

Annual Report
Financial Report
2021–22



Financial Report 2021–22

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Greater detail on some subjects are available through MAV's companion reports, linked in this section.

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.

COMBINED Financial Report 2021-22

Statement by directors


as at 30 June 2022

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

- (a) the accompanying combined 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 2022
- (b) the accompanying combined 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 comply with the Australian Accounting Standards as disclosed in note A3.

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

7/10/2022

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.



Victorian Auditor-General's Office

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 2022 • 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 statements, 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 2022 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 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 Director's 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 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 association's and combined 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's 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's 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 the 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
19 October 2022

Travis Derricott
as delegate for the Auditor-General of Victoria

Combined Statement of Comprehensive Income

for the year ended 30 June 2022

	NOTE	COMBINED		MAV - GENERAL FUND	
		2022	2021	2022	2021
		\$	\$	\$	\$
REVENUE	C	93,219,428	135,577,957	15,548,007	15,672,597
		93,219,428	135,577,957	15,548,007	15,672,597
EXPENSES	D	92,179,447	124,483,784	17,270,878	15,830,209
NET SURPLUS(DEFICIT)	B	1,039,981	11,094,173	(1,722,871)	(157,612)
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME(LOSS) FOR THE YEAR		1,039,981	11,094,173	(1,722,871)	(157,612)

The accompanying notes form an integral part of these statements.

Combined Statement of Financial Position

as at 30 June 2022

	NOTE	COMBINED		MAV - GENERAL FUND	
		2022	2021	2022	2021
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	G1	20,021,558	73,415,838	11,067,387	5,050,323
Investments	E1	9,686,705	6,997,700	38,684	-
Trade and other receivables	F1	81,366,781	97,042,214	3,140,947	8,688,052
Right of use assets	G2	504,721	-	504,721	-
Prepayments		388,021	134,565	388,021	134,565
TOTAL CURRENT ASSETS		111,967,786	177,590,317	15,139,760	13,872,940
NON-CURRENT ASSETS					
Trade and other receivables	F1	116,177,092	98,766,043	-	-
Property and equipment	E2	243,150	299,887	243,150	286,454
Right of use assets	G2	21,962	1,480,568	21,962	1,480,568
Intangibles	E3	124,169	232,483	124,169	232,483
TOTAL NON-CURRENT ASSETS		116,566,373	100,778,981	389,281	1,999,505
TOTAL ASSETS		228,534,159	278,369,298	15,529,041	15,872,445
CURRENT LIABILITIES					
Trade and other payables	F3	9,764,152	10,885,674	926,797	869,968
Premiums and Income in advance	F2	52,752,027	47,815,918	7,152,988	5,092,484
Provision for employee entitlements	F4	1,174,126	1,045,592	1,174,126	976,656
Provision for claims outstanding	F5, F6, F7	24,170,824	35,834,452	-	-
Lease liabilities	G2	578,004	1,052,794	578,004	1,052,794
Provision for make good		195,000	-	195,000	-
Provision for ceased self insurer members	J5	541,139	1,282,328	-	-
Other current liabilities		664,039	741,440	664,039	741,440
TOTAL CURRENT LIABILITIES		89,839,311	98,658,198	10,690,954	8,733,342
NON-CURRENT LIABILITIES					
Provision for employee entitlements	F4	66,411	54,492	66,411	54,492
Provision for claims outstanding	F5, F6, F7	127,341,416	168,623,216	-	-
Lease liabilities	G2	22,429	569,781	22,429	569,781
Provision for ceased self insurer members	J5	1,638,712	1,835,000	-	-
Other non-current liabilities		-	42,712	-	42,712
TOTAL NON-CURRENT LIABILITIES		129,068,968	171,125,201	88,840	666,985
TOTAL LIABILITIES		218,908,279	269,783,399	10,779,794	9,400,327
NET ASSETS (LIABILITY)		9,625,880	8,585,899	4,749,247	6,472,118
EQUITY / (DEFICIENCY)		9,625,880	8,585,899	4,749,247	6,472,118

Combined Statement of Changes in Equity

for the year ended 30 June 2022

	COMBINED		MAV - GENERAL FUND	
	2022	2021	2022	2021
	\$	\$	\$	\$
RETAINED EARNINGS				
Balance at beginning of year	8,585,899	(2,508,274)	6,472,118	6,629,730
Surplus/(deficit) from ordinary activities	1,039,981	11,094,173	(1,722,871)	(157,612)
BALANCE AT END OF YEAR	9,625,880	8,585,899	4,749,247	6,472,118

The accompanying notes form an integral part of these statements.

Combined Statement of Cash Flows

for the year ended 30 June 2022

NOTE	COMBINED		MAV - GENERAL FUND	
	2022	2021	2022	2021
	\$	\$	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES				
RECEIPTS				
Premiums, subscriptions, grants and fees	86,776,722	76,067,942	25,567,525	18,262,422
Interest and investment gain (loss)	43,943	6,279,321	10,521	33,023
Reinsurance and other recoveries	18,221,352	24,094,060	-	-
PAYMENTS				
Suppliers	(134,854,642)	(55,898,245)	(18,314,883)	(17,737,076)
Claim payments	(19,597,568)	(39,757,687)	-	-
Interest on lease	(55,384)	(55,384)	(55,384)	(55,384)
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	G1(b) (49,465,577)	10,730,007	7,207,779	502,985
CASH FLOW FROM INVESTING ACTIVITIES				
Net Proceeds from redemption/application of investments	(2,788,684)	45,098,909	(38,684)	-
Proceeds from sale of fixed assets	89,607	160,162	77,595	160,162
Payments for fixed assets and intangibles	(173,478)	(324,896)	(173,478)	(324,896)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES	(2,872,555)	44,934,175	(134,567)	(164,734)
CASH FLOW FROM FINANCING ACTIVITIES				
Repayment of lease liabilities	(1,056,148)	(1,056,148)	(1,056,148)	(1,056,148)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	(1,056,148)	(1,056,148)	(1,056,148)	(1,056,148)
NET (DECREASE)/INCREASE IN CASH HELD	(53,394,280)	54,608,034	6,017,064	(717,897)
Cash at beginning of year	73,415,838	18,807,804	5,050,323	5,768,220
CASH AT END OF YEAR	G1(a) 20,021,558	73,415,838	11,067,387	5,050,323

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 2022

NOTE A: CORPORATE INFORMATION

Structure:

A1 Corporate information

A3 Statement of compliance

A2 Basis of preparation

A4 Principles of the combined entity

A1. CORPORATE INFORMATION

The combined financial report of Municipal Association of Victoria (MAV) for the year ended 30 June 2022 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)

The nature of the operations and principal activities of MAV WorkCare was 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 could hold a self-insurance licence for the benefit of its members. 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 was a ceased self-insurer with ongoing requirements to 30 June 2027.

A2. 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 report has been prepared on a going concern basis.

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.

A3. STATEMENT OF COMPLIANCE

The financial report complies with Australian Accounting Standards, which include interpretations issued by the Australian Accounting Standards Board (AASB).

A4. 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.

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

for the year ended 30 June 2022

NOTE B: CONTRIBUTION TO OPERATING SURPLUS

NOTE	COMBINED	
	2022	2021
	\$	\$
B. CONTRIBUTION TO OPERATING SURPLUS		
CONTRIBUTIONS FROM INSURANCE & WORKCARE ACTIVITIES		
	42,638,231	58,465,894
Premium income		
Reinsurance expense	D (25,268,298)	(24,377,227)
NET PREMIUM INCOME	17,369,933	34,088,667
Claims expense	D1 (42,037,887)	(60,946,254)
Reinsurance and other recoveries	C 36,035,077	36,537,798
NET CLAIMS EXPENSE	F5 (6,002,810)	(24,408,456)
NET UNDERWRITING RESULT	11,367,123	9,680,211
Fees	(933,526)	19,904,681
Investment income	(68,361)	6,124,547
Administration and general expenses	(7,602,384)	(24,457,654)
INSURANCE ACTIVITY OPERATING SURPLUS	2,762,852	11,251,785
MAV SURPLUS (DEFICIT)	(1,722,871)	(157,612)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	1,039,981	11,094,173

NOTE C: FUNDING THE DELIVERY OF OUR SERVICES

NOTE	COMBINED		MAV - GENERAL FUND	
	2022	2021	2022	2021
	\$	\$	\$	\$
C1. REVENUE				
REVENUES FROM OPERATING ACTIVITY				
Subscriptions/premiums	46,171,015	61,816,397	3,532,784	3,419,213
Reinsurance and other recoveries	36,035,077	36,537,798	-	-
Work Care Scheme wind-down recoveries	-	19,190,000	-	-
Brokerage fees	1,614,447	1,452,803	1,614,447	1,452,803
Management fee income	712,423	1,362,095	1,645,949	1,706,265
Seminars and sale of publications	515,015	1,081,270	515,015	1,081,270
Sponsorship, membership and tender income	4,025,675	3,302,137	4,025,675	3,302,137
Grant income	4,149,827	4,591,590	4,149,827	4,591,590
Investment income (loss)	(56,228)	6,158,771	12,133	34,224
TOTAL REVENUE FROM OPERATING ACTIVITIES	93,167,251	135,492,862	15,495,830	15,587,502
REVENUES FROM NON-OPERATING ACTIVITIES				
Gain on disposal of non-current assets	52,177	85,095	52,177	85,095
TOTAL REVENUE FROM OUTSIDE THE OPERATING ACTIVITIES	52,177	85,095	52,177	85,095
TOTAL REVENUE	93,219,428	135,577,957	15,548,007	15,672,597

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. Income recognised over time is \$1.573m (2021: \$1.246m).

Subscriptions - Subscriptions are recognised on an accrual basis.

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

Brokerage Income - Income comprises amounts received from third parties for the placement of insurance for members. 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 2022 was \$1.614 million (2021 \$1.452m).

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.

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

Special Purpose Vehicle Income (part of management fee income). 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.

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

Insurance Premiums - recognised in the period the fund is at risk. Premiums comprise amounts charged to members of the Schemes for policy cover and net of amounts returned to members as surplus distributions. 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.

WorkCare wind-down recoveries relate to member contributions to the Scheme.

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

for the year ended 30 June 2022

NOTE D: COST OF DELIVERING OUR SERVICES

Structure:

D1 Claims Expenses

D3 Scheme Management fees

D2 Employee Benefits

	NOTE	COMBINED		MAV - GENERAL FUND	
		2022	2021	2022	2021
		\$	\$	\$	\$
D. EXPENSES					
The following items have been recognised in the operating surplus:					
Reinsurance expense	D1	25,268,298	24,377,227	-	-
Claims expense	D1	42,037,887	60,946,254	-	-
Scheme management fee	D3	3,851,952	4,324,848	-	-
WorkSafe Victoria Self Insurer Levy		-	1,155,346	-	-
Administration		2,457,698	3,872,025	1,315,533	1,075,019
ALGA membership		521,649	509,946	521,649	509,946
Amortisation of website and educational programs		147,340	97,940	147,340	97,940
Audit fees	H3	366,473	382,684	66,270	97,723
Board of management expenses		328,474	363,513	215,626	194,394
Depreciation of furniture and equipment	E2	16,827	21,795	16,827	21,795
Depreciation of motor vehicles	E2	32,572	54,772	31,346	47,418
Depreciation of information technology equipment	E2	109,201	80,528	109,006	78,690
Depreciation of leasehold improvements	E2	2,050	2,050	2,050	2,050
Grants and projects		4,271,771	7,651,702	4,271,771	5,288,224
Actuarial fees		106,631	138,787	-	-
Meetings and seminars		141,327	342,352	141,327	374,303
Movement in make good provision		195,000	-	195,000	-
MAV contribution to MAV Workcare wind-down		1,260,000	-	1,260,000	-
Amortisation of leases	G2	987,891	984,349	987,891	984,349
Finance costs - leases	G2	55,384	107,339	55,384	107,339
Movement in ceased self insurer provision	J5	8,467	3,117,327	-	-
Expense incurred from prior year ceased self insurer provision	J5	(945,944)	-	-	-
Impaired Recoveries	J5	-	5,297,183	-	-
Employee Benefits	D2	8,048,254	7,954,579	7,933,858	6,951,019
Stamp duty		2,910,245	2,701,238	-	-
TOTAL EXPENDITURE		92,179,447	124,483,784	17,270,878	15,830,209

	NOTE	COMBINED	
		2022	2021
		\$	\$
D1. CLAIMS EXPENSES			
Paid		19,627,971	39,757,687
Outstanding claims at end of financial year	F5	280,614,566	204,457,668
Less: Outstanding claims at beginning of financial year		(129,102,325)	(183,269,101)
TOTAL CLAIMS EXPENSES	D	42,037,887	60,946,254

WorkCare's closing balance does not roll forward to the opening balance due to the wind-down of the WorkCare scheme.

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 1.75% per annum (2021 1.50%) for personal injury non large claims and the discount rate at 3.35% (2021 0.93%).

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 are disclosed in note 17.

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

Claims - MAV WorkCare

Claims-incurred expense and liability for outstanding claims are recognised in respect of direct business at 30 June 2021 (the last day the scheme operated). 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 were assessed by reviewing individual claim files and estimating claims not notified and settlement costs using statistical and actuarial techniques. The liability for outstanding claims was 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 were 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 had estimated superimposed inflation to be 1.90% per annum at 30 June 2021 and the discount rate used to value claims liabilities for the 2021 financial year was 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 17.

Reinsurance expense

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

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

for the year ended 30 June 2022

	NOTE	COMBINED		MAV - GENERAL FUND	
		2022	2021	2022	2021
		\$	\$	\$	\$
D2. EMPLOYEE BENEFITS					
Wages and Superannuation		7,907,801	7,922,733	7,724,469	6,931,443
Movement in leave balances	F4	140,453	31,846	209,389	19,576
TOTAL EMPLOYEE BENEFITS	D	8,048,254	7,954,579	7,933,858	6,951,019

D2.1 Superannuation Contributions

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.

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 \$652,677 (2021 \$637,395).

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 2022, this was 10% 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 pensioners
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 2022, 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 2022, this rate was 10% 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 2022.

This actuarial investigation was completed in September 2022 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.

	NOTE	COMBINED	
		2022	2021
		\$	\$
D3. SCHEME MANAGEMENT FEES			
Scheme management fees are paid to the scheme manager for:			
Reinsurance placement - MAV Insurance		3,016,831	3,053,364
Risk management and administrative services - MAV Insurance		835,121	780,444
Occupational Health and Safety - MAV WorkCare		-	196,416
Risk Identification and Prevention - MAV WorkCare		-	196,416
Training and Education - MAV WorkCare		-	98,208
TOTAL SCHEME MANAGEMENT FEES	D	3,851,952	4,324,848

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

for the year ended 30 June 2022

NOTE E: ASSETS WE MANAGE

Structure

E1 Investments

E2 Property and Equipment

E3. Intangible Assets

	NOTE	COMBINED		MAV - GENERAL FUND	
		2022	2021	2022	2021
		\$	\$	\$	\$
E1. INVESTMENTS					
Cash and cash equivalents	G1	20,021,558	73,415,838	11,067,387	5,050,323
Investments		9,686,705	6,997,700	38,684	-
TOTAL EXPENDITURE		29,708,263	80,413,538	11,106,071	5,050,323

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.

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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described 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.

	Level 1	Level 2	Level 3	Total
2022				
Investments	-	9,686,705	-	9,686,705
Total	-	9,686,705	-	9,686,705
2021				
Investments	-	6,997,700	-	6,997,700
Total	-	6,997,700	-	6,997,700

	NOTE	COMBINED		MAV - GENERAL FUND	
		2022	2021	2022	2021
		\$	\$	\$	\$
E2. PROPERTY AND EQUIPMENT					
Leasehold Improvements - at cost		727,526	727,526	727,526	727,526
Less accumulated depreciation		(722,506)	(720,456)	(722,506)	(720,456)
		5,020	7,070	5,020	7,070
Furniture and Equipment - at cost		932,159	929,922	932,159	929,922
Less accumulated depreciation		(924,078)	(907,251)	(924,078)	(907,251)
		8,081	22,671	8,081	22,671
Motor vehicles - at cost		193,286	211,557	193,286	174,789
Less accumulated depreciation		(109,792)	(156,673)	(109,792)	(131,548)
		83,494	54,884	83,494	43,241
Information technology equipment- at cost		1,323,196	1,282,702	1,318,545	1,276,456
Less accumulated depreciation		(1,176,641)	(1,067,440)	(1,171,990)	(1,062,984)
		146,555	215,262	146,555	213,472
TOTAL PROPERTY AND EQUIPMENT		243,150	299,887	243,150	286,454

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:

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

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

for the year ended 30 June 2022

E2.1 Reconciliations of the carrying amounts of property and equipment at the beginning and end of the financial year.

NOTE	COMBINED		MAV - GENERAL FUND	
	2022 \$	2021 \$	2022 \$	2021 \$
LEASEHOLD IMPROVEMENTS				
Movements during the year				
Beginning of year	7,070	9,120	7,070	9,120
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation	(2,050)	(2,050)	(2,050)	(2,050)
End of year	5,020	7,070	5,020	7,070
FURNITURE AND EQUIPMENT				
Movements during the year				
Beginning of year	22,671	44,466	22,671	44,466
Additions	2,237	-	2,237	-
Disposals	-	-	-	-
Depreciation	(16,827)	(21,795)	(16,827)	(21,795)
End of year	8,081	22,671	8,081	22,671
MOTOR VEHICLES				
Movements during the year				
Beginning of year	54,884	184,818	43,241	165,821
Additions	98,989	-	98,989	-
Disposals	(37,807)	(75,162)	(27,390)	(75,162)
Depreciation	(32,572)	(54,772)	(31,346)	(47,418)
End of year	83,494	54,884	83,494	43,241
INFORMATION TECHNOLOGY EQUIPMENT				
Movements during the year				
Beginning of year	215,262	116,501	213,472	112,873
Additions	42,484	182,610	42,484	180,330
Disposals	(1,990)	(3,321)	(395)	(3,321)
Depreciation	(109,201)	(80,528)	(109,006)	(76,410)
End of year	146,555	215,262	146,555	213,472

NOTE	COMBINED		MAV - GENERAL FUND	
	2022 \$	2021 \$	2022 \$	2021 \$
E3. INTANGIBLE ASSETS				
Website, Licences and Educational Programs	1,213,522	1,174,496	1,213,522	1,174,496
Less accumulated amortisation	(1,089,353)	(942,013)	(1,089,353)	(942,013)
	124,169	232,483	124,169	232,483
Reconciliation of the carrying amounts of intangible assets at the beginning				
INTANGIBLE ASSETS				
Movement during the year				
Beginning of year	232,483	162,261	232,483	162,261
Additions	39,026	168,162	39,026	168,162
Disposals	-	-	-	-
Amortisation	(147,340)	(97,940)	(147,340)	(97,940)
End of year	124,169	232,483	124,169	232,483

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. The rates in use are 20% per annum for 2022 (2021=20%).

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

for the year ended 30 June 2022

NOTE F: OTHER ASSETS AND LIABILITIES

Structure	
F1 Receivables	F5 Insurance and WorkCare Provisions Combined
F2 Premiums and Income in Advance	F6 MAV Insurance Provisions
F3 Payables	F7 MAV WorkCare Provisions
F4 Provisions for Employee Entitlements	

	NOTE	COMBINED		MAV - GENERAL FUND	
		2022	2021	2022	2021
		\$	\$	\$	\$
F1. RECEIVABLES					
Future reinsurance and other recoveries receivable		159,475,116	136,366,981	-	-
Discount to present value		(17,556,343)	(5,030,707)	-	-
		141,918,773	131,336,274	-	-
Impairment of reinsurance recoveries		-	(5,297,183)	-	-
Premiums receivable		50,158,944	45,358,704	-	-
Other receivables		5,511,894	24,410,462	3,186,684	8,688,052
Impairment of receivables		(45,737)	-	(45,737)	-
TOTAL RECEIVABLES		197,543,874	195,808,257	3,140,947	8,688,052
Represented By:					
Current		81,366,781	97,042,214	3,140,947	8,688,052
Non-current		118,012,092	98,766,043	-	-
TOTAL		199,378,873	195,808,257	3,140,947	8,688,052

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
2022					
Combined	55,670,838	54,985,638	-	-	685,200
MAV General Fund	3,140,947	3,140,947	-	-	-
2021					
Combined	70,764,210	50,387,110	2,056	-	19,380,000
MAV General Fund	8,688,052	8,688,052	-	-	-

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 at 30 June 2021 had a receivable date aligned to the Work Safe Victoria settlement date.

	COMBINED		MAV - GENERAL FUND	
	2022	2021	2022	2021
	\$	\$	\$	\$
F2. PREMIUMS AND INCOME IN ADVANCE				
Contributions/Memberships/Grants billed in advance	52,752,027	47,815,918	7,152,988	5,092,484

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

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".

	COMBINED		MAV - GENERAL FUND	
	2022	2021	2022	2021
	\$	\$	\$	\$
F3. PAYABLES				
Represented By:				
Current	9,764,152	10,885,674	926,797	869,968
Non-current	-	-	-	-

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.

	COMBINED		MAV - GENERAL FUND	
	2022	2021	2022	2021
	\$	\$	\$	\$
F4. PROVISIONS FOR EMPLOYEE ENTITLEMENTS				
The aggregate amount of employee entitlement liability is comprised of:				
Annual leave provisions (current)	494,769	445,421	494,769	408,047
Long service leave provisions (current)	679,357	600,171	679,357	568,609
TOTAL CURRENT EMPLOYEE ENTITLEMENTS	1,174,126	1,045,592	1,174,126	976,656
Annual leave provisions (non-current)	-	-	-	-
Long service leave provisions (non-current)	66,411	54,492	66,411	54,492
TOTAL NON-CURRENT EMPLOYEE ENTITLEMENTS	66,411	54,492	66,411	54,492
TOTAL EMPLOYEE ENTITLEMENTS	1,240,537	1,100,084	1,240,537	1,031,148

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	1,100,084	1,068,238	1,031,148	1,011,572
Entitlements paid	(406,947)	(551,521)	(406,947)	(551,521)
Increase in provision	547,400	583,367	616,336	571,097
BALANCE AT END OF YEAR	1,240,537	1,100,084	1,240,537	1,031,148

The liabilities arising in respect of employee entitlements 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 3.85%. The difference on the provision is \$18,242.

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 2022

F5. INSURANCE AND WORKCARE PROVISIONS COMBINED**F5.1 COMBINED OUTSTANDING CLAIMS**

	2022 \$	2021 \$
OUTSTANDING CLAIMS		
Central Estimate	169,499,128	208,762,394
Discount to present value	(20,465,901)	(11,530,674)
Excesses and recoveries - discounted to present value	1,649,863	210,106
	150,683,090	197,441,826
Claims handling costs	829,150	7,015,842
Risk margin	-	-
TOTAL OUTSTANDING CLAIMS	151,512,240	204,457,668
Comprising:		
Current	24,170,824	35,834,452
Non-current	127,341,416	168,623,216
TOTAL CLAIMS PROVISION	151,512,240	204,457,668

As at 30 June 2022, both 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 (2021: 0%) to achieve the desired level of sufficiency.

F5.1.1 Reconciliation of movement in discounted outstanding claims liability

	2022			2021		
	Gross \$	Reinsurance \$	Net \$	Gross \$	Reinsurance \$	Net \$
Outstanding claims brought forward	129,102,325	124,105,048	4,997,277	183,269,101	119,087,853	64,181,248
Changes in assumptions	(6,129,330)	(5,273,101)	(856,229)	27,504,870	25,997,259	1,507,611
Increase in claims incurred/recoveries anticipated	48,167,217	41,308,178	6,859,039	33,441,384	10,540,540	22,900,844
Incurred claims recognised in Statement of Comprehensive Income	171,140,212	160,140,125	11,000,087	60,946,254	36,537,799	24,408,455
Claim payments/recoveries during the year	(19,627,971)	(18,221,352)	(1,406,619)	(39,757,687)	(24,289,378)	(15,468,309)
Outstanding claims carried forward	280,614,566	266,023,821	14,590,745	204,457,668	131,336,274	73,121,394
Debtor Excesses and Reinsurance Recoveries on Paid Claims	-	-	-	-	5,063,758	(5,063,758)
TOTAL NET OUTSTANDING CLAIMS	280,614,566	266,023,821	14,590,745	204,457,668	126,272,516	78,185,152

	2022			2021		
	Current Year \$	Prior Year \$	Total \$	Current Year \$	Prior Year \$	Total \$
F5.2 NET CLAIMS INCURRED						
Gross Claims and related Expenses -	42,079,323	14,272,649	56,351,972	49,627,588	16,184,031	65,811,619
Discount	(5,284,763)	(9,029,322)	(14,314,085)	(2,666,746)	(2,198,619)	(4,865,365)
Gross Claims and related expenses – discounted	36,794,560	5,243,327	42,037,887	46,960,842	13,985,412	60,946,254
Reinsurance and other recoveries - undiscounted	(30,822,652)	(16,975,664)	(47,798,316)	(24,782,308)	(13,152,229)	(37,934,537)
Discount	456,603	11,306,637	11,763,239	(2,092,147)	3,488,885	1,396,738
Reinsurance and other recoveries – discounted	(30,366,049)	(5,669,027)	(36,035,077)	(26,874,455)	(9,663,344)	(36,537,799)
NET CLAIMS INCURRED	6,428,511	(425,700)	6,002,810	20,086,387	4,322,068	24,408,455

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

for the year ended 30 June 2022

F5.3 CLAIMS DEVELOPMENT TABLE

Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
GROSS ESTIMATE OF ULTIMATE CLAIMS COST											
At end of accident year	23,083,334	22,191,872	22,465,862	22,303,614	20,087,434	21,743,945	22,793,891	24,705,870	30,720,155	41,062,929	
One year later	22,302,009	22,401,912	21,893,885	20,487,169	21,295,287	21,194,033	23,080,037	26,255,218	38,132,271		
Two years later	19,817,058	28,143,146	21,452,820	18,332,131	20,143,548	21,196,000	24,778,903	25,467,579			
Three years later	18,072,681	28,118,433	21,059,584	17,579,579	19,803,428	21,843,802	29,855,405				
Four years later	19,002,351	26,388,726	20,988,591	23,198,558	21,437,347	27,911,688					
Five years later	17,226,888	25,709,600	22,815,783	23,992,747	18,770,721						
Six years later	17,313,310	26,048,889	23,941,043	23,904,496							
Seven years later	17,304,583	25,845,811	24,599,167								
Eight years later	19,318,530	25,199,008									
Nine years later	19,269,312										
<i>Current estimate of cumulative claims cost</i>	19,269,312	25,199,008	24,599,167	23,904,496	18,770,721	27,911,688	29,855,405	25,467,579	38,132,271	41,062,929	274,172,575
<i>Cumulative payments</i>	(17,813,845)	(22,998,070)	(20,280,999)	(13,542,813)	(11,112,813)	(9,160,944)	(5,698,789)	(4,089,676)	(1,379,542)	(376,598)	(106,454,188)
Outstanding claims - undiscounted	1,455,467	2,200,938	4,318,168	10,361,683	7,657,808	18,750,744	24,156,616	21,377,903	36,752,729	40,686,331	167,718,387
											(18,663,315)
DISCOUNT											
Claims Handling Expense 2012 and prior											819,474
											1,637,695
TOTAL GROSS OUTSTANDING CLAIMS F1											151,512,241
NET ESTIMATE OF ULTIMATE CLAIMS COST											
At end of accident year	8,122,535	4,602,870	12,238,620	3,710,694	3,367,525	35,959	1,278,911	3,851,527	4,763,923.40	6,002,562.15	
One year later	8,218,920	4,674,158	11,932,830	3,740,554	68,793	47,759	1,300,067	3,892,698	5039117.19		
Two years later	8,074,101	4,707,042	11,973,116	90,797	174,862	107,740	1,319,341	3,856,114			
Three years later	7,297,209	4,237,890	3,598,339	335,276	263,365	141,874	1,287,260				
Four years later	7,820,757	2,799,428	3,893,245	457,093	267,548	141,484					
Five years later	5,068,669	2,834,228	3,808,394	510,580	330,038						
Six years later	4,984,985	2,885,305	3,843,435	525,251							
Seven years later	5,036,415	2,873,721	3,850,230								
Eight years later	5,049,324	2,859,177									
Nine years later	5,049,323										
<i>Current estimate of cumulative claims cost</i>	5,049,323	2,859,177	3,850,230	525,251	330,038	141,484	1,287,260	3,856,114	5,039,117.19	6,002,562.15	28,940,557
<i>Cumulative payments</i>	(5,183,231)	(2,925,018)	(4,197,114)	(958,074)	(519,777)	(830,987)	(1,915,752)	(1,495,708)	(487,735)	(131,848)	(18,643,044)
Outstanding claims - undiscounted	(133,908)	(65,841)	(346,884)	(430,823)	(189,738)	(689,503)	(628,492)	2,360,406	4,551,382	5,870,914	10,297,513
											(1,259,694)
DISCOUNT											
Claims Handling Expense 2012 and prior											819,474
											(263,825)
OUTSTANDING CLAIMS											9,593,468
<i>Debtor Excesses and Reinsurance Recoveries on Paid Claims</i>											<i>4,972,188</i>
TOTAL NET OUTSTANDING CLAIMS F2											14,565,656

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 2022

F6. MAV INSURANCE PROVISIONS

	NOTE	2022 \$	2021 \$
F6.1 OUTSTANDING CLAIMS			
Central Estimate		169,499,128	132,746,952
Discount to present value		(20,465,901)	(4,712,058)
Excesses and recoveries		1,649,863	210,106
		150,683,090	128,245,000
Claims handling costs		829,150	857,325
Risk margin		-	-
TOTAL OUTSTANDING CLAIMS		151,512,240	129,102,325
Comprising:			
Current		24,170,824	21,285,524
Non-current		127,341,416	107,816,801
TOTAL CLAIMS PROVISION		151,512,240	129,102,325

As at 30 June 2022, 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 (2021 0%) to achieve the desired level of sufficiency.

F6.1.1 Reconciliation of movement in discounted outstanding claims liability

	2022			2021		
	Gross \$	Reinsurance \$	Net \$	Gross \$	Reinsurance \$	Net \$
Outstanding claims brought forward	129,102,325	124,105,048	4,997,277	114,179,145	114,084,701	94,444
Changes in assumptions	(6,129,330)	(5,273,101)	(856,229)	25,361,966	25,607,719	(245,753)
Increase in claims incurred/recoveries anticipated	48,167,217	41,308,178	6,859,039	14,923,180	8,506,688	6,416,492
Incurred claims recognised in Statement of Comprehensive Income	171,140,212	160,140,125	11,000,087	40,285,146	34,114,407	6,170,739
Claim payments/recoveries during the year	(19,627,971)	(18,221,352)	(1,406,619)	(25,361,966)	(24,094,060)	(1,267,906)
Outstanding claims carried forward	151,512,241	141,918,773	9,593,468	129,102,325	124,105,048	4,997,277
Debtor excesses and reinsurance recoveries on paid claims	-	4,972,188	(4,972,188)	-	5,063,758	(5,063,758)
Total net outstanding claims	151,512,241	136,946,585	14,565,656	129,102,325	119,041,290	10,061,035

F6.2 NET CLAIMS INCURRED

	2022			2021		
	Current Year \$	Prior Year \$	Total \$	Current Year \$	Prior Year \$	Total \$
MAV INSURANCE						
Gross claims and related expenses - undiscounted	42,079,323	14,272,649	56,351,972	31,683,250	10,520,929	42,204,179
Discount	(5,284,763)	(9,029,322)	(14,314,085)	(1,329,800)	(589,233)	(1,919,033)
Gross claims and related expenses – discounted	36,794,560	5,243,327	42,037,887	30,353,450	9,931,696	40,285,146
Reinsurance and other recoveries - undiscounted	(30,822,652)	(16,975,664)	(47,798,316)	(22,267,096)	(12,523,335)	(34,790,431)
Discount	456,603	11,306,637	11,763,239	(2,501,284)	3,177,308	676,024
Reinsurance and other recoveries – discounted	(30,366,049)	(5,669,027)	(36,035,077)	(24,768,380)	(9,346,027)	(34,114,407)
NET CLAIMS INCURRED	6,428,511	(425,700)	6,002,810	5,585,070	585,669	6,170,739

F6.3 CLAIMS DEVELOPMENT TABLE

Accident Year	2013 \$	2014 \$	2015 \$	2016 \$	2017 \$	2018 \$	2019 \$	2020 \$	2021 \$	2022 \$	Total \$
GROSS ESTIMATE OF ULTIMATE CLAIMS COST											
At end of accident year	23,083,334	22,191,872	22,465,882	22,303,614	20,097,434	21,743,945	22,793,891	24,705,870	30,720,155	41,062,929	
One year later	22,302,009	22,401,912	21,693,885	20,487,169	21,295,287	21,194,033	23,080,037	26,255,218	38,132,271		
Two years later	19,817,058	28,143,146	21,462,820	18,332,131	20,143,548	21,198,000	24,778,903	25,467,579			
Three years later	18,072,661	28,118,433	21,056,584	17,579,579	18,803,428	21,843,602	29,855,405				
Four years later	19,002,351	26,386,726	20,988,591	23,198,558	21,437,347	27,911,688					
Five years later	17,226,868	25,709,500	22,615,783	23,992,747	18,770,721						
Six years later	17,313,310	26,048,889	23,941,043	23,904,498							
Seven years later	17,304,563	25,845,811	24,599,167								
Eight years later	18,318,530	25,199,008									
Nine years later	18,269,312										
Current estimate of cumulative claims cost	18,269,312	25,199,008	24,599,167	23,904,496	18,770,721	27,911,688	29,855,405	25,467,579	38,132,271	41,062,929	274,172,575
Cumulative payments	(17,813,845)	(22,998,070)	(20,280,999)	(13,542,813)	(11,112,913)	(9,160,944)	(5,698,789)	(4,089,679)	(1,379,542)	(376,598)	(106,454,188)
Outstanding claims - undiscounted	1,455,467	2,200,938	4,318,168	10,361,683	7,657,808	18,750,744	24,156,616	21,377,903	36,752,729	40,686,331	167,718,387
DISCOUNT											(18,063,315)
Claims Handling Expense 2012 and prior											819,474
											1,637,695
TOTAL GROSS OUTSTANDING CLAIMS F1											151,512,241
NET ESTIMATE OF ULTIMATE CLAIMS COST											
At end of accident year	8,122,535	4,602,870	12,238,820	3,710,894	3,367,525	35,959	1,278,911	3,851,527	4,783,923.40	6,002,562.15	
One year later	8,218,920	4,674,158	11,932,830	3,740,554	68,793	47,759	1,300,067	3,892,698	50,917,119		
Two years later	8,074,101	4,707,042	11,973,116	90,797	174,862	107,740	1,319,341	3,856,114			
Three years later	7,297,206	4,237,880	3,598,339	335,276	263,365	141,674	1,287,260				
Four years later	7,820,757	2,799,428	3,893,245	457,093	267,548	141,484					
Five years later	5,098,668	2,834,228	3,806,394	510,500	330,038						
Six years later	4,994,985	2,865,305	3,843,435	525,251							
Seven years later	5,036,416	2,873,721	3,850,230								
Eight years later	5,049,324	2,859,177									
Nine years later	5,049,323										
Current estimate of cumulative claims cost	5,049,323	2,859,177	3,850,230	525,251	330,038	141,484	1,287,260	3,856,114	5,039,117.19	6,002,562.15	28,940,557
Cumulative payments	(5,183,231)	(2,925,018)	(4,197,114)	(956,074)	(519,777)	(830,987)	(1,915,752)	(1,495,708)	(487,735)	(131,648)	(18,643,044)
Outstanding claims - undiscounted	(133,908)	(65,841)	(346,884)	(430,823)	(189,738)	(689,503)	(628,492)	2,360,406	4,551,382	5,870,914	10,297,513
DISCOUNT											(1,259,694)
Claims Handling Expense 2012 and prior											819,474
											(263,825)
OUTSTANDING CLAIMS											9,593,468
Debtor Excesses and Reinsurance Recoveries on Paid Claims											4,972,188
TOTAL NET OUTSTANDING CLAIMS F2											14,565,656

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 2022

F7. MAV WORKCARE PROVISIONS

	NOTE	2022 \$	2021 \$
F7.1 OUTSTANDING CLAIMS			
Central Estimate		-	76,015,442
Discount to present value		-	(6,818,616)
			69,196,826
Claims handling costs		-	6,158,517
Risk margin		-	-
TOTAL OUTSTANDING CLAIMS			75,355,343
Comprising:			
Current		-	14,548,928
Non-current		-	60,806,415
TOTAL CLAIMS PROVISION		-	75,355,343

F7.1.1 Reconciliation of movement in discounted outstanding claims liability

	2022			2021		
	Gross \$	Reinsurance \$	Net \$	Gross \$	Reinsurance \$	Net \$
Outstanding claims brought forward	-	-	-	69,089,956	(5,003,152)	64,086,804
Changes in assumptions	-	-	-	2,142,904	(389,540)	1,753,364
Increase in claims incurred/recoveries anticipated	-	-	-	18,518,204	(2,033,852)	16,484,352
Incurred claims recognised in Statement of Comprehensive Income	-	-	-	20,661,108	(2,423,392)	18,237,716
Claim payments/recoveries during the year	-	-	-	(14,395,721)	195,318	(14,200,403)
Outstanding claims carried forward	-	-	-	75,355,343	(7,231,226)	68,124,117

	2022			2021		
	Current Year \$	Prior Year \$	Total \$	Current Year \$	Prior Year \$	Total \$
F7.2 NET CLAIMS INCURRED						
MAV WorkCare						
Gross Claims and related Expenses -	-	-	-	17,944,338	5,663,102	23,607,440
Discount	-	-	-	(1,336,946)	(1,609,386)	(2,946,332)
Gross Claims and related expenses – discounted	-	-	-	16,607,392	4,053,716	20,661,108
Reinsurance and other recoveries - undiscounted	-	-	-	(2,515,212)	(628,894)	(3,144,106)
Discount	-	-	-	409,137	311,577	720,714
Reinsurance and other recoveries – discounted	-	-	-	(2,106,075)	(317,317)	(2,423,392)
NET CLAIMS INCURRED	-	-	-	14,501,317	3,736,399	18,237,716

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 2022

NOTE G: FINANCING OUR OPERATIONS

Structure
G1 Notes to statement of cash flows
G2 Leases

G1. 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:

NOTE	COMBINED		MAV - GENERAL FUND	
	2022	2021	2022	2021
	\$	\$	\$	\$
Cash and cash equivalents	20,021,558	73,415,838	11,067,387	5,050,323
TOTAL CASH AND CASH EQUIVALENTS	E1 20,021,558	73,415,838	11,067,387	5,050,323
(b) Reconciliation of Net Cash Used In Operating Activities to Operating Surplus (Deficit)				
Surplus (Deficit) for year	1,039,981	11,094,173	(1,722,871)	(157,612)
Depreciation	160,650	159,145	159,229	149,953
Amortisation - Including Leases	1,135,231	1,135,231	1,135,231	1,135,231
(Surplus)/deficit on disposal of assets	(52,177)	(81,028)	(52,177)	(81,028)
Unrealised gains on investments	99,679	2,300	-	-
Changes in assets and liabilities				
(Increase)/decrease in trade and other receivables	(1,735,616)	(11,283,026)	5,547,105	2,544,279
(Increase)/decrease in prepayments	(253,456)	2,492,616	(253,456)	(53,046)
Increase/(decrease) in trade and other payables	(1,121,522)	1,154,744	56,829	(1,847,360)
Increase/(decrease) in provision for employee entitlements	140,453	31,846	209,389	19,576
Increase/(decrease) in outstanding claims	(52,945,428)	21,188,567	-	-
Increase/(decrease) in premiums in advance	4,936,109	(18,193,697)	2,060,504	(1,118,817)
Increase/(decrease) in other liabilities	(869,481)	3,029,136	67,996	(88,191)
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	(49,465,577)	10,730,007	7,207,779	502,985

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.

G2. LEASES

	COMBINED		MAV - GENERAL FUND	
	2022	2021	2022	2021
	\$	\$	\$	\$
Right of Use Assets				
Balance at start	1,480,568	2,464,917	1,480,568	2,464,917
Additions	34,006	-	34,006	-
Amortisation Charge	(987,891)	(984,349)	(987,891)	(984,349)
Balance at End	526,683	1,480,568	526,683	1,480,568
Lease Liabilities				
Maturity analysis - contractual undiscounted cash flows				
Not later than one year	578,004	1,052,794	578,004	1,052,794
Later than one year but not later than five years	22,429	569,781	22,429	569,781
Later than five years	-	-	-	-
TOTAL Lease Liabilities	600,433	1,622,575	600,433	1,622,575
Lease liabilities included in the Balance Sheet at 30 June:				
Current	578,004	1,052,794	578,004	1,052,794
Non-current	22,429	569,781	22,429	569,781
TOTAL Lease Liabilities	600,433	1,622,575	600,433	1,622,575

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	-	1,477
Leases of low value assets	-	-	-	-
Total	-	1,477	-	1,477

Non-cancellable lease commitments - Short term and low-value leases				
Commitments for minimum lease payments for short-term and low-value leases				
Not later than one year	-	-	-	-
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
TOTAL Lease Liabilities	-	-	-	-

The MAV recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date less any lease incentive received. 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.

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,

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.

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

for the year ended 30 June 2022

NOTE H: PEOPLE AND RELATIONSHIPS**Structure**

H1 Related Parties
H2 Remuneration of Key Management Personnel

H3 Auditor Fees

H1. RELATED PARTIES

The MAV is a body corporate established under the *Municipal Association Act 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 \$520,000 (2021: \$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 \$24,546 (2021 \$23,048) and to the Commercial Crime Fund \$13,743 (2021 \$11,786).

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 General Fund contributed \$1.260m to MAV Work Care on wind down.

The MAV pays superannuation contributions to Vision Super Pty Ltd. 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.

H2. 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	72,401	433		
Deputy Presidents	14,926	433		
Board Members	10,163	433		
	COMBINED		MAV - GENERAL FUND	
	2022	2021	2022	2021
	\$	\$	\$	\$
MAV Board Members				
Short term employment benefits	219,327	199,299	219,327	199,299
Post employment benefits	-	-	-	-
MAV WorkCare Board Members				
Short term employment benefits	32,917	65,000	-	-
Post employment benefits	-	-	-	-
MAV Insurance Board Members				
Short term employment benefits	112,848	104,040	-	-
Post employment benefits	-	-	-	-
Key Management Personnel				
Short term employment benefits	319,323	502,741	278,568	265,899
Post employment benefits	24,171	41,064	20,095	18,565
Total				
Short term employment benefits	684,415	871,080	497,895	465,198
Post employment benefits	24,171	41,064	20,095	18,565

Details of the total remuneration paid to each Director (\$)

Board Member	Allowance	Data Allowance	Expenses	TOTAL
Aaron Scales	10,163	433	2,724	13,320
Brett Tessari	10,163	433	382	10,978
David Clark	72,401	433	1,860	74,694
Jami Klisaris	10,163	433	80	10,676
Jennifer Anderson	10,163	433	1,593	12,189
Joseph Haweil	10,163	433	550	11,146
Kathy Majdlik	10,163	433	350	10,946
Kristopher Bolam	10,163	433	-	10,596
Kylie Grzybek	10,163	433	-	10,596
Murray Emerson	10,163	433	937	11,533
Rohan Leppert	14,926	433	981	16,340
Ruth Gstrein	14,926	433	359	15,718
Thomas Melican	10,163	433	-	10,596
Total 2022	203,883	5,629	9,815	219,327
Total 2021	188,673	5,031	5,595	199,299

President Cr David Clark was also provided with full private use of a motor vehicle at a cost of \$13,048.50

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

for the year ended 30 June 2022

Loans to KMP and Directors

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

Insurance

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

	COMBINED		MAV - GENERAL FUND	
	2022	2021	2022	2021
	\$	\$	\$	\$
H3. AUDITORS FEES				
Amounts paid or due and payable for audit services:				
Audit services	366,473	382,684	66,270	97,723
Other services	-	-	-	-
TOTAL AUDITORS FEES	366,473	382,684	66,270	97,723

NOTE I: MANAGING UNCERTAINTIES

Structure

I1 Insurance risk - MAV Insurance

I2 Insurance risk - WorkCare Insurance

I3 Insurance risk - MAV Group

I4 Capital management objectives and economic dependency

I5 Contingent Liabilities

I6 Accounting estimates and judgements

I7 Actuarial assumptions and methods

I8: Interest rate risk

I9: Liquidity risk

I10: Credit risk

I1. 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, catastrophic events and a higher than expected number of smaller claims. 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.

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.

I2. INSURANCE RISK - MAV WORKCARE

Not applicable from 1 July 2021

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

for the year ended 30 June 2022

13. INSURANCE RISK - 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.

14. 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 were sought to meet the transfer requirement of funds to WorkSafe Victoria. Consultation with participating members indicate that amounts were and are recoverable, consistent with the participating agreements with appropriate timeframes.

15. CONTINGENT LIABILITIES

15.1 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.

15.2 MAV WORKCARE

As required under the Workplace Injury Rehabilitation and Compensation Act 2013, the MAV has a bank guarantee for insolvency risk in place for the duration of the ceased self-insurer period. The guarantee is in respect of the tails claims liability given by an ADI to or in favour of Work Safe Victoria. The guarantee must guarantee payments of amounts not less than: a) insolvency risk in respect of - i) in relation to the first year of the liability period, the initial assessment of tail claims liability until the end of the first year after the exit date ii) in relation to the second and subsequent years of the liability, the revised amount of the tail claims liability still outstanding as assessed at the end of each subsequent year of the duration of the next year until the final assessment date, and b) against claims deterioration - i) in relation to the period from the exit date until the interim assessment date, for the amount, if any, by which the revised assessment of the tail claims liability at the end of each year exceeds the initial assessment tail claims liability ii) in relation to the period referred to above, until the final assessment date, or if a review of the final assessment is undertaken resulting from the employer disputing WorkSafe's final revised assessment unit the date on which the review is finalised, for the amount, if any, by which the revised assessment of tail claims liability at the end of each year exceeds the revised assessment of tail claims liability as assessed at the end the 3rd year and 6th year.

The MAV has a bank guarantee in place which meets WorkSafe Victoria's requirements with an annual fee of 1.1% of the face value of the bank guarantee each year.

Where WorkSafe Victoria 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.

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. At 30 June 2022 the assessment is that payment experience over the past year had been broadly in line with expectations, and considered the initial assessment from 30 June 2021 to remain reasonable.

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

for the year ended 30 June 2022

16. 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 2022
- (iii) Allowances for wage inflation of 3.69%, as assumed by the Actuary
- (iv) Allowances for discount at 3.35%, as assumed by the Actuary
- (v) A risk margin of 0% of net outstanding claims after the effect of reinsurance has been applied.

Refer to Note 17 for details

The determination of an appropriate outstanding claims provision for MAV WorkCare at 30 June 2021 (the last day of the scheme) involved:

- (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 was applied, as assumed by the actuary.

Details of specific actuarial assumptions used in deriving the outstanding claims liability at year-end are detailed in note 17.

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.

17. ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Assumptions

MAV INSURANCE

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

	2022	2021
Key Actuarial Assumptions		
Wage inflation	3.69%	2.81%
Discount rate	3.35%	0.93%
Risk margin	0.00%	0.00%
Superimposed inflation (Public liability - personal injury portfolio)	1.75%	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 2022 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 2022 forecasts for Victorian average weekly claims, inflation was assumed to be 3.69%. The discount rate was assumed to be 3.35% pa, derived from the yields on Commonwealth Government bonds.

MAV WORKCARE

The following assumptions were made in determining the outstanding claims liabilities at 30 June 2021:

	2022	2021
Key Actuarial Assumptions		
Wage inflation	n/a	2.25%
Claim administration expense	n/a	8.90%
Discount rate	n/a	1.50%
Risk margin	n/a	0.00%
Superimposed inflation	n/a	1.90%

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 provided 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 was no allowance for reinsurance recoveries for periods prior to 1 November 2017.

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

for the year ended 30 June 2022

18. EXPOSURE TO INTEREST RATE RISK

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		MAV - GENERAL FUND	
	Non-Interest Earning	Floating Interest Rate	Non-Interest Earning	Floating Interest Rate
	2022			
	\$	\$	\$	\$
FINANCIAL ASSETS				
Cash and cash equivalents	-	20,021,558	-	11,067,387
Investments	-	9,686,705	-	38,684
Trade and other receivables	199,378,873	-	3,140,947	-
TOTAL FINANCIAL ASSETS	199,378,873	29,708,263	3,140,947	11,106,071
Weighted Average Interest Rate		1.7%		1.4%
FINANCIAL LIABILITIES				
Outstanding claims	169,499,128	-	-	-
Unearned premiums/subscriptions	52,752,027	-	7,152,988	-
Trade and other payables	9,764,152	-	926,797	-
TOTAL FINANCIAL LIABILITIES	232,015,307	-	8,079,785	-
Weighted Average Interest Rate		0%		0%
	2021			
	\$	\$	\$	\$
FINANCIAL ASSETS				
Cash and cash equivalents	-	73,415,838	-	5,050,323
Investments	-	6,997,700	-	-
Trade and other receivables	195,808,257	-	8,688,052	-
TOTAL FINANCIAL ASSETS	195,808,257	80,413,538	8,688,052	5,050,323
Weighted average interest rate		0.9%		0.9%
FINANCIAL LIABILITIES				
Outstanding claims	208,762,394	-	-	-
Unearned premiums/subscriptions	47,815,918	-	5,092,484	-
Trade and other payables	10,885,674	-	869,968	-
TOTAL FINANCIAL LIABILITIES	267,463,986	-	5,962,452	-
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.

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 2022. Cash flows for financial assets and liabilities without fixed amount or timing are based on conditions existing at 30 June 2022.

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

for the year ended 30 June 2022

The remaining contractual maturities of the financial liabilities are:

NOTE	COMBINED		MAV - GENERAL FUND	
	2022	2021	2022	2021
	\$	\$	\$	\$
3 months or less	34,922,406	39,824,589	8,274,785	5,962,452
3-12 months	55,476,876	63,030,614	2,416,169	2,770,890
1-5 years	99,076,811	113,805,048	88,840	666,985
Over 5 years	48,551,968	69,168,937	-	-
	238,028,061	285,829,188	10,779,794	9,400,327

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%/+2.0%	Operating surplus (deficit) at 30 June 2022	Total Accumulated Funds after the impact of applying variable
	%	%	\$	\$
IMPACT OF CHANGES IN INTEREST RATE ON FINANCIAL ASSETS				
MAV COMBINED				
Base value at 30 June 2022	1.7%		1,039,981	9,625,880
Interest Rate p.a.		2.2%	1,188,522	9,774,421
		3.7%	1,634,146	10,220,045

MAV COMBINED - 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 2022	Total Accumulated Funds after the impact of applying variable
	%	%	\$	\$
IMPACT OF CHANGES IN KEY VARIABLES				
MAV GROUP				
Base value at 30 June 2022	3.69%		1,039,981	9,625,880
Wage inflation rate p.a.		4.19%	1,006,981	9,592,880
		3.19%	1,072,981	9,658,880

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 2022	Total Accumulated Funds after the impact of applying variable
	%	%	\$	\$
IMPACT OF CHANGES IN DISCOUNT RATES				
MAV GROUP				
Base value at 30 June 2022	3.35%		1,039,981	9,625,880
Discount rate p.a.		2.85%	845,981	9,431,880
		3.85%	1,233,981	9,431,880

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 +0.5%/-0.5%	Operating surplus (deficit) at 30 June 2022	Total Accumulated Funds after the impact of applying variable
	%	%	\$	\$
IMPACT OF CHANGES IN CLAIMS ADMINISTRATION EXPENSE				
MAV GROUP				
Base value at 30 June 2022	0.6%		1,039,981	9,625,880
Claim administration expense		1.14%	709,481	9,295,380
		0.14%	1,370,481	9,956,380

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

for the year ended 30 June 2022

19: 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. Amounts are undiscounted.

Year ended 30 June 2022	<3 months	3-12 months	1-5 years	>5years	Total
	\$	\$	\$	\$	\$
COMBINED FINANCIAL ASSETS					
Cash and cash equivalents	20,021,558	-	-	-	20,021,558
Investments	9,686,705	-	-	-	9,686,705
Trade and other receivables	62,438,008	18,913,196	86,638,927	47,413,829	215,403,959
	92,146,271	18,913,196	86,638,927	47,413,829	245,112,222
COMBINED FINANCIAL LIABILITIES					
Outstanding claims	6,106,763	18,320,289	97,349,259	48,551,968	170,328,278
Trade and other payables	10,067,895	541,139	1,638,712	-	12,247,746
Other liabilities	7,347,988	2,416,169	88,840	-	9,852,997
TOTAL FINANCIAL LIABILITIES	23,522,646	21,277,597	99,076,811	48,551,968	192,429,021
NET MATURITY	68,623,624	(2,364,401)	(12,437,884)	(1,138,139)	52,683,202

Year ended 30 June 2021

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	62,375,532	38,181,188	68,995,822	34,684,069	204,236,611
	142,789,070	38,181,188	68,995,822	34,684,069	284,650,149
COMBINED FINANCIAL LIABILITIES					
Outstanding claims	8,978,273	26,934,820	111,303,063	69,168,937	216,385,093
Trade and other payables	15,072,973	1,282,328	1,835,000	-	18,190,301
Other liabilities	5,092,484	2,770,890	666,985	-	8,530,359
TOTAL FINANCIAL LIABILITIES	39,824,589	63,030,614	113,805,048	69,168,937	285,829,188
NET MATURITY	68,968,319	94,018,652	227,610,096	138,337,874	571,658,377

Year ended 30 June 2022	<3 months	3-12 months	1-5 years	>5years	Total
	\$	\$	\$	\$	\$
MAV GENERAL FUND FINANCIAL ASSETS					
Cash and cash equivalents	11,067,387	-	-	-	11,067,387
Investments	38,684	-	-	-	38,684
Trade and other receivables	3,140,947	-	-	-	3,140,947
	14,247,018	-	-	-	14,247,018
MAV GENERAL FUND FINANCIAL LIABILITIES					
Trade and other payables	926,797	-	-	-	926,797
Other liabilities	7,347,988	2,416,169	88,840	-	9,852,997
Total Financial Liabilities	8,274,785	2,416,169	88,840	-	10,779,794
NET MATURITY	5,972,233	(2,416,169)	(88,840)	-	3,467,224

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 2022

110. 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.

		CREDIT RATING					Not Rated	Total
		AAA	AA	A	BBB	Speculative Grade		
		+/- \$M	+/- \$M	+/- \$M	\$M	\$M		
Reinsurance and other recoveries on outstanding claims	2022	-	0.518	49.589	-	-	-	50.107
	2021	-	-	41.230	-	-	0.399	44.155
Reinsurance and other recoveries on paid claims	2022	-	-	2.575	-	-	-	2.575
	2021	-	0.031	2.602	-	-	0.028	2.661

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
		\$M	\$M	\$M	\$M	\$M	\$M	\$M
		Reinsurance and other recoveries on paid claims	2022	-	2.131	0.409	0.035	-
	2021	-	2.661	-	-	-	-	2.661

PRICE RISK

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

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

for the year ended 30 June 2022

J: OTHER MATTERS

Structure	
J1 Summary of significant	J5 Self-insurance licence - MAV WorkCare Self-Insurance Scheme
J2 Income tax	J6 Events Subsequent
J3 Comparative figures	J7 Number of employees:
J4 Impact of COVID 19 pandemic	

J1. 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>Impact on MAV Financial Report</u>	<u>Application Date for MAV</u>
AASB 2020-1	Amendments to AAS Classification of Liabilities as Current or Non-Current	1 Jan 22	Application of this standard is not expected to have a material impact.	1 Jan 22

J2. 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.

J3. COMPARATIVE FIGURES

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

The MAV is considered an Agency for the management of the Commercial Crime Fund and therefore premiums and insurances payable are offset against each other in the financial statements. For the year ending 30 June 2021 these amounts were incorrectly recognised as receivables, income in advance, and payables. The comparison for 30 June 2021 has been updated to reflect the correct balances for comparative purposes resulting in reported reduction of \$1.137m at 30 June 2021 for receivables, \$1.034m for Income and Advance and \$0.103m for payables. There is no impact on the statement of comprehensive income or statement of cashflows. This was discovered following a review of the application of the accounting standard.

J4. IMPACT OF COVID-19 PANDEMIC ON THE 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.

For MAV Insurance at 30 June 2022 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 2022

J5. 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, Work Safe 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 following Work Safe Victoria's decision not to renew the licence, with all claims being transferred to Work Safe Victoria from 1 July 2021. The MAV continues 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.

On 1 November 2017 MAV WorkCare commenced business as a licensed self-insurer under the WIRC Act. WorkSafe Victoria 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 Victoria prior to commencement. On commencement of the Scheme WorkSafe Victoria 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 Victoria 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.

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 in 2020-21. On 1 July 2021 the outstanding claims at 30 June 2021 for WorkCare were assessed as a payable to Work Safe Victoria and recorded as a supplier rather than an opening outstanding claims balance at 1 July 2021.

The MAV 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 initial provision was for \$3.117 million. At 30 June 2022 the balance of the provision is \$2.180 with \$1.638 million assessed as non-current.

There is also a potential contingent liability in relation to the 3-year and 6-year liability period. Refer to Note I5.2 Contingent Liabilities.

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	<u>2,982</u>

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	(3,804)
Reinsurance asset impairment	(5,297)
Ceased Self Insurer Provision	(3,117)
Contribution from MAV to WorkCare	1,260
Contribution from Work Care Members on cessation of the Scheme	17,930
MAV Combined net asset position at 30 June 2021	<u>8,586</u>

MOVEMENT IN CEASED SELF INSURER PROVISION

	2022	2021
	\$	\$
Opening balance	3,117,328	-
Expenditure incurred from prior year provision	(945,944)	-
Movement during the year	8,467	3,117,328
TOTAL CEASED SELF INSURER PROVISION	2,179,851	3,117,328
Represented By:		
CURRENT	541,139	1,282,328
NON-CURRENT	1,638,712	1,835,000
TOTAL	2,179,851	3,117,328

J6. EVENTS SUBSEQUENT

On 1 July 2022 the MAV agreed to a property office lease at 1 Nicholson Street, East Melbourne. On commencement the lease liability and right of use asset is calculated at \$4.8 million. The last day at 60 Collins Street will be 31 December 2022 for the MAV and the first day of occupancy will be 1 January 2023 with early access for fit out works commencing from August 2022.

J7. NUMBER OF EMPLOYEES:

Average number of equivalent full time employees during the year was 54 (2021 = 53)

MAV INSURANCE Financial Report 2021-22

Statement by the MAV Insurance Board

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

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

- (a) the financial statements and notes of the combined entity are drawn up so as to present fairly in all material respects the results of Liability Mutual Insurance and the Commercial Crime Fund for the year ended 30 June 2022
- (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 Australian Accounting Standards as disclosed in note A3.

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
3/10/2022



Kerry Thompson
Chief Executive Officer - Municipal Association of Victoria

Statement by the MAV 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 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 2022
- (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 Australian Accounting Standards as disclosed in note A3.

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
7/10/2022

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.



Victorian Auditor-General's Office

Independent Auditor's Report

To the Directors of MAV Insurance

Opinion	<p>I have audited the combined financial report of MAV Insurance (the insurer) which comprises the:</p> <ul style="list-style-type: none"> • statement of financial position as at 30 June 2022 • 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 the MAV Insurance Board • statement by MAV Directors. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the insurer as at 30 June 2022 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 insurer 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 insurer 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 insurer'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 insurer'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 insurer'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 insurer 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
19 October 2022



Travis Derricott
as delegate for the Auditor-General of Victoria

Statement of Comprehensive Income

for the year ended 30 June 2022

	NOTE	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
		2022	2021	2022	2021	2022	2021
		\$	\$	\$	\$	\$	\$
Premium revenue	B1	42,676,520	38,967,813	42,676,520	38,967,813	-	-
Reinsurance expense		(25,268,298)	(22,893,248)	(25,268,298)	(22,893,248)	-	-
NET PREMIUM INCOME		17,408,222	16,074,565	17,408,222	16,074,565	-	-
Claims expense	C1	(42,037,887)	(40,285,146)	(42,037,887)	(40,285,146)	-	-
Reinsurance and other recoveries	B1	36,035,077	34,114,407	36,035,077	34,114,407	-	-
NET CLAIMS EXPENSE	I2	(6,002,810)	(6,170,739)	(6,002,810)	(6,170,739)	-	-
NET UNDERWRITING RESULT		11,405,412	9,903,826	11,405,412	9,903,826	-	-
Management fees	B1	88,138	60,740	-	-	88,138	60,740
Gain/(Loss) from investment income	B1	(76,828)	23,670	(77,134)	23,240	306	430
Administration and general expenses	C2	(8,653,870)	(8,075,223)	(8,575,045)	(8,018,152)	(78,825)	(57,071)
OPERATING SURPLUS/(DEFICIT)		2,762,852	1,913,013	2,753,233	1,908,914	9,619	4,099
Other comprehensive income		-	-	-	-	-	-
TOTAL COMPREHENSIVE SURPLUS/(DEFICIT) FOR THE YEAR		2,762,852	1,913,013	2,753,233	1,908,914	9,619	4,099

Statement of Financial Position

for the year ended 30 June 2022

	NOTE	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
		2022	2021	2022	2021	2022	2021
		\$	\$	\$	\$	\$	\$
CURRENT ASSETS							
Cash and cash equivalents	G1	8,927,999	5,231,756	8,802,501	5,052,955	125,498	178,801
Investments	D1	9,648,021	6,997,700	9,648,021	6,997,700	-	-
Trade and other receivables	E1	77,417,377	70,694,454	77,417,377	70,754,454	-	-
TOTAL CURRENT ASSETS		95,993,397	82,923,910	95,867,899	82,805,109	125,498	178,801
NON-CURRENT ASSETS							
Trade and other receivables	E1	114,769,092	98,766,043	114,769,092	98,766,043	-	-
TOTAL NON-CURRENT ASSETS		114,769,092	98,766,043	114,769,092	98,766,043	-	-
Total Assets		210,762,489	181,689,953	210,636,991	181,571,152	125,498	178,801
CURRENT LIABILITIES							
Trade and other payables		8,774,577	7,750,413	8,769,723	7,742,637	4,854	67,776
Premiums in advance	E2	45,599,039	42,723,434	45,599,039	42,723,434	-	-
Outstanding Claims	F1	24,170,824	21,285,524	24,170,824	21,285,524	-	-
TOTAL CURRENT LIABILITIES		78,544,440	71,759,371	78,539,586	71,751,595	4,854	67,776
NON-CURRENT LIABILITY							
Outstanding Claims	F1	127,341,416	107,816,801	127,341,416	107,816,801	-	-
TOTAL NON-CURRENT LIABILITY		127,341,416	107,816,801	127,341,416	107,816,801	-	-
TOTAL LIABILITIES		205,885,856	179,576,172	205,881,002	179,568,396	4,854	67,776
NET ASSETS		4,876,633	2,113,781	4,755,989	2,002,756	120,644	111,025
EQUITY		4,876,633	2,113,781	4,755,989	2,002,756	120,644	111,025

The accompanying notes form an integral part of these statements.

1

Statement of changes in equity

for the year ended 30 June 2022

	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	2022 \$	2021 \$	2022 \$	2021 \$	2022 \$	2021 \$
RETAINED EARNINGS						
Balance at beginning of year	2,113,781	200,768	2,002,756	93,842	111,025	106,926
Surplus/(Deficit) from ordinary activities	2,762,852	1,913,013	2,753,233	1,908,914	9,619	4,099
BALANCE AT END OF YEAR	4,876,633	2,113,781	4,755,989	2,002,756	120,644	111,025

Statement of Cash Flows

for the year ended 30 June 2022

	NOTE	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
		2022 \$	2021 \$	2022 \$	2021 \$	2022 \$	2021 \$
CASH FLOW FROM OPERATING ACTIVITIES							
RECEIPTS							
Premiums and fees		41,782,924	40,660,344	40,751,935	40,013,127	1,030,989	647,217
Interest received		22,899	26,067	22,545	25,540	354	527
Reinsurance and other recoveries		18,221,352	24,094,060	18,221,352	24,094,060	-	-
PAYMENTS							
Trade and other payables		(33,983,364)	(28,444,891)	(32,898,718)	(27,844,540)	(1,084,646)	(600,351)
Claim payments		(19,597,568)	(25,361,967)	(19,597,568)	(25,361,967)	-	-
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	G1.1	6,446,243	10,973,613	6,499,546	10,926,220	(53,303)	47,393
CASH FLOW FROM INVESTING ACTIVITY							
Payment for investment		(2,750,000)	(7,000,000)	(2,750,000)	(7,000,000)	-	-
NET CASH PROVIDED BY INVESTING ACTIVITIES		(2,750,000)	(7,000,000)	(2,750,000)	(7,000,000)	-	-
NET INCREASE/(DECREASE) IN CASH HELD		3,696,243	3,973,613	3,749,546	3,926,220	(53,303)	47,393
Cash at beginning of year		5,231,756	1,258,143	5,052,955	1,126,735	178,801	131,408
CASH AT END OF YEAR	G1.1	8,927,999	5,231,756	8,802,501	5,052,955	125,498	178,801

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 2022

NOTE A: CORPORATE INFORMATION

Structure:

A1 Corporate information
A2 Basis of preparation

A3 Statement of compliance
A4 Principles of the combined entity

A1 CORPORATE INFORMATION

The combined financial report of MAV Insurance (the Group) for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of the directors of the MAV Insurance Board and the Municipal Association of Victoria (MAV) on the dates shown on the 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 I).

A2 BASIS OF PREPARATION

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

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.

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

A3 STATEMENT OF COMPLIANCE

The financial report complies with Australian Accounting Standards, which include interpretations issued by the Australian Accounting Standards Board (AASB).

A4 PRINCIPLES OF THE COMBINED ENTITY

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.

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

for the year ended 30 June 2022

NOTE B: FUNDING THE DELIVERY OF OUR SERVICES

	NOTE	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
		2022	2021	2022	2021	2022	2021
		\$	\$	\$	\$	\$	\$
B1. REVENUE FROM ORDINARY ACTIVITIES							
REVENUES FROM OPERATING ACTIVITIES							
Premiums	B1.1	42,676,520	38,967,813	42,676,520	38,967,813	-	-
Reinsurance and other recoveries	B1.2	36,035,077	34,114,407	36,035,077	34,114,407	-	-
Management fees received	B1.3	88,138	60,740	-	-	88,138	60,740
TOTAL REVENUE FROM OPERATING ACTIVITIES		78,799,735	73,142,960	78,711,597	73,082,220	88,138	60,740
REVENUES FROM NON-OPERATING ACTIVITIES							
Investment income	B1.4	(76,828)	23,670	(77,134)	23,240	306	430
TOTAL REVENUE FROM OUTSIDE THE OPERATING ACTIVITIES		(76,828)	23,670	(77,134)	23,240	306	430
TOTAL REVENUE FROM ORDINARY ACTIVITIES		78,722,907	73,166,630	78,634,463	73,105,460	88,444	61,170

B1.1 Premiums

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

B1.2 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.

B1.3 Management fees received

Management fees comprise amounts received from members to manage and pay expenses for and on behalf of the Commercial Crime Fund.

B1.4 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.

B1.5 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.

NOTE C: COST OF DELIVERING OUR SERVICES

Structure:

C1 Claims Expenses

C3 Scheme Management fees

C2 Administration & General expenses

	NOTE	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
		2022	2021	2022	2021	2022	2021
		\$	\$	\$	\$	\$	\$
C1. CLAIMS EXPENSES							
Paid		19,627,971	25,361,966	19,627,971	25,361,966	-	-
Outstanding claims at end of financial year	F1	151,512,241	129,102,325	151,512,241	129,102,325	-	-
Less: Outstanding claims at beginning of financial year		(129,102,325)	(114,179,145)	(129,102,325)	(114,179,145)	-	-
TOTAL CLAIMS EXPENSES		42,037,887	40,285,146	42,037,887	40,285,146	-	-

C1.1 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 1.75% per annum (2021: 1.50%) for personal injury non large claims and the discount rate at 3.35% (2021: 0.93%).

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

for the year ended 30 June 2022

	NOTE	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
		2022	2021	2022	2021	2022	2021
		\$	\$	\$	\$	\$	\$
C2. ADMINISTRATION & GENERAL EXPENSES							
The following items have been recognised in the operating surplus/(deficit):							
Administration		1,584,639	1,220,189	1,505,814	1,163,118	78,825	57,071
Actuary fees		106,631	138,787	106,631	138,787	-	-
Audit fees	H3	200,403	181,201	200,403	181,201	-	-
Scheme management fees	C3	3,851,952	3,833,808	3,851,952	3,833,808	-	-
Stamp duty		2,910,245	2,701,238	2,910,245	2,701,238	-	-
TOTAL EXPENDITURE		8,653,870	8,075,223	8,575,045	8,018,152	78,825	57,071
C3. SCHEME MANAGEMENT FEES							
Included within administration and general expenses are management fees paid to the service provider for:							
Reinsurance placement	C3.1	3,016,831	3,053,364	3,016,831	3,053,364	-	-
Risk management and administrative services		835,121	780,444	835,121	780,444	-	-
TOTAL SCHEME MANAGEMENT FEES		3,851,952	3,833,808	3,851,952	3,833,808	-	-

C3.1 Reinsurance Placement 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.

NOTE D: ASSETS WE MANAGE**D1 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.

D2. 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.

NOTE E: OTHER ASSETS AND LIABILITIES

Structure

E1 Receivables

E3 Payables

E2 Premiums and Income in Advance

	NOTE	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
		2022	2021	2022	2021	2022	2021
		\$	\$	\$	\$	\$	\$
E1. TRADE AND OTHER RECEIVABLES							
Future reinsurance and other recoveries receivable		159,475,116	128,355,041	159,475,116	128,415,041	-	-
Discount to present value		(17,556,343)	(4,309,993)	(17,556,343)	(4,309,993)	-	-
		141,918,773	124,045,048	141,918,773	124,105,048	-	-
Premiums receivable		50,158,944	43,358,704	50,158,944	45,358,753	-	(49)
Other receivables		108,753	56,745	108,753	56,696	-	49
Less provision for doubtful debts		-	-	-	-	-	-
		50,267,697	45,415,449	50,267,697	45,415,449	-	-
TOTAL RECEIVABLES		192,186,470	169,460,497	192,186,470	169,520,497	-	-
Represented By:							
CURRENT		77,417,377	70,694,454	77,417,377	70,754,454	-	-
NON-CURRENT		114,769,092	98,766,043	114,769,092	98,766,043	-	-
TOTAL		192,186,469	169,460,497	192,186,469	169,520,497	-	-

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.

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

for the year ended 30 June 2022

E1.1 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.

E1.2 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.

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

	Total	<30 days	31 - 60 days	61 - 90 days	>90 days
2022					
Combined	50,267,697	50,267,697	-	-	-
Liability Mutual Insurance	50,267,697	50,267,697	-	-	-
Commercial Crime Fund	-	-	-	-	-
2021					
Combined	46,410,493	46,410,493	-	-	-
Liability Mutual Insurance	45,415,449	45,415,449	-	-	-
Commercial Crime Fund	995,044	995,044	-	-	-

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

	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	2022	2021	2022	2021	2022	2021
E2. PREMIUMS IN ADVANCE	\$	\$	\$	\$	\$	\$
Contributions billed in advance	45,599,039	42,723,434	45,599,039	42,723,434	-	-

E2.1 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".

E3. PAYABLES

E3.1 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.

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

for the year ended 30 June 2022

NOTE F: INSURANCE PROVISIONS

Structure:

F1 Outstanding claims

F2 Reconciliation of movement in discounted outstanding claims liability

F3 Net claims incurred

F4 Claims development table

	NOTE	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
		2022	2021	2022	2021	2022	2021
		\$	\$	\$	\$	\$	\$
F1. OUTSTANDING CLAIMS							
Central estimate		169,499,128	132,746,952	169,499,128	132,746,952	-	-
Discount to present value		(20,465,901)	(4,712,058)	(20,465,901)	(4,712,058)	-	-
Excesses and recoveries - Discount to present value		1,649,863	210,106	1,649,863	210,106	-	-
		150,683,090	128,245,000	150,683,090	128,245,000	-	-
Claims handling costs		829,150	857,325	829,150	857,325	-	-
Risk margin		-	-	-	-	-	-
TOTAL OUTSTANDING CLAIMS		151,512,240	129,102,325	151,512,240	129,102,325	-	-
Comprising:							
CURRENT		24,170,824	21,285,524	24,170,824	21,285,524	-	-
NON-CURRENT		127,341,416	107,816,801	127,341,416	107,816,801	-	-
TOTAL OUTSTANDING CLAIMS		151,512,240	129,102,325	151,512,240	129,102,325	-	-

As at 30 June 2022, 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 (2021: 0%) to achieve the desired level of sufficiency.

	2022			2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	\$	\$	\$	\$	\$	\$
Outstanding claims brought forward	129,102,325	124,105,048	4,997,277	114,179,145	114,084,701	94,444
Changes in assumptions	(6,129,330)	(5,273,101)	(856,229)	25,361,966	25,607,719	(245,753)
Increase in claims incurred/recoveries anticipated	48,167,217	41,308,178	6,859,039	14,923,180	8,506,688	6,416,492
Included claims recognised in income statement	171,140,212	160,140,125	11,000,087	40,285,146	34,114,407	6,170,739
Claim payments (recoveries) during the year	(19,627,971)	(18,221,352)	(1,406,619)	(25,361,966)	(24,094,060)	(1,267,906)
Outstanding claims carried forward	151,512,241	141,918,773	9,593,468	129,102,325	124,105,048	4,997,277
Debtor Excesses and Reinsurance Recoveries on Paid Claims	-	4,972,188	(4,972,188)	-	5,063,758	(5,063,758)
TOTAL NET OUTSTANDING CLAIMS	151,512,241	136,946,585	14,565,656	129,102,325	119,041,290	10,061,035

F3. NET CLAIMS INCURRED

	2022			2021		
	Current Year	Prior Year	Total	Current Year	Prior Year	Total
	\$	\$	\$	\$	\$	\$
LIABILITY MUTUAL INSURANCE						
Gross claims and related expenses – undiscounted	42,079,323	14,272,649	56,351,972	31,683,250	10,520,929	42,204,179
Discount	(5,284,763)	(9,029,322)	(14,314,085)	(1,329,800)	(589,233)	(1,919,033)
Gross Claims and related expenses – discounted	36,794,560	5,243,327	42,037,887	30,353,450	9,931,696	40,285,146
Reinsurance and other recoveries – undiscounted	(30,822,652)	(16,975,664)	(47,798,316)	(22,267,096)	(12,523,335)	(34,790,431)
Discount	456,603	11,306,637	11,763,239	(2,501,284)	3,177,308	676,024
Reinsurance and other recoveries – discounted	(30,366,049)	(5,669,027)	(36,035,077)	(24,768,380)	(9,346,027)	(34,114,407)
NET CLAIMS INCURRED	6,428,511	(425,700)	6,002,810	5,585,070	585,669	6,170,739

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

for the year ended 30 June 2022

F4. CLAIMS DEVELOPMENT TABLE

Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
GROSS ESTIMATE OF											
ULTIMATE CLAIMS COST											
At end of accident year	23,083,334	22,191,872	22,465,862	22,303,614	20,097,434	21,743,945	22,793,891	24,705,870	30,720,155	41,062,929	
One year later	22,302,009	22,401,912	21,693,885	20,487,169	21,295,287	21,194,033	23,090,037	26,255,218	38,132,271		
Two years later	19,817,058	28,143,148	21,462,820	18,332,131	20,143,548	21,196,000	24,778,903	25,467,579			
Three years later	18,072,661	28,118,433	21,059,584	17,579,579	18,803,428	21,843,602	29,855,405				
Four years later	19,002,351	26,396,726	20,988,591	23,199,558	21,437,347	27,911,688					
Five years later	17,226,868	25,709,500	22,615,763	23,962,747	18,770,721						
Six years later	17,313,310	26,048,889	23,941,043	23,904,496							
Seven years later	17,304,563	25,845,811	24,599,167								
Eight years later	19,318,530	25,199,008									
Nine years later	19,269,312										
Current estimate of cumulative claims cost	19,269,312	25,199,008	24,599,167	23,904,496	18,770,721	27,911,688	29,855,405	25,467,579	38,132,271	41,062,929	274,172,575
Cumulative payments	(17,813,845)	(22,998,070)	(20,280,999)	(13,542,813)	(11,112,913)	(9,160,844)	(5,698,769)	(4,089,676)	(1,378,542)	(376,598)	(106,454,188)
Outstanding claims - undiscounted	1,455,467	2,200,938	4,318,168	10,361,683	7,657,808	18,750,744	24,156,616	21,377,903	36,752,729	40,686,331	167,718,387
DISCOUNT											
Claims Handling Expense 2012 and prior											(18,663,315)
TOTAL GROSS OUTSTANDING CLAIMS F1											
											151,512,241
NET ESTIMATE OF											
ULTIMATE CLAIMS COST											
At end of accident year	8,122,535	4,602,870	12,238,820	3,710,694	3,367,525	35,959	1,278,911	3,851,527	4,763,923.40	6,002,562.15	
One year later	8,218,920	4,674,158	11,932,830	3,740,554	68,793	47,759	1,300,067	3,882,698	503,917.19		
Two years later	8,074,101	4,707,042	11,973,116	90,797	174,862	107,740	1,319,341	3,856,114			
Three years later	7,297,209	4,237,860	3,598,339	335,276	263,365	141,874	1,287,260				
Four years later	7,820,757	2,799,428	3,693,245	457,093	267,548	141,484					
Five years later	5,096,669	2,834,228	3,806,394	510,580	330,038						
Six years later	4,994,685	2,865,305	3,843,435	525,251							
Seven years later	5,036,415	2,873,721	3,850,230								
Eight years later	5,049,324	2,859,177									
Nine years later	5,049,323										
Current estimate of cumulative claims cost	5,049,323	2,859,177	3,850,230	525,251	330,038	141,484	1,287,260	3,856,114	5,039,117.19	6,002,562.15	20,940,557
Cumulative payments	(5,183,231)	(2,925,018)	(4,197,114)	(956,074)	(519,777)	(830,987)	(1,915,752)	(1,495,708)	(487,735)	(131,648)	(18,643,044)
Outstanding claims - undiscounted	(133,908)	(65,841)	(346,884)	(430,823)	(189,738)	(689,503)	(628,492)	2,360,406	4,551,382	5,870,914	10,297,513
DISCOUNT											
Claims Handling Expense 2012 and prior											(1,259,694)
OUTSTANDING CLAIMS											
Debtor Excesses and Reinsurance Recoveries on Paid Claims											9,593,468
TOTAL NET OUTSTANDING CLAIMS F2											
											4,972,189
											14,565,656

NOTE G: FINANCING OUR OPERATIONS

Structure

G1 Notes to statement of cash flows

G1.1 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	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$
Cash and Cash Equivalents	8,927,999	5,231,756	8,802,501	5,052,955	125,498	178,801
Reconciliation of Net Cash (Used In)/provided by Operating Activities to Operating Surplus/(Deficit)						
Surplus (deficit) for year	2,762,852	1,913,013	2,753,233	1,908,914	9,619	4,099
Adjustments for:						
Depreciation	-	-	-	-	-	-
Amortisation	-	-	-	-	-	-
Unrealised gains on investments	99,679	2,300	99,679	2,300	-	-
Changes in assets and liabilities:						
(Increase)/decrease in trade and other receivables	(4,852,248)	(2,663,682)	(4,852,248)	(2,663,827)	-	145
Increase/(decrease) in trade and other payables	964,164	3,107,309	1,027,086	3,064,160	(62,922)	43,149
(Increase)/decrease in reinsurance recoveries	(17,813,725)	(10,020,347)	(17,813,725)	(10,020,347)	-	-
Increase/(decrease) in premiums in advance	2,875,605	3,711,840	2,875,605	3,711,840	-	-
Increase/(decrease) in outstanding claims	22,409,916	14,923,180	22,409,916	14,293,180	-	-
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	6,446,243	10,973,613	6,499,546	10,926,220	(53,303)	47,393

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 (continued)

for the year ended 30 June 2022

NOTE H: PEOPLE AND RELATIONSHIPS**Structure**

H1 Related Parties H3 Auditor Fees
 H2 Remuneration of Key Management Personnel

H1. RELATED PARTIES

The MAV is a body corporate established under the *Municipal Association Act 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 \$520,000 (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. D. Clark (MAV President)
 M. Guilmartin (Independent) - until 31 October 2021
 J. Bennie (Greater Dandenong City Council - Chief Executive Officer)
 Dr. K. Stephenson (Director - Kingborough Council) - until 31 December 2021
 D. Lester (LGAT - Chief Executive Officer)
 K. Thompson (MAV - Chief Executive Officer)
 Cr. M. Emerson (MAV Board Representative)
 K. Williams (Independent)
 K. Reid (Independent)
 P. Woodhouse (Independent)
 J. Drysburch (General Manager Brighton Council) - from 25 March 2022
 B. Richards (Independent)

H2. REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

	Annual Meeting Allowance		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	2022	2021	2022	2021	2022	2021
Chairperson	\$ 25,000					
Independent Board members	\$ 15,300					
Short-term remuneration of MAV Insurance Board and key management personnel (Cost of key management personnel is recovered by the MAV)	\$ 168,562	\$ 141,726	\$ 168,562	\$ 141,726	\$ -	\$ -
Post employment benefits	\$ 4,019	\$ 4,332	\$ 4,019	\$ 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.

	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	2022	2021	2022	2021	2022	2021
Amounts payable or due and payable for audit services:						
Audit of the entity	\$ 200,403	\$ 181,201	\$ 200,403	\$ 181,201	\$ -	\$ -
TOTAL AUDIT FEE	\$ 200,403	\$ 181,201	\$ 200,403	\$ 181,201	\$ -	\$ -

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

for the year ended 30 June 2022

NOTE I: MANAGING UNCERTAINTIES

Structure

I1 Risk management objectives and policies for mitigating insurance risk	I6 Actuarial assumptions and methods
I2 Capital management objectives and economic dependency	I7 Interest rate risk
I3 Contingent liabilities	I8 Liquidity risk
I4 Purchase of retrospective insurance	I9 Credit risk
I5 Accounting estimates and judgements	

I1. 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, catastrophic events, and a higher than expected number of smaller claims. 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.

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.

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.

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.

I2. 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.

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.

I3. 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.

No other material contingent liabilities have arisen in the year ended 30 June 2022.

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

for the year ended 30 June 2022

14. 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+.

15. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

15.1 Estimation of outstanding claims liability

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

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

The determination of an appropriate outstanding claims provision involves:

- (i) Establishing a case estimate for each reported claim at year-end taking into account legal advice where appropriate on larger claims;
- (ii) Allowance for incurred but not reported claims as confirmed by the actuarial review on 30 June 2022;
- (iii) Allowances for claim inflation of 3.69%, as assumed by the Actuary;
- (iv) Allowances for discount at 3.35%, as assumed by the Actuary;
- (v) A risk margin of 0% of net outstanding claims after the effect of reinsurance has been applied.

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

15.2 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 2022, 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:

	2022	2021
Key actuarial assumptions		
Wage inflation	3.69%	2.81%
Discount rate	3.35%	0.93%
Risk margin	0.00%	0.00%
Superimposed inflation (Public liability - personal injury portfolio)	1.75%	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 2022. 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 2022 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 2022 forecasts for Victorian average weekly wage inflation was assumed to be 3.69%. The discount rate was assumed to be 3.35% pa., derived from the yields on Commonwealth Government bonds.

A risk margin of 0% of the net liabilities was used 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.

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

for the year ended 30 June 2022

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 2022	Total Accumulated Funds after the impact of applying variable
	%	%	\$	\$
IMPACT OF CHANGES IN KEY VARIABLES				
LIABILITY MUTUAL INSURANCE				
Base value at 30 June 2022	3.69%		2,753,233	4,755,989
Wage Inflation rate p.a.		4.19%	2,720,233	4,722,989
		3.19%	2,786,233	4,788,989

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 2022	Total Accumulated Funds after the impact of applying variable
	%	%	\$	\$
IMPACT OF CHANGES IN DISCOUNT RATES				
LIABILITY MUTUAL INSURANCE				
Base value at 30 June 2022	3.35%		2,753,233	4,755,989
Discount rate p.a.		3.85%	2,947,233	4,949,989
		2.85%	2,559,233	4,561,989

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 +0.5%/-0.5%	Operating surplus (deficit) at 30 June 2022	Total Accumulated Funds after the impact of applying variable
	%	%	\$	\$
IMPACT OF CHANGES IN KEY VARIABLES				
LIABILITY MUTUAL INSURANCE				
Base value at 30 June 2022	0.56%		2,753,233	4,755,989
Claim administration expense		1.06%	2,422,733	4,425,489
		0.06%	3,083,733	5,086,489

17. INTEREST RATE RISK

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
	\$	\$	\$	\$	\$	\$
2022						
FINANCIAL ASSETS						
Cash and cash equivalents	G1	-	8,927,999	-	8,802,501	125,498
Investments	D1	-	9,648,021	-	9,648,021	-
Trade and other receivables	E1	192,186,469	-	192,186,469	-	-
TOTAL FINANCIAL ASSETS		192,186,469	18,576,020	192,186,469	18,450,522	125,499
Weighted Average Interest Rate			1.8%		1.9%	1.4%
FINANCIAL LIABILITIES						
Outstanding claims	F1	151,512,240	-	151,512,240	-	-
Unearned premiums/subscriptions	E2	45,599,039	-	45,599,039	-	0
Trade and other payables	E3	8,774,577	-	8,769,723	-	4,854
TOTAL FINANCIAL LIABILITIES		205,885,856	-	205,881,002	-	4,854
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 2022

	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	-	5,231,756	-	5,052,955	-	178,801
Investments	-	6,997,700	-	6,997,700	-	-
Trade and other receivables	169,460,448	49	169,520,497	-	(49)	49
TOTAL FINANCIAL ASSETS	169,460,448	12,229,505	169,520,497	12,050,655	(49)	178,851
Weighted Average Interest Rate		0.1%		0.1%		0.2%
FINANCIAL LIABILITIES						
Outstanding claims	129,102,325	-	129,102,325	-	-	-
Unearned premiums/subscriptions	42,723,434	-	42,723,434	-	-	-
Trade and other payables	7,750,413	-	7,742,637	-	67,776	-
TOTAL FINANCIAL LIABILITIES	179,576,172	-	179,568,396	-	67,776	-
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 2022. Cash flows for financial assets and liabilities without fixed amounts or timing are based on conditions existing at 30 June 2022.

The remaining contractual maturities of the financial liabilities are:

	COMBINED		LIABILITY MUTUAL INSURANCE		COMMERCIAL CRIME	
	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$
3 months or less	26,281,100	23,745,135	26,276,246	23,737,359	4,854	67,776
3-12 months	52,519,568	47,984,166	52,519,568	47,984,166	-	-
1-5 years	97,349,259	75,893,027	97,349,259	75,893,027	-	-
Over 5 years	48,551,968	36,455,796	48,551,968	36,455,796	-	-
	224,701,895	184,078,124	224,697,041	184,070,348	4,854	67,776

Interest rate risk

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

Variable	Current Rate	Change variable to +1.0%/-1.0%	Operating surplus (deficit) at 30 June 2022	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 2022	1.8%		2,762,852	4,876,633
Interest Rate p.a.		2.8%	2,778,255	4,892,036
		0.8%	2,747,449	4,861,230

18. 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 2022	<3 months	3-12 months	1-5 years	>5years	Total
	\$	\$	\$	\$	\$
COMBINED					
FINANCIAL ASSETS					
Cash and cash equivalents	8,927,999	-	-	-	8,927,999
Investments	9,648,021	-	-	-	9,648,021
Trade and other receivables	58,611,861	18,486,196	85,230,927	47,413,829	209,742,812
	77,187,881	18,486,196	85,230,927	47,413,829	228,318,832
COMBINED					
FINANCIAL LIABILITIES					
Outstanding claims	6,106,763	18,320,289	97,349,259	48,551,968	170,328,278
Trade and other payables	8,774,577	-	-	-	8,774,577
TOTAL FINANCIAL LIABILITIES	14,881,340	18,320,289	97,349,259	48,551,968	179,102,855
NET MATURITY	62,306,540	165,907	(12,118,332)	(1,138,139)	49,215,977

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

for the year ended 30 June 2022

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	53,685,424	16,405,174	68,995,822	34,684,069	173,770,489
	66,909,924	16,405,174	68,995,822	34,684,069	185,999,945
COMBINED FINANCIAL LIABILITIES					
Outstanding claims	5,313,863	15,941,590	75,893,027	36,455,796	133,604,276
Trade and other payables	7,750,413	-	-	-	7,750,413
TOTAL FINANCIAL LIABILITIES	13,064,276	15,941,590	75,893,027	36,455,796	141,354,689
NET MATURITY	53,845,648	463,584	(6,897,205)	(1,771,727)	44,645,256

I9. CREDIT RISK

		CREDIT RATING					Speculative Grade	Not Rated	Total
		AAA +/- \$M	AA +/- \$M	A +/- \$M	BBB \$M	\$M	\$M	\$M	
Reinsurance and other recoveries on outstanding claims	2022	-	0.518	49,589	-	-	-	50,107	
	2021	-	-	41,230	-	-	0.399	44,155	
Reinsurance and other recoveries on paid claims	2022	-	-	2,575	-	-	-	2,575	
	2021	-	0.031	2,602	-	-	0.028	2,661	
		PAST DUE BUT NOT IMPAIRED					Impaired	Total	
		Neither past due nor impaired \$M	Less than 3 months \$M	3 to 6 months \$M	6 months to 1 year \$M	Greater than 1 year \$M	\$M	\$M	
Reinsurance and other recoveries on paid claims	2022	-	2,131	0,409	0,035	-	-	2,575	
	2021	-	2,661	-	-	-	-	2,661	

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.

J: OTHER MATTERS

Structure

J1 Summary of significant accounting policies

J4 Impact of COVID 19 pandemic

J2 Income tax

J5 Events Subsequent

J3 Comparative figures

J6 Number of employees:

J1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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
AASB 2020-1	Amendments to AAS Classification of Liabilities as Current or Non-Current	1 Jan 22	Application of this standard is not expected to have a material impact.	1 Jan 22

J2. 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.

J3. COMPARATIVE FIGURES

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

The MAV is considered an Agency for the management of the Commercial Crime Fund and therefore premiums and insurances payable are offset against each other in the financial statements. For the year ending 30 June 2021 these amounts were incorrectly recognised as receivables, income in advance, and payables. The comparison for 30 June 2021 has been updated to reflect the correct balances for comparative purposes resulting in reported reduction of \$1.137m at 30 June 2021 for receivables, \$1.034m for Income and Advance and \$0.103m for payables. There is no impact on the statement of comprehensive income or statement of cashflows. This was discovered following a review of the application of the accounting standard.

J4. IMPACT OF COVID-19 ON FINANCIAL STATEMENTS

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 2022 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.

J5. SUBSEQUENT EVENTS

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

J6. NUMBER OF EMPLOYEES

Nil

MAV WORKCARE Financial Report 2021-22

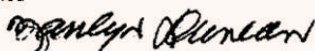
Statement by the MAV Workcare Board

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 2022
- (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 Australian Accounting Standards as disclosed in note A3.

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
4/10/2022

Statement by the MAV 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 WorkCare for the year ended 30 June 2022;
- (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; and
- (d) the accompanying MAV WorkCare Financial Statements present fairly in all material respects the state of affairs of MAV WorkCare as at that date;
- (e) the financial statements and notes also comply with the Australian Accounting Standards as disclosed in note A3.

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.



Cr. David Clark
President



Cr. Tom Melican
Director



Chief Executive Officer

Melbourne
7/10/2022

OTHER INFORMATION

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 was approved by WorkSafe Victoria to operate a self-insurance workers' compensation Scheme for its members and their employees for the period November 2017 until 30 June 2021 when WorkSafe Victoria did not renew the licence and as a result for the period to 30 June 2027 the MAV Work Care is now a ceased self insurer.



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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 2022, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Statement by MAV WorkCare Board and Statement by MAV Directors.

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of the Scheme as at 30 June 2022, 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 ABC Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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 management determines is necessary to enable the preparation 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 related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

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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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

A handwritten signature in blue ink that reads "Rsm" in a stylized, cursive font.

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink that reads "Kristie Dundon" in a cursive font.

KRISTIE DUNDON
Partner

Melbourne
17 October 2022

Statement of Comprehensive Income

for the year ended 30 June 2022

		2022	2021
		\$	\$
Premium revenue	NOTE B1	-	19,498,081
Re-insurance related recoveries		-	653,941
Re-insurance expense		-	(1,483,979)
NET PREMIUM INCOME		-	18,668,043
Claims expense	C1	-	(20,661,108)
Reinsurance and other recoveries		-	2,423,392
NET CLAIMS EXPENSE		-	(18,237,716)
NET UNDERWRITING RESULT		-	430,328
Net investment gain	B1	8,467	6,100,877
Administration and general expenses	C2	-	(13,265,107)
Movement in ceased self insurer provision	C4	(8,467)	(3,117,327)
Scheme wind-down contribution - MAV	B1	-	1,260,000
Scheme wind-down recoveries - members	B1	-	17,930,000
OPERATING SURPLUS		-	9,338,771
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	9,338,771

The accompanying notes form an integral part of these statements.

Statement of Financial Position

for the year ended 30 June 2022

		2022	2021
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		26,172	63,133,759
Trade and other receivables	E1	1,112,200	19,943,070
TOTAL CURRENT ASSETS		1,138,372	83,076,829
NON-CURRENT ASSETS			
Trade and other receivables	E1	1,408,000	1,835,000
Motor vehicles, furniture and equipment	D1	-	13,433
TOTAL NON-CURRENT ASSETS		1,408,000	1,848,433
TOTAL ASSETS		2,546,372	84,925,262
CURRENT LIABILITIES			
Trade and other payables	E2	366,521	2,383,655
MAV subordinate loan		-	4,000,000
Provision for employee entitlements		-	68,936
Provision for ceased self insurer members	C4	541,139	1,282,328
Outstanding claims	C1	-	14,548,928
TOTAL CURRENT LIABILITIES		907,660	22,283,847
NON-CURRENT LIABILITY			
Provision for ceased self insurer members	C4	1,638,712	1,835,000
Outstanding claims	C1	-	60,806,415
TOTAL NON-CURRENT LIABILITY		1,638,712	62,641,415
TOTAL LIABILITIES		2,546,372	84,925,262
NET LIABILITIES		-	-
EQUITY		-	-

Statement of Changes in Equity

for the year ended 30 June 2022

	2022	2021
	\$	\$
RETAINED EARNINGS		
Balance at the Beginning of the year	-	(9,338,771)
Income from ordinary activities	-	9,338,771
BALANCE AT END OF YEAR	-	-

Statement of Cash Flows

for the year ended 30 June 2022

CASH FLOW FROM OPERATING ACTIVITIES

	2022	2021
	\$	\$
RECEIPTS		
Premiums and fees	20,486,226	18,272,736
Interest and investment gain	10,523	6,220,231
PAYMENTS		
Suppliers and Loans	(8,261,005)	(10,843,836)
Claim payments	-	(14,395,720)
Payments to WorkSafe Victoria	(75,355,343)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	(63,119,599)	(746,589)
CASH FLOW FROM INVESTING ACTIVITY		
Receipts from investment activities	12,012	52,098,908
NET CASH FROM INVESTING ACTIVITIES	12,012	52,098,908
NET INCREASE (DECREASE) IN CASH HELD	(63,107,587)	51,352,319
Cash at beginning of year	63,133,759	11,781,440
CASH AT END OF YEAR	26,172	63,133,759

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 2022

NOTE A: CORPORATE INFORMATION

Structure:

A1 Corporate information	A3 Statement of compliance
A2 Basis of preparation	A4 Transition to WorkSafe Victoria

A1 CORPORATE INFORMATION

The financial report of MAV WorkCare (the Scheme) for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of the directors of the Municipal Association of Victoria (MAV), and a resolution of the directors of the MAV WorkCare board and Statement by the MAV WorkCare board on the date shown on the attached Statement by Directors and Statement by the WorkCare board.

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*.

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, Work Safe 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 following Work Safe Victoria's decision not to renew the licence, with all claims being transferred to Work Safe Victoria from 1 July 2021. The MAV continues 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.

A2 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.

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, does 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.

A3 STATEMENT OF COMPLIANCE

The financial report complies with Australian Accounting Standards, which include interpretations issued by the Australian Accounting Standards Board (AASB).

A4 TRANSITION TO WORKSAFE 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 at 30 June 2021 reflect the nature of the claims. Please also refer to Note 12 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 at 30 June 2021, 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. At 30 June 2022 the value of the provision has decreased to \$2.179.

There is also a potential contingent liability in relation to the 3-year and 6-year liability period. Please refer to Note 13 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)
MAV contribution	1,260
Contribution from Work Care members on cessation of the Scheme	17,930
Net liability position at 30 June 2021	0

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

for the year ended 30 June 2022

NOTE B: FUNDING THE DELIVERY OF OUR SERVICES

	NOTE	2022 \$	2021 \$
B1. REVENUE FROM ORDINARY ACTIVITIES			
REVENUES FROM OPERATING ACTIVITIES			
Premiums	B1.2	-	19,498,081
Reinsurance related refunds		-	653,941
Recoveries from participating members	A4	-	17,930,000
Contribution from the MAV on wind-down		-	1,260,000
Reinsurance and other recoveries		-	2,423,392
TOTAL REVENUE FROM OPERATING ACTIVITIES		-	41,765,414
REVENUES FROM NON-OPERATING ACTIVITIES			
Investment income	B1.3	8,467	68,429
Realised investment gain		-	6,032,448
TOTAL REVENUE FROM OUTSIDE THE OPERATING ACTIVITIES		8,467	6,100,877
TOTAL REVENUE FROM ORDINARY ACTIVITIES		8,467	47,866,291

B1.1 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.

B1.2 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.

B1.3 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.

Notes to and forming part of the financial statements

for the year ended 30 June 2022

NOTE C: COST OF DELIVERING OUR SERVICES

Structure:

C1 Claims Expenses

C2 Administration & General expenses

C3 Scheme Management fees

C1. CLAIMS EXPENSES

	NOTE	2022 \$	2021 \$
Paid		-	14,395,720
Outstanding claims at end of financial year	F1	-	75,355,344
Less: Outstanding claims at beginning	F-1	-	(69,089,956)
TOTAL CLAIMS EXPENSES		-	20,661,108

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 had estimated superimposed inflation to be 2.25% per annum at 30 June 2021 and a discount rate 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 I.

C2. ADMINISTRATION & GENERAL EXPENSES

	NOTE	2022 \$	2021 \$
Administration and wind-down expenses		17,014	4,599,223
Bank guarantee expenses		713,313	605,803
Impairment of reinsurance recoveries	A4	0	5,297,183
Audit fees	H3	99,800	103,760
Depreciation of motor vehicles	D1	1,226	7,354
Depreciation of information technology equipment	D1	195	1,838
Staffing costs		114,396	1,003,560
Levy		-	1,155,346
Scheme management fees	C3	-	491,040
Expenditure incurred from prior year provision	C4	(945,944)	-
TOTAL ADMINISTRATION AND GENERAL EXPENDITURE		-	13,265,107

C3. SCHEME MANAGEMENT FEES

	2022 \$	2021 \$
Included within administration and general expenses are		
Risk Identification and prevention	-	196,416
Occupational Health and Safety	-	196,416
Training and Education	-	98,208
TOTAL MANAGEMENT SCHEME FEES	-	491,040

C4. MOVEMENT IN CEASED SELF INSURER PROVISION

	2022 \$	2021 \$
Opening balance	3,117,328	-
Expenditure incurred from prior year provision	(945,944)	-
Movement during the year	8,467	3,117,328
TOTAL CEASED SELF INSURER PROVISION	2,179,851	3,117,328
Represented By:		
CURRENT	541,139	1,282,328
NON-CURRENT	1,638,712	1,835,000
TOTAL	2,179,851	3,117,328

Notes to and forming part of the financial statements

for the year ended 30 June 2022

NOTE D: ASSETS WE MANAGE

Structure

D1 Motor Vehicles, Furniture and Equipment

	2022	2021
	\$	\$
D1. MOTOR VEHICLES, FURNITURE AND EQUIPMENT		
Motor vehicles	-	36,768
Less accumulated depreciation	-	(25,125)
	-	11,643
Furniture and equipment - at cost	-	6,246
Less accumulated depreciation	-	(4,456)
	-	1,790
Total written down value at year end	-	13,433
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	11,643	18,997
Additions	-	-
Disposals	(10,417)	-
Depreciation	(1,226)	(7,354)
End of year	-	11,643
FURNITURE AND EQUIPMENT		
Movements during the year		
Beginning of year	1,790	3,628
Additions	-	-
Disposals	(1,595)	-
Depreciation	(195)	(1,838)
End of year	-	1,790

Motor vehicles, Furniture and Equipment are carried at cost, less where applicable, accumulated depreciation and impairment. In 2022, motor vehicle and furniture and equipment was disposed at its carrying amount. Accordingly, no gain or loss is recognised in the transaction.

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%

Notes to and forming part of the financial statements

for the year ended 30 June 2022

NOTE E: OTHER ASSETS AND LIABILITIES

Structure
E1 Receivables
E2 Payables

	2022	2021
	\$	\$
E1 TRADE AND OTHER RECEIVABLES		
Future reinsurance and other recoveries receivable	-	7,951,940
Discount to present value	-	(720,714)
	-	7,231,226
Impairment of reinsurance recoveries	-	(5,297,183)
Other receivables	2,520,200	19,844,028
TOTAL RECEIVABLES	2,520,200	21,778,071
Represented By:		
CURRENT	1,112,200	19,943,070
NON-CURRENT	1,408,000	1,835,000
TOTAL	2,520,200	21,778,070

All reinsurance recoveries were impaired at 30 June 2021 as Work Safe Victoria was unable to recognise this asset from 1 July 2021. Other recoveries are

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

	Total	<30 days	31 - 60 days	61 - 90 days	>90 days
2022					
MAV WorkCare	2,520,200	1,835,000	-	-	685,200
2021					
MAV WorkCare	21,778,070	-	2,056	-	21,776,014

E1.1 Trade 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 Scheme 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. Member recoveries relating to the wind-down of the Scheme are not assessed as impaired.

E1.2 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 was unable to recognise this asset from 1 July 2021.

E1.3 Other receivables

Other receivables relate to amounts collectible from participating members of the Scheme as part of the wind-down of the Scheme. Terms are as set by the MAV Board and are aligned to the ceased self insurer requirements of WorkSafe Victoria and the participation agreements of the Scheme. Amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

E2. 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 Scheme prior to the end of the financial year that are unpaid and arise when the Scheme 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.

Notes to and forming part of the financial statements

for the year ended 30 June 2022

NOTE F: INSURANCE PROVISIONS

Structure:

F1 Outstanding claims

F3 Net claims incurred

F2 Reconciliation of movement in discounted outstanding claims liability

	2022	2021
	\$	\$
F1. OUTSTANDING CLAIMS		
Central estimate	-	76,015,442
Discount to present value	-	(6,818,616)
	-	69,196,826
Claims handling costs	-	6,158,517
TOTAL OUTSTANDING CLAIMS	-	75,355,343
Comprising:		
CURRENT	-	14,548,928
NON-CURRENT	-	60,806,415
TOTAL OUTSTANDING CLAIMS	-	75,355,343

As at 30 June 2021, the MAV WorkCare Board determined that the outstanding claims liability was 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.

F2 RECONCILIATION OF MOVEMENT IN DISCOUNTED OUTSTANDING CLAIMS LIABILITY

	2022			2021		
	Gross	Reinsurance & Recoveries	Net	Gross	Reinsurance & Recoveries	Net
	\$	\$	\$	\$	\$	\$
Outstanding claims brought forward	-	-	-	69,089,956	(5,003,152)	64,086,804
Changes in assumptions	-	-	-	2,142,904	(389,540)	1,753,364
Increase in claims incurred/recoveries anticipated	-	-	-	18,518,204	(2,033,852)	16,484,352
Incurred claims recognised in income statement	-	-	-	20,661,108	(2,423,392)	18,237,716
Claim payments during the year	-	-	-	(14,395,721)	195,318	(14,200,403)
Outstanding claims carried forward	-	-	-	75,355,343	(7,231,226)	68,124,117

F3. NET CLAIMS INCURRED

	2022			2021		
	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
Discount	-	-	-	(1,336,946)	(1,609,386)	(2,946,332)
Gross Claims and related expenses – discounted	-	-	-	16,607,392	4,053,716	20,661,108
Reinsurance and other recoveries undiscounted	-	-	-	(2,515,212)	(628,894)	(3,144,106)
Discount	-	-	-	409,137	311,577	720,714
Reinsurance and other recoveries – discounted	-	-	-	(2,106,075)	(317,317)	(2,423,392)
NET CLAIMS INCURRED	-	-	-	14,501,317	3,736,399	18,237,716

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 2022

NOTE G: FINANCING OUR OPERATIONS

Structure

G1 Notes to statement of cash flows

G1. NOTES TO THE STATEMENT OF CASH FLOWS

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

	NOTE	2022 \$	2021 \$
Cash and Cash Equivalents		26,172	63,133,759
TOTAL CASH		26,172	63,133,759
Reconciliation of Net Cash (Used In) Operating Activities to Operating Surplus/(Deficit)			
Surplus/(deficit) for year		-	9,338,771
<u>Adjustments for:</u>			
Depreciation		1,421	9,192
<u>Changes in assets and liabilities:</u>			
(Increase) decrease in trade and other receivables and prepayments	E1	19,257,870	2,109,817
Increase(decrease) in employee entitlements		(68,936)	12,272
Increase (decrease) in loans, trade and other payables		(6,017,134)	(812,635)
Increase (decrease) in provision for ceased self insurance members		(937,477)	3,117,328
Increase (decrease) in premiums in advance		-	(20,786,720)
Increase (decrease) in outstanding claims	F1	(75,355,343)	6,265,387
NET CASH (USED IN) OPERATING ACTIVITIES		(63,119,599)	(746,589)

Cash and cash equivalents in the balance sheet comprise cash at bank.

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

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

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

for the year ended 30 June 2022

NOTE H: PEOPLE AND RELATIONSHIPS**Structure**

H1 Related Parties	H3 Audit Fees
H2 Remuneration of Key Management Personnel	

H1. RELATED PARTIES

The MAV is a body corporate established under the Municipal Association Act 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. Whilst the Scheme was operating the MAV paid workers' compensation insurance premiums to MAV WorkCare (2021 \$35,160). At 30 June 2021 the MAV General Fund had a subordinated loan to MAV WorkCare to the value of \$4 million, which is now been fully settled, with the MAV contributing \$1.260 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) until 29 September 2021
 Cr. T. Melican (MAV Board) from 1 October 2021
 J. Dore (Independent)
 Cr. D. Clark (MAV President)
 K. Thompson (MAV Chief Executive Officer)

H2. REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

	Annual Sitting Fee 2022	Annual Sitting Fee 2021
Chairperson	\$ 25,000	\$ 25,000
Independent board members	15,000	15,000
	2022	2022
	\$	\$
Short-term remuneration of MAV WorkCare board and key management personnel (cost of key management personnel is recovered by the MAV)	73,672	301,842
Post employment benefits	4,076	22,500

The Director MAV-WorkCare role finished in September 2021.

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.

H3. AUDIT FEES

	2022	2021
Amounts payable or due and payable for audit services:	\$	\$
Audit of the entity	99,800	83,240
Audits-other	-	56,560
TOTAL AUDIT FEE	99,800	139,800

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

for the year ended 30 June 2022

NOTE I: MANAGING UNCERTAINTIES

Structure

11 Contingent liabilities	14 Interest rate risk
12 Accounting estimates and judgements	15 Liquidity risk
13 Actuarial assumptions and methods	

I1. CONTINGENT LIABILITY

In accordance with the Workplace Injury Rehabilitation and Compensation Act 2013, the MAV has a bank guarantee in place for the duration of the ceased self-insurer period. The guarantee is in respect of the tails claims liability given by an ADI to or in favour of WorkSafe Victoria. The guarantee must guarantee payments of amounts not less than: a) insolvency risk in respect of - i) in relation to the first year of the liability period, the initial assessment of tail claims liability until the end of the first year after the exit date ii) in relation to the second and subsequent years of the liability, the revised amount of the tail claims liability still outstanding as assessed at the end of each subsequent year of the duration of the next year until the final assessment date, and b) against claims deterioration - i) in relation to the period from the exit date until the interim assessment date, for the amount, if any, by which the revised assessment of the tail claims liability at the end of each year exceeds the initial assessment tail claims liability ii) in relation to the period referred to above, until the final assessment date, or if a review of the final assessment is undertaken resulting from the employer disputing WorkSafe Victoria's final revised assessment unit the date on which the review is finalised, for the amount, if any, by which the revised assessment of tail claims liability at the end of each year exceeds the revised assessment of tail claims liability as assessed at the end the 3rd year and 6th year.

The MAV has a bank guarantee in place which meets WorkSafe Victoria's requirements with an annual fee of 1.1% of the face value of the bank guarantee each year. Where WorkSafe Victoria 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.

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 WorkSafe Victoria. Any adjustments, which are expected to occur at the 3-year and 6-year periods during this period will affect participating members. At 30 June 2022 the assessment is that payment experience over the past year had been broadly in line with expectations, and considered the initial assessment from 30 June 2021 to remain reasonable.

I2. ACCOUNTING ESTIMATES AND JUDGEMENTS

The Scheme makes estimates and judgements in respect of certain key assets and liabilities. Estimates and judgements were continually reviewed and were 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 were applied at 30 June 2021 are described below.

(a) Estimation of outstanding claims liability at 30 June 2021

Provision was 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 took all reasonable steps to ensure that it had 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 was made of the amounts that were recoverable from reinsurers and any third party.

The determination of an appropriate outstanding claims provision involves:

- (i) Establishing a case estimate for each reported claim at year-end taking into account legal advice where appropriate on larger claims
- (ii) Allowance for incurred but not reported claims as confirmed by the actuarial review on 30 June 2021
- (iii) An allowance of 8.90% for claim administration expenses, as assumed by the Actuary
- (iv) Allowances for claim 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

Details of specific actuarial assumptions used at 30 June 2021 in deriving the outstanding claims liability at year-end are detailed in note 15.

(b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts were estimated for each fund year, from the payments to date and estimated outstanding claims history at 30 June 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 2022

13. ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial assumptions

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

	2022	2021
Key actuarial assumptions		
Wage inflation	n/a	2.25%
Average claims handling expense	n/a	8.90%
Discount rate	n/a	1.50%
Risk margin	n/a	0.00%
Superimposed inflation	n/a	1.90%

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 provided 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 was 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 had 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 were 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 was calculated by reference to expected future payments. These payments were 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 were 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.

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

for the year ended 30 June 2022

14. INTEREST RATE RISK

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
	\$	\$
2022		
FINANCIAL ASSETS		
Cash and cash equivalents	-	26,172
Investments	-	-
Trade and other receivables	2,520,200	-
TOTAL FINANCIAL ASSETS	2,520,200	26,172
Weighted Average Interest Rate		0.85%
FINANCIAL LIABILITIES		
Outstanding claims	-	-
Unearned premiums/subscriptions	-	-
Trade and other payables/loans	2,546,372	-
TOTAL FINANCIAL LIABILITIES	2,546,372	-
Weighted Average Interest Rate		0.0%
2021		
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 2022. Cash flows for financial assets and liabilities without fixed amounts or timing are based on conditions existing at 30 June 2022.

The remaining contractual maturities of the financial liabilities are:

	2022	2021
	\$	\$
3 months or less	-	10,117,001
3-12 months	-	12,275,558
1-5 years	-	37,245,036
Over 5 years	-	32,713,141
	-	92,350,736

Interest rate risk

MAV WorkCare is exposed to interest rate risk from its cash at bank.

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 2022 is set out in the table below.

Variable	Current Rate	Change variable to +0.5%/+2.5%	Operating surplus (deficit) at 30 June 2022	Total Accumulated Funds after the impact of applying variable
	%	%	\$	\$
IMPACT OF CHANGES IN INTEREST RATE ON FINANCIAL ASSETS				
Base value at 30 June 2022	0.85%		-	-
Interest Rate p.a.		1.35%	131	131
		3.35%	654	654
	Current Rate	Change variable to +0.3%/-0.08%	Operating surplus (deficit) at 30 June 2022	Total Accumulated Funds after the impact of applying variable
Base value at 30 June 2021	0.08%		9,338,771	-
Interest Rate p.a.		0.38%	9,338,771	315,669
		0.00%	9,288,264	(50,507)

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

for the year ended 30 June 2022

15. 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 2022	<3 months \$	3-12 months \$	1-5 years \$	>5years \$	Total \$
FINANCIAL ASSETS					
Cash and cash equivalents	26,172				26,172
Investments	-	-	-	-	-
Trade and other receivables	685,200	427,000	1,408,000	-	2,520,200
	711,372	427,000	1,408,000	-	2,546,372
FINANCIAL LIABILITIES					
Outstanding claims	-	-	-	-	-
Trade and other payables/loans	366,521	541,139	1,638,712	-	2,546,372
TOTAL FINANCIAL LIABILITIES	366,521	541,139	1,638,712	-	2,546,372
NET MATURITY	344,851	(114,139)	(230,712)	-	-
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
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)

J: OTHER MATTERS

Structure

J1 Summary of

J2 Income tax

J3 Comparative figures

J4 Events Subsequent

J5 Number of employees:

J1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards and Interpretations issued but not yet effective.

Reference	Title Summary	Application Date of Standard	Impact on MAV Financial Report	Application Date
AASB 2020-1	Amendments to AAS Classification of Liabilities as Current or Non-Current	1 Jan 22	Application of this standard is not expected to have a material impact.	1 Jan 22

J2. 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*.

J3. COMPARATIVE FIGURES

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

J4. EVENTS SUBSEQUENT

The \$685,200 receivable outstanding at 30 June 2022 was received in early 2022-23.

J5. NUMBER OF EMPLOYEES AT 30 JUNE 2022

Nil (2021=Three)

MAV LGE HEALTH PLAN Financial Report 2021-22

Statement by the MAV Directors

for the year ended 30 June 2022

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 2022
- (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 A2.

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
7/10/2022

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.



RSM Australia Partners

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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 2022, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Statement by Directors.

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of the Plan as at 30 June 2022, 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 ABC Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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 management determines is necessary to enable the preparation 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 related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

THE POWER OF BEING UNDERSTOOD AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

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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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

A stylized, handwritten-style logo for RSM, consisting of the letters 'Rsm' in a cursive font.

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink that reads 'Kristie Dundon'.

KRISTIE DUNDON
Partner

Melbourne
17 October 2022

Statement of Comprehensive Income

for the year ended 30 June 2022

	NOTE	2022 \$	2021 \$
REVENUE			
REVENUE FROM OPERATING ACTIVITIES			
Administration allowance income		454,939	468,390
Interest income		14,522	18,072
TOTAL REVENUE		469,461	486,462
EXPENSES			
Hospital excesses refunded		132,003	140,412
Administration overhead		8,278	8,273
TOTAL EXPENSES		140,281	148,685
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		329,180	337,777

The accompanying notes form an integral part of these statements.

Statement of Financial Position

for the year ended 30 June 2022

	NOTE	2022 \$	2021 \$
CURRENT ASSETS			
Cash and cash equivalents	D1,F2	623,546	379,513
Term Deposits	F1,F2	692,905	-
Trade and other receivables	C1	52,988	44,190
TOTAL CURRENT ASSETS		1,369,439	423,703
NON CURRENT ASSETS			
Term Deposits	F1,F2	1,592,102	2,208,658
TOTAL NON CURRENT ASSETS		1,592,102	2,208,658
TOTAL ASSETS		2,961,541	2,632,361
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		2,957,541	2,628,361
EQUITY		2,957,541	2,628,361

Statement of Changes in Equity

for the year ended 30 June 2022

	2022 \$	2021 \$
RETAINED EARNINGS		
Balance at beginning of year	2,628,361	2,290,584
Surplus from ordinary activities	329,180	337,777
BALANCE AT END OF YEAR	2,957,541	2,628,361

Statement of Cash Flows

for the year ended 30 June 2022

	NOTE	2022 \$	2021 \$
CASH FLOW FROM OPERATING ACTIVITIES			
RECEIPTS			
Administration allowance	B	446,736	465,333
Interest received	B	13,928	20,240
PAYMENTS			
Hospital excesses refunded		(132,004)	(140,412)
Administration overhead		(8,278)	(8,273)
NET CASH FLOWS FROM OPERATING ACTIVITIES	D1(b)	320,382	336,888
CASH FLOW FROM INVESTING ACTIVITIES			
Net Proceeds from redemption of investments (Application of investment funds)		(76,349)	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		(76,349)	-
NET INCREASE IN CASH HELD		244,033	336,888
Cash at beginning of year		379,513	42,625
CASH AT END OF YEAR	D1(a)	623,546	379,513

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 2022

NOTE A: CORPORATE INFORMATION

Structure:

A1 Corporate information

A3 Statement of compliance

A2 Basis of preparation

A1. Corporate information

The LGE Health Plan was established by the Municipal Association of Victoria (MAV) in 2009. The MAV has joined with GMHBA and Chooswell 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 2022 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.

A2. Basis of preparation

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

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

The financial report is presented in Australian dollars. The 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.

A3. Statement of compliance

The financial report complies with Australian Accounting Standards, which include Interpretations, issued by the Australian Accounting Standards Board (AASB).

NOTE B: FUNDING THE DELIVERY OF OUR SERVICES

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.

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

for the year ended 30 June 2022

NOTE C: ASSETS AND LIABILITIES

Structure

C1 Trade and other receivables

C3 Fair value measurement

C2 Trade and other payables

C1 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.

	2022	2021
	\$	\$
TRADE AND OTHER RECEIVABLES		
Administration allowance receivable	45,100	36,897
Interest receivable	7,888	7,293
TOTAL TRADE AND OTHER RECEIVABLES	52,988	44,190
Represented By:		
Current	52,988	44,190
Non-current	-	-
TOTAL	52,988	44,190

The ageing analysis of trade receivables are as follows:

	Total	< 30 days	>30 days
2022			
LGE EMPLOYEE HEALTH PLAN	52,988	45,100	7,888
2021			
LGE EMPLOYEE HEALTH PLAN	44,190	36,897	7,293

C2 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.

C3 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. 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.

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

for the year ended 30 June 2022

NOTE D: FINANCING OUR OPERATIONS

Structure

D1 Notes to statement of cash flows

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank 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 includes deposits held at call with banks and investments in cash in fixed interest funds net of outstanding bank overdrafts.

(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:

	2022	2021
	\$	\$
Cash and cash equivalents	623,546	379,513
TOTAL CASH AND CASH EQUIVALENTS	623,546	379,513
(b) Reconciliation of Net Cash Used In Operating Activities to Comprehensive Income		
Profit for year	329,180	337,777
Changes in assets and liabilities		
(Increase)/decrease in accounts receivable	(8,798)	(889)
Increase/(decrease) in accounts payable	-	-
NET CASH FLOW FROM OPERATING ACTIVITIES	320,382	336,888

NOTE E: PEOPLE AND RELATIONSHIPS

Structure

E1 Related Parties

E2 Remuneration of Key Management Personnel

E3 Auditor Fees

E1. RELATED PARTIES

The MAV is a body corporate established under the Municipal Association Act 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.

E2. REMUNERATION OF KEY MANAGEMENT PERSONNEL

No remuneration was paid to Key Management Personnel by the LGE Health Plan during the year, who are remunerated separately by the MAV (related party).

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.

E3. Audit Fees

	2022	2021
	\$	\$
Amounts payable or due and payable for audit services:		
Audit services	8,278	8,273
	8,278	8,273

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

for the year ended 30 June 2022

NOTE F: MANAGING UNCERTAINTIES

Structure

F1: Interest rate risk

F2: Liquidity risk

F3: Contingent Liabilities

F4: Equity

F1. INTEREST RATE RISK

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	Fixed Interest Rate	Floating Interest Rate
	2022	2022	2022
	\$	\$	\$
FINANCIAL ASSETS			
Cash and cash equivalents	-	-	623,546
Term Deposits	-	2,285,007	-
Trade and other receivables	52,988	-	-
TOTAL FINANCIAL ASSETS	52,988	2,285,007	623,546
Weighted Average Interest Rate		2.4%	1.4%
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 9 (Financial Instruments). The carrying amounts of financial assets and financial liabilities represent their approximate net fair value.

	Non-Interest Earning	Fixed Interest Rate	Floating Interest Rate
	2021	2021	2021
	\$	\$	\$
FINANCIAL ASSETS			
Cash and cash equivalents	-	-	379,513
Term Deposits	-	2,208,658	-
Trade and other receivables	36,897	-	-
TOTAL FINANCIAL ASSETS	36,897	2,208,658	379,513
Weighted average interest rate		0.5%	0.1%
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 2022. Cash flows for financial assets and liabilities without fixed amount or timing are based on conditions existing at 30 June 2022.

The remaining contractual maturities of the financial liabilities are:

	NOTE	2022	2021
		\$	\$
3 months or less		4,000	4,000
3-12 months		-	-
1-5 years		-	-
Over 5 years		-	-
		4,000	4,000

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

for the year ended 30 June 2022

F2. 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 2022	<3 months	>3 months	Total
	\$	\$	\$
FINANCIAL ASSETS			
Cash and cash equivalents	623,546	-	623,546
Term Deposits	692,905	1,592,102	2,285,007
Trade and other receivables	46,412	6,576	52,988
	1,362,863	1,598,678	2,961,541
FINANCIAL LIABILITIES			
Trade and other payables	4,000	-	4,000
Other liabilities	-	-	-
Total Financial Liabilities	4,000	-	4,000
NET MATURITY	1,358,863	1,598,678	2,957,541
<hr/>			
Year ended 30 June 2021	<3 months	>3 months	Total
	\$	\$	\$
FINANCIAL ASSETS			
Cash and cash equivalents	379,513	-	379,513
Term Deposits	-	2,208,658	2,208,658
Trade and other receivables	40,263	3,927	44,190
	419,776	2,212,585	2,632,361
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	415,776	2,212,585	2,628,361

F3. CONTINGENT LIABILITIES

There are no contingent liabilities at 30 June 2022 nor were there at 30 June 2021.

F4. 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.

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

for the year ended 30 June 2022

G: OTHER MATTERS

Structure

G1 Summary of significant accounting policies

G2 Income tax

G3 Comparative figures

G4 Events Subsequent

G5 Number of Employees

G1. Summary of significant accounting policiesAccounting 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>
AASB 2020-1	Amendments to AAS Classification of Liabilities as Current or Non-Current	1 Jan 22	1 Jan 22	Application of this standard is not expected to have a material impact.

G2. 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.

G3. Comparative figures

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

G4. SUBSEQUENT EVENTS

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

G5 NUMBER OF EMPLOYEES:

Average number of equivalent full time employees during the year is 0 EFT (2021=0)

The MAV Financial Report 2021–22 is supported by more detailed information that can be accessed [through our website](#) or directly through the links below.

[Annual Report Summary ↗](#)

[Board & Governance Report ↗](#)

[Occupational Health & Safety Report ↗](#)

