES					
RECEIPTS					
Premiums, subscriptions, grants and fees		76,067,942	55,361,300	18,262,422	18,813,839
Interest and investment gain (loss)		6,279,321	(2,114,709)	33,023	88,555
Reinsurance and other recoveries		24,094,060	25,991,105	-	-
PAYMENTS					
Suppliers		(56,025,428)	(49,267,262)	(17,864,259)	(17,102,714)
Claim payments		(39,757,687)	(42,705,987)	-	-
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	9(b)	10,658,208	(12,735,552)	431,186	1,799,680
CASH FLOW FROM INVESTING ACTIVITIES					
Net Proceeds from redemption of investments (Application of investment funds)		45,098,909	(6,565,546)	-	-
Proceeds from sale of fixed assets		160,162	-	160,162	-
Repayment of lease liabilities		(984,349)	(984,349)	(984,349)	(984,349)
Payments for fixed assets and intangibles		(324,896)	(266,710)	(324,896)	(262,007)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		43,949,826	(7,816,605)	(1,149,083)	(1,246,356)
NET (DECREASE)/INCREASE IN CASH HELD		54,608,034	(20,552,157)	(717,897)	553,324
Cash at beginning of year		18,807,804	39,359,961	5,768,220	5,214,896
CASH AT END OF YEAR	9(a)	73,415,838	18,807,804	5,050,323	5,768,220

The accompanying notes form an integral part of these statements.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

1. Corporate information

The combined financial report of Municipal Association of Victoria (MAV) for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the directors on the date shown on the attached Statement by Directors.

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

The nature of the operations and principal activities of MAV are:

- to promote the efficient carrying out of municipal government throughout the state of Victoria and watch over and protect the interests, rights and privileges of municipal corporations
- to arrange contracts of insurance
- to arrange fidelity insurance for local government - MAV Insurance
- to provide a public liability insurance scheme for local government - MAV Insurance
- to provide a workers' compensation self-insurance scheme for local government - MAV WorkCare (see note below)

A Division of the MAV is MAV WorkCare which is the workers' compensation insurance division of the MAV. This division commenced business on 1 November 2017 and the last day the Scheme operated as a self-insurer was 30 June 2021. From 1 July 2021 the MAV is a ceased self-insurer with ongoing requirements to 30 June 2027.

The nature of the operations and principal activities of MAV WorkCare is the provision of workers compensation insurance for its members and other Local Government Authorities. The MAV is specifically named in the *Workplace Injury Rehabilitation and Compensation Act 2013* (Vic) (WIRC Act) as an entity that can hold a self-insurance licence for the benefit of its members.

Transition to Work Safe Victoria

Commencing 1 July 2021, Work Safe Victoria is responsible for all claims. At 30 June 2021 the Work Care Scheme's gross claims were assessed at \$75.355 million made up of \$14.549 million (current liability) and \$60.806 million (non-current liability). The assessed recoveries were \$1.934 million with a net valuation of \$73.421 million. The current and non-current value reflects the nature of the claims. Work Safe Victoria's assessed valuation was \$74.076 million. The difference is recorded as an administration expense.

The MAV has established a ceased self-insurer members provision for the estimated ongoing expenses, including bank guarantee expenses, expected to be incurred during the 6-year liability period as a ceased self-insurer. The provision is for \$3.117 million.

There is also a potential contingent liability in relation to the 3-year and 6-year liability period. Please refer to Note 31 Contingent Liability.

The reconciliation of the net asset (liability) position from 1 July 2020 to 30 June 2021 is shown below.

	\$'000
MAV Combined opening net liability at 1 July 2020	(2,508)
Improvement of net asset position during 2020-21 - excluding Work Care	1,755
Improvement in Work Care during 2020-21 - excluding Work Care wind-down	3,735
Net asset position at 30 June 2021 - excluding MAV Work Care wind-down	2,982

Net asset movement relating to MAV Work Care wind-down

Claims movement relating to wind-down	(1,369)
Claims handling expense relating to wind-down	(3,803)
Reinsurance asset impairment	(5,297)
Ceased Self Insurer Provision	(3,117)
Contribution from Work Care Members on cessation of the Scheme	19,190
MAV Combined net asset position at 30 June 2021	8,586

2. Summary of significant accounting policies

Accounting Standards and Interpretations issued.

Reference	Title Summary	Application Date of Standard	Impact on MAV Financial Report	Application Date for MAV
AASB 132	Financial Instruments: Presentation	1 January 2020	Management has confirmed no significant impact to the financial statements due to AASB132	1 July 2020

Accounting Standards and Interpretations issued but not yet effective.

Reference	Title Summary	Application Date of Standard	Impact on MAV Financial Report	Application Date for MAV
IFRS 17	Insurance Contracts	1 January 2023	IFRS 17 does not apply to not for profit public sector entities. The application and date for application is still to be determined by the AASB for not-for-profit public sector entities such as the MAV.	N/A

(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, and having regard to the financial reporting requirements of the *Financial Management Act 1994*.

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

The financial report is presented in Australian dollars. The MAV is a not for profit entity.

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

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report for the 2021 financial year, comprising the financial statements and notes thereto, is materially consistent with the International Financial Reporting Standards ('IFRS').

(c) Principles of the combined entity

The financial report comprises the economic entity of the MAV and its controlled entities the Local Government Mutual Liability Insurance Scheme (trading as Liability Mutual Insurance - LMI) and the Commercial Crime Fund (CCF), referred to jointly as MAV Insurance, and the MAV WorkCare Self-Insurance Mutual Scheme (Commenced 1 November 2017 and last day of operation was 30 June 2021), referred to as MAV WorkCare.

A controlled entity is any entity controlled by MAV (Incorporated under the *Municipal Association Act 1907*). Control exists where MAV has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with MAV to achieve the objectives of MAV.

The effects of all transactions between entities in the combined entity have been eliminated.

The financial statements of all the divisions, including MAV Insurance, and MAV WorkCare are prepared for the same reporting period as the MAV, using consistent accounting policies.

All interdivisional balances and transactions, including unrealised profits arising from intra-divisional transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

The equity in the insurance businesses of MAV Insurance and MAV WorkCare represent the assets of the members of each of the insurance mutual Schemes and are not available to the members of the MAV.

(d) Income tax

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

(e) Cash and cash equivalents

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

(f) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the MAV will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts, other than outstanding reinsurance recoveries, more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate. Recoveries relating to the wind-down of the MAV WorkCare Scheme have a receivable date aligned to the Work Safe Victoria settlement date.

(g) Trade and other payables

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

(h) Property, equipment, motor vehicles and intangible assets

Property, equipment, leasehold improvements and motor vehicles are carried at cost less, where applicable, accumulated depreciation. On disposal the difference between the sales proceeds and the carrying amount of the asset is recognised as a gain or loss.

The depreciable amount of all fixed assets are depreciated/amortised on a straight line basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The following depreciation and amortisation rates are in use:

	Annual Rate
Leasehold Improvements at cost	10%
Furniture and Equipment at cost	20% - 33%
Motor Vehicles at cost	20%
Information Technology Equipment at cost	33%
Website at cost	20%
Educational Programs at cost	20%

The website and educational programs are treated as intangible assets with a finite life and is amortised over the useful life and tested for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in the accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in statement of comprehensive income in the expense category "Amortisation". The MAV does not have any intangible assets with indefinite useful lives.

(i) Employee entitlements

The liabilities arising in respect of employee entitlements (note 23) are measured at their nominal amounts: wages and salaries, annual leave and sick leave regardless of whether they are expected to be settled within twelve months of balance date. Other employee entitlements are expected to be settled within twelve months of balance date.

All other employee entitlements, including long service leave, are measured at the present value of the estimated future cash outflows in respect of services provided up to balance date. Liabilities are determined after taking into consideration estimated future increase in wages and salaries and past experience regarding staff leave. Related on-costs are included. Wage inflation has been applied at 2% consistent with MAV practice, compared to the DTF issued rate of 2.9%. The difference on the provision is \$10,733.

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

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

(j) Revenue recognition

Grant and Project revenue - Grant and Project income is recognised at the point, or over time, when (or as) the performance obligation is satisfied. Recognition is based on the underlying contractual terms.

Subscriptions - Subscriptions are recognised on an accrual basis.

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

Brokerage income

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

Management fee income

Management fees are received for managing grants, projects, MAV Insurance and MAV WorkCare activities.

Investment income

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

(k) Leases

Policy applicable from 1 July 2019

The MAV has applied *AASB 16 Leases* using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019. The MAV applied the approach consistently to all leases in which it is a lessee.

On transition to AASB 16 Leases, the MAV elected to apply the practical expedient to 'grandfather' the assessment of which transactions are leases. The MAV has applied this practical expedient to all of its contracts and therefore applied AASB 16 Leases only to contracts that were previously identified as leases.

- any lease payments made at or before the commencement date less any lease incentives received; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an appropriate incremental borrowing rate. Generally, the MAV uses an appropriate incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that Council is reasonably certain to exercise, lease payments in an optional renewal period if Council is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless Council is reasonably certain not to terminate early.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The value of the lease asset on commencement of the standard on 1 July 2019 was \$3.449 million.

Please see note 6 for further information.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

(l) Investments

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

(m) Comparative figures

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

(n) Cash flows

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

(o) Superannuation

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

(p) Fair value measurement

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

2021	Level 1	Level 2	Level 3	Total
Investments	-	6,997,700	-	6,997,700
Total	-	6,997,700	-	6,997,700
2020				
Investments	-	52,098,906	-	52,098,906
Total	-	52,098,906	-	52,098,906

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

Under the Accident Compensation Act 1985 the MAV is specifically named as a body that can apply for a Workers' Compensation Self-Insurance Licence. On 3 May 2017, WorkSafe Victoria approved the MAV as a self-insurer commencing from 4pm on 1 November 2017. There were 31 inaugural members of the Scheme, including the MAV. The last day of the Scheme was 30 June 2021, with all claims being transferred to Work Safe Victoria from 1 July 2021. The MAV will continue to have responsibilities as a ceased self-insurer until 30 June 2027.

Summary of accounting policies relating to both MAV Insurance and MAV WorkCare

(r) Premiums

Premiums comprise amounts charged to members of the Schemes for policy cover and net of amounts returned to members as bonuses. The earned portion of premiums received is recognised as revenue. Premiums are treated as earned prorata from date of attachment of risk. The pattern of recognition over the policy is based on time, which is considered to closely approximate the pattern of risks undertaken.

(s) Premiums in advance

During the month of June each year, the Schemes issue premium notices to Scheme Members. The risk attaches to the premiums in the next accounting period and accordingly the revenue is recognised each following year commencing 1 July. Prior to each balance date members have committed to participate in either the Schemes or the Fund for the ensuing year and accordingly the premiums are disclosed in the Statement of Financial Position as "premiums receivable" with an offsetting liability described as "premiums in advance".

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

Notes to and forming part of the financial statements (continued)

for the year ended 30 June 2021

Summary of accounting policies relating to both MAV Insurance and MAV WorkCare (Continued)

(t) Claims - MAV Insurance

Claims-incurred expense and liability for outstanding claims are recognised in respect of direct business. The liability covers claims incurred but not yet paid, incurred but not yet reported claims, and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by reviewing individual claim files and estimating claims not notified and settlement costs using statistical and actuarial techniques. The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all the claims do not have to be paid out in the immediate future. The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal inflation and "superimposed inflation". Advice from the MAV's actuary has estimated superimposed inflation to be 1.5% per annum (2020 1.5%) for personal injury non large claims and the discount rate at 0.93% (2020 0.63%).

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

Details of rates applied are disclosed in note 28.

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

(u) Claims - MAV WorkCare

Claims-incurred expense and liability for outstanding claims are recognised in respect of direct business. The liability covers claims incurred but not yet paid, incurred but not yet reported claims, and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by reviewing individual claim files and estimating claims not notified and settlement costs using statistical and actuarial techniques. The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all the claims do not have to be paid out in the immediate future. The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal inflation and "superimposed inflation". Advice from the MAV's actuary has estimated superimposed inflation to be 1.90% per annum. The discount rate used to value claims liabilities for the 2021 financial year is 1.50%.

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

Details of rates applied are disclosed in note 28.

(v) Reinsurance and other recoveries receivable

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

(w) Revenue recognition

Revenue is recognised as a point in time, or over time, when (or as) the performance obligation is satisfied. Recognition is based on the underlying contractual terms.

The following specific recognition criteria is used:

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

(x) Reinsurance Expense

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

(y) Impact of COVID 19 pandemic on MAV's operations in the 2020-21 financial report

On 30 January 2020, COVID 19 was declared as a global pandemic by the World Health Organisation. Since then, various measures have been taken by all three levels of Government in Australia to reduce the spread of COVID-19. The MAV has been instrumental in proactively engaging with federal and state governments and advocating on behalf of members during this time. This situation and the measures introduced has been assessed as follows for the MAV for the financial year ended 30 June 2021:

For MAV WorkCare the claims valuation in particular makes no explicit additional allowance for COVID-19 impacts. Any indirect COVID-19 related impacts on claim numbers and active claim numbers is implicitly reflected in the merging experience and in the claims valuation basis. The assumptions consider experience over the last 12 months and therefore have an implicit allowance for how COVID-19 has impacted experience.

For MAV Work Care payment types that have been favourably impacted by COVID-19 conditions, such as medical and other payment types, only partial credibility has been given to the latest year and the assumptions are intended to reflect those applying in a post COVID-19 environment.

For MAV Insurance at 30 June 2021 there is no evidence of any COVID-19 related effect on claims. Given the long-tail nature of the scheme's claims liabilities this will be monitored and if any evidence of an effect due to COVID-19 develops, this will be incorporated into the scheme's estimate of its claims liabilities.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

		COMBINED	
		2021	2020
	NOTE	\$	\$
3. CONTRIBUTION TO OPERATING SURPLUS			
CONTRIBUTIONS FROM INSURANCE & WORKCARE ACTIVITIES			
Premium income		58,465,894	42,974,934
Performance bonus	24	-	-
Reinsurance expense	2(x)	(24,377,227)	(17,474,379)
NET PREMIUM INCOME		34,088,667	25,500,554
Claims expense	5(a)	(60,946,254)	(47,797,505)
Reinsurance and other recoveries	2(v)	36,537,798	31,056,823
NET CLAIMS EXPENSE	15	(24,408,456)	(16,740,682)
NET UNDERWRITING RESULT		9,680,211	8,759,872
Fees	29	19,904,681	58,615
Investment income		6,124,547	(2,129,705)
Administration and general expenses		(24,457,654)	(11,116,673)
INSURANCE ACTIVITY OPERATING SURPLUS		11,251,785	(4,427,892)
MAV SURPLUS (DEFICIT)		(157,612)	119,443
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		11,094,173	(4,308,449)

		COMBINED		MAV - GENERAL FUND	
		2021	2020	2021	2020
	NOTE	\$	\$	\$	\$
4. REVENUE					
REVENUES FROM OPERATING ACTIVITY					
Subscriptions/premiums		61,816,397	46,060,445	3,419,213	3,152,774
Reinsurance and other recoveries	2(v)	36,537,798	31,056,823	-	-
Work Care Scheme wind-down recoveries	1	19,190,000	-	-	-
Brokerage fees		1,452,803	1,361,195	1,452,803	1,361,195
Management fee income		1,362,095	2,345,444	1,706,265	3,119,019
Seminars and sale of publications		1,081,270	535,688	1,081,270	535,688
Sponsorship, membership and tender income		3,302,137	2,449,231	3,302,137	2,579,701
Grant income	25	4,591,590	4,512,012	4,591,590	4,512,012
Investment income (loss)		6,158,771	(2,041,001)	34,224	88,704
TOTAL REVENUE FROM OPERATING ACTIVITIES		135,492,862	86,279,837	15,587,502	15,349,093
REVENUES FROM NON-OPERATING ACTIVITIES					
Gain on disposal of non-current assets		85,095	-	85,095	-
TOTAL REVENUE FROM OUTSIDE THE OPERATING ACTIVITIES		85,095	-	85,095	-
TOTAL REVENUE		135,577,957	86,279,837	15,672,597	15,349,093

		COMBINED	
		2021	2020
5(a). CLAIMS EXPENSES	NOTE	\$	\$
Paid		39,757,687	42,705,987
Outstanding claims at end of financial year	14(a)	204,457,668	183,269,101
Less: Outstanding claims at beginning of financial year		(183,269,101)	(178,177,582)
TOTAL CLAIMS EXPENSES	2(t) & 2(u)	60,946,254	47,797,505

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

5(b). EXPENSES

The following items have been recognised in the operating surplus:

		COMBINED		MAV - GENERAL FUND	
	NOTE	2021 \$	2020 \$	2021 \$	2020 \$
Reinsurance expense		24,377,227	17,474,379	-	-
Claims expense		60,946,254	47,797,505	-	-
Scheme management fee	8	4,324,848	3,664,079	-	-
WorkSafe Self Insurer Levy		1,155,346	1,276,070	-	-
Administration		3,872,025	2,443,997	1,075,019	1,121,252
ALGA membership		509,946	509,461	509,946	509,461
Amortisation of website and educational programs		97,940	63,695	97,940	63,695
Audit fees	7	382,684	277,769	97,723	30,709
Board of management expenses		363,513	398,058	194,394	244,947
Depreciation of furniture and equipment		21,795	36,001	21,795	36,001
Depreciation of motor vehicles		54,772	74,809	47,418	67,456
Depreciation of information technology equipment		80,528	95,096	78,690	93,633
Depreciation of leasehold improvements		2,050	1,156	2,050	1,156
Grants and projects		7,651,702	5,761,119	5,288,224	4,973,324
Actuarial fees		138,787	115,659	-	-
Meetings and seminars		342,352	513,486	374,303	494,043
Amortisation of leases	6	984,349	984,349	984,349	984,349
Finance costs - leases		107,339	155,325	107,339	155,325
Work Care - Ceased Self Insurer expenses		3,117,327	-	-	-
Impaired Recoveries		5,297,183	-	-	-
Salary and payroll costs		7,954,579	7,403,128	6,951,019	6,454,299
Stamp duty		2,701,238	1,543,146	-	-
TOTAL EXPENDITURE		124,483,784	90,588,286	15,830,209	15,229,650

6. LEASES

	COMBINED		MAV - GENERAL FUND	
	2021 \$	2020 \$	2021 \$	2020 \$
Right of Use Assets				
Balance at start	2,464,917	3,449,266	2,464,917	3,449,266
Additions	-	-	-	-
Amortisation Charge	(984,349)	(984,349)	(984,349)	(984,349)
Balance at End	1,480,568	2,464,917	1,480,568	2,464,917
Lease Liabilities				
Maturity analysis - contractual undiscounted cash flows				
Not later than one year	1,052,794	957,822	1,052,794	957,822
Later than one year but not later than five years	569,781	1,622,576	569,781	1,622,576
Later than five years	-	-	-	-
TOTAL Lease Liabilities	1,622,575	2,580,398	1,622,575	2,580,398
Lease liabilities included in the Balance Sheet at 30 June:				
Current	1,052,794	957,822	1,052,794	957,822
Non-current	569,781	1,622,576	569,781	1,622,576
TOTAL Lease Liabilities	1,622,575	2,580,398	1,622,575	2,580,398

The MAV has elected not to recognise right-of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The MAV recognises the leases payments associated with these leases as an expense on a straight-line basis over the lease term.

Expenses relating to:

Short-term leases	1,477	13,065	1,477	13,065
Leases of low value assets	-	-	-	-
Total	1,477	13,065	1,477	13,065

Non-cancellable lease commitments - Short term and low-value leases

Commitments for minimum lease payments for short-term and low-value leases are payable as follows.

Not later than one year	-	25,617	-	25,617
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
TOTAL Lease Liabilities	-	25,617	-	25,617

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

7. AUDITORS FEES

Amounts paid or due and payable for audit services:

Audit services	382,684	277,769	97,723	30,709
TOTAL AUDITORS FEES	382,684	277,769	97,723	30,709

COMBINED

8. SCHEME MANAGEMENT FEES

Scheme management fees are paid to the scheme manager for:

	2021 \$	2020 \$
Reinsurance placement - MAV Insurance	3,053,364	2,369,981
Risk management and administrative services - MAV Insurance	780,444	556,307
Occupational Health and Safety - MAV WorkCare	196,416	295,117
Risk Identification and Prevention- MAV WorkCare	196,416	295,117
Training and Education - MAV WorkCare	98,208	147,559
TOTAL SCHEME MANAGEMENT FEES	4,324,848	3,664,080

NOTE

5(b)

9. NOTES TO STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents at balance date as shown in the Statement of Cash Flows are held in S & P rated AA- and A- cash deposits and reconciled to the related items in the Statement of Financial Position as follows:

	COMBINED		MAV - GENERAL FUND	
	2021 \$	2020 \$	2021 \$	2020 \$
Cash and cash equivalents	73,415,838	18,807,804	5,050,323	5,768,220
TOTAL CASH AND CASH EQUIVALENTS	73,415,838	18,807,804	5,050,323	5,768,220

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

Surplus (Deficit) for year	11,094,173	(4,308,449)	(157,612)	119,443
Depreciation	159,145	207,062	149,953	198,246
Amortisation - Including Leases	1,082,289	1,048,044	1,082,289	1,048,044
(Surplus)/deficit on disposal of assets	(81,028)	-	(81,028)	-
Unrealised gains on investments	2,300	-	-	-
Changes in assets and liabilities				
(Increase)/decrease in trade and other receivables	(12,278,070)	(32,309,380)	2,544,279	(4,292,832)
(Increase)/decrease in prepayments	2,492,616	(745,189)	(53,046)	33,878
Increase/(decrease) in trade and other payables	1,245,247	(456,379)	(1,847,360)	2,846,424
Increase/(decrease) in provision for employee entitlements	31,846	159,019	19,576	124,794
Increase/(decrease) in outstanding claims	21,188,567	5,456,327	-	-
Increase/(decrease) in premiums in advance	(17,289,156)	18,294,871	(1,118,817)	1,803,162
Increase/(decrease) in other liabilities	3,010,280	(81,479)	(107,048)	(81,479)
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	10,658,208	(12,735,552)	431,186	1,799,680

10. RECEIVABLES

Future reinsurance and other recoveries receivable	2(v)	136,366,981	122,347,045	-	-
Discount to present value		(5,030,707)	(3,131,676)	-	-
		131,336,274	119,215,369	-	-
Impairment of reinsurance recoveries		(5,297,183)	-	-	-
Premiums receivable	2(s)	46,353,748	58,842,511	-	-
Other receivables*		24,410,462	6,467,350	8,688,052	11,232,331
TOTAL RECEIVABLES		196,803,301	184,525,231	8,688,052	11,232,331
Represented By:					
Current		98,037,258	89,362,562	8,688,052	11,232,331
Non-current		98,766,043	95,162,669	-	-
TOTAL		196,803,301	184,525,231	8,688,052	11,232,331

The ageing analysis of trade receivables excluding future reinsurance and other recoveries receivable are as follows:

	Total	<30 days	31-60 days	61-90 days	>90 days
2021					
Combined	70,764,210	51,382,154	2,056	-	19,380,000
MAV General Fund*	8,688,052	8,688,052	-	-	-
2020					
Combined	65,309,861	62,842,486	-	-	2,467,375
MAV General Fund*	11,232,331	11,232,331	-	-	-

* The above receivables include the \$4m subordinate loan provided to MAV Work Care.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

NOTE	COMBINED		MAV - GENERAL FUND	
	2021 \$	2020 \$	2021 \$	2020 \$
11. PREMIUMS AND INCOME IN ADVANCE				
Contributions/Memberships billed in advance	48,720,459	66,009,615	5,092,484	6,211,301

Contributions/Memberships have increased due to increased memberships and higher contributions.

NOTE	COMBINED		MAV - GENERAL FUND	
	2021 \$	2020 \$	2021 \$	2020 \$
12. PROPERTY AND EQUIPMENT				
Leasehold Improvements - at cost	727,526	727,526	727,526	727,526
Less accumulated depreciation	(720,456)	(718,405)	(720,456)	(718,405)
	7,070	9,121	7,070	9,121
Furniture and Equipment - at cost	929,922	1,207,381	929,922	929,921
Less accumulated depreciation	(907,251)	(1,162,915)	(907,251)	(885,455)
	22,671	44,466	22,671	44,466
Motor vehicles - at cost	211,557	404,988	174,789	368,220
Less accumulated depreciation	(156,673)	(220,170)	(131,548)	(202,399)
	54,884	184,818	43,241	165,821
Information technology equipment- at cost	1,282,702	1,105,693	1,276,456	1,099,447
Less accumulated depreciation	(1,067,440)	(989,192)	(1,062,984)	(986,574)
	215,262	116,501	213,472	112,873
TOTAL PROPERTY AND EQUIPMENT	299,887	354,906	286,454	332,281

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

LEASEHOLD IMPROVEMENTS

Movements during the year

Beginning of year	9,120	25	9,120	25
Additions	-	10,252	-	10,252
Disposals	-	-	-	-
Depreciation	(2,050)	(1,156)	(2,050)	(1,156)
End of year	7,070	9,120	7,070	9,120

FURNITURE AND EQUIPMENT

Movements during the year

Beginning of year	44,466	37,910	44,466	37,910
Additions	-	42,557	-	42,557
Disposals	-	-	-	-
Depreciation	(21,795)	(36,001)	(21,795)	(36,001)
End of year	22,671	44,466	22,671	44,466

MOTOR VEHICLES

Movements during the year

Beginning of year	184,818	235,732	165,821	209,381
Additions	-	23,896	-	23,896
Disposals	(75,162)	-	(75,162)	-
Depreciation	(54,772)	(74,809)	(47,418)	(67,456)
End of year	54,884	184,818	43,241	165,821

INFORMATION TECHNOLOGY EQUIPMENT

Movements during the year

Beginning of year	116,501	108,474	112,873	106,894
Additions	182,610	103,122	180,330	99,612
Disposals	(3,321)	-	(3,321)	-
Depreciation	(80,528)	(95,096)	(76,410)	(93,633)
End of year	215,262	116,501	213,472	112,873

13. INTANGIBLE ASSETS

Website, Licences and Educational Programs	1,311,947	1,143,784	1,174,496	1,006,333
Less accumulated amortisation	(1,079,464)	(981,523)	(942,013)	(844,072)
	232,483	162,261	232,483	162,261

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	162,261	140,267	162,261	140,267
Additions	168,162	85,689	168,162	85,689
Disposals	-	-	-	-
Amortisation	(97,940)	(63,695)	(97,940)	(63,695)
End of year	232,483	162,261	232,483	162,261

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

COMBINED - MAV INSURANCE AND MAV WORKCARE

	NOTE	2021 \$	2020 \$
14 (a). OUTSTANDING CLAIMS			
Central Estimate		208,762,394	185,893,191
Discount to present value		(11,530,674)	(6,950,669)
Excesses and recoveries - discounted to present value		210,106	156,051
		197,441,826	179,098,573
Claims handling costs		7,015,842	4,170,528
Risk margin	14(b)	-	-
TOTAL OUTSTANDING CLAIMS		204,457,668	183,269,101
Comprising:			
Current		35,834,452	32,864,665
Non-current		168,623,216	150,404,436
TOTAL CLAIMS PROVISION	2(t)& (u)	204,457,668	183,269,101

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

As at 30 June 2021, both the MAV Insurance Board and the MAV WorkCare Board determined that the outstanding claims liability is to be held at the 50% probability of sufficiency on the basis of the non-discretionary mutual structure of LMI and the captive, non-discretionary mutual structure of MAV WorkCare. As a result, a 0% risk margin was applied to the central estimate (2020: 0%) to achieve the desired level of sufficiency. Please see Note 28.

14 (c). Reconciliation of movement in discounted outstanding claims liability

	Gross \$	2021 Reinsurance \$	Net \$	Gross \$	2020 Reinsurance \$	Net \$
Outstanding claims brought forward	183,269,101	119,087,853	64,181,248	177,812,775	114,211,227	63,601,548
Changes in assumptions	27,504,870	25,997,259	1,507,611	26,789,081	28,681,115	(1,892,034)
Increase in claims incurred/recoveries anticipated	33,441,384	10,540,540	22,900,844	21,008,424	2,375,708	18,632,716
Incurred claims recognised in Statement of Comprehensive Income	60,946,254	36,537,799	24,408,455	47,797,505	31,056,823	16,740,682
Claim payments/recoveries during the year	(39,757,687)	(24,289,378)	(15,468,309)	(42,341,179)	(26,180,197)	(16,160,982)
Outstanding claims carried forward	204,457,668	131,336,274	73,121,394	183,269,101	119,087,853	64,181,248
Debtor Excesses and Reinsurance Recoveries on Paid Claims	-	5,063,758	(5,063,758)	-	4,918,613	(4,918,613)
TOTAL NET OUTSTANDING CLAIMS	204,457,668	126,272,516	78,185,152	183,269,101	114,169,240	69,099,861

	Current Year \$	2021 Prior Year \$	Total \$	Current Year \$	2020 Prior Year \$	Total \$
15. NET CLAIMS INCURRED						
Gross Claims and related Expenses - undiscounted	49,627,588	16,184,031	65,811,619	42,136,382	1,430,730	43,567,111
Discount	(2,666,746)	(2,198,619)	(4,865,365)	(1,516,741)	5,747,135	4,230,394
Gross Claims and related expenses – discounted	46,960,842	13,985,412	60,946,254	40,619,641	7,177,865	47,797,505
Reinsurance and other recoveries - undiscounted	(24,782,308)	(13,152,229)	(37,934,537)	(20,000,711)	(9,033,440)	(29,034,151)
Discount	(2,092,147)	3,488,885	1,396,738	(2,101,455)	78,782	(2,022,672)
Reinsurance and other recoveries – discounted	(26,874,455)	(9,663,344)	(36,537,799)	(22,102,164)	(8,954,658)	(31,056,823)
NET CLAIMS INCURRED	20,086,387	4,322,068	24,408,455	18,517,476	(1,776,794)	16,740,682

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

16. CLAIMS DEVELOPMENT TABLE

ACCIDENT YEAR	2017	2018	2019	2020	2021	Total
	\$	\$	\$	\$	\$	\$
GROSS ESTIMATE OF ULTIMATE CLAIMS COST - MAV WORKCARE AND MAV INSURANCE COMBINED						
At end year of accident	20,097,434	37,835,001	37,811,359	40,833,937	47,280,080	
One year later	36,613,268	36,892,631	39,320,195	41,673,578	-	
Two years later	34,637,740	36,762,073	41,447,206	-	-	
Three years later	32,159,060	38,206,518	-	-	-	
Four years later	34,618,420	-	-	-	-	
Current estimate of cumulative claims cost	34,618,420	38,206,518	41,447,206	41,673,578	47,280,080	203,225,803
Cumulative payments	(17,468,680)	(14,353,457)	(8,373,406)	(5,539,364)	(2,257,444)	(47,992,351)
Outstanding claims – undiscounted	17,149,741	23,853,061	33,073,800	36,134,214	45,022,636	155,233,452
Discount						(7,897,022)
Claims handling expense						4,686,861
2016 and prior						52,434,378
COMBINED GROSS OUTSTANDING CLAIMS	14 (c)					204,457,668

ACCIDENT YEAR	2017	2018	2019	2020	2021	Total
	\$	\$	\$	\$	\$	\$
NET ESTIMATE OF ULTIMATE CLAIMS COST - MAV WORKCARE AND MAV INSURANCE COMBINED						
At end year of accident	3,367,525	14,316,484	14,383,034	17,871,544	18,808,636	
One year later	15,263,171	14,328,012	15,230,568	16,954,502	-	
Two years later	14,633,082	14,284,171	15,554,076	-	-	
Three years later	13,533,024	14,992,374	-	-	-	
Four years later	13,362,649	-	-	-	-	
Current estimate of cumulative claims cost	13,362,649	14,992,374	15,554,076	16,954,502	18,808,636	79,672,237
Cumulative payments	(9,386,877)	(9,409,098)	(6,908,344)	(4,419,627)	(2,050,134)	(32,174,080)
Outstanding claims - undiscounted	3,975,772	5,583,277	8,645,732	12,534,875	16,758,501	47,498,157
Discount						(3,165,990)
Claims handling expense						4,686,861
2016 and prior						24,102,368
NET OUTSTANDING CLAIMS	14(c)					73,121,395
Debtor Excesses and Reinsurance Recoveries on Paid Claims						5,063,758
TOTAL NET OUTSTANDING CLAIMS	14(c)					78,185,153

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

MAV INSURANCE

	NOTE	2021 \$	2020 \$
17 (a). OUTSTANDING CLAIMS			
Central Estimate		132,746,952	116,716,794
Discount to present value		(4,712,058)	(2,738,970)
Excesses and recoveries		210,106	156,051
		128,245,000	114,133,875
Claims handling costs		857,325	45,270
Risk margin	20(b)	-	-
TOTAL OUTSTANDING CLAIMS		129,102,325	114,179,145
Comprising:			
Current		21,285,524	19,189,697
Non-current		107,816,801	94,989,448
TOTAL CLAIMS PROVISION	2(t)	129,102,325	114,179,145

17 (b). RISK MARGIN - PROCESS FOR DETERMINING RISK MARGIN

As at 30 June 2021, the MAV Insurance Board determined that the outstanding claims liability is to be held at the 50% probability of sufficiency on the basis of the non-discretionary mutual structure of LMI. As a result, a 0% risk margin was applied to the central estimate (2020 0%) to achieve the desired level of sufficiency. Please see Note 28.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

17 (c). Reconciliation of movement in discounted outstanding claims liability

	2021			2020		
	Gross \$	Reinsurance \$	Net \$	Gross \$	Reinsurance \$	Net \$
Outstanding claims brought forward	114,179,145	114,084,701	94,444	109,087,627	111,321,357	(2,233,731)
Changes in assumptions	25,361,966	25,607,719	(245,753)	27,576,087	28,215,621	(639,535)
Increase in claims incurred/recoveries anticipated	14,923,180	8,506,688	6,416,492	5,091,518	538,827	4,552,691
Incurd claims recognised in Statement of Comprehensive Income	40,285,146	34,114,407	6,170,739	32,667,605	28,754,448	3,913,157
Claim payments/recoveries during the year	(25,361,966)	(24,094,060)	(1,267,906)	(27,576,087)	(25,991,105)	(1,584,982)
Outstanding claims carried forward	129,102,325	124,105,048	4,997,277	114,179,145	114,084,701	94,444
Debtor excesses and reinsurance recoveries on paid claims	-	5,063,758	(5,063,758)	-	4,918,613	(4,918,613)
Total net outstanding claims	129,102,325	119,041,290	10,061,035	114,179,145	109,166,088	5,013,056

18. NET CLAIMS INCURRED

	2021			2020		
	Current Year \$	Prior Year \$	Total \$	Current Year \$	Prior Year \$	Total \$
MAV INSURANCE						
Gross claims and related expenses - undiscounted	31,683,250	10,520,929	42,204,179	25,006,938	5,930,482	30,937,420
Discount	(1,329,800)	(589,233)	(1,919,033)	(668,831)	2,399,016	1,730,185
Gross claims and related expenses – discounted	30,353,450	9,931,696	40,285,146	24,338,107	8,329,496	32,667,604
Reinsurance and other recoveries - undiscounted	(22,267,096)	(12,523,335)	(34,790,431)	(17,892,661)	(8,615,829)	(26,508,491)
Discount	(2,501,284)	3,177,308	676,024	(2,346,711)	100,753	(2,245,958)
Reinsurance and other recoveries – discounted	(24,768,380)	(9,346,027)	(34,114,407)	(20,239,372)	(8,515,076)	(28,754,448)
NET CLAIMS INCURRED	5,585,070	585,669	6,170,739	4,098,735	(185,580)	3,913,156

19. CLAIMS DEVELOPMENT TABLE

ACCIDENT YEAR	2017	2018	2019	2020	2021	Total
		\$	\$	\$	\$	\$
GROSS ESTIMATE OF ULTIMATE CLAIMS						
At end year of accident	20,097,434	21,743,945	22,793,891	24,705,870	30,720,155	
One year later	21,295,287	21,194,033	23,080,037	26,255,218		
Two years later	20,143,548	21,196,000	24,778,903			
Three years later	18,803,428	21,843,602				
Four years later	21,437,347					
Current estimate of cumulative claims cost	21,437,347	21,843,602	24,778,903	26,255,218	30,720,155	125,035,225
Cumulative payments	(9,136,939)	(5,657,730)	(1,980,411)	(1,841,141)	(517,239)	(19,133,460)
Outstanding claims – undiscounted	12,300,408	16,185,872	22,798,492	24,414,077	30,202,916	105,901,765
Discount						(3,584,442)
Claims handling expense						680,160
2016 and prior						26,104,842
COMBINED GROSS OUTSTANDING CLAIMS	17a) & 17(c)					129,102,325
NET ESTIMATE OF ULTIMATE CLAIMS COST -						
At end year of accident	3,367,525	35,959	1,278,911	3,851,527	4,763,923	
One year later	68,793	47,759	1,300,067	3,892,698		
Two years later	174,862	107,740	1,319,341			
Three years later	263,365	141,874				
Four years later	267,548					
Current estimate of cumulative claims cost	267,548	141,874	1,319,341	3,892,698	4,763,923	10,385,384
Cumulative payments	(1,141,109)	(781,566)	(676,275)	(721,404)	(328,785)	(3,649,139)
Outstanding claims - undiscounted	(873,561)	(639,692)	643,066	3,171,294	4,435,138	6,736,245
Discount						(191,959)
Claims handling Expense						680,160
2016 and prior						(2,227,168)
TOTAL NET OUTSTANDING CLAIMS	17(c)					4,997,277
Debtor Excesses and Reinsurance Recoveries on Paid Claims						5,063,758
TOTAL NET OUTSTANDING CLAIMS	17(c)					10,061,035

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

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

MAV WORKCARE

	NOTE	2021 \$	2020 \$
MAV WorkCare			
20 (a). OUTSTANDING CLAIMS			
Central Estimate		76,015,442	69,176,397
Discount to present value		(6,818,616)	(4,211,699)
		69,196,826	64,964,698
Claims handling costs		6,158,517	4,125,258
Risk margin	20(b)	-	-
TOTAL OUTSTANDING CLAIMS		75,355,343	69,089,956
Comprising:			
Current		14,548,928	13,674,968
Non-current		60,806,415	55,414,988
TOTAL CLAIMS PROVISION	2(u)	75,355,343	69,089,956

20 (b). RISK MARGIN - PROCESS FOR DETERMINING RISK MARGIN

As at 30 June 2021, the MAV WorkCare Board determined that the outstanding claims liability is to be held at the 50% probability of sufficiency on the basis of the captive, non-discretionary mutual structure of MAV WorkCare. As a result, a 0% risk margin was applied to the central estimate to achieve the desired level of sufficiency. Please see Note 28.

20 (c). Reconciliation of movement in discounted outstanding claims liability

	Gross \$	2021 Reinsurance \$	Net \$	Gross \$	2020 Reinsurance \$	Net \$
Outstanding claims brought forward	69,089,956	(5,003,152)	64,086,804	68,725,148	(2,889,869)	65,835,279
Changes in assumptions	2,142,904	(389,540)	1,753,364	(787,006)	(465,494)	(1,252,500)
Increase in claims incurred/recoveries anticipated	18,518,204	(2,033,852)	16,484,352	15,916,906	(1,836,881)	14,080,025
Included claims recognised in Statement of Comprehensive Income	20,661,108	(2,423,392)	18,237,716	15,129,900	(2,302,375)	12,827,525
Claim payments/recoveries during the year	(14,395,721)	195,318	(14,200,403)	(14,765,092)	189,092	(14,576,000)
Outstanding claims carried forward	75,355,343	(7,231,226)	68,124,117	69,089,956	(5,003,153)	64,086,803

	Current Year \$	2021 Prior Year \$	Total \$	Current Year \$	2020 Prior Year \$	Total \$
21. NET CLAIMS INCURRED						
MAV WorkCare						
Gross Claims and related Expenses -	17,944,338	5,663,102	23,607,440	17,129,443	(4,499,752)	12,629,691
Discount	(1,336,946)	(1,609,386)	(2,946,332)	(847,911)	3,348,120	2,500,209
Gross Claims and related expenses – discounted	16,607,392	4,053,716	20,661,108	16,281,532	(1,151,632)	15,129,900
Reinsurance and other recoveries - undiscounted	(2,515,212)	(628,894)	(3,144,106)	(2,108,050)	(417,610)	(2,525,660)
Discount	409,137	311,577	720,714	245,256	(21,971)	223,285
Reinsurance and other recoveries – discounted	(2,106,075)	(317,317)	(2,423,392)	(1,862,794)	(439,581)	(2,302,375)
NET CLAIMS INCURRED	14,501,317	3,736,399	18,237,716	14,418,738	(1,591,213)	12,827,525

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

22. CLAIMS DEVELOPMENT TABLE

ACCIDENT YEAR	2017	2018	2019	2020	2021	Total
		\$	\$	\$	\$	\$
GROSS ESTIMATE OF ULTIMATE CLAIMS						
At end year of accident	-	16,091,056	15,017,468	16,128,067	16,559,925	
One year later	15,317,981	15,698,598	16,240,158	15,418,360		
Two years later	14,494,192	15,566,073	16,668,303			
Three years later	13,355,632	16,362,916				
Four years later	13,181,073					
Current estimate of cumulative claims cost	13,181,073	16,362,916	16,668,303	15,418,360	16,559,925	78,190,578
Cumulative payments	(8,331,741)	(8,695,727)	(6,392,995)	(3,698,223)	(1,740,205)	(28,858,891)
Outstanding claims – undiscounted	4,849,333	7,667,189	10,275,308	11,720,137	14,819,720	49,331,687
Discount						(4,312,580)
Claims handling expense						4,006,701
2016 and prior						26,329,536
MAV WORKCARE GROSS OUTSTANDING CLAIMS	20a) & 20(c)					75,355,343
NET ESTIMATE OF ULTIMATE CLAIMS COST						
At end year of accident	-	14,280,525	13,104,123	14,020,017	14,044,713	
One year later	15,194,378	14,280,253	13,930,501	13,061,804		
Two years later	14,458,220	14,176,431	14,234,735			
Three years later	13,269,659	14,850,500				
Four years later	13,095,101					
Current estimate of cumulative claims cost	13,095,101	14,850,500	14,234,735	13,061,804	14,044,713	69,286,853
Cumulative payments	(8,245,768)	(8,627,532)	(6,232,069)	(3,698,223)	(1,721,349)	(28,524,941)
Outstanding claims - undiscounted	4,849,333	6,222,969	8,002,666	9,363,581	12,323,363	40,761,912
Discount						(2,974,031)
Claims handling Expense						4,006,701
2015 and prior						26,329,536
MAV WORKCARE NET OUTSTANDING CLAIMS	20(c)					68,124,117

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

	COMBINED		MAV - GENERAL FUND	
	2021	2020	2021	2020
NOTE	\$	\$	\$	\$
23. PROVISIONS FOR EMPLOYEE ENTITLEMENTS				
The aggregate amount of employee entitlement liability is comprised of:				
Provisions (current)	1,045,592	971,050	976,656	926,865
Provisions (non-current)	54,492	97,188	54,492	84,707
TOTAL EMPLOYEE ENTITLEMENTS	1,100,084	1,068,238	1,031,148	1,011,572

Reconciliation of the carrying amounts of provision for employee entitlements at the beginning and end of the financial year

EMPLOYEE ENTITLEMENTS

Movement during the year

Balance at beginning of year	1,068,238	909,214	1,011,572	886,778
Entitlements paid	(551,521)	(321,796)	(551,521)	(321,796)
Increase in provision	583,367	480,820	571,097	446,590
BALANCE AT END OF YEAR	1,100,084	1,068,238	1,031,148	1,011,572

24. SUPERANNUATION

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

Obligations for contributions to the Fund are recognised as an expense in the Statement of Comprehensive Income when they are made or due. The amount of superannuation contributions paid by the MAV to the accumulation and defined benefit Fund during the reporting period was \$637,395 (2020 \$612,519).

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

24. SUPERANNUATION (continued)

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 2021, this was 9.5% required under the Superannuation Guarantee Legislation). Our commitment to defined contribution plans is limited to making contributions in accordance with our minimum statutory requirements. No further liability accrued to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Defined Benefit

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

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

Funding arrangements

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

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

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

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

Employer contributions

Regular contributions

On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 30 June 2021, the MAV makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2021, this rate was 9.5% of members' salaries. This rate is expected to increase in line with the required Superannuation Guarantee contribution rate.

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

Funding calls

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

There may be circumstances where:

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

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

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

The full actuarial investigation of the Fund's liability for accrued benefits was based on the Fund's position as at 30 June 2021.

This actuarial investigation was completed in September 2021 and confirmed that the Fund's Vested Benefits Index (VBI) was greater than 100% and as a consequence no call on member assets was required.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

25. GRANT INCOME

The MAV receives grant monies from various sources including from various Federal and State Government Departments on behalf of local government.

	COMBINED		MAV - GENERAL FUND	
	2021	2020	2021	2020
	\$	\$	\$	\$
Recognised in the Statement of Comprehensive Income				
Grant Income	4,591,590	4,512,012	4,591,590	4,512,012
The MAV does not receive any other government assistance.				

26. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

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

	COMBINED	Floating	MAV - GENERAL FUND	Floating
	Non-Interest	Interest	Non-Interest	Interest
	Earning	Rate	Earning	Rate
		2021		
	\$	\$	\$	\$
FINANCIAL ASSETS				
Cash and cash equivalents	-	73,415,838	-	5,050,323
Investments	-	6,997,700	-	-
Trade and other receivables	196,803,301	-	8,688,052	-
TOTAL FINANCIAL ASSETS	196,803,301	80,413,538	8,688,052	5,050,323
Weighted Average Interest Rate		0.1%		0.2%
FINANCIAL LIABILITIES				
Outstanding claims	208,762,394	-	-	-
Unearned premiums/subscriptions	48,720,459	-	5,092,484	-
Trade and other payables	10,976,177	-	869,968	-
TOTAL FINANCIAL LIABILITIES	268,459,030	-	5,962,452	-
Weighted Average Interest Rate		0%		0%

Investments are considered level two financial assets in accordance with AASB 13 (Fair Value Measurement). The carrying amounts of financial assets and financial liabilities represent their approximate net fair value. All maturity dates are within twelve months.

	COMBINED	Floating	MAV - GENERAL FUND	Floating
	Non-Interest	Interest	Non-Interest	Interest
	Earning	Rate	Earning	Rate
		2020		
	\$	\$	\$	\$
FINANCIAL ASSETS				
Cash and cash equivalents	-	18,807,804	-	5,768,220
Investments	-	52,098,906	-	-
Trade and other receivables	184,525,231	-	11,232,331	-
TOTAL FINANCIAL ASSETS	184,525,231	70,906,710	11,232,331	5,768,220
Weighted average interest rate		0.5%		0.7%
FINANCIAL LIABILITIES				
Outstanding claims	185,893,191	-	-	-
Unearned premiums/subscriptions	66,009,615	-	6,211,301	-
Trade and other payables	9,730,930	-	2,717,328	-
TOTAL FINANCIAL LIABILITIES	261,633,736	-	8,928,629	-
Weighted average interest rate		0%		0%

Investments are considered level 2 financial assets in accordance with AASB 13 (Fair Value Measurement). The carrying amounts of financial assets and financial liabilities represent their approximate net fair value. All maturity dates are within twelve months.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

26. 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 2021. Cash flows for financial assets and liabilities without fixed amount or timing are based on conditions existing at 30 June 2021.

The remaining contractual maturities of the financial liabilities are:

NOTE	COMBINED		MAV - GENERAL FUND	
	2021 \$	2020 \$	2021 \$	2020 \$
3 months or less	40,819,633	57,241,060	5,962,452	8,928,629
3-12 months	63,030,614	58,995,802	2,770,890	2,649,394
1-5 years	113,805,048	99,472,888	666,985	1,833,776
Over 5 years	69,168,937	59,787,582	-	-
	286,824,232	275,497,332	9,400,327	13,411,799

LIQUIDITY RISK

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

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

Year ended 30 June 2021	<3 months \$	3-12 months \$	1-5 years \$	>5years \$	Total \$
COMBINED FINANCIAL ASSETS					
Cash and cash equivalents	73,415,838	-	-	-	73,415,838
Investments	6,997,700	-	-	-	6,997,700
Trade and other receivables	63,370,576	38,181,188	68,995,822	34,684,069	205,231,655
	143,784,114	38,181,188	68,995,822	34,684,069	285,645,193
COMBINED FINANCIAL LIABILITIES					
Outstanding claims	8,978,273	26,934,820	111,303,063	69,168,937	216,385,093
Unearned premiums/subscriptions	11,585,400	32,042,576	-	-	43,627,976
Trade and other payables	15,163,476	1,282,328	1,835,000	-	18,280,804
Other liabilities	5,092,484	2,770,890	666,985	-	8,530,359
TOTAL FINANCIAL LIABILITIES	40,819,633	63,030,614	113,805,048	69,168,937	286,824,232
NET MATURITY	102,964,481	(24,849,426)	(44,809,226)	(34,484,868)	(1,179,039)

Year ended 30 June 2020

COMBINED FINANCIAL ASSETS					
Cash and cash equivalents	18,807,804	-	-	-	18,807,804
Investments	52,098,906	-	-	-	52,098,906
Trade and other receivables	61,749,721	15,542,347	63,883,279	35,028,278	176,203,625
	132,656,431	15,542,347	63,883,279	35,028,278	247,110,334
COMBINED FINANCIAL LIABILITIES					
Outstanding claims	8,229,237	24,687,712	97,626,630	59,787,582	190,331,162
Unearned premiums/subscriptions	34,350,920	31,658,696	-	-	66,009,615
Trade and other payables	14,660,903	2,649,394	1,846,258	-	19,156,555
Other liabilities	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES	57,241,060	58,995,802	99,472,888	59,787,582	275,497,332
NET MATURITY	75,415,371	(43,453,455)	(35,589,608)	(24,759,305)	(28,386,997)

Year ended 30 June 2021	<3 months \$	3-12 months \$	1-5 years \$	>5years \$	Total \$
MAV GENERAL FUND FINANCIAL ASSETS					
Cash and cash equivalents	5,050,323	-	-	-	5,050,323
Trade and other receivables	8,688,052	-	-	-	8,688,052
	13,738,375	-	-	-	13,738,375
MAV GENERAL FUND FINANCIAL LIABILITIES					
Trade and other payables	869,968	-	-	-	869,968
Other liabilities	5,092,484	2,770,890	666,985	-	8,530,359
Total Financial Liabilities	5,962,452	2,770,890	666,985	-	9,400,327
NET MATURITY	7,775,923	(2,770,890)	(666,985)	-	4,338,048

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

26. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

Year ended 30 June 2020	<3 months	3-12 months	1-5 years	>5years	Total
	\$	\$	\$	\$	\$
MAV GENERAL FUND					
FINANCIAL ASSETS					
Cash and cash equivalents	5,768,220	-	-	-	5,768,220
Trade and other receivables	11,232,331	-	-	-	11,232,331
	17,000,551	-	-	-	17,000,551
MAV GENERAL FUND					
FINANCIAL LIABILITIES					
Trade and other payables	2,717,328	-	-	-	2,717,328
Other liabilities	6,211,301	2,649,394	1,833,776	-	10,694,471
Total Financial Liabilities	8,928,629	2,649,394	1,833,776	-	13,411,799
NET MATURITY	8,071,922	(2,649,394)	(1,833,776)	-	3,588,752

INSURANCE RISK - MAV INSURANCE

Risk management objectives and policies for mitigating insurance risk

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

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

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

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

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

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

Reinsurance strategy

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

Terms and conditions of membership

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

Product features

LMI operates in Victoria and Tasmania. Should a claim be accepted, LMI provides indemnity to the member for \$600 million Public / Products Liability and \$600 million for Professional Indemnity insurance, in excess of any self-insured amount, for any claim incurred anywhere throughout the world.

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

Management of risks

The key insurance risks that affect LMI are contribution risk and claims experience risk.

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

Claims experience risk is managed through the non-financial risk assessment and risk management and reinsurance management process. Claims experience is monitored on an ongoing basis to ensure that any adverse trending is addressed. 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.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

26. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

INSURANCE RISK - MAV WORKCARE

Risk management objectives and policies for mitigating insurance risk

The MAV WorkCare Self-Insurance mutual liability scheme - trading as MAV WorkCare (the Scheme) was established in 2017 and commenced operations on 1 November 2017. Membership is available to local government councils and prescribed bodies. The Scheme operates in Victoria to provide services to members in respect of their potential and actual workers' compensation liabilities. The Scheme's last day of operation was 30 June 2021 with claims liabilities transferred to Work Safe Victoria on 1 July 2021. From 1 July 2021 the MAV becomes a ceased self-insurer with ongoing requirements for a period of 6 years until 30 June 2027.

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

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

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

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

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

Reinsurance strategy

The Scheme adopts a conservative approach towards management of risk and does this by utilising various risk transfer options. The MAV WorkCare Board determines the level of risk, which is appropriate for the Scheme having regards to ordinary concepts of prudence and regulatory constraints. The risk transfer arrangements adopted by the Scheme include the utilisation of commercial reinsurance / excess arrangements. These arrangements include constant review of both reinsurers' financial strength, and ensuring reinsurers meet the requirements of the MAV WorkCare policies. These risk transfer arrangements assist the Scheme to limit exposures to large single claims and catastrophic events. These programs are reviewed each year to ensure that they continue to meet the risk needs of the Scheme. At 30 June 2021 the reinsurance asset related to MAV WorkCare is recorded as impaired as Work Safe Victoria is unable to recognise this asset on 1 July 2021.

Management of risks

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

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

Claims experience risk is managed through the non-financial risk assessment and risk management and reinsurance management process. Claims experience is monitored on an ongoing basis to ensure that any adverse trending is addressed. The Scheme is able to reduce the claims experience risk of severe losses through an active OH&S and risk management program, the reinsurance arrangements, and by managing the concentration of insurance risks. The Scheme is a non-discretionary mutual fund which, under the Constitution has the ability to obtain contributions from members to pay liabilities and expenses. On cessation members will contribute to any shortfall with funds expected to be received shortly following Work Safe Victoria's final determination of the claims provision at 30 June 2021.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

26. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

MAV GROUP

Concentration of insurance risks

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

		CREDIT RATING						Total
		AAA	AA	AA-	A	Speculative Grade	Not Rated	
		+/-	+/-	+/-				
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reinsurance and other recoveries on outstanding claims	2021	-	0.285	-	38.886	-	1.934	41.105
	2020	-	-	-	44.978	-	1,654	46,632
Reinsurance and other recoveries on paid claims	2021	-	0.031	-	2.602	-	0.028	2.661
	2020	-	-	-	2,373	-	-	2,373

PAST DUE BUT NOT IMPAIRED

		Neither past due nor impaired	Less than 3 months	3 to 6 months	6 months to 1 year	Greater than 1 year	Impaired	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reinsurance and other recoveries on paid claims	2021	-	2.661	-	-	-	-	2.661
	2020	-	2,373	-	-	-	-	2,373

CREDIT RISK

The MAV is exposed to credit risk on insurance contracts as a result of exposure to reinsurers. The credit risk of reinsurers is managed through the Reinsurance Management Strategies and policies that includes regularly monitoring both the financial rating of the reinsurers both prior to and during the reinsurance program and the flow of payments coming from the reinsurers. Investments in cash and cash equivalents at balance date as shown in the Statement of Cash Flows are held in S&P rated AA- and A- rated cash deposits.

PRICE RISK

Investments held through managed investment schemes are subject to price risk.

INTEREST RATE RISK

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

Variable	Current Rate	Change variable to +0.5%/-0.1%	Operating surplus (deficit) at 30 June 2021	Total Accumulated Funds after the impact of applying variable
	%	%	\$	\$
IMPACT OF CHANGES IN INTEREST RATE ON FINANCIAL ASSETS				
MAV GROUP				
Base value at 30 June 2021	0.1%		11,094,173	8,585,899
Interest Rate p.a.		0.6%	11,472,474	8,964,200
		0.0%	11,018,513	8,510,239

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

27. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

a) Estimation of outstanding claims liability

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the Statement of Financial Position date, including the cost of claims incurred but not yet reported ("IBNR"). The MAV take all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome may be different from the original liability established.

Provisions are calculated gross of all recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers and any third party.

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

- (i) Establishing a case estimate for each reported claim at year-end taking into account legal advice where appropriate on larger claims;
- (ii) Allowance for incurred but not reported claims as confirmed by the actuarial review on 30 June 2021
- (iii) Allowances for wage inflation of 2.81%, as assumed by the Actuary
- (iv) Allowances for discount at 0.93%, as assumed by the Actuary
- (v) A risk margin of 0% of net outstanding claims after the effect of reinsurance has been applied, as assumed by the actuary.

Refer to Note 28 for details

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

- (i) Establishing a case estimate for each reported claim at year-end taking into account legal advice where appropriate
- (ii) Allowance for incurred but not reported claims as confirmed by the actuarial review on 30 June 2021
- (iii) An allowance of 8.9% for claim settlement expenses, as assumed by the Actuary;
- (iv) Allowances for wage inflation of 2.25%, as assumed by the Actuary
- (v) Allowances for discount at 1.50%, as assumed by the Actuary
- (vi) A risk margin of 0% of net outstanding claims after the effect of reinsurance has been applied, as assumed by the actuary.

Refer to Note 28 b) for details

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

b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts were estimated for each fund year, from the payments to date and estimated outstanding claims history at 30 June 2021, taking into account the reinsurance terms applying to that fund year. The reinsurance asset relating to WorkCare is recorded as impaired at 30 June 2021 as Work Safe Victoria is unable to recognise it as an asset on 1 July 2021.

28. ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Assumptions

MAV INSURANCE

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

	2021	2020
Key Actuarial Assumptions		
Wage inflation	2.81%	1.64%
Discount rate	0.93%	0.63%
Risk margin	0.00%	0.00%
Superimposed inflation	1.50%	1.50%
Claim administration expense	0.70%	0.04%

Process used to determine actuarial assumptions

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

Liability Mutual Insurance has provided public and professional indemnity insurance to local government bodies in Victoria and Tasmania and other bodies constituted under any Act for any public or local governing purpose since 30 September 1993. The Actuary was supplied with details of all transactions (payments, recoveries, changes of estimates) from 30 September 1993 to 30 June 2021. 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 four claim types (Public Liability - Personal Injury, Public Liability - Property Damage, 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 in 2009 dollars) 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. Claim administration expenses at 30 June 2021 approximate actual costs to be incurred.

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 2021 forecasts for Victorian average weekly claims, inflation was assumed to be 2.81%. The discount rate was assumed to be 0.93% pa, derived from the yields on Commonwealth Government bonds.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

28. ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

MAV WORKCARE

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

	2021	2020
Key Actuarial Assumptions		
Wage inflation	2.25%	1.75%
Claim administration expense	8.90%	6.35%
Discount rate	1.50%	1.05%
Risk margin	0.00%	0.00%
Superimposed inflation	1.90%	1.80%

Process used to determine actuarial assumptions

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

MAV WorkCare commenced business operations on 1 November 2017. It provides workers compensation insurance for thirty Local Government Authorities and the Municipal Association of Victoria. The Actuary was supplied with details of all transactions (payments, recoveries, estimates) to 30 June 2021. The individual claim payments and case estimates reconciled closely with totals in MAV WorkCare's financial statements for the year of cover. The actuary subdivided the claims data into 2 groups (Above Excess and Below Excess) and made separate estimates of the gross outstanding claims liabilities for each claim type. The actuary estimated the gross outstanding claims liabilities for Above Excess (Standard) claims by splitting the payments on Above Excess claims into 5 different sub-groups and modelling each sub-group separately. Above Excess claims were predominantly estimated using a numbers times average size method (PPCI). Below Excess (Minor) claims were modelled separately and utilised a numbers times average size method. Payments were projected with a payment pattern, based on past experience. Estimates of non reinsurance recoveries were made by a recoveries per claim method. Outstanding non reinsurance recoveries for accident periods up to and including 2016/17 were reduced to 0% to allow for the inability of MAV WorkCare to claim recoveries for these accident periods. Reinsurance recoveries for periods post 1 November 2017 were estimated by considering a total payment model and a total payment model where payments are capped at the expected excess of loss limit. The difference between these two models is the implied reinsurance recovery that would have been received if a similar reinsurance contract had been in place for historical periods. There has been no allowance for reinsurance recoveries for periods prior to 1 November 2017.

Based on economic forecasts, market based expectations for longer term CPI expectations and a long term CPI-wage gap, wage inflation was assumed to be 2.25%. The discount rate was assumed to be 1.50% pa., derived from the yields on Commonwealth government bonds.

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

MAV GROUP - Interest rate risk

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

Wage inflation rate sensitivity

Expected future payments are inflated to take account of inflationary increases. An increase or decrease in the assumed levels of economic inflation would have a corresponding impact on claims expense, with particular reference to longer tail claims.

Variable	Current Rate (weighted)	Change variable to +0.5%/-0.5%	Operating surplus (deficit) at 30 June 2021	Total Accumulated Funds after the impact of applying variable
	%	%	\$	\$
IMPACT OF CHANGES IN KEY VARIABLES				
MAV GROUP				
Base value at 30 June 2021	2.53%		11,094,173	8,585,899
Wage inflation rate p.a.		3.03%	9,062,173	6,553,899
		2.03%	9,226,173	6,717,899

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

28. ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

MAV GROUP

Interest rate sensitivity

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

Variable	Current Rate (weighted)	Change variable to +0.5%/-0.5%	Operating surplus (deficit) at 30 June 2021	Total Accumulated Funds after the impact of applying variable
	%	%	\$	\$

IMPACT OF CHANGES IN DISCOUNT RATES

MAV GROUP

Base value at 30 June 2021	1.22%		11,094,173	8,585,899
Discount rate p.a.		1.72%	12,957,173	10,448,899
		0.72%	9,031,173	6,522,899

Claims handling sensitivity

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

Variable	Current Rate	Change to the Current Rate +1%/-1%	Operating surplus (deficit) at 30 June 2021	Total Accumulated Funds after the impact of applying variable
	%	%	\$	\$

IMPACT OF CHANGES IN CLAIMS ADMINISTRATION EXPENSE

MAV GROUP

Base value at 30 June 2021	1.0%		11,094,173	8,585,899
Claim administration expense		2.00%	10,548,003	8,039,729
		0.00%	11,640,343	9,132,069

29 CAPITAL MANAGEMENT OBJECTIVES AND ECONOMIC DEPENDENCY

The MAV WorkCare was set up as a captive, non-discretionary mutual fund, and under Schedule 1, Part B, Clause 3 of the Participation Agreement, the MAV has the ability to obtain contributions from members to meet any shortfall in the Provision set aside in respect of that Insurance Year.

Schedule 1, Part B, Clause 7 of the Participation Agreement, provides the ability for MAV to make additional calls on each Participant (member) who 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. On cessation of the Scheme (last day was 30 June 2021) contributions from participating members have been sought to meet the transfer requirement of funds to WorkSafe Victoria. Consultation with participating members indicate that amounts are recoverable, consistent with the participating agreements with appropriate timeframes.

30. PERFORMANCE BONUS

The Liability Insurance Mutual Scheme, in conjunction with similar Local Government Self Insured Mutual Liability Schemes around Australia has entered into a profit sharing arrangement with its primary reinsurers, based on the National Local Government claims experience. The arrangement enables any surplus of reinsurance premium over the amount of claims paid for each year over the five-year reinsurance period to be shared between the various Schemes and the reinsurers on a proportional basis. The last year the arrangement relates to is 2007-08. There are no known expected future performance payments expected.

No performance bonus was received during the year (2020 \$0).

31. CONTINGENT LIABILITIES

MAV INSURANCE

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

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

The policies provide coverage for the first \$1 million in claim costs with a cap of \$5 million in the aggregate in each of the years.

LMI benefits from the 2009 policy when aggregate claim costs below \$1 million reach \$22 million and the 2011

policy provides coverage when aggregate claim costs reach \$20 million. The effect of the policies is to provide additional protection from adverse development for claim costs below \$1 million. The reinsurance policies commenced at the close of business on 30 June 2014.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

31. CONTINGENT LIABILITIES (continued)

MAV WORKCARE

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

On 1 November 2017 MAV WorkCare commenced business as a licensed self-insurer under the WIRC Act. WorkSafe granted the licence to MAV WorkCare to commence business as a self-insurer subject to meeting performance and financial conditions. One of the conditions related to the provision of a bank guarantee. The National Australia Bank has provided a bank guarantee on behalf of the MAV to WorkSafe in the amount of \$102.207 million.

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

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

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

- a) That the market value of the cash and investments held by MAV WorkCare is to be maintained at a minimum of 65% of the Bank Guarantee amount at all times. The MAV currently has a waiver on this requirement from the NAB.

- b) Where WorkSafe make a claim on the Bank Guarantee and the cash reserves are insufficient to clear the liability, the MAV will undertake to make a claim on its members within 30 days.

On transfer of settlement funds to WSV on 12 November 2021 the requirement to have a bank guarantee equivalent to one hundred and fifty percent (150%) of the net liabilities of Scheme will change to fifty percent (50%) of the net liabilities of the Scheme.

In accordance with the *Workplace Injury Rehabilitation and Compensation Act 2013*, there is a six year liability period following the cessation of the Scheme (to 30 June 2027). During the liability period, adjustment payments may be required (or received). The determination of any adjustment payments is dependent upon revised actuarial assessments of the Scheme's tail claim liabilities as undertaken by Work Safe Victoria. Any adjustments, which are expected to occur at the 3-year and 6-year periods during this period will affect participating members.

MAV GENERAL FUND

The MAV has arranged for its banker, the National Australia Bank, to provide a Bank Guarantee for the sum of \$432,264 to the MAV's landlord, Dexu, as security for its lease rental obligations at Levels 11 & 12 & 16, 60 Collins Street Melbourne, 3000.

No other material contingent liabilities have arisen in the year ended 30 June, 2021.

32. MAV WORKCARE - SELF-INSURANCE LICENCE

On 1 November 2017 MAV WorkCare commenced business as a licensed self-insurer under the WIRC Act. WorkSafe granted the licence to MAV WorkCare on 3 May 2017 to commence business as a self-insurer subject to meeting performance and financial conditions. MAV met all the conditions required to be met by WorkSafe prior to commencement. On commencement of the Scheme WorkSafe paid to MAV WorkCare the sum of \$65,856,545 which was the Statistical Case Estimate (SCE) of claims outstanding for the 31 inaugural members of the Scheme. The independent actuary to the Scheme estimated the value of the claims outstanding, including claims handling expenses, for the 31 inaugural members of the Scheme that were transferred by WorkSafe to the Scheme, net of recoveries, at \$67,478,639. This resulted in a deficit of \$1,622,094 at commencement.

At 30 June 2021, the Independent actuary to the Scheme estimated the value of the claims outstanding, including claims handling expenses of the Scheme that are to be transferred to Work Safe Victoria, net of recoveries at \$73.421 million, an amount \$0.655 million less than Work Safe Victoria's valuation. This has resulted in a deficit of \$0.655 million on cessation of the Scheme.

33. SPECIAL PURPOSE VEHICLE

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

Upon establishment of each Bond Issuance, the MAV incurs costs professional advice in connection with the transaction. These costs are recovered from the SPV so that that MAV bears no net costs. The MAV is also entitled to earn a fixed fee of up to \$24,000 per annum for the management of the SPV.

The MAV has no interest in the SPV at the reporting date, nor has it transferred any assets to the SPV during the reporting period. In the event of a default by participating councils, the MAV is not exposed to any loss.

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

34. GENERAL INSURANCE AGREEMENT

The MAV signed the "General Insurance Agreement" (the Agreement) dated 30 June 2016 with Jardine Lloyd Thompson (JLT). The agreement is a replacement of the agreement dated 17 July 1987 (Existing Agreement). For the 15 year term of the Agreement, the MAV agrees to not directly or indirectly provide insurance broking services to local government bodies in Victoria or to persons who are associated with or employed by local government bodies. The agreement provides that JLT pay an annual licence fee to the MAV consistent with the Existing Agreement. The annual licence fee received by the MAV for the year ended 30 June 2021 was \$1.452 million (2020 \$1.361m).

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

35. REMUNERATION OF KEY MANAGEMENT PERSONNEL

MAV Board Members receive an annual allowance. There are twelve Board members, including two Deputy Presidents, and the President. They also receive reimbursement of travel costs and a data allowance. All benefits paid have been included in the tables below. The key management person is the Chief Executive Officer of the MAV.

	Annual Allowance	Data allowance		
	\$	\$		
President	70,982	424		
Deputy Presidents	14,634	424		
Board Members	9,964	424		
	COMBINED		MAV - GENERAL FUND	
	2021	2020	2021	2020
	\$	\$	\$	\$
MAV Board Members				
Short term employment benefits	199,299	252,875	199,299	252,875
Post employment benefits	-	-	-	-
MAV WorkCare Board Members				
Short term employment benefits	65,000	70,000	-	-
Post employment benefits	-	-	-	-
MAV Insurance Board Members				
Short term employment benefits	104,040	83,111	-	-
Post employment benefits	-	-	-	-
Key Management Personnel				
Short term employment benefits	502,741	523,535	265,899	293,077
Post employment benefits	41,064	43,552	18,565	21,659
Total				
Short term employment benefits	871,080	929,521	465,198	545,953
Post employment benefits	41,064	43,552	18,565	21,659

Details of the total remuneration paid to each Director

Board Member	Note	Allowance	Data Allowance	Expenses	TOTAL
Aaron Scales	1	3,238	138	807	4,184
Brett Tessari	1	3,238	138	456	3,833
Coral Ross	3	22,325	134	-	22,459
David Clark	1	22,897	138	671	23,706
Jami Klisaris		13,116	424	-	13,541
Jennifer Anderson		9,964	424	1,318	11,707
Joseph Hawell	1	3,238	138	33	3,409
Josh Gilligan	2	24,852	287	-	25,139
Kathy Majdlik	1	3,238	138	350	3,726
Kristopher Bolam	1	3,238	138	-	3,376
Kylie Grzybek	1	3,238	138	-	3,376
Malcolm Hole	2	6,726	287	162	7,174
Michael Symon	2	6,726	287	100	7,112
Murray Emerson		9,964	424	616	11,004
Nathan Hansford	3	3,141	134	-	3,275
Peter Perkins	2	6,726	287	-	7,012
Rohan Leppert		11,482	334	42	11,857
Ron Janas	2	6,726	287	-	7,012
Ruth Gstrein		14,634	334	640	15,608
Sean O'Reilly	2	6,726	287	-	7,012
Thomas Melican	1	3,238	138	400	3,776
Total 2021		\$ 188,673	\$ 5,031	\$ 5,595	\$ 199,299
Total 2020		\$ 195,971	\$ 5,410	\$ 51,494	\$ 252,875

Note: 1 - Board member from March 2021

Note: 2 - Board member until February 2021

Note: 3 - Board member until November 2020

Loans to KMP and Directors

The MAV has a strict policy of not providing loans to KMP's and Directors. No loans were made to or are payable by KMP's or Directors during the

Insurance

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

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

36. EVENTS SUBSEQUENT

The last day of operations as a self insurer for the MAV was 30 June 2021. From 1 July 2021 the MAV is regarded as a ceased self-insurer with all claim liabilities transferred to Work Safe Victoria from 1 July 2021. On 10 September 2021, Work Safe Victoria confirmed that final settlement of Work Care funds was to occur by 12 November 2021.

On 1 October 2021 the MAV Board agreed for MAV General to contribute \$1.260 million to the MAV Work Care Scheme. As a result, the amount to be recovered from Work Care Scheme participating members will be \$17.930 million rather than \$19.190 million.

37. RELATED PARTIES

The MAV is a body corporate established under the *Municipal Association Act of 1907* to provide services for and represent local government authorities in Victoria. The Board of the MAV is elected from its members. The MAV and its wholly owned and controlled entities trade with each other and with its members in the normal course of business and on an arm's length basis. The Liability Mutual Insurance Scheme was formed by a Deed of Establishment which provides for the MAV to appoint a Committee of Management (MAV Insurance Board) to be responsible for the administration of the Scheme. Total expenses of \$510,000 (2020 \$510,000) were payable to the MAV from the Liability Mutual Insurance Scheme being payment for administrative support, and overseeing the management of the insurance activities, including the conduct of bi-monthly Board meeting. In accordance with the *Municipal Association Act 1907* the MAV is required to establish a Fidelity Fund to provide commercial crime insurance for its members. The MAV paid insurance premiums to the Liability Mutual Insurance Scheme \$23,048 (2020 \$22,036) and to the Commercial Crime Fund \$11,786 (2020 \$10,764).

The MAV WorkCare Self-Insurance Scheme was formed by a Deed of Participation which provides for the MAV to appoint the MAV WorkCare Board to be responsible for the administration of the Scheme. The MAV pays workers compensation premium to MAV WorkCare \$35,160 (2020 \$34,463). The MAV General Fund has a subordinated loan with MAV Work Care for \$4m (see Note 10). This entry is eliminated for MAV Combined.

The MAV pays superannuation contributions to Vision Super Pty Ltd as per Note 24. Kerry Thompson the CEO of the MAV is a director of Vision Super Pty Ltd and received directors fees. The directors fees for Kerry Thompson were deducted from her salary paid by the MAV.

Statement by directors

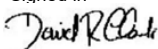
As at 30 June 2021

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

- (a) the accompanying Statement of Comprehensive Income drawn up so as to present fairly in all material respects the result of the association for the year ended 30 June 2021
- (b) the accompanying Statement of Financial Position is drawn up so as to present fairly in all material respects the state of affairs of the association as at that date;
- (c) at the date of this statement there are reasonable grounds to believe that the association will be able to pay its debts as and when they fall due;
- (d) the accompanying Combined Financial Statements present fairly in all material respects the state of affairs of the association as at that date;
- (e) the financial statements and notes also materially consistent 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



Cr. David Clark
President



Cr. Tom Melican
Director



Kerry Thompson
Chief Executive Officer

Melbourne
1/10/2021

OTHER INFORMATION

Legal form:

The MAV is an association incorporated by the *Municipal Association Act 1907*

Domicile:

Melbourne, Australia

Address of registered office and principal place of business:

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

Nature of the operation and principal activities:

The MAV represents, promotes and supports the interest of Victorian local governments and their communities.

Number of employees:

Average number of equivalent full time employees during the year was 52.6 (2020 = 52.5)

MAV INSURANCE Financial Report 2020-21

Independent Auditor's Report

To the Directors of the MAV Insurance

Opinion	<p>I have audited the financial report of the MAV Insurance (the scheme) which comprises the:</p> <ul style="list-style-type: none"> statement of financial position as at 30 June 2021 statement of comprehensive income for the year then ended statement of changes in equity for the year then ended statement of cash flows for the year then ended notes to the financial statements, including significant accounting policies statement by directors. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the scheme as at 30 June 2021 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the scheme in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Directors' responsibilities for the financial report	<p>The Directors of the scheme are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Directors are responsible for assessing the scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the scheme's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors
- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the scheme's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the scheme to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
25 October 2021



Sanchu Chummar

as delegate for the Auditor-General of Victoria

Statement of Comprehensive Income

For the year ended 30 June 2021

		COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	NOTE	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
Premium revenue	3	38,967,813	26,480,386	38,967,813	26,480,386	-	-
Reinsurance expense	2(s)	(22,893,248)	(16,422,424)	(22,893,248)	(16,422,424)	-	-
NET PREMIUM INCOME		16,074,565	10,057,962	16,074,565	10,057,962	-	-
Claims expense	4(a)	(40,285,146)	(32,667,605)	(40,285,146)	(32,667,605)	-	-
Reinsurance and other recoveries	3	34,114,407	28,754,448	34,114,407	28,754,448	-	-
NET CLAIMS EXPENSE	12	(6,170,739)	(3,913,157)	(6,170,739)	(3,913,157)	-	-
NET UNDERWRITING RESULT		9,903,826	6,144,805	9,903,826	6,144,805	-	-
Management fees	2(i),3	60,740	58,609	-	-	60,740	58,609
Investment income	3	23,670	44,791	23,240	42,761	430	2,030
Administration and general expenses	4(b)	(8,075,223)	(5,964,203)	(8,018,152)	(5,907,563)	(57,071)	(56,640)
OPERATING SURPLUS/(DEFICIT)		1,913,013	284,002	1,908,914	280,003	4,099	3,999
Other comprehensive income		-	-	-	-	-	-
TOTAL COMPREHENSIVE SURPLUS/(DEFICIT) FOR THE YEAR		1,913,013	284,002	1,908,914	280,003	4,099	3,999

The accompanying notes form an integral part of these statements

Statement of Financial Position as at 30 June 2021

		COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	NOTE	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
CURRENT ASSETS							
Cash and cash equivalents	2(e),8(a)	5,231,756	1,258,143	5,052,955	1,126,735	178,801	131,408
Investments	2(n)	6,997,700	-	6,997,700	-	-	-
Trade and other receivables	9	71,689,498	66,468,706	70,754,454	66,468,562	995,044	145
TOTAL CURRENT ASSETS		83,918,954	67,726,850	82,805,109	67,595,297	1,173,845	131,553
NON-CURRENT ASSETS							
Trade and other receivables	9	98,766,043	90,367,760	98,766,043	90,367,760	-	-
TOTAL NON-CURRENT ASSETS		98,766,043	90,367,760	98,766,043	90,367,760	-	-
Total Assets		182,684,997	158,094,610	181,571,152	157,963,057	1,173,845	131,553
CURRENT LIABILITIES							
Trade and other payables		7,840,916	4,703,104	7,742,637	4,678,477	158,279	24,627
Premiums in advance	10	43,627,975	39,011,594	42,723,434	39,011,594	904,541	-
Outstanding Claims	11(a)	21,285,524	19,189,697	21,285,524	19,189,697	-	-
TOTAL CURRENT LIABILITIES		72,754,415	62,904,394	71,751,595	62,879,768	1,062,820	24,627
NON-CURRENT LIABILITY							
Outstanding Claims	11(a)	107,816,801	94,989,448	107,816,801	94,989,448	-	-
TOTAL NON-CURRENT LIABILITY		107,816,801	94,989,448	107,816,801	94,989,448	-	-
TOTAL LIABILITIES		180,571,216	157,893,842	179,568,396	157,869,215	1,062,820	24,627
NET ASSETS		2,113,781	200,768	2,002,756	93,842	111,025	106,926
EQUITY		2,113,781	200,768	2,002,756	93,842	111,025	106,926

The accompanying notes form an integral part of these statements.

1

Statement of Changes in Equity

For the year ended 30 June 2021

	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
RETAINED EARNINGS						
Balance at beginning of year	200,768	(83,234)	93,842	(186,161)	106,926	102,927
Surplus/(Deficit) from ordinary activities	1,913,013	284,002	1,908,914	280,003	4,099	3,999
BALANCE AT END OF YEAR	2,113,781	200,768	2,002,756	93,842	111,025	106,926

Statement of Cash Flows for the year ended 30 June 2021

		COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	NOTE	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
CASH FLOW FROM OPERATING ACTIVITIES							
RECEIPTS							
Premiums and fees		40,660,344	26,089,624	40,013,127	25,457,793	647,217	631,831
Interest received		26,067	45,077	25,540	42,761	527	2,316
Reinsurance and other recoveries		24,094,060	25,991,105	24,094,060	25,991,105	-	-
PAYMENTS							
Trade and other payables		(28,444,891)	(26,533,763)	(27,844,540)	(25,904,095)	(600,351)	(629,668)
Claim payments		(25,361,967)	(27,576,087)	(25,361,967)	(27,576,087)	-	-
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	8(b)	10,973,613	(1,984,044)	10,926,220	(1,988,523)	47,393	4,479
CASH FLOW FROM INVESTING ACTIVITY							
Payment for investment		(7,000,000)	-	(7,000,000)	-	-	-
NET CASH PROVIDED BY INVESTING ACTIVITIES		(7,000,000)	-	(7,000,000)	-	-	-
NET INCREASE/(DECREASE) IN CASH HELD		3,973,613	(1,984,044)	3,926,220	(1,988,523)	47,393	4,479
Cash at beginning of year		1,258,143	3,242,187	1,126,735	3,115,258	131,408	126,929
CASH AT END OF YEAR	8(a)	5,231,756	1,258,143	5,052,955	1,126,735	178,801	131,408

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 2021

1. CORPORATE INFORMATION

The combined financial report of MAV Insurance (the Group) for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the directors of the Municipal Association of Victoria (MAV) on the date shown on the attached Statement by Directors.

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

The nature of the operations and principal activities of MAV Insurance are the provision of public liability, professional indemnity by the Liability Mutual Insurance Scheme (The Scheme) and arranging fidelity insurance by the Commercial Crime Fund (The Fund) for its members located in Victoria and Tasmania and community groups within its council member boundaries.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards and Interpretations issued.

<u>Reference</u>	<u>Title Summary</u>	<u>Application Date of Standard</u>	<u>Impact on MAV Financial Report</u>	<u>Application Date for MAV</u>
AASB 132	Financial Instruments: Presentation	1 January 2020	Management has confirmed no significant impact to the financial statements due to AASB132	1 July 2020

Accounting Standards and Interpretations issued but not yet effective.

<u>Reference</u>	<u>Title Summary</u>	<u>Application Date of Standard</u>	<u>Impact on MAV Financial Report</u>	<u>Application Date for MAV</u>
IFRS 17	Insurance Contracts	1 January 2023	IFRS 17 does not apply to not for profit public sector entities. The application and date for application is still to be determined by the AASB for not-for-profit public sector entities such as the MAV.	N/A

(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, and having regard to the financial reporting requirements of the *Financial Management Act*. The principal accounting policies adopted in preparing the financial report are stated to assist in a general understanding of the financial report. Accounting policies have been consistently applied unless otherwise indicated.

The financial report is presented in Australian dollars. MAV Insurance is a Not for Profit entity.

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

(b) Statement of compliance

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

(c) The basis of the combined report

The combined financial report relates to the insurance activities of the MAV being its controlled entities the Local Government Mutual Liability Insurance Scheme (trading as Liability Mutual Insurance, - LMI) "the Scheme", and the Commercial Crime Fund (the "Fund"). The MAV is the only legal entity. Neither insurance entity has control over the other. The effects of all transactions between entities in the combined entity have been eliminated.

The financial statements of the entities are prepared for the same reporting period as the MAV, using consistent accounting policies.

(d) Income tax

The MAV is a State and Territory Body (STB) and is exempt from income tax, in accordance with Division 1AB of Part III of the Income Tax Assessment Act 1997.

(e) Cash and cash equivalents

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

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Notes to and forming part of the financial statements

For the year ended 30 June 2021

(f) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised where there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue, other than outstanding reinsurance recoveries, are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(g) Trade and other payables

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

(h) Property, furniture, equipment, and website

Property, furniture, equipment and website are carried at cost, less where applicable, accumulated depreciation and impairment.

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

All fixed assets are depreciated/amortised on a straight line basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The following depreciation and amortisation rates are in use:

	Annual Rate
Leasehold Improvements at cost	10%
Furniture and Equipment	20%
Website at cost	20%

(i) Management fees

Management fees comprise amounts received from members to manage and pay expenses for and on behalf of the Commercial Crime Fund. Commencing 30 June 2021 the Commercial Crime fund issued premium notices on 30 June rather than 1 July and as a result this amount is recorded in the Balance Sheet as both a receivable and a liability. The Management fee is a component of these amounts which will be recognised as Income in the upcoming financial year.

(j) Investment income

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

(k) Premiums

Premiums comprise amounts charged to members of the Schemes for policy cover, net of amounts returned to members as bonuses. The earned portion of premiums received is recognised as revenue. Premiums are treated as earned from date of attachment of risk. The pattern of recognition over the policy is based on time, which is considered to closely approximate the pattern of risks undertaken.

(l) Premiums in advance

During the month of June each year, the Liability Mutual Insurance Scheme issues premium notices to Scheme members. The risk attaches to the premiums in the next accounting period and accordingly the revenue is recognised each following year commencing 1 July. Prior to each balance date members have committed to participate in either the Scheme or the Fund for the ensuing year and accordingly the premiums are disclosed in the Statement of Financial Position as "premiums receivable" with an offsetting liability described as "premiums in advance". Commencing June 2021 Premiums for Commercial Crime were issued on 30 June 2021 which were previously issued on the 1 July each year.

(m) Claims

Claims-incurred expense and liability for outstanding claims are recognised in respect of direct business. The liability covers claims incurred but not yet paid, incurred but not yet reported claims, and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by reviewing individual claim files and estimating claims not notified and settlement costs using statistical and actuarial techniques. The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all the claims do not have to be paid out in the immediate future. The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal inflation and superimposed inflation. Advice from the MAV's actuary has estimated superimposed inflation to be 1.5% per annum (2020: 1.5%) for personal injury non large claims and the discount rate at 0.93% (2020: 0.63%).

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

(n) Investments

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

(o) Cash flows

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

(p) Reinsurance and other recoveries receivable

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

(q) Revenue recognition

Revenue is recognised at a point in time, or over time, when (or as) the performance obligation is satisfied. Recognition is based on the underlying contractual terms. The following specific recognition criteria must also be met before revenue is recognised.

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

(r) Comparative figures

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

(s) Reinsurance Expense

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

(t) Fair Value Measurement

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Cash and cash equivalents is considered level 1 financial assets.

(u) Impact of COVID 19 pandemic on MAV's Insurance operations and 2020-21 financial report

On 30 January 2020, COVID 19 was declared as a global pandemic by the World Health Organisation. Since then, various measures have been taken by all three levels of Government in Australia to reduce the spread of COVID-19.

At 30 June 2021 there is no evidence of any COVID-19 related effect on claims. Given the long-tail nature of the scheme's claims liabilities this will be monitored and if any evidence of an effect due to COVID-19 develops, this will be incorporated into the scheme's estimate of its claims liabilities.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

		COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	NOTE	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
3. REVENUE FROM ORDINARY ACTIVITIES							
REVENUES FROM OPERATING ACTIVITIES							
Premiums		38,967,813	26,480,386	38,967,813	26,480,386	-	-
Performance bonus	18	-	-	-	-	-	-
Reinsurance and other recoveries	2(p)	34,114,407	28,754,448	34,114,407	28,754,448	-	-
Management fees received		60,740	58,609	-	-	60,740	58,609
TOTAL REVENUE FROM OPERATING ACTIVITIES		73,142,960	55,293,443	73,082,220	55,234,834	60,740	58,609
REVENUES FROM NON-OPERATING ACTIVITIES							
Investment income		23,670	44,791	23,240	42,761	430	2,030
TOTAL REVENUE FROM OUTSIDE THE OPERATING ACTIVITIES		23,670	44,791	23,240	42,761	430	2,030
TOTAL REVENUE FROM ORDINARY ACTIVITIES		73,166,630	55,338,234	73,105,460	55,277,595	61,170	60,639
4(a) CLAIMS EXPENSES							
Paid		25,361,966	27,576,087	25,361,966	27,576,087	-	-
Outstanding claims at end of financial year	11(a) & 2(m)	129,102,325	114,179,145	129,102,325	114,179,145	-	-
Less: Outstanding claims at beginning of financial year		(114,179,145)	(109,087,627)	(114,179,145)	(109,087,627)	-	-
TOTAL CLAIMS EXPENSES		40,285,146	32,667,605	40,285,146	32,667,605	-	-
4(b) ADMINISTRATION & GENERAL EXPENSES							
The following items have been recognised in the operating surplus/(deficit):							
Administration		1,220,189	1,215,290	1,163,118	1,158,650	57,071	56,640
Actuary fees		138,787	115,659	138,787	115,659	-	-
Audit fees	5	181,201	163,820	181,201	163,820	-	-
Depreciation of furniture and equipment		-	-	-	-	-	-
Depreciation of leasehold improvements		-	-	-	-	-	-
Scheme management fees	6	3,833,808	2,926,288	3,833,808	2,926,288	-	-
Stamp duty		2,701,238	1,543,146	2,701,238	1,543,146	-	-
TOTAL EXPENDITURE		8,075,223	5,964,203	8,018,152	5,907,563	57,071	56,640
5. AUDIT FEES							
Amounts payable or due and payable for audit services:							
Audit of the entity		181,201	163,820	181,201	163,820	-	-
TOTAL AUDIT FEE		181,201	163,820	181,201	163,820	-	-
6. SCHEME MANAGEMENT FEES							
Included within administration and general expenses are management fees paid to the service provider for:							
Reinsurance placement		3,053,364	2,369,981	3,053,364	2,369,981	-	-
Risk management and administrative services		780,444	556,307	780,444	556,307	-	-
TOTAL SCHEME MANAGEMENT FEES		3,833,808	2,926,288	3,833,808	2,926,288	-	-

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
NOTE	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
7. PROPERTY, FURNITURE AND EQUIPMENT						
Furniture and equipment - at cost	277,460	277,460	277,460	277,460	-	-
Less accumulated depreciation	(277,460)	(277,460)	(277,460)	(277,460)	-	-
	-	-	-	-	-	-
TOTAL PROPERTY, FURNITURE AND EQUIPMENT	-	-	-	-	-	-

8. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents at balance date as shown in the Statement of Cash Flows are held in NAB cash deposits and are reconciled to the related items in the Statement of Financial Position as follows:

	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
NOTE	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
Cash and Cash Equivalents	5,231,756	1,258,143	5,052,955	1,126,735	178,801	131,408
(b) Reconciliation of Net Cash (Used In)/provided by Operating Activities to Operating Surplus/(Deficit)						
Surplus (deficit) for year	1,913,013	284,002	1,908,914	280,003	4,099	3,999
<u>Adjustments for:</u>						
Depreciation	-	-	-	-	-	-
Amortisation	-	-	-	-	-	-
Unrealised gains on investments	2,300	-	2,300	-	-	-
<u>Changes in assets and liabilities:</u>						
(Increase)/decrease in trade and other receivables	2(f) (3,658,726)	(13,363,152)	(2,663,827)	(13,363,438)	(994,899)	286
Increase/(decrease) in trade and other payables	3,197,812	(3,664,275)	3,064,160	(3,664,469)	133,652	193
(Increase)/decrease in reinsurance recoveries	(10,020,347)	(2,763,344)	(10,020,347)	(2,763,344)	-	-
Increase/(decrease) in premiums in	4,616,381	12,431,208	3,711,840	12,431,208	904,541	-
Increase/(decrease) in outstanding claims	2(m) 14,923,180	5,091,517	14,923,180	5,091,517	-	-
NET CASH (USED IN) OPERATING ACTIVITIES	10,973,613	(1,984,044)	10,926,220	(1,988,523)	47,393	4,479

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

		COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	NOTE	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
9. TRADE AND OTHER RECEIVABLES							
Future reinsurance and other recoveries receivable	2(p)	128,355,041	116,598,543	128,415,041	116,598,543	-	-
Discount to present value		(4,309,993)	(2,513,842)	(4,309,993)	(2,513,842)	-	-
		124,045,048	114,084,701	124,105,048	114,084,701	-	-
Less provision for doubtful debts		-	-	-	-	-	-
Premiums receivable		46,353,748	42,692,225	45,358,753	42,692,225	994,995	-
Other receivables		56,745	59,541	56,696	59,396	49	145
		46,410,493	42,751,766	45,415,449	42,751,621	995,044	145
TOTAL RECEIVABLES		170,455,541	156,836,466	169,520,497	156,836,322	995,044	145
Represented By:							
CURRENT		71,689,498	66,468,706	70,754,454	66,468,562	995,044	145
NON-CURRENT		98,766,043	90,367,760	98,766,043	90,367,760	-	-
TOTAL		170,455,541	156,836,466	169,520,497	156,836,322	995,044	145

Reinsurance recoveries are due from reinsurers with S&P ratings of AA- and A. Other recoveries are due from unrated Local Authorities based in Victoria and Tasmania.

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

	Total	<30 days	31 - 60 days	61 - 90 days	>90 days
2021					
Combined	46,410,493	46,410,493	-	-	-
Liability Mutual Insurance	45,415,449	45,415,449	-	-	-
Commercial Crime Fund	995,044	995,044	-	-	-
2020					
Combined	42,751,766	42,751,766	-	-	-
Liability Mutual Insurance	42,751,622	42,751,622	-	-	-
Commercial Crime Fund	145	145	-	-	-

All premiums receivable and other receivables are due from Local Authorities based in Victoria and Tasmania.

		COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	NOTE	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
10. PREMIUMS IN ADVANCE							
Contributions billed in advance	2(l)	43,627,975	39,011,594	42,723,434	39,011,594	904,541	-
11(a) OUTSTANDING CLAIMS							
Central estimate	2(m)	132,746,952	116,716,794	132,746,952	116,716,794	-	-
Discount to present value		(4,712,058)	(2,738,970)	(4,712,058)	(2,738,970)	-	-
Excesses and recoveries - Discount to present value		210,106	156,051	210,106	156,051	-	-
		128,245,000	114,133,875	128,245,000	114,133,875	-	-
Claims handling costs		857,325	45,270	857,325	45,270	-	-
Risk margin	11(b)	-	-	-	-	-	-
TOTAL OUTSTANDING CLAIMS		129,102,325	114,179,145	129,102,325	114,179,145	-	-
Comprising:							
CURRENT		21,285,524	19,189,697	21,285,524	19,189,697	-	-
NON-CURRENT		107,816,801	94,989,448	107,816,801	94,989,448	-	-
TOTAL OUTSTANDING CLAIMS		129,102,325	114,179,145	129,102,325	114,179,145	-	-

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

As at 30 June 2021, the MAV Insurance Board determined that the outstanding claims liability is to be held at the 50% probability of sufficiency on the basis of the non-discretionary mutual structure of the LMI Scheme. As a result, a 0% risk margin was applied to the central estimate (2020: 0%) to achieve the desired level of sufficiency. Please see Note 17.

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

	2021			2020		
	Gross \$	Reinsurance \$	Net \$	Gross \$	Reinsurance \$	Net \$
Outstanding claims brought forward	114,179,145	114,084,701	94,444	109,087,627	111,321,357	(2,233,731)
Changes in assumptions	25,361,966	25,607,719	(245,753)	27,576,087	28,215,621	(639,535)
Increase in claims incurred/recoveries anticipated	14,923,180	8,506,688	6,416,492	5,091,518	538,827	4,552,691
	40,285,146	34,114,407	6,170,739	32,667,605	28,754,448	3,913,157
Incurred claims recognised in income statement	(25,361,966)	(24,094,060)	(1,267,906)	(27,576,087)	(25,991,105)	(1,584,982)
Claim payments during the year						
	129,102,325	124,105,048	4,997,277	114,179,145	114,084,701	94,444
Outstanding claims carried forward						
Debtor Excesses and Reinsurance Recoveries on Paid Claims	-	5,063,758	(5,063,758)	-	4,918,613	(4,918,613)
TOTAL NET OUTSTANDING CLAIMS	129,102,325	119,041,290	10,061,035	114,179,145	109,166,088	5,013,056

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

12. NET CLAIMS INCURRED

	2021			2020		
	Current Year \$	Prior Year \$	Total \$	Current Year \$	Prior Year \$	Total \$
COMBINED						
Gross claims and related expenses – undiscounted	31,683,250	10,520,929	42,204,179	25,006,938	5,930,482	30,937,420
Discount	(1,329,800)	(589,233)	(1,919,033)	(668,831)	2,399,016	1,730,185
Gross Claims and related expenses – discounted	30,353,450	9,931,696	40,285,146	24,338,108	8,329,497	32,667,605
Reinsurance and other recoveries – undiscounted	(22,267,096)	(12,523,335)	(34,790,431)	(17,892,661)	(8,615,829)	(26,508,491)
Discount	(2,501,284)	3,177,308	676,024	(2,346,711)	100,753	(2,245,958)
Reinsurance and other recoveries – discounted	(24,768,380)	(9,346,027)	(34,114,407)	(20,239,372)	(8,515,076)	(28,754,448)
NET CLAIMS INCURRED	5,585,070	585,669	6,170,739	4,098,736	(185,579)	3,913,157
	Current Year \$	2021 Prior Year \$	Total \$	Current Year \$	2020 Prior Year \$	Total \$
LIABILITY MUTUAL INSURANCE						
Gross claims and related expenses – undiscounted	31,683,250	10,520,929	42,204,179	25,006,938	5,930,482	30,937,420
Discount	(1,329,800)	(589,233)	(1,919,033)	(668,831)	2,399,016	1,730,185
Gross Claims and related expenses – discounted	30,353,450	9,931,696	40,285,146	24,338,107	8,329,498	32,667,605
Reinsurance and other recoveries – undiscounted	(22,267,096)	(12,523,335)	(34,790,431)	(17,892,661)	(8,615,829)	(26,508,491)
Discount	(2,501,284)	3,177,308	676,024	(2,346,711)	100,753	(2,245,958)
Reinsurance and other recoveries – discounted	(24,768,380)	(9,346,027)	(34,114,407)	(20,239,372)	(8,515,076)	(28,754,448)
NET CLAIMS INCURRED	5,585,070	585,669	6,170,739	4,098,736	(185,579)	3,913,157

	2021			2020		
	Current Year \$	Prior Year \$	Total \$	Current Year \$	Prior Year \$	Total \$
COMMERCIAL CRIME FUND						
Gross claims and related expenses – undiscounted	-	-	-	-	-	-
Discount	-	-	-	-	-	-
Gross Claims and related expenses – discounted	-	-	-	-	-	-
Reinsurance and other recoveries – undiscounted	-	-	-	-	-	-
Discount	-	-	-	-	-	-
Reinsurance and other recoveries – discounted	-	-	-	-	-	-
NET CLAIMS INCURRED	-	-	-	-	-	-

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

13. CLAIMS DEVELOPMENT TABLE

ACCIDENT YEAR	2017 \$	2018 \$	2019 \$	2020 \$	2021 \$	Total \$
GROSS ESTIMATE OF ULTIMATE CLAIMS COST -						
LIABILITY MUTUAL INSURANCE						
At end year of accident	20,097,434	21,743,945	22,793,891	24,705,870	30,720,155	
One year later	21,295,287	21,194,033	23,080,037	26,255,218		
Two years later	20,143,548	21,196,000	24,778,903			
Three years later	18,803,428	21,843,602				
Four years later	21,437,347					
Current estimate of cumulative claims cost	21,437,347	21,843,602	24,778,903	26,255,218	30,720,155	125,035,225
Cumulative payments	(9,136,939)	(5,657,730)	(1,980,411)	(1,841,141)	(517,239)	(19,133,460)
Outstanding claims – undiscounted	12,300,408	16,185,872	22,798,492	24,414,077	30,202,916	105,901,765
Discount						(3,584,442)
Claims handling expense						680,160
2016 and prior						26,104,842
LIABILITY MUTUAL INSURANCE – TOTAL GROSS OUTSTANDING CLAIMS	11(c)					129,102,325
NET ESTIMATE OF ULTIMATE CLAIMS COST -						
LIABILITY MUTUAL INSURANCE						
At end year of accident	3,367,525	35,959	1,278,911	3,851,527	4,763,923	
One year later	68,793	47,759	1,300,067	3,892,698		
Two years later	174,862	107,740	1,319,341			
Three years later	263,365	141,874				
Four years later	267,548					
Current estimate of cumulative claims cost	267,548	141,874	1,319,341	3,892,698	4,763,923	10,385,384
Cumulative payments	(1,141,109)	(781,566)	(676,275)	(721,404)	(328,785)	(3,649,139)
Outstanding claims - undiscounted	(873,561)	(639,692)	643,066	3,171,294	4,435,138	6,736,245
Discount						(191,959)
Claims handling Expense						680,160
2016 and prior						(2,227,168)
LIABILITY MUTUAL INSURANCE - NET OUTSTANDING CLAIMS	11(c)					4,997,277
Debtor Excesses and Reinsurance Recoveries on Paid Claims						5,063,758
TOTAL NET OUTSTANDING CLAIMS	11(c)					10,061,035

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

14. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

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

		COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
		Non- Interest Earning	Floating Interest Rate	Non- Interest Earning	Floating Interest Rate	Non – Interest Earning	Floating Interest Rate
		\$	\$	\$	\$	\$	\$
2021							
FINANCIAL ASSETS							
Cash and cash equivalents	8(a)	-	5,231,756	-	5,052,955	-	178,801
Investments		-	6,997,700	-	6,997,700	-	-
Trade and other receivables	9	170,455,492	49	169,520,497	-	994,995	49
TOTAL FINANCIAL ASSETS		170,455,492	12,229,505	169,520,497	12,050,655	994,995	178,851
Weighted Average Interest Rate			0.1%		0.1%		0.2%
FINANCIAL LIABILITIES							
Outstanding claims	11(a)	129,102,325	-	129,102,325	-	-	-
Unearned premiums/subscriptions	10	43,627,975	-	42,723,434	-	904,541	-
Trade and other payables		7,840,916	-	7,742,637	-	158,279	-
TOTAL FINANCIAL LIABILITIES		180,571,216	-	179,568,396	-	1,062,820	-
Weighted Average Interest Rate			0.0%		0.0%		0.0%

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

14. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	Non- Interest Earning	Floating Interest Rate	Non- Interest Earning	Floating Interest Rate	Non – Interest Earning	Floating Interest Rate
	\$	\$	\$	\$	\$	\$
2020						
FINANCIAL ASSETS						
Cash and cash equivalents	-	1,258,143	-	1,126,735	-	131,408
Investments	-	-	-	-	-	-
Trade and other receivables	156,836,322	145	156,836,322	-	-	145
TOTAL FINANCIAL ASSETS	156,836,322	1,258,288	156,836,322	1,126,735	-	131,553
Weighted Average Interest Rate		0.3%		0.3%		0.8%
FINANCIAL LIABILITIES						
Outstanding claims	114,179,145	-	114,179,145	-	-	-
Unearned premiums/subscriptions	39,011,594	-	39,011,594	-	-	-
Trade and other payables	4,703,104	-	4,678,477	-	24,627	-
TOTAL FINANCIAL LIABILITIES	157,893,842	-	157,869,215	-	24,627	-
Weighted Average Interest Rate		0.00%		0.00%		0.00%

Investments are considered level 2 financial assets in accordance with AASB 13 (Fair Value Measurement). The carrying amounts of financial assets and financial liabilities represent their approximate fair value. All maturity dates are within twelve months.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as at 30 June 2021. Cash flows for financial assets and liabilities without fixed amounts or timing are based on conditions existing at 30 June 2021.

The remaining contractual maturities of the financial liabilities are:

	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$
3 months or less	24,740,179	19,248,596	23,737,359	19,223,969	1,062,820	24,627
3-12 months	47,984,166	43,636,477	47,984,166	43,636,477	-	-
1-5 years	75,893,027	66,141,704	75,893,027	66,141,704	-	-
Over 5 years	36,455,796	31,449,984	36,455,796	31,449,984	-	-
	185,073,168	160,476,761	184,070,348	160,452,134	1,062,820	24,627

LIQUIDITY RISK

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

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

Year ended 30 June 2021	<3 months	3-12 months	1-5 years	>5years	Total
	\$	\$	\$	\$	\$
COMBINED					
FINANCIAL ASSETS					
Cash and cash equivalents	5,231,756	-	-	-	5,231,756
Investments	6,997,700	-	-	-	6,997,700
Trade and other receivables	54,680,468	16,405,174	68,995,822	34,684,069	174,765,533
	66,909,924	16,405,174	68,995,822	34,684,069	186,994,989
COMBINED					
FINANCIAL LIABILITIES					
Outstanding claims	5,313,863	15,941,590	75,893,027	36,455,796	133,604,276
Unearned premiums/subscriptions	11,585,400	32,042,576	-	-	43,627,976
Trade and other payables	7,840,916	-	-	-	7,840,916
TOTAL FINANCIAL LIABILITIES	24,740,179	47,984,166	75,893,027	36,455,796	185,073,168
NET MATURITY	42,169,745	(31,578,992)	(6,897,205)	(1,771,727)	1,921,821

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

14. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

Year ended 30 June 2020	<3 months \$	3-12 months \$	1-5 years \$	>5years \$	Total \$
COMBINED FINANCIAL ASSETS					
Cash and cash equivalents	1,258,143	-	-	-	1,258,143
Investments	-	-	-	-	-
Trade and other receivables	50,465,057	15,385,347	62,958,903	30,541,001	159,350,307
	51,723,200	15,385,347	62,958,903	30,541,001	160,608,451
COMBINED FINANCIAL LIABILITIES					
Outstanding claims	4,792,594	14,377,781	66,141,704	31,449,984	116,762,064
Unearned premiums/subscriptions	9,752,899	29,258,696	-	-	39,011,594
Trade and other payables	4,703,104	-	-	-	4,703,104
TOTAL FINANCIAL LIABILITIES	19,248,596	43,636,477	66,141,704	31,449,984	160,476,761
NET MATURITY	32,474,604	(28,251,130)	(3,182,802)	(908,983)	131,689

Risk management objectives and policies for mitigating insurance risk

The MAV's local government mutual liability scheme (trading as Liability Mutual Insurance) is established by legislation contained in the *Municipal Association Act 1907*. Membership is available to local government councils and prescribed bodies. The Scheme operates in Victoria 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 utilising various risk transfer options. The MAV Insurance Board determines the level of risk, which is appropriate for the Scheme having regard to ordinary concepts of prudence and regulatory constraints. The risk transfer arrangements adopted by the Scheme include the utilisation of commercial reinsurance / excess arrangements. These arrangements include constant review of both reinsurers' financial strength, and ensuring spread of risk among reinsurers who meet the requirements of the MAV insurance policies. These risk transfer arrangements assist the Scheme to limit exposures to large single claims and catastrophic events. These programs are reviewed each year to ensure that they continue to meet the risk needs of the Scheme. In 2018 the Scheme purchased retrospective re-insurance that fully reinsures all claims made against the Scheme up to 30 June 2018. Refer Note 20.

Terms and conditions of membership

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

Product features

The Scheme operates in Victoria and Tasmania. Should a claim be accepted the Scheme provides indemnity to the member in respect of its civil liabilities for \$600 million Public / Products Liability and \$600 million for Professional Indemnity insurance, in excess of any self-insured amount, for any claim incurred anywhere throughout the world.

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

Management of risks

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

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

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

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

14. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

Concentration of insurance risks

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

		CREDIT RATING						Total
		AAA +/- \$'000	AA +/- \$'000	AA- +/- \$'000	A \$'000	Speculative Grade \$'000	Not Rated \$'000	
Reinsurance and other recoveries on outstanding claims	2021	-	0.285	-	38.886	-	-	39.171
	2020	-	-	-	41.230	-	399.0	41.629
Reinsurance and other recoveries on paid claims	2021	-	0.031	-	2.602	-	0.028	2.661
	2020	-	-	-	2.373	-	-	2.373

		PAST DUE BUT NOT IMPAIRED					Impaired	Total
		Neither past due nor impaired	Less than 3 months	3 to 6 months	6 months to 1 year	Greater than 1 year		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reinsurance and other recoveries on paid claims	2021	-	2.661	-	-	-	-	2.661
	2020	-	2.373	-	-	-	-	2.373

Credit risk

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

Price risk

Investments held through managed investment schemes are subject to price risk.

Interest rate risk

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

Variable

	Current Rate	Change variable to +0.3%/-0.1%	Operating surplus (deficit) at 30 June 2021	Total Accumulated Funds after the impact of applying variable
	%	%	\$	\$
IMPACT OF CHANGES IN INTEREST RATE ON FINANCIAL ASSETS				
MAV INSURANCE				
Base value at 30 June 2021	0.1%		1,913,013	2,113,781
Interest Rate p.a.		0.4%	36,688	2,150,469
		0.0%	(12,229)	2,101,552

15. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Estimation of outstanding claims liability

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported ("IBNR") to the Scheme. The Scheme takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome may be different from the original liability established.

Provisions are calculated gross of all recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers and any third party.

The determination of an appropriate outstanding claims provision involves:

- Establishing a case estimate for each reported claim at year-end taking into account legal advice where appropriate on larger claims;
- Allowance for incurred but not reported claims as confirmed by the actuarial review on 30 June 2021;
- Allowances for claim inflation of 2.81%, as assumed by the Actuary;
- Allowances for discount at 0.93%, as assumed by the Actuary;
- A risk margin of 0% of net outstanding claims after the effect of reinsurance has been applied, as assumed by the actuary.

Refer to Note 11 b) for details

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

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

(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 2021, taking into account the reinsurance terms applying to that fund year.

16. ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial assumptions

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

	2021	2020
Key actuarial assumptions		
Wage inflation	2.81%	1.64%
Claim administration expense	0.70%	0.04%
Discount rate	0.93%	0.63%
Risk margin	0.00%	0.00%
Superimposed inflation	1.50%	1.50%

Process used to determine actuarial assumptions

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

Liability Mutual Insurance has provided public and professional indemnity insurance to local government bodies in Victoria and Tasmania and other bodies constituted under any Act for any public or local governing purpose since 30 September 1993. The Actuary was supplied with details of all transactions (payments, recoveries, changes of estimates) from 30 September 1993 to 30 June 2021. 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 four claim types (Public Liability - Personal Injury, Public Liability - Property Damage, 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 in 2009 dollars) 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. Claim administration expenses at 30 June 2021 approximate actual costs to be incurred.

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 2021 forecasts for Victorian average weekly wage inflation was assumed to be 2.81%. The discount rate was assumed to be 0.93% pa., derived from the yields on Commonwealth Government bonds.

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

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

Wage Inflation rate sensitivity

Expected future payments are inflated to take account of inflationary increases. An increase or decrease in the assumed levels of economic inflation would have a corresponding impact on claims expense, with particular reference to longer tail claims.

Variable	Current Rate	Change variable to +0.5%/-0.5%	Operating surplus (deficit) at 30 June 2021	Total Accumulated Funds after the impact of applying variable
	%	%	\$	\$
IMPACT OF CHANGES IN KEY VARIABLES				
LIABILITY MUTUAL INSURANCE				
Base value at 30 June 2021	2.81%		1,908,914	2,002,756
Wage Inflation rate p.a.		3.31%	1,876,914	1,970,756
		2.31%	1,940,914	2,034,756

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

16. ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

Discount rate sensitivity

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

Variable	Current Rate	Change variable to +0.5%/-0.5% at 30 June 2021	Operating surplus (deficit) at 30 June 2021	Total Accumulated Funds after the impact of applying variable
	%	%	\$	\$
IMPACT OF CHANGES IN DISCOUNT RATES				
LIABILITY MUTUAL INSURANCE				
Base value at 30 June 2021	0.93%		1,908,914	2,002,756
Discount rate p.a.		1.43%	2,071,914	2,165,756
		0.43%	1,745,914	1,839,756

Claims handling sensitivity

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

Variable	Current Rate	Change to the Current Rate +1.0%/-1.0% at 30 June 2021	Operating surplus (deficit) at 30 June 2021	Total Accumulated Funds after the impact of applying variable
	%	%	\$	\$
IMPACT OF CHANGES IN KEY VARIABLES				
LIABILITY MUTUAL INSURANCE				
Base value at 30 June 2021	0.7%		1,908,914	2,002,756
Claim administration expense		1.0%	1,485,914	1,579,756
		-1.0%	2,331,914	2,425,756

17. CAPITAL MANAGEMENT OBJECTIVES AND ECONOMIC DEPENDENCY

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

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

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

18. PERFORMANCE BONUS

The Liability Insurance Mutual Scheme, in conjunction with similar Local Government Self Insured Mutual Liability Schemes around Australia has entered into a profit sharing arrangement with its primary reinsurers, based on the National Local Government claims experience. The arrangement enables any surplus of reinsurance premium over the amount of claims paid for each year over the five-year reinsurance period to be shared between the various Schemes and the reinsurers on a proportional basis. The last year the arrangement relates to is 2007-08. There are no known expected future performance payments expected. No performance bonus was received during the year (2020 \$0).

19. CONTINGENT LIABILITY

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

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

The policies provide coverage for the first \$1 million in claim costs with a cap of \$5 million in the aggregate in each of the years. The Liability Mutual Insurance Scheme benefits from the 2009 policy when aggregate claim costs below \$1 million reach \$22 million and the 2011 policy provides coverage when aggregate claim costs reach \$20 million. The effect of the policies is to provide additional protection to the Scheme from adverse development of claim costs below \$1 million. The reinsurance policies commenced at the close of business on 30 June 2014. No other material contingent liabilities have arisen in the year ended 30 June 2021.

20. PURCHASE OF RETROSPECTIVE INSURANCE COVER - LIABILITY MUTUAL INSURANCE SCHEME

The MAV has purchased retrospective reinsurance cover on the net amount of all MAV Insurance outstanding net claims liabilities from 30 June 2018 for the 2008/2009 to 2017/2018 accident years incurred up to 30 June 2018. The coverage has a retrospective date of 30 June 2018. The MAV authorised management to negotiate the retrospective coverage on 8 June 2018. Subsequent to this, MAV received an offer to purchase retrospective coverage on 30 August 2018. The MAV Board endorsed the purchase of coverage on 14 September 2018 and a contract was signed on 18 September 2018. The discounted net amount of claims reinsured was \$21.7 million. A premium of \$20 million has been agreed with a single reinsurer which has an S&P credit rating of A+. The premium amount was paid quarterly on 1 October, 2018, 1 January 2019, 1 April 2019 and 1 July 2019.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

21. RELATED PARTIES

The MAV is a body corporate established under the *Municipal Association Act of 1907* to provide services for and represent Local Government authorities in Victoria. The MAV and its wholly owned controlled entities trade with its members in the normal course of business and on an arm's length basis. The Deed of Establishment provides for the MAV to appoint a Committee of Management (MAV Insurance Board) to be responsible for the administration of the Scheme. Total expenses of \$510,000 (2020 \$510,000) were payable to the MAV being payment for administrative support, and overseeing the management of the insurance activities, including the conduct of bi-monthly Board meeting. The MAV pays insurance premiums to the Liability Mutual Insurance Scheme \$23,048 (2020 \$22,036) and to the Commercial Crime Fund \$11,786 (2020 \$10,764). Other than this, there were no other related party transactions.

Board members during the year

R. Spence (Independent Chair)
 Cr. C. Ross (MAV President) -until November 2021
 Cr. D. Clark (MAV President) - from March 2021
 M. Guilmartin (Independent)
 J. Bennie (Greater Dandenong City Council - Chief Executive Officer)
 Dr. K. Stephenson (LGAT - Chief Executive Officer)
 D. Lester (LGAT - Chief Executive Officer) - from January 2021
 K. Thompson (MAV - Chief Executive Officer)
 Cr. M. Emerson (MAV Board Representative)
 K. Williams (Independent)
 K. Reid (Independent)
 P. Woodhouse (Independent)
 B. Richards (Independent)

Key management personnel remuneration

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

	Annual Meeting Allowance					
Chairperson	\$					
Independent Board members	25,000					
	15,300					
	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	2021	2020	2021	2020	2021	2020
Short-term remuneration of MAV Insurance Board and key management personnel (Cost of key management personnel is recovered by the MAV)	\$	\$	\$	\$	\$	\$
	157,220	141,726	157,220	141,726	-	-
Post employment benefits	3,713	4,332	3,713	4,332	-	-

Loans to KMP and MAV Insurance Board members

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

Other transactions

There were no other material transactions with Insurance Board Members.

Insurance

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

22. SUBSEQUENT EVENTS

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

Statement by the MAV Insurance Board

As at 30 June 2021

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

- (a) the financial statements and notes of the combined entity are drawn up so as to present fairly in all material respects the results of Liability Mutual Insurance and the Commercial Crime Fund for the year ended 30 June 2021
- (b) the accompanying Statement of Financial Position is drawn up so as to present fairly in all material respects the state of affairs of Liability Mutual Insurance and the Commercial Crime Fund as at that date
- (c) at the date of this statement there are reasonable grounds to believe that Liability Mutual Insurance and the Commercial Crime Fund will be able to pay its debts as and when they fall due
- (d) the financial statements and notes also comply with the International Financial Reporting Standards as disclosed in note 2 (b).

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

On behalf of the MAV Insurance Board



Rob Spence
MAV Insurance Board Chairman

Melbourne
27/09/2021



Kerry Thompson
Chief Executive Officer - Municipal Association of Victoria

STATEMENT BY DIRECTORS


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

In the opinion of the Directors:

- (a) the accompanying Statement of Comprehensive Income is drawn up so as to present fairly in all material respects the result of the association for the year ended 30 June 2021
- (b) the accompanying Statement of Financial Position is drawn up so as to present fairly in all material respects the state of affairs of the association as at that date
- (c) at the date of this statement there are reasonable grounds to believe that the association will be able to pay its debts as and when they fall due
- (d) the accompanying Combined Financial Statements present fairly in all material respects the state of affairs of the association as at that date
- (e) the financial statements and notes also materially consistent 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. David Clark
President

Melbourne
1/10/2021



Cr. Tom Melican
Director



Kerry Thompson
Chief Executive Officer

OTHER INFORMATION

Legal form:

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

Domicile:

Melbourne, Australia

Address of registered office:

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

Principal place of business:

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

Nature of the operation and principal activities:

The MAV has the power provided to it by the *Municipal Association of Victoria Act 1907* to establish Liability Mutual Insurance and the Commercial Crime Fund in order to provide public liability, professional indemnity and fidelity insurance to Local Government and Water Authorities.

Number of employees

Nil

MAV WorkCare Financial Report 2020-21



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Independent auditor's report to the members of MAV WorkCare

Opinion

We have audited the financial report of MAV WorkCare (the "Scheme"), which comprises the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the statement by directors.

In our opinion, MAV WorkCare's financial report presents fairly, in all material respects, the financial position of the Scheme as at 30 June 2021, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Scheme in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibilities of the Directors for the Financial Report

The directors of the Scheme are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.



As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young
Ernst & Young

Maree Pallisco

Maree Pallisco
Partner
Melbourne

1 October 2021

Statement of Comprehensive Income

For the year ended 30 June 2021

		2021 \$	2020 \$
	NOTE		
Premium revenue	3	19,498,081	16,494,548
Re-Insurance related recoveries	3	653,941	-
Re-insurance expense		(1,483,979)	(1,051,955)
NET PREMIUM INCOME		18,668,043	15,442,593
Claims expense	4(a)	(20,661,108)	(15,129,900)
Reinsurance and other recoveries	3	2,423,392	2,302,375
NET CLAIMS EXPENSE		(18,237,716)	(12,827,525)
NET UNDERWRITING RESULT		430,328	2,615,068
Net investment gain (loss)	3	6,100,877	(2,174,495)
Administration and general expenses	4(b)	(16,382,434)	(5,152,469)
Scheme wind-down recoveries	3	19,190,000	-
OPERATING SURPLUS (DEFICIT)		9,338,771	(4,711,895)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE (DEFICIT) FOR THE YEAR		9,338,771	(4,711,895)

The accompanying notes form an integral part of these statements.

Statement of Financial Position

as at 30 June 2021

		2021 \$	2020 \$
	NOTE		
CURRENT ASSETS			
Cash and cash equivalents		63,133,759	11,781,440
Investments		-	52,098,906
Trade and other receivables	9	21,778,070	16,547,315
Prepayments and deposits		-	2,545,663
TOTAL CURRENT ASSETS		84,911,829	82,973,324
NON-CURRENT ASSETS			
Trade and other receivables	9	-	4,794,909
Motor vehicles, furniture and equipment	7	13,433	22,625
TOTAL NON-CURRENT ASSETS		13,433	4,817,534
TOTAL ASSETS		84,925,262	87,790,858
CURRENT LIABILITIES			
Trade and other payables		2,383,655	3,196,290
MAV subordinate loan	20	4,000,000	4,000,000
Premiums in advance	10	-	20,786,720
Provision for employee entitlements		68,936	44,182
Provision for ceased self insurer members		1,282,328	-
Outstanding claims	1,11(a)	14,548,928	13,674,968
TOTAL CURRENT LIABILITIES		22,283,847	41,702,160
NON-CURRENT LIABILITY			
Provision for employee entitlements		-	12,482
Provision for ceased self insurer members		1,835,000	-
Outstanding claims	1,11(a)	60,806,415	55,414,988
TOTAL NON-CURRENT LIABILITY		62,641,415	55,427,470
TOTAL LIABILITIES		84,925,262	97,129,630
NET LIABILITIES		0	(9,338,771)
EQUITY		0	(9,338,771)

The accompanying notes form an integral part of these statements.

Statement of Changes in Equity

For the year ended 30 June 2021

	2021 \$	2020 \$
RETAINED EARNINGS		
Balance at the Beginning of the year	(9,338,771)	(4,626,876)
(Deficit) from ordinary activities	9,338,771	(4,711,895)
BALANCE AT END OF YEAR	0	(9,338,771)

Statement of Cash Flows for the year ended 30 June 2021

CASH FLOW FROM OPERATING ACTIVITIES

	NOTE	2021 \$	2020 \$
RECEIPTS			
Premiums and fees		18,272,736	11,327,874
Interest and investment gain (loss)		6,220,231	(2,248,341)
PAYMENTS			
Suppliers		(10,843,836)	(6,865,626)
Claim payments		(14,395,720)	(14,765,092)
NET CASHFLOWS FROM OPERATING ACTIVITIES	8(b)	(746,589)	(12,551,185)
CASH FLOW FROM INVESTING ACTIVITY			
Proceeds from sale of fixed assets		-	-
Payments for fixed assets and intangibles		-	(3,512)
Receipts from (Payments to) investment activities		52,098,908	(6,566,741)
NET CASH FROM (USED) IN INVESTING ACTIVITIES		52,098,908	(6,570,254)
NET INCREASE (DECREASE) IN CASH HELD		51,352,319	(19,121,439)
Cash at beginning of year		11,781,440	30,902,878
CASH AT END OF YEAR	8(a)	63,133,759	11,781,440

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 2021

1. CORPORATE INFORMATION

The financial report of MAV WorkCare (the Scheme) for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the directors of the Municipal Association of Victoria (MAV) on the date shown on the attached Statement by Directors.

The nature of the operations and principal activities of MAV WorkCare is the provision of workers compensation insurance for its members and other Local Government Authorities. The MAV is specifically named in the *Workplace Injury Rehabilitation and Compensation Act 2013* (Vic) (WIRC Act) as an entity that can hold a self-insurance licence for the benefit of its members.

MAV WorkCare is the workers' compensation insurance division of the MAV. This division commenced business on 1 November 2017 and the last day the Scheme operated as a self-insurer was 30 June 2021. From 1 July 2021 the MAV is a ceased self-insurer with ongoing requirements to 30 June 2027. The MAV is an association incorporated by an Act of the Parliament of Victoria known as the *Municipal Association Act 1907*.

Transition to Work Safe Victoria

Commencing 1 July 2021, Work Safe Victoria is responsible for all claims. At 30 June 2021 the gross claims were assessed at \$75.355 million made up of \$14.549 million (current liability) and \$60.806 million (non-current liability). The assessed recoveries were \$1.934 million with a net valuation of \$73.421 million. The current and non-current value reflects the nature of the claims. Please also refer to Note 18. Loss on transfer of liabilities on commencement and closure of the Scheme, in relation to Work Safe Victoria's assessed valuation.

The MAV has established a ceased self-insurer members provision for the estimated ongoing expenses, including bank guarantee expenses, expected to be incurred during the 6-year liability period as a ceased self-insurer. The provision is for \$3.117 million.

There is also a potential contingent liability in relation to the 3-year and 6-year liability period. Please refer to Note 19 Contingent Liability.

The reconciliation of the net liability position from 1 July 2020 to 30 June 2021 is shown below.

	\$'000
Opening net liabilities at 1 July 2020	(9,339)
Improvement of net liability position during 2020-21	3,735
Claims movement relating to wind-down	(1,369)
Claims handling expense relating to wind-down	(3,803)
Reinsurance asset impairment	(5,297)
Ceased Self Insurer Provision	(3,117)
Contribution from Work Care members on cessation of the Scheme	19,190
Net liability position at 30 June 2021	0

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards and Interpretations issued.

Reference	Title Summary	Application Date of Standard	Impact on MAV Financial Report	Application Date for MAV
AASB 132	Financial Instruments: Presentation	1 January 2020	Management has confirmed no significant impact to the financial statements due to AASB132	1 July 2020

Accounting Standards and Interpretations issued but not yet effective.

Reference	Title Summary	Application Date of Standard	Impact on MAV Financial Report	Application Date for MAV
IFRS 17	Insurance Contracts	1 January 2023	IFRS 17 does not apply to not for profit public sector entities. The application and date for application is still to be determined by the AASB for not-for-profit public sector entities such as the MAV.	N/A

(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, and having regard to the financial reporting requirements of the *Financial Management Act 1994*.

Due to the 6-year liability period the financial report has been prepared on a going concern basis.

The financial report is presented in Australian dollars. MAV WorkCare is a Not for Profit entity.

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

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.

(b) Statement of compliance

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

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

(c) Income tax

The MAV is a State and Territory Body (STB) and is exempt from income tax, in accordance with Division 1AB of Part III of the *Income Tax Assessment Act 1997*.

(d) Cash and cash equivalents

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

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(e) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. Recoveries relating to the wind-down have a receivable date aligned to the Work Safe Victoria settlement date.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised where there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue, other than outstanding reinsurance recoveries, are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate. Reinsurance recoveries are impaired at 30 June 2021.

(f) Trade and other payables

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

(g) Motor Vehicles, Furniture and Equipment

Motor vehicles, Furniture and Equipment are carried at cost, less where applicable, accumulated depreciation and impairment.

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

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

The following depreciation and amortisation rates are in use:

	Annual Rate
Motor Vehicles	20%
Furniture and Equipment	33%

(h) Investment income

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

(i) Premiums

Premiums comprise amounts charged to members of the Scheme for policy cover, net of amounts returned to members as bonuses. The earned portion of premiums received is recognised as revenue. Premiums are treated as earned from date of attachment of risk. The pattern of recognition over the policy is based on time, which is considered to closely approximate the pattern of risks undertaken.

(j) Premiums in advance

During the month of June each year, the Scheme issues premium notices to Scheme members. The risk attaches to the premiums in the next accounting period and accordingly the revenue is recognised each following year commencing 1 July. Members have committed to participate in the Scheme for the three year licence period and accordingly the premiums are disclosed in the Statement of Financial Position as "premiums receivable" with an offsetting liability described as "premiums in advance". All premiums for 2021-22 were issued by Work Safe's agents rather than MAV Work Care and as a result the value at 30 June 2021 is nil.

(k) Claims

Claims-incurred expense and liability for outstanding claims are recognised in respect of direct business. The liability covers claims incurred but not yet paid, incurred but not yet reported claims, and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by reviewing individual claim files and estimating claims not notified and settlement costs using statistical and actuarial techniques. The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all the claims do not have to be paid out in the immediate future. The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal inflation and superimposed inflation. Advice from the MAV's actuary has estimated superimposed inflation to be 2.25% per annum. The discount rate has been estimated at 1.50%.

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 become payable. Details of rates applied are disclosed in note 16.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

(l) Investments

Investments are valued at fair market value at balance date. Investment income includes gains and losses on investments and changes in net market values of investments in cash and fixed interest funds. Investments include term deposits with a maturity of greater than 90 days on placement. All investments were redeemed prior to 30 June 2021.

(m) Cash flows

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

(n) Reinsurance and other recoveries receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not paid, claims incurred but not reported and unexpired risk liabilities are recognised as revenue. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims. The value of reinsurance recoveries are reported as impaired at 30 June 2021 as Work Safe Victoria is unable to recognise this asset from 1 July 2021.

(o) Revenue recognition

Revenue is recognised at a point in time, or over time, when (or as) the performance obligation is satisfied. Recognition is based on the underlying contractual terms. The following specific recognition criteria must also be met before revenue is recognised.

- (i) Premiums - recognised in the period the fund is at risk
- (ii) Future reinsurance and other Recoveries - on an accruals basis
- (iii) Investment Income - on an accruals basis including adjustments made to account for changes in the value of cash backed unit trusts to account as investment income.

(p) Comparative figures

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

(q) Reinsurance Expense

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

(r) Fair Value Measurement

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

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

<u>2021</u>	Level 1	Level 2	Level 3	Total
Investments	-	-	-	-
Total	-	-	-	-
<u>2020</u>				
Investments	-	52,098,906	-	52,098,906
Total	-	52,098,906	-	52,098,906

(s) MAV WorkCare Self-Insurance Scheme

Under the Accident Compensation Act 1985 the MAV is specifically named as a body that can apply for a Workers' Compensation Self-Insurance Licence. On 3 May 2017, WorkSafe Victoria approved the MAV as a self-insurer commencing from 4pm on 1 November 2017. There were 31 inaugural members of the Scheme, including the MAV. The last day of the Scheme was 30 June 2021, with all claims being transferred to Work Safe Victoria from 1 July 2021. The MAV will continue to have responsibilities as a ceased self-insurer until 30 June 2027. The estimate of these expenses have been included in the Ceased Self Insurer provision at 30 June 2021.

(t) Impact of COVID 19 pandemic on MAV's operations and 2020-21 financial report

On 30 January 2020, COVID-19 was declared as a global pandemic by the World Health Organisation. Since then, various measures have been taken by all three levels of Government in Australia to reduce the spread of COVID-19. The MAV has been instrumental in proactively engaging with federal and state governments and advocating on behalf of members during this time, whilst performing all activities remotely since late March 2020, including staff working from home. This situation and the measures introduced has been assessed as follows for the MAV Work Care Scheme for the financial year ended 30 June 2021:

The claims valuation in particular makes no explicit additional allowance for COVID-19 impacts. Any indirect COVID-19 related impacts on claim numbers and active claim numbers is implicitly reflected in the merging experience and in the claims valuation basis. The assumptions consider experience over the last 12 months and therefore have an implicit allowance for how COVID-19 has impacted experience.

For payment types that have been favourably impacted by COVID-19 conditions, such as medical and other payment types, only partial credibility has been given to the latest year and the assumptions are intended to reflect those applying in a post COVID-19 environment.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

	NOTE	2021 \$	2020 \$
3. REVENUE FROM ORDINARY ACTIVITIES			
REVENUES FROM OPERATING ACTIVITIES			
Premiums		19,498,081	16,494,548
Reinsurance related refunds		653,941	-
Recoveries from participating members		19,190,000	-
Reinsurance and other recoveries		2,423,392	2,302,375
TOTAL REVENUE FROM OPERATING ACTIVITIES		41,765,415	18,796,922
REVENUES FROM NON-OPERATING ACTIVITIES			
Investment income		68,429	224,361
Realised investment gain (loss)		6,032,448	(2,398,856)
TOTAL REVENUE FROM OUTSIDE THE OPERATING ACTIVITIES		6,100,877	(2,174,495)
TOTAL REVENUE FROM ORDINARY ACTIVITIES		47,866,292	16,622,428
4(a). CLAIMS EXPENSES			
Paid		14,395,720	14,765,092
Outstanding claims at end of financial year		75,355,344	69,089,956
Less: Outstanding claims at beginning		(69,089,956)	(68,725,148)
TOTAL CLAIMS EXPENSES		20,661,108	15,129,900
4(b). ADMINISTRATION & GENERAL EXPENSES			
The following items have been recognised in the operating (deficit):			
Administration and wind-down expenses		5,205,026	2,041,162
Ceased self insurance member expenses		3,117,327	-
Impairment of reinsurance recoveries		5,297,183	-
Audit fees	5	103,760	139,800
Depreciation of motor vehicles		7,354	7,354
Depreciation of information technology equipment		1,838	1,463
Staffing costs		1,003,560	948,829
Levy		1,155,346	1,276,070
Scheme management fees	6	491,040	737,791
TOTAL EXPENDITURE		16,382,434	5,152,469
5. AUDIT FEES			
Amounts payable or due and payable for audit services:			
Audit of the entity		103,760	83,240
Audits-other		-	56,560
TOTAL AUDIT FEE		103,760	139,800
6. SCHEME MANAGEMENT FEES			
Included within administration and general expenses are			
Risk Identification and prevention		196,416	295,116
Occupational Health and Safety		196,416	295,116
Training and Education		98,208	147,559
TOTAL SCHEME MANAGEMENT FEES		491,040	737,791

The Scheme service provider also received claims handling costs which are included in total claims cost.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

	NOTE	2021 \$	2020 \$
7. MOTOR VEHICLES, FURNITURE AND EQUIPMENT			
Motor vehicles		36,768	36,768
Less accumulated depreciation		(25,125)	(17,771)
		11,643	18,997
Furniture and equipment - at cost		6,246	6,246
Less accumulated depreciation		(4,456)	(2,618)
		1,790	3,628
		13,433	22,625
Reconciliations of the carrying amounts of property, furniture and equipment at the beginning and end of the financial year.			
MOTOR VEHICLES			
Movements during the year			
Beginning of year		18,997	26,350
Additions		-	-
Disposals		-	-
Depreciation		(7,354)	(7,353)
End of year		11,643	18,997
FURNITURE AND EQUIPMENT			
Movements during the year			
Beginning of year		3,628	1,580
Additions		-	3,511
Disposals		-	-
Depreciation		(1,838)	(1,463)
End of year		1,790	3,628

8. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents at balance date as shown in the Statement of Cash Flows are held in NAB cash deposits and are reconciled to the related items in the Statement of Financial Position as follows:

	NOTE	2021 \$	2020 \$
Cash and Cash Equivalents		63,133,759	11,781,440
TOTAL CASH		63,133,759	11,781,440

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

Surplus/(deficit) for year		9,338,771	(4,711,895)
<u>Adjustments for:</u>			
Depreciation		9,192	8,816
<u>Changes in assets and liabilities:</u>			
(Increase) decrease in trade and other receivables and prepayments	2(e)	2,109,817	(13,393,352)
Increase(decrease) in employee entitlements		12,272	34,227
Increase (decrease) in trade and other payables		(812,635)	1,085,711
Increase (decrease) in provision for ceased self insurance members		3,117,328	-
Increase (decrease) in premiums in advance		(20,786,720)	4,060,501
Increase in outstanding claims	2(k)	6,265,387	364,807
NET CASH (USED IN) OPERATING ACTIVITIES		(746,589)	(12,551,185)

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

NOTE	2021 \$	2020 \$
9. TRADE AND OTHER RECEIVABLES		
Future reinsurance and other recoveries receivable	7,951,940	5,620,986
Discount to present value	(720,714)	(617,834)
	7,231,226	5,003,152
Impairment of reinsurance recoveries	(5,297,183)	-
Premiums receivable	-	16,150,286
Other receivables	19,844,028	188,786
TOTAL RECEIVABLES	21,778,070	21,342,224
Represented By:		
CURRENT	21,778,070	16,547,315
NON-CURRENT	-	4,794,909
TOTAL	21,778,070	21,342,224

All reinsurance recoveries are impaired at 30 June 2021 as Work Safe Victoria is unable to recognise this asset from 1 July 2021. Other recoveries are due from unrated Local Authorities based in Victoria.

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

	Total	<30 days	31 - 60 days	61 - 90 days	>90 days
2021					
MAV WorkCare	21,778,070	-	2,056	-	21,776,014
2020					
MAV WorkCare	16,339,072	13,871,697	-	-	2,467,375

	2021 \$	2020 \$
10. PREMIUMS IN ADVANCE		
Contributions billed in advance	-	20,786,720
11(a). OUTSTANDING CLAIMS		
Central estimate	76,015,442	69,176,397
Discount to present value	(6,818,616)	(4,211,699)
	69,196,826	64,964,698
Claims handling costs	6,158,517	4,125,258
TOTAL OUTSTANDING CLAIMS	75,355,343	69,089,956
Comprising:		
CURRENT	14,548,928	13,674,968
NON-CURRENT	60,806,415	55,414,988
TOTAL OUTSTANDING CLAIMS	75,355,343	69,089,956

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

As at 30 June 2021, the MAV WorkCare Board determined that the outstanding claims liability is to be held at the 50% probability of sufficiency on the basis of the mutual structure of the MAV WorkCare Scheme. As a result, a 0% risk margin was applied to the central estimate to achieve the desired level of sufficiency. Please see Note 17.

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

	Gross \$	2021 Reinsurance & Recoveries \$	Net \$	Gross \$	2020 Reinsurance & Recoveries \$	Net \$
Outstanding claims brought forward	69,089,956	(5,003,152)	64,086,804	68,725,148	(2,889,869)	65,835,279
Changes in assumptions	2,142,904	(389,540)	1,753,364	(787,006)	(465,494)	(1,252,500)
Increase in claims incurred/recoveries anticipated	18,518,204	(2,033,852)	16,484,352	15,916,906	(1,836,881)	14,080,025
Incurred claims recognised in income statement	20,661,108	(2,423,392)	18,237,716	15,129,900	(2,302,375)	12,827,525
Claim payments during the year	(14,395,721)	195,318	(14,200,403)	(14,765,092)	189,092	(14,576,000)
Outstanding claims carried forward	75,355,343	(7,231,226)	68,124,117	69,089,956	(5,003,152)	64,086,804

12. NET CLAIMS INCURRED

	2021			2020		
	Current Year \$	Prior Year \$	Total \$	Current Year \$	Prior Year \$	Total \$
COMBINED						
Gross claims and related expenses – undiscounted	17,944,338	5,663,102	23,607,440	17,129,443	(4,499,752)	12,629,691
Discount	(1,336,946)	(1,609,386)	(2,946,332)	(847,911)	3,348,120	2,500,209
Gross Claims and related expenses – discounted	16,607,392	4,053,716	20,661,108	16,281,532	(1,151,632)	15,129,900
Reinsurance and other recoveries undiscounted	(2,515,212)	(628,894)	(3,144,106)	(2,108,050)	(417,610)	(2,525,660)
Discount	409,137	311,577	720,714	245,256	(21,971)	223,285
Reinsurance and other recoveries – discounted	(2,106,075)	(317,317)	(2,423,392)	(1,862,794)	(439,581)	(2,302,375)
NET CLAIMS INCURRED	14,501,317	3,736,399	18,237,716	14,418,738	(1,591,213)	12,827,525

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

13. CLAIMS DEVELOPMENT TABLE

ACCIDENT YEAR	2017 \$	2018 \$	2019 \$	2020 \$	2021 \$	Total \$
GROSS ESTIMATE OF ULTIMATE CLAIMS COST						
At end year of accident	-	16,091,056	15,017,468	16,128,067	16,559,925	
One year later	15,317,981	15,698,598	16,240,158	15,418,360		
Two years later	14,494,192	15,566,073	16,668,303			
Three years later	13,355,632	16,362,916				
Four years later	13,181,073					
Current estimate of cumulative claims cost	13,181,073	16,362,916	16,668,303	15,418,360	16,559,925	78,190,578
Cumulative payments	(8,331,741)	(8,695,727)	(6,392,995)	(3,698,223)	(1,740,205)	(28,858,891)
Outstanding claims – undiscounted	4,849,333	7,667,189	10,275,308	11,720,137	14,819,720	49,331,687
Discount						(4,312,580)
Claims handling expense						4,006,701
2016 and prior						26,329,536
MAV WORKCARE GROSS OUTSTANDING CLAIMS 11c						75,355,343
NET ESTIMATE OF ULTIMATE CLAIMS COST						
At end year of accident	-	14,280,525	13,104,123	14,020,017	14,044,713	
One year later	15,194,378	14,280,253	13,930,501	13,061,804		
Two years later	14,458,220	14,176,431	14,234,735			
Three years later	13,269,659	14,850,500				
Four years later	13,095,101					
Current estimate of cumulative claims cost	13,095,101	14,850,500	14,234,735	13,061,804	14,044,713	69,286,853
Cumulative payments	(8,245,768)	(8,627,532)	(6,232,069)	(3,698,223)	(1,721,349)	(28,524,941)
Outstanding claims - undiscounted	4,849,333	6,222,969	8,002,666	9,363,581	12,323,363	40,761,912
Discount						(2,974,031)
Claims handling Expense						4,006,701
2016 and prior						26,329,536
MAV WORKCARE NET OUTSTANDING CLAIMS 11c						68,124,117

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

14. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

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

	Non- Interest Earning	Floating Interest Rate
	\$	\$
2021		
FINANCIAL ASSETS		
Cash and cash equivalents	0	63,133,759
Investments	0	-
Trade and other receivables	21,776,014	2,056
TOTAL FINANCIAL ASSETS	21,776,014	63,135,815
Weighted Average Interest Rate		0.08%
FINANCIAL LIABILITIES		
Outstanding claims	75,355,343	-
Unearned premiums/subscriptions	-	-
Trade and other payables/loans	9,569,920	-
TOTAL FINANCIAL LIABILITIES	84,925,263	-
Weighted Average Interest Rate		0.0%
2020		
FINANCIAL ASSETS		
Cash and cash equivalents		11,781,440
Investments		52,098,906
Trade and other receivables	16,425,906	121,410
TOTAL FINANCIAL ASSETS	16,425,906	64,001,756
Weighted Average Interest Rate		0.47%
FINANCIAL LIABILITIES		
Outstanding claims	69,089,956	-
Unearned premiums/subscriptions	20,786,720	-
Trade and other payables	7,252,954	-
TOTAL FINANCIAL LIABILITIES	97,129,630	-
Weighted Average Interest Rate		0.0%

Investments are considered level 2 financial assets in accordance with AASB 13 (Fair Value Measurement). The carrying amounts of financial assets and financial liabilities represent their approximate fair value. All maturity dates are within twelve months.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as at 30 June 2021. Cash flows for financial assets and liabilities without fixed amounts or timing are based on conditions existing at 30 June 2021.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

The remaining contractual maturities of the financial liabilities are:

	COMBINED	
	2021	2020
	\$	\$
3 months or less	10,117,001	29,063,836
3-12 months	12,275,558	12,709,931
1-5 years	37,245,036	31,497,407
Over 5 years	32,713,141	28,337,598
	92,350,736	101,608,772

LIQUIDITY RISK

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

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

Year ended 30 June 2021	<3 months \$	3-12 months \$	1-5 years \$	>5years \$	Total \$
FINANCIAL ASSETS					
Cash and cash equivalents	63,133,759				63,133,759
Investments	-	-	-	-	-
Trade and other receivables	2,056	21,776,014	-	-	21,778,070
	63,135,815	21,776,014	-	-	84,911,829
FINANCIAL LIABILITIES					
Outstanding claims	3,664,410	10,993,230	35,410,036	32,713,141	82,780,817
Unearned premiums/subscriptions	-	-	-	-	-
Trade and other payables/loans	6,452,592	1,282,328	1,835,000	-	9,569,920
TOTAL FINANCIAL LIABILITIES	10,117,001	12,275,558	37,245,036	32,713,141	92,350,736
NET MATURITY	53,018,813	9,500,457	(37,245,036)	(32,713,141)	(7,438,907)

Risk management objectives and policies for mitigating insurance risk

The MAV WorkCare Self-Insurance mutual liability Scheme (trading as MAV WorkCare) was established in 2017 and commenced operations on 1 November 2017. Membership is available to local government councils and prescribed bodies. The Scheme operates in Victoria to provide services to members in respect of their potential and actual workers' compensation liabilities. Actuarial models, using information from the Scheme's management information systems are used to confirm premiums and monitor claim patterns. Past experience and statistical methods are used as part of the process.

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

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

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

The Scheme relies on a strong relationship with its members and provides members with occupational health and safety risk management and return to work programs and encourages members to implement these programs in order to reduce the incidence of injuries to workers leading to less claims to the Scheme.

Reinsurance strategy

The Scheme adopts a conservative approach towards management of risk and does this by utilising various risk transfer options. The MAV WorkCare Board determines the level of risk, which is appropriate for the Scheme having regards to ordinary concepts of prudence and regulatory constraints. The risk transfer arrangements adopted by the Scheme include the utilisation of commercial reinsurance / excess arrangements. These arrangements include constant review of both reinsurers' financial strength, and ensuring reinsurers meet the requirements of the MAV WorkCare policies. These risk transfer arrangements assist the Scheme to limit exposures to large single claims and catastrophic events. These programs are reviewed each year to ensure that they continue to meet the risk needs of the Scheme. Due to the wind-down of the Scheme all reinsurance assets are recorded as impaired at 30 June 2021.

Product features

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

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

Management of risks

The key insurance risks that affect the Scheme are contribution risk, and claims experience risk. The Scheme is a captive insurer for the period of the licence.

Contribution risk is the risk that the Scheme does not charge contributions appropriate for the indemnity cover it provides. The Scheme partially manages contribution risk through its proactive approach to risk management that addresses all material risks both financial and non-financial.

Claims experience risk is managed through the non-financial risk assessment and risk management and reinsurance management process. Claims experience is monitored on an ongoing basis to ensure that any adverse trending is addressed. The Scheme is able to reduce the claims experience risk of severe losses through an active OH&S and risk management program, the reinsurance arrangements, and by managing the concentration of insurance risks. The Scheme is a captive insurer established as a non-discretionary mutual fund which, under the Constitution has the ability to obtain contributions from members to pay liabilities and expenses and the power to call on members to cover any future losses that are not recovered by contributions.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

14. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

Concentration of insurance risks

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

		CREDIT RATING						Total
		AAA +/- \$'000	AA +/- \$'000	AA- +/- \$'000	A \$'000	Speculative \$'000	Not Rated \$'000	
Reinsurance and other recoveries on outstanding claims	2021	-	-	-	-	-	1,934	1,934
	2020	-	-	-	3,748	-	1,255	5,003
		PAST DUE BUT NOT IMPAIRED						Total
		Neither past due nor impaired \$'000	Less than 3 months \$'000	3 to 6 months \$'000	6 months to 1 year \$'000	Greater than 1 year \$'000	Impaired \$'000	
Reinsurance and other recoveries on paid claims	2021	-	-	-	-	-	-	-
	2020	-	-	-	-	-	-	-

Credit risk

The Scheme is exposed to credit risk on insurance contracts as a result of exposure to reinsurers. The credit risk of reinsurers is managed through the Scheme's Reinsurance Management Strategy and policies that includes regularly monitoring both the financial rating of the reinsurers both prior to and during the reinsurance program and the flow of payments coming from the reinsurers. The reinsurance risk is recorded as impaired at 30 June 2021 as Work Safe Victoria is unable to recognise this as an asset. Investments in cash and cash equivalents at balance date as shown in the Statement of Cash Flows are held in S&P rated AA- and A- rated cash deposits.

Price risk

Investments held are not subject to price risk.

Interest rate risk

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

MAV WorkCare manages its interest rate risk with the advice and assistance of its Investment Adviser and its independent actuary. Interest rate risk exposure showing the effect on the net operating result and total accumulated resulting from 'reasonably possible' changes in interest rate risk at 30 June 2020 is set out in the table below.

Variable	Current Rate	Change variable to +0.3%/-0.08%	Operating surplus (deficit) at 30 June 2021	Total Accumulated Funds after the impact of applying variable
	%	%	\$	\$
IMPACT OF CHANGES IN INTEREST RATE ON FINANCIAL ASSETS				
Base value at 30 June 2021	0.08%		9,338,771	-
Interest Rate p.a.		0.38%	9,654,440	315,669
		0.00%	9,288,264	(50,507)

15. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Estimation of outstanding claims liability

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported ("IBNR") to the Scheme. The Scheme takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome may be different from the original liability established.

Provisions are calculated gross of all recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers and any third party.

The determination of an appropriate outstanding claims provision involves:

- Establishing a case estimate for each reported claim at year-end taking into account legal advice where appropriate on larger claims
- Allowance for incurred but not reported claims as confirmed by the actuarial review on 30 June 2021
- An allowance of 8.90% for claim administration expenses, as assumed by the Actuary
- Allowances for claim inflation of 2.25%, as assumed by the Actuary
- Allowances for discount at 1.50%, as assumed by the Actuary
- A risk margin of 0% of net outstanding claims after the effect of reinsurance has been applied, as assumed by the actuary

Refer to Note 11 b) for details

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

(b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts were estimated for each fund year, from the payments to date and estimated outstanding claims history at 30 June 2021 taking into account the reinsurance terms applying to that fund year." All reinsurance assets are reported as impaired at 30 June 2021 as Work Safe Victoria is unable to recognise an asset from 1 July 2021.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

16. ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial assumptions

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

	2021	2020
Key actuarial assumptions		
Wage inflation	2.25%	1.75%
Average claims handling expense	8.90%	6.35%
Discount rate	1.50%	1.05%
Risk margin	0.00%	0.00%
Superimposed inflation	1.90%	1.80%

Process used to determine actuarial assumptions

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

MAV WorkCare commenced business operations on 1 November 2017. It provides workers compensation insurance for thirty Local Government Authorities and the Municipal Association of Victoria. The Actuary was supplied with details of all transactions (payments, recoveries, estimates) to 30 June 2021. The individual claim payments and case estimates reconciled closely with totals in MAV WorkCare's financial statements for the year of cover. The actuary subdivided the claims data into 2 groups (Above Excess and Below Excess) and made separate estimates of the gross outstanding claims liabilities for each claim type. The actuary estimated the gross outstanding claims liabilities for Above Excess (Standard) claims by splitting the payments on Above Excess claims into 5 different sub-groups and modelling each sub-group separately. Above Excess claims were predominantly estimated using a numbers times average size method (PPCI). Below Excess (Minor) claims were modelled separately and utilised a numbers times average size method. Payments were projected with a payment pattern, based on past experience. Estimates of non reinsurance recoveries were made by a recoveries per claim method. Outstanding non reinsurance recoveries for accident periods up to and including 2016/17 were reduced to 0% to allow for the inability of MAV WorkCare to claim recoveries for these accident periods. Reinsurance recoveries for periods post 1 November 2017 were estimated by considering a total payment model and a total payment model where payments are capped at the expected excess of loss limit. The difference between these two models is the implied reinsurance recovery that would have been received if a similar reinsurance contract had been in place for historical periods. There has been no allowance for reinsurance recoveries for periods prior to 1 November 2017. Based on economic forecasts, market based expectations for longer term CPI expectations and a long term CPI-wage gap, wage inflation was assumed to be 2.25%. The discount rate was assumed to be 1.50% pa., derived from the yields on Commonwealth government bonds.

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

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

Wage Inflation rate sensitivity

Expected future payments are inflated to take account of inflationary increases. An increase or decrease in the assumed levels of economic inflation would have a corresponding impact on claims expense, with particular reference to longer tail claims.

Variable	Current Rate	Change variable to +0.5%/-0.5%	Operating surplus (deficit) at 30 June 2021	Total Accumulated Funds after the impact of applying variable
	%	%	\$	\$

IMPACT OF CHANGES IN KEY VARIABLES

Base value at 30 June 2021	2.25%	9,338,771	-
Wage Inflation rate p.a.	2.75%	7,338,771	(2,000,000)
	1.75%	11,238,771	1,900,000

Discount rate sensitivity

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

Variable	Current Rate	Change variable to +0.5%/-0.5%	Operating surplus (deficit) at 30 June 2021	Total Accumulated Funds after the impact of applying variable
	%	%	\$	\$

IMPACT OF CHANGES IN DISCOUNT RATES

Base value at 30 June 2021	1.50%	9,338,771	-
Discount rate p.a.	2.00%	(1,745,641)	(1,745,641)
	1.00%	1,876,257	1,876,257

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

Claims handling sensitivity

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

Variable	Current Rate	Change to the Current Rate +2%/-2%	Operating surplus (deficit) at 30 June 2021	Total Accumulated Funds after the impact of applying variable
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	%	%	\$	\$
IMPACT OF CHANGES IN KEY VARIABLES				
Base value at 30 June 2021	8.90%		9,338,771	-
Claim administration expense		10.90%	9,215,600	(123,170)
		6.90%	9,461,941	123,170

17. CAPITAL MANAGEMENT OBJECTIVES AND ECONOMIC DEPENDENCY

The MAV operates MAV WorkCare as a captive, non-discretionary mutual fund, and under Schedule 1, Part B, Clause 3 of the Participation Agreement, the MAV has the ability to obtain contributions from members to meet any shortfall in the Provision set aside in respect of that Insurance Year.

Schedule 1, Part B, Clause 7 of the Participation Agreement, provides the ability for MAV to make additional calls on each Participant (member) who 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. On cessation of the Scheme contributions from participating members have been sought to meet the transfer requirements of funds to WorkSafe Victoria. Consultation with participating members indicate that amounts are recoverable, consistent with the participating agreements with appropriate timeframes.

18. LOSS ON TRANSFER OF LIABILITIES ON COMMENCEMENT AND CLOSURE OF THE SCHEME

On 1 November 2017 MAV WorkCare commenced business as a licensed self-insurer under the WIRC Act. WorkSafe granted the licence to MAV WorkCare on 3 May 2017 to commence business as a self-insurer subject to meeting performance and financial conditions. MAV met all the conditions required to be met by WorkSafe prior to commencement. On commencement of the Scheme WorkSafe paid to MAV WorkCare the sum of \$65,856,545 which was the Statistical Case Estimate (SCE) of claims outstanding for the 31 inaugural members of the Scheme. The independent actuary to the Scheme estimated the value of the claims outstanding, including claims handling expenses, for the 31 inaugural members of the Scheme that were transferred by WorkSafe to the Scheme, net of recoveries, at \$67,478,639. This resulted in a deficit of \$1,622,094 at commencement.

At 30 June 2021, the Independent actuary to the Scheme estimated the value of the claims outstanding, including claims handling expenses of the Scheme that are to be transferred to Work Safe Victoria, net of recoveries at \$73.421 million, an amount \$0.655 million less than Work Safe Victoria's valuation. This has resulted in a deficit of \$0.655 million on cessation of the Scheme.

19. CONTINGENT LIABILITY

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

On 1 November 2017 MAV WorkCare commenced business as a licensed self-insurer under the WIRC Act. WorkSafe granted the licence to MAV WorkCare to commence business as a self-insurer subject to meeting performance and financial conditions. One of the conditions related to the provision of a bank guarantee. The National Australia Bank has provided a bank guarantee on behalf of the MAV to WorkSafe in the amount of \$102.207 million.

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

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

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

- That the market value of the cash and investments held by MAV WorkCare is to be maintained at a minimum of 65% of the Bank Guarantee amount at all times. The MAV currently has a waiver on this requirement from the NAB.
- Where WorkSafe make a claim on the Bank Guarantee and the cash reserves are insufficient to clear the liability, the MAV will undertake to make a claim on its members within 30 days.

On transfer of settlement funds to WSV on 12 November 2021 the requirement to have a bank guarantee equivalent to one hundred and fifty percent (150%) of the net liabilities of Scheme will change to fifty percent (50%) of the net liabilities of the Scheme.

In accordance with the *Workplace Injury Rehabilitation and Compensation Act 2013*, there is a six year liability period following the cessation of the Scheme (to 30 June 2027). During the liability period, adjustment payments may be required (or received). The determination of any adjustment payments is dependent upon revised actuarial assessments of the Scheme's tail claim liabilities as undertaken by Work Safe Victoria. Any adjustments, which are expected to occur at the 3-year and 6-year periods during this period will affect participating members.

20. RELATED PARTIES

The MAV is a body corporate established under the *Municipal Association Act of 1907* to provide services for and represent local government authorities in Victoria. The MAV and its wholly owned controlled entities trade with its members in the normal course of business and on an arm's length basis. The Participation Agreement provides for the MAV to appoint the MAV WorkCare Board to be responsible for the administration of the Scheme. The MAV pays workers compensation insurance premiums to MAV WorkCare \$35,160 (2020 \$34,463). The MAV General Fund has a subordinated loan to MAV WorkCare to the value of \$4 million. Some administrative items are paid on behalf of MAV Work Care by MAV General and reimbursed. Other than these, there were no other related party transactions.

Board members during the year

- M. Duncan (Independent Chair)
- A. Elliott (Independent) from 7 December 2020 until resignation on 29 September 2021
- M. Ulbrick (Independent) - until 31 October 2020
- P. Digby (Independent) - until 31 October 2020
- J. Dore (Independent)
- R. Spence (Independent) - until 31 October 2020
- Cr. C. Ross (MAV President) - until 31 October 2020
- Cr. N. Hansford (MAV Board Representative) - until 31 October 2020
- Cr. J. Gilligan (MAV Interim President) - from 31 October 2020 until 28 February 2021
- Cr. D. Clark (MAV President) - from 1 March 2021
- K. Thompson (MAV Chief Executive Officer)

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

Key management personnel remuneration

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

	Annual Sitting Fee
Chairperson	\$ 25,000
Independent board members	15,000
	2021
	\$
Short-term remuneration of MAV WorkCare board and key management personnel (cost of key management personnel is recovered by the MAV)	301,842
Post employment benefits	22,500

Loans to MAV WorkCare Board members

No loans were made to or are payable by WorkCare board members during the year.

Other transactions

There were no other material transactions with WorkCare board Members.

Insurance

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

21. SUBSEQUENT EVENTS

The last day of operations as a self insurer for the MAV was 30 June 2021. From 1 July 2021 the MAV is regarded as a ceased self-insurer with all claim liabilities transferred to Work Safe Victoria from 1 July 2021. On 10 September 2021, Work Safe Victoria confirmed that final settlement of Work Care funds was to occur by 12 November 2021.

On 1 October 2021 the MAV Board agreed for MAV General to contribute \$1.260 million to the MAV Work Care Scheme. As a result, the amount to be recovered from Work Care Scheme participating members will be \$17.930 million rather than \$19.190 million.

Statement by the MAV WorkCare Board

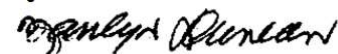
As at 30 June 2021

In the opinion of the MAV WorkCare Board:

- (a) the accompanying Statement of Comprehensive Income is drawn up so as to present fairly in all material respects the result of MAV WorkCare for the year ended 30 June 2021
- (b) the accompanying Statement of Financial Position is drawn up so as to present fairly in all material respects the state of affairs of MAV WorkCare as at that date
- (c) at the date of this statement there are reasonable grounds to believe that MAV WorkCare will be able to pay its debts as and when they fall due
- (d) the financial statements and notes also comply with the International Financial Reporting Standards as disclosed in note 2 (b).

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

Signed



Marilyn Duncan
MAV WorkCare Board Chair



Kerry Thompson
Chief Executive Officer - Municipal Association of Victoria

Melbourne
1/10/2021

STATEMENT BY DIRECTORS

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

In the opinion of the Directors:

- (a) the accompanying Statement of Comprehensive Income drawn up so as to present fairly in all material respects the result of MAV Work Care for the year ended 30 June 2021;
- (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 are materially consistent 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. David Clark
President



Cr. Tom Melican
Director



Kerry Thompson
Chief Executive Officer

Melbourne
1/10/2021

Address of registered office:

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

Principal place of business:

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

Nature of the operation and principal activities:

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

Number of employees at 30 June 2021:

Three

MAV LGE Health Plan Financial Report 2020-21



**Building a better
working world**

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Independent Auditor's Report to the Members of LGE Health Plan

Opinion

We have audited the financial report of LGE Health Plan (the Plan), which comprises the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the statement by directors.

In our opinion, the LGE Health Plan financial report presents fairly, in all material respects, the financial position of the Plan as at 30 June 2021, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Plan in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibilities of the Directors for the Financial Report

The directors of the Plan are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Plan or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

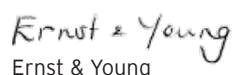
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.




As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


Ernst & Young


Maree Pallisco
Partner
Melbourne

1 October 2021

Statement of Comprehensive Income

For the year ended 30 June 2021

	NOTE	2021 \$	2020 \$
REVENUE			
REVENUE FROM OPERATING ACTIVITIES			
Administration allowance income		468,390	468,530
Interest income		18,072	29,880
TOTAL REVENUE		486,462	498,410
EXPENSES			
Hospital excesses refunded		140,412	183,622
Administration overhead		8,273	9,434
TOTAL EXPENSES		148,685	193,056
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		337,777	305,354

The accompanying notes form an integral part of these statements.

Statement of Financial Position

at 30 June 2021

	NOTE	2021 \$	2020 \$
CURRENT ASSETS			
Cash and cash equivalents	4(a)	2,588,171	2,251,283
Trade and other receivables	5	44,190	43,301
TOTAL CURRENT ASSETS		2,632,361	2,294,584
TOTAL ASSETS		2,632,361	2,294,584
CURRENT LIABILITIES			
Trade and other payables		4,000	4,000
TOTAL CURRENT LIABILITIES		4,000	4,000
TOTAL LIABILITIES		4,000	4,000
NET ASSETS		2,628,361	2,290,584
EQUITY		2,628,361	2,290,584

The accompanying notes form an integral part of these statements.

Statement of Changes in Equity

For the year ended 30 June 2021

	2021 \$	2020 \$
RETAINED EARNINGS		
Balance at beginning of year	2,290,584	1,985,230
Surplus from ordinary activities	337,777	305,354
BALANCE AT END OF YEAR	2,628,361	2,290,584

Statement of Cash Flows

for the year ended 30 June 2021

	NOTE	2021 \$	2020 \$
CASH FLOW FROM OPERATING ACTIVITIES			
RECEIPTS			
Administration allowance		465,333	556,886
Interest received		20,240	25,254
PAYMENTS			
Hospital excesses refunded		(140,412)	(183,622)
Administration overhead		(8,273)	(13,469)
NET CASH FLOWS FROM OPERATING ACTIVITIES	4(b)	336,888	385,049
NET INCREASE IN CASH HELD		336,888	385,049
Cash at beginning of year		2,251,283	1,866,234
CASH AT END OF YEAR	4(a)	2,588,171	2,251,283

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 2021

1. Corporate information

The LGE Health Plan was established by the Municipal Association of Victoria (MAV). The MAV has joined with GMHBA and Choosewell Pty Ltd to offer attractive health insurance plans to council staff at reduced cost. The LGE Health Plan is owned and operated by the MAV and is not a provider of health insurance products.

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

The nature of the operations and principal activities of the MAV are:

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

The financial report of LGE Health Plan for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the directors of the MAV on the date shown on the attached Statement by Directors.

2. Summary of significant accounting policies

Accounting Standards and Interpretations issued but not yet effective.

<u>Reference</u>	<u>Title Summary</u>	<u>Application Date of Standard</u>	<u>Application Date for MAV</u>	<u>Impact</u>
IFRS 17	Insurance Contracts	1 January 2023	N/A	IFRS 17 does not apply to not for profit public sector entities. The application and date for application is still to be determined by the AASB for not-for-profit public sector entities such as the MAV.

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

The financial report is presented in Australian dollars. The MAV, and therefore LGE Health Plan, is a Not for Profit entity.

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

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standard ('AIFRS').

(c) Income tax

The MAV is a State and Territory Body (STB) and is exempt from income tax, in accordance with Division 1AB of Part III of the *Income Tax Assessment Act 1997* and therefore LGE Health Plan is exempt from income tax.

(d) Cash and cash equivalents

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

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

(e) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the LGE Health Plan will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment.

(f) Trade and other payables

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

(g) Revenue recognition

Administration allowance income

An administration allowance is paid by GMHBA to the LGE Health Plan. The allowance is recognised on an accrual basis.

Interest income

Interest received is accounted for on an accrual basis.

(h) Comparative figures

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

(i) Cash flows

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

(j) Fair value measurement

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

- ☐ Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- ☐ Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- ☐ Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

The carrying amounts of financial assets and financial liabilities represent their approximate net fair value. All maturity dates are within twelve months. For the purpose of fair value disclosures, the LGE Health Plan has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(k) Impact of COVID 19 pandemic on MAV's operations and 2020-21 financial report

On 30 January 2020, COVID 19 was declared as a global pandemic by the World Health Organisation. Since then, various measures have been taken by all three levels of Government in Australia to reduce the spread of COVID-19. The MAV has been instrumental in proactively engaging with federal and state governments and advocating on behalf of members during this time. This situation and the measures introduced has been assessed as follows for the LGE Health Plan for the financial year ended 30 June 2021:

Revenue:

- (i) Income was at the same level as the previous year.

Expenditure:

- (i) There has been a slight reduction in hospital excesses refunded due to some restrictions on elective surgery in the July to June period. The net impact has been an increase to the net surplus during this period.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

3. Audit Fees

	NOTE	2021 \$	2020 \$
Amounts payable or due and payable for audit services:			
Audit services		8,273	8,274
		8,273	8,274

4. NOTES TO STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents at balance date as shown in the Statement of Cash Flows are held in NAB cash deposits and reconciled to the related items in the Statement of Financial Position as follows:

	NOTE	2021 \$	2020 \$
Cash and cash equivalents		2,588,171	2,251,283
TOTAL CASH AND CASH EQUIVALENTS		2,588,171	2,251,283

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

Profit for year	337,777	305,354
Changes in assets and liabilities		
(Increase)/decrease in accounts receivable	(889)	83,730
Increase/(decrease) in accounts payable	-	(4,035)
NET CASH FLOW FROM OPERATING ACTIVITIES	336,888	385,049

5. TRADE AND OTHER RECEIVABLES

Other receivables	44,190	43,301
TOTAL TRADE AND OTHER RECEIVABLES	44,190	43,301
Represented By:		
Current	44,190	43,301
Non-current	-	-
TOTAL	44,190	43,301

The ageing analysis of trade receivables are as follows:

	Total	< 30 days	>30 days
2021			
LGE EMPLOYEE HEALTH PLAN	44,190	36,897	7,293
2020			
LGE EMPLOYEE HEALTH PLAN	43,301	33,840	9,461

6. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

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

	Non-Interest Earning	Floating Interest Rate
	2021 \$	2021 \$
FINANCIAL ASSETS		
Cash and cash equivalents	-	2,588,171
Trade and other receivables	36,897	7,293
TOTAL FINANCIAL ASSETS	36,897	2,595,464
Weighted Average Interest Rate		0.5%
FINANCIAL LIABILITIES		
Trade and other payables	4,000	-
TOTAL FINANCIAL LIABILITIES	4,000	-
Weighted Average Interest Rate		0%

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

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

6. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Continued)

	Non-Interest Earning	Floating Interest Rate
	2020	2020
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents	-	2,251,283
Trade and other receivables	33,840	9,461
TOTAL FINANCIAL ASSETS	33,840	2,260,744
Weighted average interest rate		1.4%
FINANCIAL LIABILITIES		
Trade and other payables	4,000	-
TOTAL FINANCIAL LIABILITIES	4,000	-
Weighted average interest rate		0%

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as at 30 June 2021. Cash flows for financial assets and liabilities without fixed amount or timing are based on conditions existing at 30 June 2021.

The remaining contractual maturities of the financial liabilities are:

	NOTE	2021 \$	2020 \$
3 months or less		4,000	4,000
3-12 months		-	-
1-5 years		-	-
Over 5 years		-	-
		4,000	4,000

LIQUIDITY RISK

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

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

Year ended 30 June 2021	<3 months	3 - 12 months	Total
	\$	\$	\$
FINANCIAL ASSETS			
Cash and cash equivalents	1,005,569	1,582,602	2,588,171
Trade and other receivables	40,263	3,927	44,190
	1,045,832	1,586,529	2,632,361
FINANCIAL LIABILITIES			
Trade and other payables	4,000	-	4,000
Other liabilities	-	-	-
Total Financial Liabilities	4,000	-	4,000
NET MATURITY	1,041,832	1,586,529	2,628,361

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2021

6. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

Year ended 30 June 2020	<3 months \$	3 - 12 months \$	Total \$
FINANCIAL ASSETS			
Cash and cash equivalents	922,079	1,329,204	2,251,283
Trade and other receivables	1,489	41,812	43,301
	923,568	1,371,016	2,294,584
LGE EMPLOYEE HEALTH FUND			
FINANCIAL LIABILITIES			
Trade and other payables	4,000	-	4,000
Other liabilities	-	-	-
Total Financial Liabilities	4,000	-	4,000
NET MATURITY	919,568	1,371,016	2,290,584

7. REMUNERATION OF KEY MANAGEMENT PERSONNEL

No remuneration was paid to Key Management Personnel by the LGE Health Plan during the year.

Loans to Directors

The LGE Health Plan has a strict policy of not providing loans to Directors. No loans were made to or are payable by Directors during the year.

Other Transactions

There were no other material transactions with Directors.

8. EQUITY

If the LGE Health Plan agreement was not to continue, an administrative levy of \$125 per Employee Member (excl. GST) will be paid from the LGE Health Plan to fund costs associated with putting in place alternative arrangements for Employee Members. The remaining balance of the LGE Health Plan will be returned to Participant Organisations as outlined in the agreement.

9. RELATED PARTIES

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

10. SUBSEQUENT EVENTS

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

11. CONTINGENT LIABILITIES

There are no contingent liabilities.

Statement by directors

As at 30 June 2021

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

- (a) the accompanying Statement of Comprehensive Income of the LGE Health Plan is drawn up so as to present fairly in all material respects the result of the Plan for the year ended 30 June 2021
- (b) the accompanying Statement of Financial Position is drawn up so as to present fairly in all material respects the state of affairs of the LGE Health Plan as at that date
- (c) at the date of this statement there are reasonable grounds to believe that the LGE Health Plan will be able to pay its debts as and when they fall due
- (d) the financial statements and notes also are materially consistent with the International Financial Reporting Standards as disclosed in note 2(b).

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

Signed in accordance with the resolution of directors of the Municipal Association of Victoria.



Cr. David Clark
President



Cr. Tom Melican
Director



Kerry Thompson
Chief Executive Officer

Melbourne
1/10/2021

OTHER INFORMATION

Legal form:

The MAV is an association incorporated by the *Municipal Association Act 1907*. The LGE Health Plan is a division of the MAV.

Domicile:

Melbourne, Australia

Address of registered office and principal place of business:

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

Nature of the operation and principal activities:

The MAV represents, promotes and supports the interest of Victorian local governments and their communities.

Number of employees:

Average number of equivalent full time employees during the year is 0 EFT.



Municipal Association of Victoria
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