



**statewide
mutual.**

Strength. Stability. Integrity.

ANNUAL REPORT

and financial statements for
the year ended 30 June 2019

STRENGTH. STABILITY. INTEGRITY.

International politics, natural crises – you’ve seen the headlines. There’s no question that the global landscape has been tumultuous, with many industries suffering the consequences. The insurance market is, of course, no exception.

But Statewide Mutual is one constant you can continue to rely on.

This year, our Members benefited yet again from the price stability and value for money we consistently provide. By flattening out the market’s peaks and troughs, the Mutual allows councils to share the risk and enjoy greater certainty over the long-term.

This is all thanks to our financial strength, buying power and stable Member contributions. Our solid relationship network of more than 20 years also continually delivers more competitive deals for our Members.

Today, we’re proudly Australia’s largest local government self-insurance pool that provides broad cover for councils.

We know what our Members want from a first-class risk partner – and we work tirelessly to deliver it.

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CHAIR'S WELCOME



Following the stepping down of our respected former Chair, Bill Warne, I'm in the honoured position of being your new Chair. Bill was and remains a valued sounding board and exceedingly knowledgeable about local government, risk, and all things Statewide. I have no doubt that his hard work and dedication over the years have contributed significantly to the strong position we are in today. He has certainly set the bar high as a leader – and I will strive to live up to his legacy.

"We are very fortunate to have attracted such high calibre new regional representatives and I'm confident they are the right fit and will help drive Statewide into a very bright future."

Saying goodbye – and welcome

Bill isn't the only face we have been sad to farewell over the last 12 months.

Jack O'Hara from the North West Region retired and left the Board in late 2019. He has been an incredible asset to the Board for the last eight years. (Refer to page 20 to learn more about Jack's time on the Board.)

Melissa McCoy (Deputy Chair Finance representing the South Coast region) resigned in March 2020. Melissa has been an integral part of Statewide for six years, and a member of the London Reinsurance Team for the past two years. With her departure, the Board has appointed Therese Manns, General Manager of Randwick City Council as the new Deputy Chair Finance.

Amidst these farewells, we are fortunate to have Paul Bennett join us as the new representative for the North West Region. Paul is the General Manager of Tamworth Regional Council and has many feathers in his cap – including formerly holding the role of President of Local Government Professionals NSW.

In 2019 we also welcomed Liz Jeremy as the Board representative from Mid North Coast. Liz has a broad skillset and unique insight into sustainability in local government. (Refer to pages 8-11 to learn more about our Board Members.)

I'm sure our Members will join me in giving Paul and Liz a very warm welcome.

Continuity through the changes

The skills and experience of our Board Members are incredibly broad – from finance and planning to project management and communications. This diversity continues to inspire dynamic, robust and constructive dialogue.

Accordingly, one of my key priorities since becoming Chair in July 2019 has been to ensure our newest Members seek out feedback from Member councils in their respective regions so they can continue to contribute and add value during the Board meetings.

We are very fortunate to have attracted such high calibre new regional representatives and I'm confident they are the right fit and will help drive Statewide into a very bright future.

Restructuring the Board

In late 2019 we restructured our committees and meetings to better equip our Board Members to respond to your needs.

Formerly, we had three committees including a Finance, Marketing and Claims and Risk Management Committee. Each committee was run by a Chair and each held their own meetings, separate to the Board meeting.

Following the restructure, we now hold all committee meetings as a part of our broader Board meeting and the Marketing Committee functions as a sub-committee. »



"Looking back at the last 12 months, it's impossible to overlook the Risk Management Conference as a highlight. I just loved it."

Nowra Bridge, NSW

As a result, we now have two Deputy Chairs – the Deputy Chair of Finance (Therese Manns) and Deputy Chair of Claims and Risk (Gary Murphy). The Marketing sub-committee is led by Troy Green.

The Deputy Chairs still head up their respective portfolio, and we continue to turn to them as our subject matter experts, but I believe it is important for the Board Members to learn about and be across all areas whilst maintaining that big picture perspective.

Highlights and opportunities

Looking back at the last 12 months, it's impossible to overlook the Risk Management Conference as a highlight. I just loved it. It's a one-of-a-kind forum for council staff to learn about insurance challenges and stay across the contemporary issues they face.

At this year's conference, key topics explored included cyber risks and innovation (refer to page 18 to learn more).

Another success of the year gone by was our retention rate. Despite several of our Member councils going to tender for their insurance provider, most of them chose to stay with the Mutual.

The challenges ahead

Cybersecurity is the fastest growing risk for councils, which means it's also been highly topical this financial year. As this risk is not going away anytime soon, I'm sure it will be an ongoing focus in the year ahead.

Helping our Members recover after the disastrous bushfire season will also be an ongoing challenge. (Refer to page 14 to learn more about these issues in Gary Murphy's Claims and Risk Committee Report.)

Most significantly, however, I believe the impact of drought and climate change will be our most long-term and prevailing risk. When national disasters strike, such as bushfires, drought and flooding, communities look to their local government for guidance and we are going to see many more extreme weather events over time.

"The measures implemented for the nation to address the COVID-19 pandemic has ramifications at the local government level, and Statewide has been able to provide support for our councils in putting into practice their Business Continuity Plans."

The measures implemented for the nation to address the COVID-19 pandemic has ramifications at the local government level, and Statewide has been able to provide support for our councils in putting into practice their Business Continuity Plans. Statewide is well placed to help you navigate the risks associated with delivering the business as usual in the face of major catastrophes.

We will continue to work with our Members to build skills and capacity around risk management to tackle the various threats presented.

Happy reading

I hope you find this year's report interesting and informative – it has certainly been an eventful 12 months. That said, we've seen many positive developments and success, despite the adversities faced.

We look forward to another year of supporting you through the challenges and opportunities that lie ahead. ●

REBECCA RYAN
Chair of the Board of Management
General Manager, Blayney Shire Council

MEET YOUR BOARD

The Statewide Mutual Board is appointed by you, our Members. It governs the operation of our five schemes – and represents our nine regions. We are fortunate to have esteemed senior managers from a selection of councils at our helm.

REBECCA RYAN | Blayney Shire Council

CHAIR



REGION: Central New South Wales

BOARD MEMBER SINCE: 2017

CAREER HIGHLIGHTS:

Receiving the NSW Ministers' Award for Women in Local Government (Senior Staff Rural/Regional) – and being on the Board of Local Government Professional Association NSW from 2014 to 2018.

WHAT SHE LOVES ABOUT HER MUNICIPALITY:

Our regional food and wine.

I've been General Manager of Blayney Shire Council since 2014.

When I commenced my local government career back in 2001, as Manager Economic Development and Tourism at Coonabarabran Shire Council, I knew I was in the right place and could make a real difference for my community.

My experience spans diverse functions – including HR, financial services, communications, IT, strategic planning, community development, arts and culture, children's services and aged care.

As a rural council, Blayney Shire benefits greatly from the risk management, training and contract management advice and support offered through Statewide Mutual via our Regional Risk and Account Managers.



MELISSA MCCOY Shoalhaven City Council

REGION: South Coast

BOARD MEMBER SINCE: 2014

CAREER HIGHLIGHT:

I have enjoyed the opportunities and challenges from Board positions I have held – including in the rail sector and more recently, with Statewide Mutual.

WHAT SHE LOVES ABOUT HER MUNICIPALITY:

As part of a large regional council, no two days are the same – it's never boring.

I began my career as a chartered accountant. But over time, I changed my focus to broader governance, safety and risk management. Then upon moving to Shoalhaven, I saw an opportunity to apply these skills in a local government environment.

Shoalhaven City Council is a large regional council, with new issues always arising.

In recent years, we have faced challenges from extreme weather events. With climate change, these issues are likely to continue well into the future.

We've been with the Mutual since its inception – and have always felt well supported in times of need. With Statewide, it's reassuring to know we have a broad depth of insurance, claims management and risk management expertise to tap into.



GARY MURPHY Central Coast Council

REGION: Metro

BOARD MEMBER SINCE: 2015

CAREER HIGHLIGHT:

Introducing two wastewater treatment plants, recycling and a range of community facilities that transformed a small rural community in New Zealand.

WHAT HE LOVES ABOUT HIS MUNICIPALITY:

We are a diverse council with a wide range of services: an airport, cemeteries, water and sewer. We have a rich Aboriginal heritage, stunning beaches and bush. It's a beautiful place to live and work and we're on the doorstep of a global city.

I started in local government as a graduate civil engineer in 1989 – in South Africa. And my career has taken me across the globe since.

I was appointed to my first CEO role in 2003 while in New Zealand. Then in 2011, I moved to Lismore, Australia, where I was General Manager at the Council for seven years. I've now been living and working in Central Coast as the Council General Manager since 2018.

I believe my engineering background and analytical skills are my strengths. My interest in risk management is also of great value to the Board – especially in relation to case law.



TROY GREEN Tweed Shire Council

REGION: Northern Rivers

BOARD MEMBER SINCE: 2018

CAREER HIGHLIGHT:

Responding to the 2017 floods on the Northern Rivers was mentally and physically challenging, but it's a time I look back on with pride.

WHAT HE LOVES ABOUT HIS MUNICIPALITY:

Tweed has the best of everything. If you want a sleepy coastal town, you have it. If you are seeking a lively, modern city centre, you have it. And if you love nature, it is the second most biodiverse area outside of Kakadu.

I began my local government career in 2000 as the Manager Information Systems at Marrickville Council. From there I moved to Liverpool City Council as the Manager Information Technology and then to Tweed, first being appointed as the Director Technology and Corporate Services and then General Manager, having now held that position for eight years.

As General Manager of Tweed Shire Council, I lead a team of approximately 750 people – who deliver over 52 services to more than 94,000 residents.

The Shire is situated within a floodplain of a volcanic caldera, which creates challenges around flood mitigation. We are grateful for the flood cover provided by the Mutual and the exceptional service we receive.

The most valuable skill I bring to the Board is my ability and determination to ask tough questions. I am also passionate about cybersecurity and the importance of transparency and communication, as I believe they are key to good governance within any organisation.



ROGER BAILEY
Warrumbungle Council

REGION: Orana

BOARD MEMBER SINCE: 2018
(also on the Board 2009-2017)

CAREER HIGHLIGHT:

Winning the AR Bluett Memorial Award in 2015, which recognised my council as the most progressive in the state.

WHAT HE LOVES ABOUT HIS MUNICIPALITY:

The best thing about Orana is its unique landscape. We have locations like the Coolah Tops National Park and the Warrumbungle National Park, which has Australia's first International Dark Sky Park. What a way to take in our remarkable night skies!

My career in local government has been mostly with rural and regional councils. I hold a background in finance – and have been a general manager of councils for 20 years.

I bring a strong financial background and extensive experience in NSW local government to the Board.

I am keen to ensure that Statewide provides a competitive product that improves the risk profile of our Members.

One of the highlights from my time on the Board has been returning surpluses to Members – thanks to outstanding results with insurers.



BRETT STONESTREET
Griffith City Council

REGION: Riverina

BOARD MEMBER SINCE: 2017

CAREER HIGHLIGHT:

While planning and delivering projects or services is enjoyable – for me, it's about how these things contribute to people's lives.

WHAT HE LOVES ABOUT HIS MUNICIPALITY:

Our community is so inclusive and welcoming. It might be something to do with the mix of people from a host of cultures. The pizza is amazing as well... but not good for my waistline!

I have 40 years' experience in the local government sector across seven councils. My background includes accounting, administration and management.

Our Member councils have put great trust in the Board to act in their collective interest, and I do my best to contribute to that outcome. This means listening carefully, thinking through issues fully and being decisive.

Griffith suffered devastating floods in 2012 – and the Mutual supported our community through the whole event. This included a discretionary payment to refurbish a community-operated pre-school. We will never forget Statewide's level of commitment.



THERESE MANNS
Randwick City Council

REGION: Metropolitan

BOARD MEMBER SINCE: 2018

CAREER HIGHLIGHT:

Overcoming the financial adversity of Broken Hill City Council to secure a future for this important heritage city. The community has incredible pride – and I am incredibly proud to have helped them through this difficult period.

WHAT SHE LOVES ABOUT HER MUNICIPALITY:

Randwick City Council has a heart – and that is its people. Our people are proud of their community. We value diversity and bring our strengths together to create positive life experiences and ensure a bright future.

I was born into local government, with both my father and grandfather having leadership roles in the industry. While I started out as an auditor in my early career, having completed my Chartered Accountancy in the private sector, it didn't take long to follow in my family's footsteps using my skills to make a difference to local communities.

With a focus on providing valued service to the community, I've had significant success in financial strategy planning and development, and organisational change.

I have held several leadership positions across NSW throughout my local government career. This includes my role as General Manager for outback councils such as Boorowa Council and Broken Hill City Council – and more recently, the metropolitan council of Randwick.

Finance, strategy and planning, risk management and governance are the most valuable skills I bring to the Statewide Mutual Board.



JASON LINNANE
Singleton Council

REGION: Hunter

BOARD MEMBER SINCE: 2018

CAREER HIGHLIGHT:

I always focus heavily on people. It's what drives me. Since 2016 we have taken staff engagement at Singleton Council from 39% to 72%. That's a standout for me.

WHAT HE LOVES ABOUT HIS MUNICIPALITY:

There's never a dull day. Whether it is engaging with the Premier or talking to a grandmother about her development application – every day is like a box of chocolates!

I've been General Manager at Singleton Council since 2016.

My local government career spans more than 30 years, which has included roles at Dubbo City Council, Newcastle City Council and Port Stephens Council.

With a deep understanding of the complexities of local government, my background spans public land management, community engagement, social services, service delivery, asset planning and management, and local government finance.

I passionately believe that local government adds significant value to communities and I love the role we play in creating better outcomes for our people.



LIZ JEREMY
Bellingen Shire Council

REGION: Mid North Coast

BOARD MEMBER SINCE: 2019

CAREER HIGHLIGHT:

Delivering investments over \$35 million in external funding on two key projects – Blacktown Solar City and Regenises, a groundbreaking carbon project.

I have worked with local government and the communities they serve for over 35 years – and have led operational and contract workforces for almost 25 years.

Taking on the role of General Manager of Bellingen Shire Council gave me the opportunity to consolidate my career working across sustainability issues and my background in the local government sector.

Before joining Bellingen, I was Director of Sustainable Living at Blacktown City Council. In this role, I was responsible for a range of products and services – and was accountable for an annual budget of \$100 million.

In addition to my position on the Statewide Mutual Board, I am Chair of the General Managers Advisory Committee to the Mid North Coast Joint Organisation.



EXECUTIVE OFFICER'S REPORT



This year has thrown significant challenges our way. Not just to Statewide Mutual and our Members, but to all Australians. The COVID-19 pandemic has shown us that extreme, adverse scenarios can and do arise with little warning. And the consequences can be far greater than anything we could have predicted.

Annus horribilis

Notwithstanding COVID-19 (though, it's hard to remember how life was before it), the Mutual had already experienced an eventful year.

NSW was ravaged by bushfires that caused almost \$10 million of property losses to the scheme – and millions more to the insurance industry at large.

From a public liability perspective, a class action from an escaped fire has led to a claim costing nearly \$20 million, which is our largest loss since beginning the Civil Liability Act.

Finally, the industry saw a spate of social engineering claims. Councils' finance systems were hacked and EFT payments were made into false bank accounts.

All of this activity has occurred during a time when the market is hardening. Because of the aggressive underwriting practices we've seen over the past few years, the insurance sector is attempting to correct itself. This means increased premiums and a refusal to insure more volatile risks.

Mission statement

During a recent meeting, I was asked to explain how the scheme differs from a regular insurance arrangement.

At the heart of our point of difference is our mission statement, which is more relevant now than ever.

We started the scheme because insurance providers were no longer offering councils the risk protection they needed, with claims outcomes rapidly deteriorating.

Our mission in the years that followed was to avoid the boom or bust of traditional providers. We would work toward sustainable relationships between the insurance and local government industries so that the scheme would meet Members' needs.

This has led us to where we are today – applying innovative practices to manage your insurance risks. This lets us protect you by stabilising premiums, containing costs and minimising the spread of risk.

What is 'value for money' with insurance?

As the guardian of public monies, our Members must demonstrate to their communities that they're getting value for dollars spent.

Too often, the concept of 'value for the community' is a euphemism for a cheap premium. Unfortunately, the real test of your insurance's worth can only be evaluated after a significant claim.

At this point, you can assess its value by asking two questions:

1. Was your claim paid promptly and in full?
2. After your claim, can you still obtain insurance within your budget?

At Statewide, we have demonstrated our ability to meet both these requirements, time and again.

For our Members that have been worst hit by the bushfires, we have already made advanced payments so that they can start rebuilding their communities. We provided this same service to Members who were impacted by the catastrophic floods in northern NSW in 2016.

To address the second value criteria, the councils worst affected by the floods will attest their claims didn't result in spikes in their insurance costs the following year.

What lies beneath

Ultimately, a mutual scheme is only as strong as the reinsurance program that lies behind it.

For long periods of time, Statewide has dealt with the same insurers, who are committed to local government. They understand the risks and are invested in an ongoing sustainable program. How does this help us? As the saying goes, "When is the best time to plant a tree? 20 years ago".

As we've faced diverse challenges and an unstable insurance market over the last 12 months, the seeds that we've sown with these relationships have borne fruit.

In recent procurement processes, I was dismayed to find councils aren't evaluating the viability of reinsurance programs in responding to catastrophic claims. They're also not reviewing the commitment strength of those markets to the scheme.

I can confidently say there is no insurance available that comes close to the value we offer.

Going forward

Members will not be totally insulated from the deteriorating claims and changing markets. We are proposing modest increases at renewal, but still greater than what Members have seen in many years.

However, the underlying levers of the scheme remain strong. What's most important is the Members' ongoing support and commitment to the model, and to risk management in particular. This will ultimately differentiate our work with underwriters to others in the market.

The Board of Management

It is always a privilege to work with the outstanding Statewide Board of Management.

This is my sixth year in the role, and I am continually astounded by the capability and integrity of our Board Members.

I would especially like to acknowledge the contributions of our departing Chair, Bill Warne – and long-time Northern Inland representative, Jack O'Hara.

However, I am looking forward to working with our new Chair, Rebecca Ryan.

I would like to take this opportunity to remind our Members that the Board is comprised of your peers, so feel free to bring any scheme-related matters to their attention.

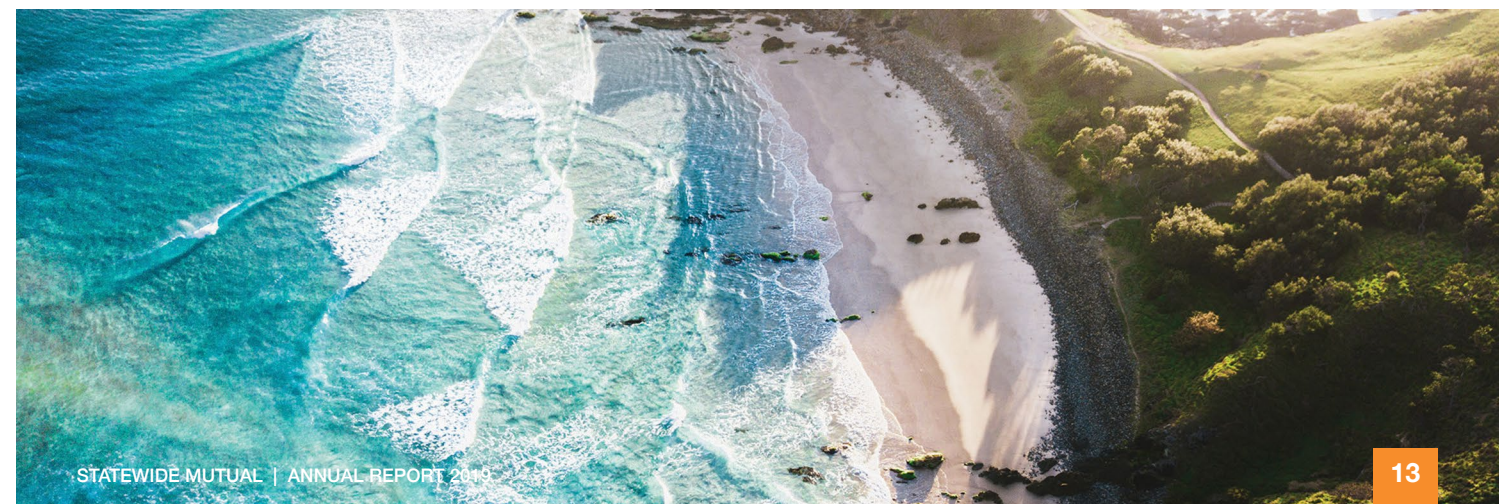
The engine room

I would also like to acknowledge our hard-working team Members who are absolutely committed to delivering a 'six-star service'.

This includes the Account Management and Risk and Claims teams, who are there to service your requirements as they arise. And my close colleagues Keely Autrey and Martin Townsend, who keep our corner of the world running as smoothly as possible.

To all our Members, thank you for your participation in the scheme. These are tougher times than usual, but as always, they're best dealt with together. ●

NAAMON EURELL
Executive Officer



CLAIMS AND RISK MANAGEMENT COMMITTEE REPORT



It's been an interesting 12 months, with several local and international events hardening the insurance market. Fires at home and in California. A drone causing Gatwick airport to shut down. And the Brumadinho dam collapse in Brazil.

These are just some of the natural and man-made incidents that have left many question marks for our underwriters. They want to know what the insurance risks are to our councils – and what we're doing to manage them. We are certainly living in unpredictable times.

Here are the challenges we've faced on our own doorstep, and the priorities we set over the last 12 months.

"Cyber threats have rapidly become a prominent issue for councils. The two scams online fraudsters are most often using include 'social engineering' and ransomware attacks."

Biggest challenges during the last financial year

Cyber threats have rapidly become a prominent issue for councils. The two scams online fraudsters are most often using include 'social engineering' and ransomware attacks.

In other words, scam artists are either donning fake identities to steal money from councils – or inflicting malicious software attacks to shut down entire networks.

Statewide has councils covered for cyber threats

The silver lining is that Statewide anticipated these emerging risks several years ago. We sought cover from the insurers and reinsurers at that time, and because of this foresight, we were able to secure reasonable prices.

This is a great boon for our Members, who I'm sure know the old adage that you don't buy insurance when you need it, you buy it when you don't need it. That's when you get the best value.

Reclaiming cyber losses won't always be smooth

Sadly, the ability to recover funds from these types of events can be very challenging. The money usually heads offshore – which gets us into the complex realm of international law. And many countries are not as robust as Australia when it comes to recovering or serving notices on agencies.

Although our Members are covered for cybercrime, how these cases proceed through the courts is still a large unknown. And, unlike more standard cases such as property damage and public liability, there isn't a lot of case law to drive outcomes.

With cyber insurance in place, councils can rest assured knowing that we will advocate in the courtroom on their behalf and work hard to establish case law.

An aircraft, a kangaroo and a lawsuit

One instance that shows our dedication to setting legal precedents for our Members is a case where a council operated an airfield – which resulted in a lawsuit.

A pilot decided to land his aircraft in this airfield, and while attempting to do so, he made contact with a kangaroo. Unfortunately, the kangaroo was killed and the aircraft was badly damaged.

The pilot sued the council through his insurance company. He argued that kangaroos were a known risk to the council and that it should have therefore taken more steps to fence them out of the area.

Statewide advocated on behalf of the council and said, 'No, we don't believe we are liable, and these are the reasons...' The owner of the aircraft challenged this and took it to a higher court.

Given the legal fees and risk of financial loss involved, I'm sure other insurers would have simply settled with a payment at this point. However, we backed the council right to the end. And we won. >>

Advocating hard for our councils

The argument Statewide put forward was that the council has finite resources – and that installing a kangaroo-proof fence for an airfield is not necessarily the best use of the council's money. We also argued that it's not up to the courts to decide how the council should spend its funds.

We advocated hard and it paid off – in more ways than one.

Why? Because the council's victory also helped enshrine this case law. So the next time a citizen argues that a council should have fixed a pothole before their car was damaged, a precedent now exists.

“Looking back over the year, it’s impossible not to reflect on the devastating bushfire crisis. While state governments are responsible for fire damage on public land, councils have still been significantly impacted.”

Bushfire recovery and the importance of ‘business interruption insurance’

Looking back over the year, it's impossible not to reflect on the devastating bushfire crisis. While state governments are responsible for fire damage on public land, councils have still been significantly impacted.

Yes, funding is available through natural disaster recovery to help councils in their clean up – such as waste disposal and asbestos contamination. But there is always a funding gap. They never get 100% coverage.

On top of this, because the recovery effort is so resource intensive, ‘business as usual’ activities tend to take a backseat. Many councils are struggling just to deliver their core services.

This is where business continuity insurance is important (which many Members have taken up). This means that if council activities are impacted by the bushfires, their insurance will soften the blow at a time when everything else is suffering.

Positive feedback on Risk Initiative Program changes

On 1 July 2019, we introduced changes to our Risk Initiative Program – with excellent feedback to date.

For a number of years, we’ve run specialist risk programs to help our Members upskill in specific areas. Under our old system, we were offering one program at a time for a fixed three-year term.

However, we recognised that this ‘one-size-fits-all’ approach was not right for our diverse membership of 128 councils.

For example, councils that are ‘risk mature’ want to stretch themselves with advanced programs. Whereas councils that are less risk mature may need more introductory programs.

For this reason, our Members can now select from one of 10 initiatives based on their risk priorities.

Looking forward

As I have alluded to already, London underwriters are keeping an eye on the many high-profile insurance claims across the globe and adjusting their rates accordingly.

This has led to a tighter market – and insurance that’s more costly and harder to find.

Despite this, we are confident we can provide certainty for our councils. We have a rigorous risk-management system in place, including our Risk Initiative Program.

And as always, our 20-year relationships with our underwriters are as strong as ever.

So, rest assured, we are working hard to minimise premium swings and coverage changes.

The Committee and I look forward to continuing to advocate for our Members as we embark on another interesting and challenging 12 months ahead. ●

GARY MURPHY
Chair of the Claims and Risk Committee
CEO, Central Coast Council

“We introduced changes to our Risk Initiative Program – with excellent feedback to date... Our Members can now select from one of 10 initiatives based on their risk priorities.”

MARKETING COMMITTEE REPORT



This year, the Marketing Committee bids farewell to our highly dedicated and well-respected Chair, Rebecca Ryan. Thank you to Rebecca and her team for all the hard work prior to my election. You've left big shoes to fill and I look forward to working with you in your new capacity as Chair of the Board.

That said, I'm excited by the challenges and opportunities that lie ahead – and will strive to grow our membership base while proudly representing our Board.

“We covered a range of initiatives on the strategic planning day – but membership was undoubtedly a major focus... We've vowed to give councils an even stronger voice.”

Risk Management Conference

The Risk Management Conference was a major highlight of 2019. With 178 attendees, this was our largest conference to date.

The growing participation rates indicate that Members continue to obtain genuine value from the event.

Strategic planning day

We covered a range of initiatives on the strategic planning day – but membership was undoubtedly a major focus.

Specifically, we explored ways to improve our service to Members and vowed to give councils an even stronger voice.

For instance, the sector has indicated they would appreciate more communication and transparency. Accordingly, we'll now produce a Board Report after each Board meeting to keep our Members more informed.

We also discussed the need to understand why some councils choose not to join our Mutual. Accordingly, following the planning day, we conducted an Influencer Feedback Review where we asked a sample of non-member councils their reasons for taking a different path.

This helped us identify potential concerns and possible corrective initiatives. It also prompted us to reflect more broadly and reinforce the many positives of our Mutual – such as the stability of our premiums in a fluctuating market.

Transparency in the face of uncertainty

We understand there have been rumours surrounding the recent class action.

At this time of uncertainty, we will continue to keep our Members informed. That said, some information is subject to legal professional privilege while litigation is underway. But as always, we're dedicated to honesty and transparency – even in the face of adversity.

We'd also like to thank the many councils who have continued to show their unwavering support. Their loyalty is a testament to the commitment and value they place in our partnership.

Looking ahead to the new year

We expect the bushfires and their widespread impact to be a central theme in the year ahead, as well as the broader issue at hand – climate change.

We'll also focus on building certification and how this will be managed if the private certifier market isn't able to secure insurance.

Cybersecurity will be a priority too. We intend to help our Member councils understand the benefits and risks as they move towards the Internet of Things and cloud-enabled environments – especially in the lead up to the September council elections.

Until next time

With some exciting initiatives in store for the Mutual, I am honoured to serve in a leadership role on the Board.

I look forward to working with each of the committed Members of our Mutual and their respective regions. ●

TROY GREEN PSM

Chair of the Marketing Committee
General Manager, Tweed Shire Council

Risk Management Excellence Awards 2019

The Risk Management Excellence Awards are our opportunity to acknowledge those councils that have undertaken innovative work to address risk in their area. Congratulations to this year's well-deserving winners.

2019 Rural/Small Council Winner

Singleton Council – People Leaders Integrated Risk Management Tool

2019 Large/Metropolitan Council Winner

Lake Macquarie City Council – Business Improvement Framework

Special commendations

- Forbes Shire Council – Stakeholder Engagement Plan for Central West Livestock Exchange Expansion Works
- Byron Shire Council – Risk Business Refining Council's Fraud and Corruption Controls
- Canterbury Bankstown Council – Enterprise Risk Management Program
- Randwick City Council – Mobile Workforce and Datacentre Transformation Project

Q&A WITH JACK O'HARA

EIGHT YEARS ON THE STATEWIDE MUTUAL BOARD

Jack O'Hara has been an integral part of the Statewide Mutual Board for the last eight years. Over that time, he has seen four Board Chairs, new risk initiatives – and significant collaboration take place. Following his retirement in November 2019, we spoke with Jack about how he's seen the Mutual expand, his career highlights and key takeaways from his time on the Board.

Palm Beach, NSW



"In my role at the time, I was in charge of insurance. Or more accurately, I was in charge of trying to get it! 'Thank god', best describes how I felt when the Mutual was established. Joining the Mutual removed so much risk – it was a huge weight off my mind."

Statewide Mutual: looking forward and looking back

You were working at Walcha Council as Director of Corporate Services when Statewide Mutual first came about in the 1990s. What did you think at the time?

There was a desperate need for something like the Mutual at that point. The councils in NSW were struggling to get insurance – big time. Even if they could get it, it was expensive.

In my role at the time, I was in charge of insurance. Or more accurately, I was in charge of trying to get it!

'Thank god', best describes how I felt when the Mutual was established. Joining the Mutual removed so much risk – it was a huge weight off my mind. And life changing for a little ol' council like Walcha. Instead of trawling through all the myriad of insurance issues ourselves, we suddenly had access to industry experts.

What are the biggest strengths of the Mutual?

The price stability and value for money it brought was a game changer for our industry. By flattening out the peaks and troughs in the market, the Mutual allows councils to share the risk and enjoy greater certainty.

Statewide has a unique network to be able to get such competitive deals. Which all comes down to relationships – relationships which have been built over 20-odd years.

The Statewide team goes to London and actually negotiates with the underwriters. This results in highly competitive deals locked in on term contracts.

The Mutual also provides assistance with risk management which is invaluable. Each year the Mutual brings out risk mitigation strategies that are timely and topical for the contemporary challenges councils face.

Currently, our focal initiative is on cybersecurity, and we've been running mock critical incidences with councils to help them manage their risks.

What's the biggest achievement of the Mutual to date?

The Mutual has changed the industry in so many ways, it's hard to pinpoint just one.

Their lobbying for a Civil Liability Act does come to mind though. Before this act was introduced, if someone tripped over pavement and suffered an injury, they could sue council for damages.

This piece of legislation limits the liability to council. It says, within reason, certain things are the individual's fault and they have a responsibility to look after themselves.

It's been a game changer for the local government sector in NSW.

What's the Board's biggest strength?

Definitely our diversity. We've got councils on the Board as large as Randwick and Sutherland Shire – as well as representation from smaller places, like Walcha. This means our Board is representing and voicing the needs of municipalities of all sizes.

Our Board has excellent gender diversity too. So I feel like we bring a lot of different perspectives. >>



North Curl Curl Rock Pool, NSW

Another big strength is our commitment to collaboration. While Board Members have come and gone over the years, the one constant has been our ability to put any differences aside and focus on what matters.

And that’s significant. Normally when you have a group of senior people in a room, egos can clash. But this has not been the case. We park our egos at the door. We’re all there for the right reason – and that’s to better the local government industry in NSW.

Has Statewide Mutual made a significant contribution to improving industry?

Definitely – especially at the moment.

International politics, natural disasters... you’ve seen the news headlines recently. The global outlook has led to the insurance market hardening.

Despite this, we’ve been able to lock in a really good deal for the next couple of years. This means our councils have surety in their premiums and cover.

What do you think lies ahead for the Board in 2020 and beyond?

Statewide Mutual has got to be flexible and adapt to a changing world. Obviously, there are councils out there that are looking for a better deal all the time.

So the Mutual needs to stay agile and relevant. It’s impossible to predict the future and what will happen with the changing markets. But that’s precisely what Statewide is tasked with: reading the future and adapting accordingly.

So far, they’ve done an excellent job at this seemingly impossible task. And I’m confident they will continue to do so into the future.

Reflections on a stellar career

What’s your professional background?

I have had over 30-years’ experience in local government. I was appointed General Manager at Walcha in July 2003, which I held until my retirement in November last year.

Do you have a career highlight?

I have many highlights from over the years. I always get a kick out of improving public infrastructure because I know what an impact it’s going to have on the everyday lives of my community.

One stand-out project for me was the creation of a multipurpose health service for Walcha. The whole town got behind this project.

When we discovered that our old hospital didn’t meet the accreditation standards for various regulations, we set our sights big and built a whole new facility. The entire town got behind this project and was blown away by what we created.

It’s humbling to have been able to play a role, even a small one, on such an ambitious project that is impacting people’s lives every day.

Now that you’ve retired, what’s next?

I’ve already been lucky enough to do some international travel – to places like India, Sri Lanka and the Maldives. But I also plan to do some more exploring on our own soil. My next trip will be taking the caravan up north.

I’m still keeping my head in the insurance game and have a few projects on the go. I’ll always have an interest in the sector and intend to keep across what’s happening. ●



FINANCIAL STATEMENTS

For the year ended 30 June 2019

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	\$	\$
Member Contributions	89,756,471	85,109,371
Outward Reinsurance Expense	(74,643,467)	(71,761,253)
Reinsurance Profit Share	9,963,283	6,482,061
Claims Expense Net Of Recoveries (Note 7)	(13,230,740)	(6,949,467)
Other Scheme Expenses (Note 8)	(12,918,315)	(13,055,468)
Excess of contributions and reinsurance profit share over claims and related expenses	(1,072,768)	(174,756)
Investment Income	1,033,069	1,273,799
General Expenses (Note 8)	(1,005,946)	(3,825,956)
SURPLUS FROM ORDINARY ACTIVITIES	(1,045,645)	(2,726,913)
ACCUMULATED SURPLUS		
Accumulated Surplus at the beginning of the year	28,017,694	32,744,607
Operating Surplus from Ordinary Activities	(1,045,645)	(2,726,913)
Current year Surplus Distribution	(2,000,000)	(2,000,000)
ACCUMULATED SURPLUS	24,972,049	28,017,694

The accompanying notes form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	2019 (\$)	2018 (\$)
CURRENT ASSETS		
Cash Assets (Note 5)	2,293,938	3,622,284
Receivables (Note 6)	102,294,471	102,903,162
Reinsurance Recoveries (Note 6)	44,543,245	42,117,643
Non Reinsurance Recoveries (Note 6)	507,441	507,441
Provision for Doubtful Debts (Note 6)	(507,441)	(507,441)
Investments	39,965,000	38,315,000
	189,096,654	186,958,089
NON-CURRENT ASSETS		
Reinsurance Recoveries (Note 6)	97,738,719	93,649,851
	97,738,719	93,649,851
TOTAL ASSETS	286,835,373	280,607,940
CURRENT LIABILITIES		
Creditors and Accrued Expenses	14,007,160	13,966,056
Outstanding Claims (Note 10)	61,608,445	55,146,078
Unearned Contributions	87,236,102	88,671,987
	162,851,707	157,784,121
NON-CURRENT LIABILITIES		
Outstanding Claims (Note 10)	99,011,617	94,806,126
TOTAL LIABILITIES	261,863,324	252,590,247
NET ASSETS/(LIABILITIES)	24,972,049	28,017,694
MEMBERS EQUITY		
ACCUMULATED SURPLUS/(DEFICIT)	24,972,049	28,017,694

The accompanying notes form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	2019 (\$)	2018 (\$)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipt of contributions from Members (including advance contributions & GST)	89,275,261	84,933,348
Receipt of Profit Share	9,963,283	6,482,061
Claims payments (net of recoveries)	(9,836,479)	(10,001,063)
Outward Reinsurance Payment	(74,645,839)	(71,866,863)
Payment of other expenses	(13,593,384)	(16,348,550)
Interest received	1,158,812	1,195,122
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	2,321,654	(5,605,945)
CASH FLOWS FROM FINANCING ACTIVITIES		
Surplus Distribution	(2,000,000)	(2,000,000)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(2,000,000)	(2,000,000)
NET CASH FLOWS	321,654	(7,605,945)
Cash at the beginning of the year	41,937,284	49,543,231
Net increase / (decrease) in cash	321,654	(7,605,945)
CASH AT THE END OF THE YEAR	42,258,938	41,937,284
RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO OPERATING RESULT FOR THE YEAR.		
Operating Result for the year	(1,045,645)	(2,726,913)
(Increase) / Decrease in Receivables	608,692	(4,551,508)
(Decrease) / Increase in Creditors & Accrued		
Expenses	41,103	1,008,174
Decrease / (Increase) in Reinsurance Recoveries	(6,514,469)	(17,242,101)
(Decrease) / Increase in Outstanding Claims		
Provisions	10,667,858	13,346,543
(Decrease) / Increase in Unearned Contributions	(1,435,885)	4,559,859
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,321,654	(5,605,945)

The accompanying notes form an integral part of these Financial Statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2019

1. SIGNIFICANT ACCOUNTING POLICIES

Statewide Mutual is a Member owned self-insurance pool, providing insurance cover to Local Government Authorities in New South Wales.

The address of Statewide Mutual's principal place of business is One International Towers, 100 Barangaroo Avenue, Sydney NSW 2000.

The principal accounting policies adopted by Statewide Mutual in respect of the Liability Scheme, the Crime Scheme, the Property Mutual Scheme, the Councillors and Officers Scheme, and the Motor Vehicle Scheme are stated to assist in a general understanding of these financial statements and have been consistently applied during the year.

The financial statements have been made out in accordance with the requirements in the Deed of Establishment dated 22 March 1994, and the accounting policies described below.

(A) ACCOUNTING BASIS

The directors have prepared the financial statements on the basis that Statewide Mutual is a non reporting entity because there are no users dependent on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared in order to meet the needs of Members.

The financial statements have been prepared in accordance with the significant accounting policies disclosed below which the directors have determined are appropriate to meet the needs of the Members. Such accounting policies are consistent with the previous period unless stated otherwise.

The amounts in the financial statements have been rounded to the nearest dollar, unless otherwise stated.

The financial report is presented in Australian Dollars, Statewide Mutual's functional currency.

(B) CONTRIBUTIONS

Contributions comprise amounts charged to Members of the Schemes for policy cover. The earned portion of contributions received is recognised as revenue. Contributions are earned from the date of attachment of risk.

All contributions received, except for amounts received in advance were fully earned at balance date. The pattern of recognition over the policy is based on time, which is considered to closely approximate the pattern of risks undertaken.

Contributions are recognised net of the amount of goods and services tax (GST). Receivables are stated with the amount of GST included. The amount of GST payable to the Australian Tax Office (ATO) is recognised as a current liability in the Statement of Financial Position.

(C) CLAIMS

Outstanding claims for each scheme is determined as follows and are exclusive of claims handling expense. The cost of claims administration are payable by Members as a separate fee and hence no allowance is made for future fees in the liabilities for outstanding claims.

Claim expenses in the financial statements are presented net of recoveries in the Income Statement for all schemes.

LIABILITY AND COUNCILLORS AND OFFICERS SCHEMES

Claims incurred expense and a liability for outstanding claims are recognised in respect of business written during the period. The liability covers claims incurred but not yet paid, incurred but not reported claims, and the anticipated costs of settling those claims. Claims outstanding are assessed by reviewing individual claim files and estimating un-notified claims 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 claims do not have to be paid out in the immediate future. The outstanding claims liability for the Liability and Councillors and Officers Schemes have been set having regard to independent actuarial advice.

The outstanding claims for the Councillors and Officers Scheme reflects the liabilities attributable to claims made since 2016. The claims made in years 2014 and 2015 were fully reinsured and those claims are managed by the reinsurer. The claims and corresponding reinsurance recoveries with respect to 2014 and 2015 for the Councillors and Officers scheme have been excluded from the financial statements.

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". 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 risk free discount rates. The discount recognised is limited to interest income that can be earned on cash and other financial assets held by the Liability and Councillors and Officers Schemes.

PROPERTY SCHEME

The outstanding claims liability for the Property Scheme has been set by management estimates with regards to the current notified claims and the aggregate level for the scheme before reinsurance.

MOTOR VEHICLE SCHEME

The Motor Vehicle scheme is fully reinsured and all claims are managed by the reinsurer. The claims and corresponding reinsurance recoveries on these schemes have been calculated, recorded and reported in the financial statements on a net basis.

CRIME SCHEME

The outstanding claims liability for the Crime Scheme has been set based on the value of notified claims adjusted for paid claims plus an allowance for incurred but not reported claims.

(D) INVESTMENTS

Investments comprise of primarily cash on deposit with banks with original maturity in excess of 90 days. Cash on deposit with banks are carried at the face value of the amounts deposited. The carrying amounts of cash on deposit approximates fair value.

(E) NON REINSURANCE RECOVERIES

The non reinsurance recoveries represents recoveries pursued against third parties as a result of claims previously paid by Statewide. The recoveries of such claims are generally litigious and can take considerable time to collect. As such, recoveries are only recognised when the amount is certain to be recovered.

(F) CASH FLOWS

For the purpose of the statement of cash flows, cash includes cash at bank, deposits held at call with banks, and other short term deposits which have been classified as investments on the Statement of Financial Position.

(G) EXCESS AND RECOVERIES

When claim payments made by the Schemes include excesses (or part thereof) recoverable from Members, excesses due at balance date are brought to account as recoveries outstanding.

(H) TAXATION

The Scheme operates as a trust in accordance with existing Australian tax law and intends to distribute all its taxable income (investment income) to beneficiaries. Accordingly, no provision for income tax has been made.

2. ACCOUNTING ESTIMATES AND JUDGEMENTS

A. ACCOUNTING ESTIMATES AND JUDGEMENTS

Management discussed with the board of management the development, selection and disclosure of the Scheme's critical accounting policies and estimates and the application of these policies and estimates.

B. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key area of estimation uncertainty for the Schemes are in its estimation of outstanding claims, reinsurance recoveries and profit commissions.

OUTSTANDING CLAIMS

The outstanding claims provision comprises the central estimate and a risk margin which is added to the central estimate to achieve a desired probability of adequacy. The outstanding claim provision is discounted to reflect the time value of money.

A central estimate is an estimate of the level of claims provision that is intended to contain no intentional under or over estimation. A risk margin is added to the central estimate of outstanding claims in order to increase the probability that the estimates will be adequate.

Central estimates for each Scheme is determined by reference to a variety of estimation techniques. For the Liability and Councillors and Officers Schemes these are based on actuarial analysis of historical experience and assume an underlying pattern of claims development and payment. The final selected central estimates are based on a judgmental consideration of the results of each method and other qualitative information. Qualitative information might include for example, the class of business, the maturity of the portfolio and the expected term to settlement of the class. Projections are based on both historical experience and external benchmarks where relevant. The Property and Crime Schemes are based on managements estimations based on current notified claims and the aggregate before reinsurance.

REINSURANCE RECOVERIES

Central estimates are calculated gross of any reinsurance and non-reinsurance recoveries. A separate estimate is made of the amounts recoverable from reinsurers and other parties.

The nature of the liability claims for which Statewide Mutual provides cover is such that they can take many years to settle with related "Excess Layer" reinsurance recoveries not falling due for payment until the primary claim has been finalised.

REINSURANCE PROFIT COMMISSIONS

From 2004 the Scheme has participated in a national reinsurance programme which covers Statewide Mutual and similar schemes in other states. The reinsurance treaty includes a profit commission clause which pays a profit commission to the member schemes after 10 years if premium paid to reinsurers exceed the ultimate claims paid by the schemes in the relevant underwriting year.

The reinsurance profit commission represents the present value of the projected surplus on the 2004 to 2007 Liability Fund years. The entitlement to profit commission is sensitive to future claims expense on the 2008 to 2013 Fund Years, the cumulative national claims experience and the interest rate movements over the next 10 years.

The profit commissions are accounted for on a cash basis and therefore only accounted for when they are received.

3 .REVENUE AND EXPENSES

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
2018	\$	\$	\$	\$	\$	\$
Member Contributions	1,411,462	35,463,912	27,537,700	4,946,773	15,749,523	85,109,371
Outward Reinsurance Expense	(1,269,000)	(34,479,463)	(17,363,266)	(2,900,000)	(15,749,523)	(71,761,253)
Reinsurance Profit Share	-	6,482,061	-	-	-	6,482,061
Claims Expense (Note 7)	159,298	76,789	(6,213,145)	(972,409)	-	(6,949,467)
Other Scheme Expenses (Note 8)	(119,751)	(7,247,620)	(4,940,231)	(747,866)	-	(13,055,468)
Excess of contributions and reinsurance profit share over claims and related expenses	182,009	295,679	(978,941)	326,498	-	(174,756)
Investment Income	38,938	433,067	753,854	47,941	-	1,273,799
General Expenses (Note 8)	(10,933)	(3,053,230)	(716,654)	(45,140)	-	(3,825,956)
SURPLUS FROM ORDINARY ACTIVITIES	210,014	(2,324,485)	(941,742)	329,299	-	(2,726,913)
ACCUMULATED SURPLUS						
Accumulated Surplus at the beginning of the year	1,362,685	18,202,236	13,179,686	0	0	32,744,607
Operating Surplus from Ordinary Activities	210,014	(2,324,485)	(941,742)	329,299	-	(2,726,913)
Assistance to Councillors and Officers Scheme	-	329,299	-	(329,299)	-	-
Current year Surplus Distribution	-	(2,000,000)	-	-	-	(2,000,000)
ACCUMULATED SURPLUS	1,572,699	14,207,050	12,237,944	0	0	28,017,694

4. FINANCIAL POSITION

STATEWIDE MUTUAL | ANNUAL REPORT 2019

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

5. CASH FLOWS

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
2019	\$	\$	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipt of contributions from Members (including advance contributions & GST)	1,484,067	35,664,216	29,985,635	5,006,139	17,135,204	89,275,261
Receipt of Profit Share	-	9,963,283	-	-	-	9,963,283
Claims payments (net of recoveries)	(167,606)	1,129,716	(8,524,882)	(2,273,707)	-	(9,836,479)
Outward Reinsurance Payment	(1,300,767)	(33,244,546)	(19,848,767)	(2,991,064)	(17,260,694)	(74,645,839)
Payment of other expenses	(134,322)	(8,052,469)	(5,877,839)	345,755	125,490	(13,593,384)
Interest received	38,800	351,651	712,909	55,451	-	1,158,812
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	(79,827)	5,811,851	(3,552,943)	142,573	0	2,321,654
CASH FLOWS FROM FINANCING ACTIVITIES						
Surplus Distribution	-	(2,000,000)	-	-	-	(2,000,000)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	-	(2,000,000)	-	-	-	(2,000,000)
NET CASH FLOWS	(79,828)	3,811,856	(3,552,946)	142,572	0	321,654
Cash at the beginning of the year	1,580,400	13,196,222	25,239,026	1,921,636	(0)	41,937,284
NET INCREASE / (DECREASE) IN CASH	(79,828)	3,811,856	(3,552,946)	142,572	0	321,654
CASH AT THE END OF THE YEAR	1,500,572	17,008,078	21,686,079	2,064,209	0	42,258,938

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
2018	\$	\$	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipt of contributions from Members (including advance contributions & GST)	1,411,462	35,603,186	27,358,347	4,943,080	15,617,272	84,933,348
Receipt of Profit Share	-	6,482,061	-	-	-	6,482,061
Claims payments (net of recoveries)	(45,212)	(552,252)	(9,107,057)	(296,542)	-	(10,001,063)
Outward Reinsurance Payment	(1,269,000)	(34,585,073)	(17,363,266)	(2,900,000)	(15,749,523)	(71,866,863)
Payment of other expenses	(258,000)	(9,295,860)	(5,819,184)	(1,107,756)	132,251	(16,348,550)
Interest received	36,061	417,995	693,125	47,941	-	1,195,122
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	(124,689)	(1,929,943)	(4,238,036)	686,723	(0)	(5,605,945)
CASH FLOWS FROM FINANCING ACTIVITIES						
Surplus Distribution	-	(2,000,000)	-	-	-	(2,000,000)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	-	(2,000,000)	-	-	-	(2,000,000)
NET CASH FLOWS	(124,689)	(3,929,943)	(4,238,036)	686,723	(0)	(7,605,945)
Cash at the beginning of the year	1,705,089	17,126,166	29,477,064	1,234,913	-	49,543,231
NET INCREASE / (DECREASE) IN CASH	(124,689)	(3,929,943)	(4,238,036)	686,723	(0)	(7,605,945)
CASH AT THE END OF THE YEAR	1,580,400	13,196,222	25,239,026	1,921,636	(0)	41,937,284

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

5. CASH FLOWS (continued)

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
2019	\$	\$	\$	\$	\$	\$
RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO OPERATING RESULT FOR THE YEAR.						
Operating Result for the year	(287,553)	4,345,865	(3,982,672)	(1,121,285)	-	(1,045,645)
NON-CASH ITEMS						
Assistance to/from Councillors and Officers Scheme	-	(1,121,285)	-	1,121,285	-	-
MOVEMENT IN OPERATING ASSETS AND LIABILITIES						
(Increase) / Decrease in Receivables	1,413	2,190,433	143,606	(993,128)	(733,632)	608,692
(Decrease) / Increase in Creditors & Accrued Expenses	(8,817)	1,271,181	(1,390,842)	(22,327)	191,908	41,103
(Increase) / Decrease in Accrued Profit Share Commission	-	-	-	-	-	-
Decrease / (Increase) in Reinsurance Recoveries	-	(4,810,894)	(1,528,575)	(175,000)	-	(6,514,469)
(Decrease) / Increase in Provisions for Doubtful Debts	-	-	-	-	-	-
(Decrease) / Increase in Outstanding Claims Provisions	219,133	5,129,815	3,886,390	1,432,519	-	10,667,858
(Decrease) / Increase in Unearned Contributions	(4,002)	(1,193,265)	(680,851)	(99,490)	541,724	(1,435,885)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(79,827)	5,811,851	(3,552,943)	142,573	0	2,321,654

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
2018	\$	\$	\$	\$	\$	\$
RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO OPERATING RESULT FOR THE YEAR.						
Operating Result for the year	210,014	(2,324,485)	(941,742)	329,299	-	(2,726,913)
NON-CASH ITEMS						
Assistance to/from Councillors and Officers Scheme	-	329,299	-	(329,299)	-	-
MOVEMENT IN OPERATING ASSETS AND LIABILITIES						
(Increase) / Decrease in Receivables	(87,306)	94,614	(3,451,346)	235,469	(1,342,938)	(4,551,508)
(Decrease) / Increase in Creditors & Accrued Expenses	(119,612)	702,622	170,155	24,577	230,433	1,008,174
(Increase) / Decrease in Accrued Profit Share Commission	-	-	-	-	-	-
Decrease / (Increase) in Reinsurance Recoveries	157,000	(14,471,749)	(2,672,352)	(255,000)	-	(17,242,101)
(Decrease) / Increase in Provisions for Doubtful Debts	-	-	-	-	-	-
(Decrease) / Increase in Outstanding Claims Provisions	(362,082)	13,586,222	(458,003)	580,406	-	13,346,543
(Decrease) / Increase in Unearned Contributions	77,298	153,533	3,115,252	101,271	1,112,506	4,559,859
NET CASH PROVIDED BY OPERATING ACTIVITIES	(124,689)	(1,929,943)	(4,238,036)	686,723	(0)	(5,605,945)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

6. RECEIVABLES

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
2019	\$	\$	\$	\$	\$	\$
Recoveries outstanding	-	472,594	1,397,386	76,329	-	1,946,309
Accrued interest	21,253	51,601	241,729	-	-	314,582
Prepayment	(0)	331,049	0	-	-	331,049
Prepayment GST	-	-	-	-	-	-
GST debtors	4	103,586	15,343	7,076	0	126,010
Debtors Sundry	-	137,869	50,064	2,521,720	-	2,709,653
Contributions receivable	1,609,586	38,536,805	32,098,431	5,390,504	19,231,541	96,866,867
	1,630,843	39,633,505	33,802,952	7,995,629	19,231,541	102,294,471
Non reinsurance recoveries - current	-	507,441	-	-	-	507,441
Reinsurance recoveries - current	-	34,668,550	9,444,695	430,000	-	44,543,245
Reinsurance recoveries - non current	-	97,738,719	-	-	-	97,738,719
Provision for Doubtful Debts - current	-	(507,441)	-	-	-	(507,441)
Provision for Doubtful Debts - non current	-	-	-	-	-	-
	1,630,843	172,040,773	43,247,647	8,425,629	19,231,541	244,576,434

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
2018	\$	\$	\$	\$	\$	\$
Recoveries outstanding	-	322,009	823,480	97,201	-	1,242,690
Accrued interest	18,250	111,918	310,157	-	-	440,325
Prepayment	(0)	328,677	(0)	-	-	328,677
Prepayment GST	-	-	-	-	-	-
GST debtors	-	101,960	8,658	13,552	15	124,185
Debtors Sundry	-	1,255,550	0	1,400,435	-	2,655,985
Contributions receivable	1,614,006	39,703,824	32,804,263	5,491,313	18,497,894	98,111,300
	1,632,256	41,823,938	33,946,558	7,002,501	18,497,909	102,903,162
Non reinsurance recoveries - current	-	507,441	-	-	-	507,441
Reinsurance recoveries - current	-	33,946,524	7,916,120	255,000	-	42,117,643
Reinsurance recoveries - non current	-	93,649,851	-	-	-	93,649,851
Provision for Doubtful Debts - current	-	(507,441)	-	-	-	(507,441)
Provision for Doubtful Debts - non current	-	-	-	-	-	-
	1,632,256	169,420,312	41,862,677	7,257,501	18,497,909	238,670,656

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

7. CLAIMS EXPENSE

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
2019	\$	\$	\$	\$	\$	\$
Net Claims Paid	167,601	(13,661)	8,468,134	1,158,897	-	9,780,971
Claims outstanding at beginning of year	(12,550)	(125,188,477)	(21,092,103)	(3,659,074)	-	(149,952,204)
Claims outstanding at end of year	231,684	130,318,292	24,978,494	5,091,593	-	160,620,062
Recoveries outstanding at beginning of year	-	322,009	823,480	97,201	-	1,242,690
Recoveries outstanding at end of year	-	(472,594)	(1,397,386)	(76,329)	-	(1,946,309)
Reinsurance Recoveries at beginning of year	-	127,596,375	7,916,120	-	-	135,512,494
Less Reinsurance Recoveries at end of year	-	(132,407,268)	(9,444,695)	(175,000)	-	(142,026,963)
Non reinsurance recoveries at beginning of year	-	507,441	-	-	-	507,441
Non reinsurance recoveries at end of year	-	(507,441)	-	-	-	(507,441)
Doubtful debts at beginning of year	-	-	-	-	-	-
Doubtful debts at end of year	-	-	-	-	-	-
	386,734	154,674	10,252,043	2,437,288	-	13,230,740

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
2018	\$	\$	\$	\$	\$	\$
Net Claims Paid	45,784	1,047,344	9,158,627	612,637	-	10,864,392
Claims outstanding at beginning of year	(374,633)	(111,602,255)	(21,550,106)	(3,078,667)	-	(136,605,661)
Claims outstanding at end of year	12,550	125,188,477	21,092,103	3,659,074	-	149,952,204
Recoveries outstanding at beginning of year	-	83,402	1,008,355	131,567	-	1,223,324
Recoveries outstanding at end of year	-	(322,009)	(823,480)	(97,201)	-	(1,242,690)
Reinsurance Recoveries at beginning of year	157,000	113,124,627	5,243,765	-	-	118,525,392
Less Reinsurance Recoveries at end of year	-	(127,596,375)	(7,916,120)	(255,000)	-	(135,767,494)
Non reinsurance recoveries at beginning of year	-	507,441	-	-	-	507,441
Non reinsurance recoveries at end of year	-	(507,441)	-	-	-	(507,441)
Doubtful debts at beginning of year	-	-	-	-	-	-
Doubtful debts at end of year	-	-	-	-	-	-
	(159,298)	(76,789)	6,213,145	972,409	-	6,949,467

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

8. EXPENSES

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
2019	\$	\$	\$	\$	\$	\$
OTHER SCHEME EXPENSES						
Scheme Administration Fees	125,876	6,889,657	5,150,556	752,225	-	12,918,315
GENERAL EXPENSES						
Actuarial Fees	-	76,296	-	20,182	-	96,478
Auditors Fees	5,000	39,032	8,000	6,500	-	58,532
Bank Charges	46	582	245	123	-	996
Board of Management Expenses	-	100,433	-	-	-	100,433
General Expenses	(5,000)	(697,210)	(1,029,458)	(15,813)	(-)	(1,747,480)
Insurance	-	13,700	-	-	-	13,700
Legal Expenses	-	12,976	(2,000)	-	-	10,976
Marketing and Communication Expenses	-	156,690	75,000	-	-	231,690
Risk Management Expenses	-	1,890,621	-	-	-	1,890,621
Property Valuation Fees	-	-	350,000	-	-	350,000
	46	1,593,120	(598,212)	10,992	-	1,005,946
	125,922	8,482,778	4,552,344	763,217	-	13,924,261

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
2018	\$	\$	\$	\$	\$	\$
OTHER SCHEME EXPENSES						
Scheme Administration Fees	119,751	7,247,620	4,940,231	747,866	-	13,055,468
GENERAL EXPENSES						
Actuarial Fees	-	71,581	-	40,000	-	111,581
Auditors Fees	8,400	67,431	8,500	5,000	-	89,331
Bank Charges	33	856	554	140	-	1,582
Board of Management Expenses	-	90,099	-	-	-	90,099
General Expenses	2,500	664,844	1,045,000	-	-	1,712,344
Insurance	-	15,464	-	-	-	15,464
Legal Expenses	-	43,302	-	-	-	43,302
Marketing and Communication Expenses	-	129,808	100,000	-	-	229,808
Risk Management Expenses	-	1,969,844	(370,500)	-	-	1,599,344
Property Valuation Fees	-	-	(66,900)	-	-	66,900
	10,933	3,053,230	716,654	45,140	-	3,825,956
	130,684	10,300,850	5,656,884	793,006	-	16,881,425

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

9. AUDITORS' REMUNERATION

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
2019	\$	\$	\$	\$	\$	\$
AUDIT SERVICES						
Audit of financial report	5,000	39,032	8,000	6,500	-	58,532
2018	\$	\$	\$	\$	\$	\$
AUDIT SERVICES						
Audit of financial report	8,400	67,431	8,500	5,000	-	89,331

Auditors' remuneration for the Motor Vehicle Scheme in 2019 and 2018 were by borne by the Liability Scheme and were not recharged.

10. OUTSTANDING CLAIMS

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
2019	\$	\$	\$	\$	\$	\$
Reported claims outstanding	231,684	49,144,352	24,978,494	3,007,234	-	77,361,764
Provision for claims incurred but not reported, claims development, prudential margin and claims settlement costs.	-	85,551,044	-	2,146,922	-	87,697,966
Discount to present value	-	(4,377,104)	-	(62,564)	-	(4,439,668)
	231,684	130,318,292	24,978,494	5,091,593	-	160,620,062
COMPRISING						
Current Liabilities	231,684	32,579,573	24,978,494	3,818,694	-	61,608,445
Non-Current Liabilities	-	97,738,719	-	1,272,898	-	99,011,617
	231,684	130,318,292	24,978,494	5,091,593	-	160,620,062

	CRIME FUND	LIABILITY FUND	PROPERTY FUND	COUNCILLORS AND OFFICERS FUND	MOTOR VEHICLE FUND	TOTAL
2018	\$	\$	\$	\$	\$	\$
Reported claims outstanding	12,550	43,151,630	21,092,103	2,015,191	-	66,271,475
Provision for claims incurred but not reported, claims development, prudential margin and claims settlement costs.	-	91,710,132	-	1,714,015	-	93,424,147
Discount to present value	-	(9,673,285)	-	(70,132)	-	(9,743,417)
	12,550	125,188,477	21,092,103	3,659,074	-	149,952,204
COMPRISING						
Current Liabilities	12,550	31,297,119	21,092,103	2,744,305	-	55,146,078
Non-Current Liabilities	-	93,891,358	-	914,768	-	94,806,126
	12,550	125,188,477	21,092,103	3,659,074	-	149,952,204

THE ACTUARIAL ASSUMPTIONS WITH RESPECT TO THE LIABILITY FUND ARE:

- A. The average term to settlement of outstanding claims is 2019: 3.50 years (2018: 3.45 years)
- B. The following average inflation (normal and superimposed) rates and discount rates were used in measuring the liability for outstanding claims

	2019		2018	
	2020	2021 AND BEYOND	2019	2020 AND BEYOND
Inflation Rate	2.00%	2.25%	2.25 to 2.50%	2.50 to 3.00%
Superimposed Inflation Professional Indemnity		0.00%		0.00%
Superimposed Inflation Personal Injury		0.00%		0.00%
Discount Rate Range	0.97%	1.00 to 2.45%	1.89%	2.09 to 3.49%

The Actuarial assumptions with respect to the Councillors and Officers Fund are:

- A. The average term to settlement of outstanding claims is 2019: 1.47 years (2018: 1.46 years)
- B. The following average inflation (normal and superimposed) rates and discount rates were used in measuring the liability for outstanding claims

	2019		2018	
	2020	2021 AND BEYOND	2019	2020 AND BEYOND
Inflation Rate	2.00%	2.25%	2.50%	3.00%
Discount Rate Range	0.97%	1.00 to 2.45%	1.89%	2.09 to 3.49%

11. PROVISION FOR SURPLUS DISTRIBUTIONS

In accordance with the Board of Management meeting resolution dated 11 October 2002, and also with Clause 9.11.2 of the Statewide Mutual Deed of Establishment, a distribution (of an amount to be determined by the Board of Management) will be made after the adoption of the Financial Statements at the end of each financial year.

12. EVENTS SUBSEQUENT TO REPORTING DATE

No other matter has arisen in the opinion of the directors of Statewide Mutual, to significantly adversely affect the operations of Statewide Mutual, the results of those operations, or the state of affairs of Statewide Mutual in future financial years.

MEMBERS

As at 30 June 2019

Albury City Council	Cobar Water Board	Kyogle Council	Rous County Council
Armidale Regional Council	Coffs Harbour City Council	Lachlan Shire Council	Shoalhaven City Council
Ballina Shire Council	Coolamon Shire Council	Lake Macquarie City Council	Singleton Council
Balranald Shire Council	Coonamble Shire Council	Leeton Shire Council	Snowy Monaro Regional Council
Bathurst Regional Council	Cootamundra Gundagai Regional Council	Lismore City Council	Snowy Valleys Council
Bega Valley Shire Council	Cowra Shire Council	Lithgow City Council	Strathfield Council
Bellingen Shire Council	Dubbo Regional Council	Liverpool Plains Shire Council	Sutherland Shire Council
Berrigan Shire Council	Dungog Shire Council	Lockhart Shire Council	Tamworth Regional Council
Bland Shire Council	Edward River Council	Maitland City Council	Temora Shire Council
Blayney Shire Council	Eurobodalla Shire Council	Mid Coast Council	Tenterfield Shire Council
Bogan Shire Council	Federation Council	Moree Plains Shire Council	Tweed Shire Council
Bourke Shire Council	Forbes Shire Council	Mosman Municipal Council	Upper Hunter County Council
Brewarrina Shire Council	Georges River Council	Murray River Council	Upper Hunter Shire Council
Broken Hill City Council	Gilgandra Shire	Murrumbidgee Council	Upper Lachlan Shire Council
Byron Shire Council	Glen Innes Severn Council	Muswellbrook Shire Council	Upper Macquarie County Council
Cabonne Council	Goldenfields Water County Council	Nambucca Shire Council	Uralla Shire Council
Campbelltown City Council	Goulburn Mulwaree Council	Narrabri Shire Council	Wagga Wagga City Council
Canterbury Bankstown Council	Greater Hume Shire Council	Narrandera Shire Council	Walcha Council
Carrathool Shire Council	Griffith City Council	Narromine Shire Council	Walgett Shire Council
Castlereagh-Macquarie County Council	Gunnedah Shire Council	New England Tablelands Council	Warren Shire Council
Central Coast Council	Gwydir Shire Council	Norfolk Island Regional Council	Warrumbungle Shire Council
Central Darling Shire Council	Hawkesbury River County Council	North Sydney Council	Waverley Municipal Council
Central Murray County Council	Hay Shire Council	Northern Beaches Council	Weddin Council
Central Tablelands County Council	Hilltops Council	Oberon Council	Wentworth Shire Council
Cessnock City Council	Hornsby Shire Council	Port Macquarie-Hastings Council	Willoughby City Council
City of Canada Bay Council	Inner West Council	Port Stephens Council	Wingecarribee Shire Council
City of Newcastle	Inverell Shire Council	Queanbeyan Palerang Regional Council	Wollondilly Shire Council
City of Ryde	Junee Shire Council	Regional Council	Woollahra Municipal Council
Clarence Valley Council	Kempsey Shire Council	Randwick City Council	Yass Valley Council
Cobar Shire Council	Ku-ring-gai Council	Riverina Water County Council	

CERTIFICATE BY CHAIRMAN AND FINANCE COMMITTEE CHAIRMAN

In our opinion, the accompanying financial statements of Statewide Mutual comprising the Statement of Financial Position, Statement of Financial Performance, Statement of Cash Flows and accompanying notes as set out on pages 1 to 15:

- A. presents fairly the financial position of Statewide Mutual as at 30 June 2019 and of its performance as represented by the results of its operations and its cash flows for the year ended on that date.
- B. are drawn up in accordance with the provisions of the Deed of Establishment dated 22 March 1994; and
- C. are drawn up in accordance with the accounting policies contained in note 1.

Dated: 12/09/19


REBECCA RYAN
Chairman – Board of Management


MELISSA MCCOY
Deputy Chairman – Finance

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