



ANNUAL REPORT

and financial statements for the year
ended 30 June 2020

WHO WE ARE

BEFORE WE DELVE IN

At Statewide Mutual, we don't believe in keeping secrets behind closed boardroom doors.

In this annual report, you'll find a year of truths laid out in the open. The good *and* the bad. That's why we're beginning this report by clarifying who we are – and who we *aren't*.

Who we aren't

We're not an ASX or global stock market listed company, and we don't seek to provide a return to shareholders. Nor do we foster transactional relationships.

Instead, we work in partnership with our members.

We also don't penalise our members for suffering losses. After a catastrophe, member contributions remain steady.

So, who are we then?

We are a true collaboration between the private and public sector, here to resolve common risk management challenges faced by local government.

To accomplish this, we work together with the world's largest broker to attain stable contributions.

Our solid relationship network of more than 20 years also continually delivers more competitive deals for our members.

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.

Our team is qualified and experienced, with a wealth of knowledge in the insurance and reinsurance markets. Working closely with our members, our teams help councils navigate the myriad of risk management challenges they face.

Today, we're proudly Australia's largest local government mutual scheme that provides broad cover for councils.

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CHAIR'S WELCOME

Welcome. After such an eventful 12 months, we have a lot to cover. So, let's hit pause on the global events of 2020, bookmark the extreme weather we've experienced across Australia – and begin on our own doorstep: the Statewide Mutual Board.

Changes to your Board

This year, we said a fond farewell to Gary Murphy, our former Deputy Chair Claims and Risk Management, and Board Representative for the Metro region. Highly professional and with a wealth of local government experience, Gary has been a pivotal figure on our Board for over six years.

Throughout 2020-21, we've had several Board vacancies open up, and I'm pleased to report that we had a large number of talented nominations for these roles.

When you see so many skilled people interested in joining the Board, it's testament to the value of the work we do. It is also rewarding to see that filling our vacant positions is a competitive process – and that we're attracting top talent in our sector.

Over 2020-21, we appointed the following new members, each bringing a unique skillset to the Board:

- Iliada Bolton from Bega Valley Shire Council, representing the South Coast/Southern Tablelands Region
- Paul Bennett from Tamworth Regional Council, representing the Northwest Region
- Matthew Stewart from City of Canterbury Bankstown, our second representative for the Sydney Metropolitan Region

You can find out a little more about them on page 8.

Governance with a difference

While on the topic of our Board, it's worth recapping what makes it an integral part of your Mutual.

Statewide Mutual is unique in the insurance market, in that our Board members are all senior managers within NSW councils. This means that our Board members are working, living and breathing local government issues every day.

They're working closely with their community and councillors. They're facing the challenges of natural disasters like drought, floods and bushfires. And they're overseeing every detail involved in running diverse complex organisations.

Essentially, they intimately understand the risk management challenges Statewide Mutual members face – because they face these challenges themselves.

They know what's at stake. And they will always act for their members.

But what's more, having a Board comprised of council staff keeps our reinsurance rates competitive. Why? Because reinsurers want to be talking to the people they're actually covering.

This means our members will continue to benefit from excellent contribution rates, while also knowing they are part of a mutual that has their best interests at heart.

Let's get the obvious out of the way

It goes without saying that COVID-19 has profoundly changed everyday life over the last 18 months. And while Australian local government hasn't faced the same impacts as seen overseas, staying quiet about what's been happening in this space would certainly feel like the proverbial elephant.

In our renewals, COVID-19 has been a big focus, with reinsurers keen to know the impact it's had on our councils roles and responsibilities. Luckily for all involved, our response has largely been 'minimal impact' with councils continuing to provide an essential service in a COVID-safe manner.

That said, unsurprisingly the pandemic has been disruptive to every single council – with those on the border or in metropolitan areas affected to a greater extent than those in rural NSW.

Adapting to the new reality

Thanks to the phrase we will all be glad to see the back of ('social distancing'), we were forced to modify the way we work with members over the last 12 months.

Our Regional Risk Managers, who are well known for their regular visits to members, had to put these drop-ins on hold. With in-person catch ups no longer safe, these meetings moved into the virtual world – and were rather successful by all accounts. You can read more about them on page 12.

Our large annual conference was also no longer on the cards. So, to avoid one large gathering, we took our conference onto the road – running 'roadshow' events across the state. You can read more about these events on page 18.

Out of the pan, and into the flames

After a year of helping members recover from the 2019-2020 bushfires and face a myriad of COVID-19 challenges, we thought we might have a little breathing room before the state's next big challenge. Then came the March 2021 floods.

These floods have caused evacuations, dumped debris and damaged assets. Currently, we're working with members through their claims.

Needless to say, councils have been through a lot since the summer of 2019. The continual unexpected curveballs we've been thrown illustrate the importance of effective cover for councils. We can never know with certainty what's around the corner. Which leads nicely onto...

Preparing for a changed climate

We're facing an ever-meaneer climate in Australia, with a greater rate of extreme weather events.

You're never going to stop a natural disaster from happening. But you can lessen its impact on your municipality – by being prepared. So be sure to have your business continuity and individual asset risk assessment plans ready.

The mutual is helping councils get their planning in order. We're ramping up our Risk Initiative and training members on how to be risk-ready for any natural disasters that come their way. We want to ensure our members don't neglect their planning, while constantly reevaluating what they can do to minimise their risks.

Support in numbers

Recapping the past 12 months does feel a bit exhausting. However, we have seen one extremely positive outcome during this time: the mutual and its members acting as a supportive collective group.

While our councils are diverse in size, risk and geography, they share many common challenges. The mutual has been able to facilitate an ongoing conversation between members – from idea swapping to collaborative problem solving.

Looking ahead

After our recent review of the Statewide Mutual Strategic Plan, we've tightened our objectives so we can:

- Keep representing our members' best interests
- Ensure the cover we provide is reasonably priced
- Smooth out the peaks and troughs in the insurance market

If you look at a graph comparing how the market has fluctuated versus how the mutual has performed, it's clear that we've been able to provide long-term insurance stability for our members.

We're looking forward to another year of working hard for our members and helping them through whatever challenges are in store.

Happy reading,

Rebecca Ryan

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

YEAR IN REVIEW

Here are the risk management stories that have kept councils on their toes over the last 12 months.

Bushfires break claims records

The 2019-20 bushfires have been the single biggest event the Mutual has encountered, with over \$17 million in claims. This was the first time many councils filed a claim for a natural disaster of this scale, and the first time for triggering certain parts of their schemes.

The majority of damages were to smaller scale assets such as playgrounds and recreational sites. Larger damages ranged from sewer facilities, botanic gardens and communications equipment.



Councils navigate COVID-19 risks



Health and safety, cleaning and logistics were all new risks for councils from March 2020.

Since that time, Statewide Mutual held regular regional risk meetings via Zoom so that councils could exchange ideas and workshop ways to approach these new challenges.

During the lockdown phase, discussions included setting up home-offices, managing cybersecurity and shutting down facilities in line with NSW Health guidelines.

The conversations then became even more complex as restrictions eased and public facilities reopened. These included how to manage the number of people in facilities, appropriate signage, cleaning schedules – and how to keep pace with the ever-changing regulations.



Wamberal homeowners consider class action

Throughout the second half of 2020, storm action exacerbated natural sand shift along the NSW Coast, causing properties to fall into the sea. Affected homeowners pointed the finger at Central Coast Council, alleging it was Council's responsibility to install asset protection infrastructure to prevent damage.

Whilst correspondence from lawyers has been received, no court action has yet been commenced. It is an interesting consideration of the rights of private individuals balanced against the interests of the wider public – with costs of \$10K-\$30K per one metre of wall, it is a great imposition on the wider community.



Droning up: three councils take to the skies

Thanks to the annual AVCRM-Statewide Mutual drone competition, the three winning NSW councils now own top-of-the-range drones to use as they see fit. Applicants were asked to write 500 words on the innovative ways they could use drones in their organisations and the resulting benefits.

The winning councils were:

- 1st Prize | Fairfield City Council: A top-of-the-range fully thermal drone, full certification and training (value <\$12,000).
- 2nd Prize | Narrandera Shire Council: A top-end drone plus a full training package.
- 3rd Prize | Dungog Shire Council: A mid-range drone and a full training package.

To read more about the competition and award winners, visit statewidemutual.com.au/news

More sophisticated cybercrimes

Cybercrime attackers are becoming increasingly sophisticated, now targeting operational technology infrastructure. From tampering with production lines to meddling with water treatment plans, these attacks can carry grave consequences.

Hackers are now using software that's not just designed to steal data. It can now also infect entire operational systems.

This means that if targeted systems are infected, disastrous outcomes can result. It may be physical harm, catastrophic fire or environmental destruction. Example systems include:

- Fire safety equipment
- Security systems
- Transportation systems
- Lighting controls and energy monitoring

Within the cyber security space, Statewide Mutual has introduced new training, including:

- Social Engineering and Security Awareness (includes penetration testing, review of cyber standards, suggested corrective actions and training)
- Information Security Maturity Assessment (includes best practice review of policies, procedures, etc);
- A Cyber Crisis Simulation



La Niña storms result in destructive flooding

The La Niña weather event was underway last summer, causing floods and damage throughout NSW during March and April 2021.

Occurring when the east-to-west winds in the Pacific Ocean become stronger, La Niña events usually bring above-average rainfall. However, they can also be the precursor for other serious weather events like flooding, storms and coastal erosion.



WELCOME ABOARD

This year, we welcomed three new faces to the Statewide Mutual Board.



PAUL BENNETT
GENERAL MANAGER
TAMWORTH REGIONAL COUNCIL

Region: Northwest

Career highlight: I've held positions on the NSW Finance Professionals Board, the LG Professionals National Board and also served as NSW State President of LG Professionals. Yet, joining Tamworth is definitely my greatest achievement. I'm proud to be part of a large, progressive regional council that's recognised for delivering amazing community services and facilities.

What he loves about his municipality: I absolutely love country music – and in Tamworth we live by the tagline 'Country music and so much more!'. Being a boot scooting cowboy certainly helps manage the stress levels.

I have a long career in – and passion for – local government. I was just 33 when I took on my first general manager role, which made me the youngest GM in the state at that time.

With a strong background in finance and risk management, I am also naturally inquisitive. I never hesitate to question 'why' or seek explanations whenever things don't add up.

Admittedly, when it comes to Statewide Mutual, I was once quite critical of the organisation and how it communicated with members. To me it seemed the Mutual just expected councils to join without really explaining the benefits of being part of a mutual.

As a result, my council went to the market to evaluate its insurance options. And although the tender process was complex and time-consuming, it was also enlightening – because we could see the huge advantage of joining the Mutual a lot more clearly.

We were particularly impressed with Statewide Mutual's contribution management and risk minimisation programs. And we really valued the team's expert knowledge of the local government industry.



ILIADA BOLTON
BUSINESS AND GOVERNANCE DIRECTOR
BEGA VALLEY SHIRE COUNCIL

Region: South Coast/Southern Tablelands

Career highlight: In 2019, I was a mentor in the Local Government Professionals Australia international program. Seeing one of my colleagues establish a library and career program for high school students in Cambodia is definitely one of my career highlights.

What she loves about her municipality: I can honestly say I never get tired of looking at the colour of the water along the coastline. It makes my heart happy. Secondly, I have managed to keep some plants alive in this climate!

I bring strong operational knowledge and experience to the Board, having managed risk and insurance portfolios over the last four years.

I was motivated to join the Board because I am keen to deliver more value for my community. It's important to me that insurance expenses don't take funds away from other important community services. I also see an opportunity to contribute to the governance and strategy of the Mutual to build confidence in how it is supporting our industry.

As an LGA that's experienced six natural disasters in the last 15 months, being a part of the Mutual has been invaluable. Without Statewide Mutual, the cost of insurance premiums would be even more difficult to contain. The focus on risk management initiatives by the Mutual contributes towards reducing the financial burden and has a positive impact on how we deliver our services. It's vital for us to manage these costs in a sustainable way – and the Mutual lets us do this.

The Mutual supports a true industry approach, which was especially clear to me one day when I was working in a previous council. I received an email saying, "We have just found a building that we didn't realise we owned. Can you insure it?"

We were able to add the building to our property register with no cost because of the property aggregation across the Mutual. A minor change in risk for the Mutual – but a big relief for a regional council.



MATTHEW STEWART
GENERAL MANAGER
CITY OF CANTERBURY BANKSTOWN

Region: Metropolitan

Career highlight: When I was appointed GM of Bankstown Council, I inherited a council that was dysfunctional and had a toxic culture. The Council was also bleeding financially.

I set about to change the culture, drive efficiencies and transform the management team. And within just 12 months, we turned things around. The council achieved a bottom-line efficiency of \$7 million a year – and received the prestigious AR Bluett Memorial Award for Local Government.

What he loves about his municipality: I love my municipality because I grew up here. Living across Campsie and Sefton, I mixed with kids from all backgrounds and ethnicities.

I fondly remember getting around in my rundown Toyota Corona, which liked to keep me on my toes by accelerating uncontrollably (and the wires would occasionally catch fire too).

With a background in civil engineering, I started my career as a mine manager. In this hands-on role, I was responsible for production output, due diligence, safety and quality. I spent 10 years in the sector before moving to local government – and I haven't looked back since.

A strategic and forward thinker, my operational experience holds me in good stead when assessing and auditing risks.

I also bring financial acumen and deep knowledge of local government to the Board – along with strong government and community connections.

Over the years I have formed many close working relationships with local, state and federal government departments and bodies. This includes unions, not-for-profits and community organisations.

I look forward to bringing my experience and relationships to the Board for the benefit of all members.



EXECUTIVE OFFICER'S REPORT

The past year has shown how connected we all are: that what affects one person can affect us all. And when it comes to the insurance market? Events on the other side of the world have consequences on our very own doorstep.

Preparing for upheaval while keeping a steady footing has been the sector's challenge. Despite the continual hurdles, Statewide Mutual is prepared for whatever lies around the corner. Here's what we're anticipating ahead, and why our members are safe when backed by the Mutual.

A record-breaking year (but not in a good way)

Aside from the ongoing effects of COVID-19, it's been a year of enormous losses. Flood, bushfires and claims outcomes – all these have broken records. Notably, \$17 million in bushfire destruction payments and \$33 million across the Mutual in the last 12 months alone.

Another challenge we've been facing is the escalating number of corruption claims against local government staff and councillors. Litigation costs from representing our members against the Independent Commission Against Corruption (ICAC) have skyrocketed, with one case running out to 14 weeks.

Hot areas ahead

Needless to say, it's been a difficult year in the insurance sector, but the worst is hardly over – with increasingly complex challenges on the horizon.

The private sector's run at managing waste management facilities, such as recycling centres, seems to be coming to an end. Due to the fire risks they pose, these facilities are becoming increasingly hard to insure. The likely outcome? The private sector will foist these facilities onto local government to manage and insure. This poses a particular challenge to councils that are already in charge of diverse and volatile areas of risk.

On top of bushfires and flooding, coastal erosion is another growing area of concern. These threats from the natural world are likely to keep appearing – and with greater frequency – as we see more extreme weather events.

Comparing providers: Apples and oranges?

So, how can you protect your council?

Your council needs to do its own diligence before choosing where it will cover its own risks. Research your limits, research your cover and research the type of support you're going to get.

Security is what's needed now; the long-term view, not the short-term fix. Direct market placement insurance was touted as giving great 'cost savings' in the form of lower premiums. But after the 2019-20 bushfires, we've seen numerous councils fail to access the coverage they needed. These councils have inevitably gone back to the protection of a mutual.

Most importantly, when comparing providers, always compare apples with apples, not apples with oranges. When it comes to assessing what Statewide offers as a mutual, I'm confident we have the strongest position in the market.

We provide better limits, broader cover and superior support. We also have a bigger market footprint, with backing from the biggest broker in the world.

Breadth AND depth

Bigger and broader, yes. But I'm often asked 'what does that mean for my council?'

The best way to understand the depth of our service is to look at our maxim: Strength, Stability, Integrity.

Strength

The Mutual has the bargaining power of being the largest collective of councils in Australia. The market leader, JLT Risk Solutions provides professional services to the Mutual. JLT, in turn, is part of Marsh, the largest insurance broker in the world. Their backing guides us through today's demanding market.

Stability

Stability comes not just from the size of our group but from our longevity. We have long-standing relationships with reinsurers who are looking at 10-15 years' worth of loss ratios, a truly broad perspective with profound implications for our service.

You get a team with people who are not just insurance professionals but *local government* insurance professionals. We offer more than 27 years of specialised expertise.

Integrity

We will always respond to every tender for local government because we have the best value proposition. We don't pick and choose. We're always happy to have our strength evaluated against any other offering in the market.

We continue to provide a service like no other, based on our team's superior experience and the composition of our Board. Our Board underwent a full governance review recently and came through with flying colours.

Our Board's objectivity is vital to the Mutual's strength and it ensures we're always keeping member interests at the centre of our operations. One example of this in action is the external review of JLT's management fees our Board has commissioned this year.

What makes it tick

I'd like to thank my colleagues at JLT – in particular, Keely Autrey and Martin Townsend.

I continue to be impressed by our elected representatives. Their diverse skill base and insight go into helping us make the Mutual a custom fit for our membership to represent local government in reputation and brand.

A special thanks go to our Chair Rebecca Ryan, Deputy Chair Risk Claims and Risk Management Jason Linnane, Deputy Chair Marketing Troy Green and Deputy Chair Finance Therese Manns. All our Board members work tirelessly, but our Chair and Deputy Chairs certainly have the most challenging and time-consuming roles.

To our departing Board members, Gary Murphy and Melissa McCoy, I wish you well in your future endeavours and thank you for your sterling contributions.

I am always grateful to our passionate and client-focused team members for their support, guidance and hard work. We stand by our service offering – and they're what makes it tick.

Naamon Eurell
Executive Officer

Needless to say, it's been a difficult 12 months in the insurance sector, but the worst is hardly over – with increasingly complex challenges on the horizon.

CLAIMS AND RISK MANAGEMENT REPORT



It's been 12 months like no other. Change, and lots of it, has been the only predictable. Insurance risks are part of all this, and we are managing them so councils can get on with business, despite daily readjustments.

Here's the strong progress we've made – plus the critical trends we see coming.

Preparing for the unknown

As Eisenhower put it, "Plans are useless, but planning is essential".

One aspect of the mutual that I'm especially proud of is our Risk Initiative Program. Through this training, we work proactively with our members to help them upskill in risk management processes – from emerging risk identification to risk mitigation planning.

Essentially, we help them get ahead of the game; not waiting for the train to crash, but being ready in case it does.

This benefits our members in two ways, the most obvious one being they have a better understanding of their risks – so they're less affected when catastrophe strikes. And secondly, our Risk Initiative Program is seen very favorably by our reinsurers in London. The underwriters see us as externally proactive, which translates to confidence in risk management process and lower rates for our members.

While fees are accelerating worldwide, ours are 20% lower on average than the global rate.

Proud to be on your team

Working across the state, our Regional Risk Managers (RRM) create a network of information about common issues and best practice response. From warning on trends like the increase in cybercrimes, to sharing information on how councils are adapting to COVID-19 restrictions. They have their eyes and ears on what's coming up and keep our members a step ahead of emerging issues.

Critically, they're also constantly 'on-call' for our members – functioning more like an extension of their in-house team. So, whenever a council needs reliable risk management advice and decision-making support, they simply call their RRM to get the clarity and answers they need.

What's more, our RRM's continually develop online publications on the myriad of risk management challenges councils face. This means our members can click on the Statewide Mutual website at any time to locate a relevant resource.

Walking the talk

The Mutual is set up to manage risk on behalf of our 113 members – but are we managing our own?

As a business, we need the same protection of strategic mitigation and processes. We're now walking the talk in creating our own risk register. It's an integral part of good governance, so that we have the in-house stability our members can rely on.

Covering the roof

During a massive storm in northern NSW, one of our members faced significant damage to the roof of its administration block. In an unrelated incident, a central NSW council needed an extensive repair of its emulsion tank.

How are these two incidents connected?

Both councils thought their damages were covered by the Scheme – but they weren't. Regardless, our Board granted both councils ex-gratia payments (of \$200K and \$17.5K respectively).

Statewide Mutual has a long history of making ex-gratia payments to members, and we've now set clear boundaries on how these work to ensure consistency. Some of the criteria we assess includes:

- The council's participation in the scheme
- The council's risk management engagement
- The council's claims history
- The council's capacity to meet the loss
- Whether the damages resulted from an insurable incident (i.e. did the council choose not to insure?)
- Whether the council may have reasonably believed they were insured for such an event

Our ex-gratia payments are one example of the strength in numbers when you're part of the mutual.

Warning signs

Extreme weather events and a trend in stringent court results are the key items on our radar over the next 12 months.

Currently, higher intensity, more frequent storm events are predicated due to climate change. Preparation for these is crucial, and we're working hard to help councils get their risk plans in place.

As for court judgements becoming more stringent, in one very sad case that resulted in a child sustaining brain damage after falling from a pier onto the sand, council was found to be at fault. While the council had warning signs about risk from wave action, they didn't have a sign specifically indicating the dangers of falling onto the sand.

Even where it may seem easier or more cost-effective to settle the claim upfront, we continue to fight it out in the courtroom to protect industry interests and support councils throughout the process.

While I've only been in this role a few months, that's been long enough to see the Mutual's passion and commitment to its members. As a General Manager and a Board member, I am lucky to have a bird's eye view of risk management. I sleep easy in my bed knowing my council is part of the Mutual and not going it alone.

Jason Linnane

Deputy Chair Claims and Risk Management
General Manager, Singleton Council

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RISK INITIATIVE PROGRAM SPOTLIGHTS

WENTWORTH SHIRE COUNCIL

Kangaroos, potholes and falling tree limbs. These are but three examples of the varied claims Wentworth Shire, along with other councils in remote regions, gets to handle.

In 13 years with the Shire, including seven years as Director of Finance, Simon Rule has seen it all. Here he explains how a staunch partnership with Statewide Mutual – including accessing the Mutual's Risk Initiative Program – has strengthened his council's risk management.



Q: Why does your Council obtain its risk cover through Statewide Mutual?

A: Being in the Mutual and spreading the risk across 113 councils gives us unparalleled buying power.

Because local government is such a unique industry from an insurance perspective, if we were to go out to the market ourselves for all the different insurances, we'd likely need a full-time insurance expert on our staff.

Having the Mutual coordinate our cover and the backing of their expertise is a massive help.

Q: How has your council been making the most of the Mutual's Risk Initiative Program?

A: Through our regular reviews we identified a need in fraud awareness across Council. So we took up the Mutual's training initiative offer.

Course topics included falsifying timesheets, inappropriate use of council assets and what to do if you suspect fraudulent activity. We had a great response and we're implementing the learning across our Accounts Payable team and via our staff induction program.

Currently, we're tailoring the training package for our outdoor teams and sharing it in early bird (7am!), 20-minute bite-size sessions. Plus, we have unlimited access to the online program for anyone who missed out or needs a refresher.

The Mutual's Regional Risk Managers (RRM) have delivered valuable presentations to our staff on their role in the chain of responsibility – especially when it comes to contractor management. So we're now in a sound operational space regarding our risks there.

All this means we're keen to take up the next offering; a business impact assessment of the Business Continuity Plan (BCP).

With the Mutual's expert help, we'll be analysing how to deal with acceptable outages and how to bring services back online quickly. Then we can add in the next layer of action plans.

Q: How would you describe your working relationship with the Mutual?

A: Mutual representatives have always been easy to deal with. It's a respectful relationship on both sides.

Having access to our RRM, Damien, is invaluable. We know at Wentworth Shire, many of our challenges aren't unique; there's usually another council out there facing a similar risk issue.

When we're facing a problem that's novel to us, we can run our question through Damien's network and learn how another council handled it. It saves us so much time and energy – because we don't have to reinvent the wheel.

Working closely with our RRM gives us so many other tangible benefits too, including:

- On target advice around any changes to cover
- Swift onboarding to the latest health and safety requirements and assistance in writing safe work method statements
- Quick and helpful follow-up on claims and any delayed payments

Q: What are your risk management plans over the next 12 months?

A: The audit and risk improvement committee is going through substantial change. Fresh legislation is pushing the boundaries and we need to keep up with the latest requirements.

We'll be starting next year with action planning. A critical issue for the next year is reporting on our level of compliance against legislative obligations. This means tackling many tasks we haven't faced before.

As always, we'll be looking to the Mutual for information, guidance, support and training in these areas to keep us fully briefed and prepared.

BLAND SHIRE COUNCIL

Bland by name – yet when it comes to reputation, this council is anything but. As the 2017 winner of the prestigious AR Bluett Award for most progressive council in NSW, Bland Shire is pushing the envelope when it comes to being a modern, community focused organisation.

Council General Manager Ray Smith believes a large part of this commitment to community involves rigorously containing risk. With 50 years' experience in local government, and 10 years at Bland Shire, discover how Ray is leveraging his industry expertise – and strong partnership with Statewide Mutual – to fortify risk processes at his council.



Q: Why does your Council obtain its risk cover through Statewide Mutual?

A: Being in the Mutual helps spread the risk. Of course, we understand that it doesn't give us complete immunity. However, it does minimise the impacts of market volatility.

And the collective power of the member councils is certainly a bonus.

Q: How has your council been making the most of the Mutual's Risk Initiative Program?

A: Over the last two years we've been very active in looking at risk management as an operational area.

In the past, many of our staff viewed risk management as just the Work Health and Safety (WHS) component. There was this perception that risk was a trip, fall or back injury resulting from your work.

Our council faces a myriad of risks across many operational areas, and I knew we needed to embed robust risk management into our culture.

So I engaged Statewide Mutual to train our staff and local councillors on how to identify and manage risks. And what an eye-opener it was.

Everyone now understands how broad our risk is – it's not simply an at-work injury. It encompasses managing risks to our financial position and reputation, as well as operational risks.

Thanks to the training, we've now developed a comprehensive risk register using Pulse Software. This has helped spread the word across our organisation that risk management is an important aspect of what we do.

And because we have this detailed risk register, we've also been developing our Risk Maturity reports for the Audit Risk & Improvement Committee (ARIC). We're now able to produce quarterly reports identifying if there have been any threats and what actions we intend to take. This means we're always on the front foot.

Q: How would you describe your working relationship with the Mutual?

A: The Statewide Mutual relationship is a great benefit to us.

It's been a huge help just to have a dedicated person within the Mutual that we can talk to, and our Regional Risk Manager (RRM) Damien has been great. In fact, Damien brought the Risk Appetite training to my attention – and it's been fundamental to many of the changes we've been making.

And the Statewide Mutual team helped us choose what software we needed and guided us through the change management process.

Q: What are your risk management plans over the next 12 months?

A: I would like to link our risk appetite statements to our community strategic plan and our delivery program. I believe it's important for our councillors to sit down and think about their risk appetite across Council's many areas – whether it's dealing with the community, compliance, the natural environment or finance.

I want our risk appetite statement to be front of mind across our organisation, so that we can enhance our risk-management culture continually.

MARKETING COMMITTEE REPORT



Naturally, COVID-19 affected many of our planned events and celebrations this year. Yet despite limitations, the Mutual found ways to adapt – as did many of our local government members.

Highlights of the past year include ceremonies, conferences and, of course, connections.

We've now created our own strategic risk register, and we are justly proud of how we are modelling what we recommend to others. Providing stability and certainty in fluctuating circumstances, this is one of the best things that we've done as a Board.

Partnerships, awards and sponsorships

Our partnership with local government bodies across NSW and their employees is integral to our work. More than just an insurance provider, we strive to become their strategic partner. So we know how important it is to invest in and support the sector that we serve.

In August 2020, we sponsored the LG NSW Evening Week Awards. Although this was held virtually due to the pandemic, it was a fantastic (socially distanced) evening, and the ceremony ran beautifully.

We were also proud to sponsor the 2021 LGNSW Women's Day Luncheon in March 2021, allowing us to recognise and celebrate many of the achievements by women in our sector.

We're always grateful for the robust partnerships we have with our members, and truly believe this collaboration helps enhance our sector as a whole.

Board newsletter

A key vehicle for communication and connection, our new quarterly Board newsletter includes updates, experiences and advice for our members.

And judging by the positive feedback we've received, these newsletters are well read and received.

More importantly though, they also act as an invaluable conversation starter, prompting many members to reach out to us wanting to delve into the issues we cover more deeply. This reassures us that our members value being involved in our decision-making and other processes.

Planning ahead

Jason referred to the Mutual's strategic planning in his report, but I want to mention it here as well.

We've now created our own strategic risk register, and we are justly proud of how we are modelling what we recommend to others. Providing stability and certainty in fluctuating circumstances, this is one of the best things that we've done as a Board.

Keeping it brief

Those with an eagle eye will notice my report this year is a little shorter than previous years.

Usually, I include a recap of our annual event and list our Risk Management Award winners. But because the past year has been so different, we decided we wanted to run things differently too.

Last year we adapted our annual event so that we could still meet and support our members, despite COVID-19 restrictions. How did we avoid one large gathering? You can read about our solution (and the event highlights) on page 18.

And as for our Risk Management Award winners? We've decided to showcase their projects in detail in this annual report (and all future annual reports). Not only is it deserving recognition for these hard-working councils, it's also an opportunity to share ideas among members.

You can read about these projects on pages 20 (Singleton Council) and 22 (Northern Beaches Council).

Troy Green PSM

Deputy Chair Marketing Committee
General Manager, Tweed Shire Council

REINVENTING OUR ANNUAL EVENT IN A COVID CLIMATE

STATEWIDE MUTUAL: COMING TO A TOWN NEAR YOU!

Health risks and COVID-19 restrictions meant the Statewide Mutual large annual conference was off the cards. But, rather than cancel the event entirely, we reimaged it.

Here, Board Deputy Chair Marketing Troy Green shares how we reinvented our approach – and recaps the event's highlights and triumphs.

Strategising a new kind of event

Our annual event was scheduled for August, just five months into the pandemic. But the risks associated with running such a large event were too high to consider. So we went back to the drawing board.

We wanted an outcome that would:

- Allow us to see our members face-to-face
- Facilitate learning and knowledge sharing
- Avoid one large gathering

Our solution? Going direct to members – and transforming our annual gathering into a travelling roadshow.

Our goal was to visit eight regions over four weeks, spending two days in each region.

We determined that the risk of this new event format was minimal and that we could further mitigate risks with our COVID-19 safe plan, catering and venues. All systems were go.

Taking risk management on the road

At the time, we didn't know how the roadshow would be received given the COVID climate. But we couldn't be happier with the outcome. In the end, we had 120+ individuals attend from 70 councils.

At least two Board members attended every session of each region's roadshow – one from that region and another from a neighbouring one.

The new event format fostered a more intimate interaction than the large annual conference. And after five months of scarce human interaction, there was palpable excitement in the air.

We were happy to be using these smaller gatherings to share knowledge and build networks with fellow passionate risk-management advocates.

A diverse program with insight and heart

Speakers from JLT, Statewide Mutual and various partnering organisations brought attendees up to speed on current trends.

Our legal partner, Mills Oakley, delivered one of the standout presentations. They talked to recent cases local governments have faced. Our valuers, AFM, also presented an interesting look at costing from an asset management perspective.

Thanks to the event's flexible format, we were able to tailor presentations to the local region. This made the program even more relevant to attendees, since they were able to hear from speakers on topics that address their municipality's unique risks.

I spoke on behalf of Tweed Shire Council. My topic was 'When Tragedy Strikes' – which was a recount of the floods we faced here three years ago. I felt emotion swelling in my voice as I relived the experience. Speaking about it reminds us how raw and traumatic dealing with natural disasters can be.

At the time of writing the Annual Report [March 2020], Taree and Port Macquarie are going through major flooding events. I certainly empathise with the stress and exhaustion they must be going through.

Recognising our industry's innovators

It wouldn't be a Statewide Mutual annual event without a Risk Management Awards ceremony.

Our winner for Small/Rural Council was Singleton Council, for their incredibly thorough Integrated Risk Management Plan.

And our winner for Large/Metropolitan Council was Northern Beaches Council, for creating an innovative conflict disclosure app.

Read more about both projects on pages 20–23.

Get out your calendar – and save the date

Our next conference will be held in the beautiful setting of Darling Harbour at the Sydney International Convention Centre.

We're planning to have a representative from NSW Health talk on post COVID-19 response and recovery, which is sure to be full of value. We're looking forward to getting together in person and strengthening our bonds.

FEEDBACK FROM OUR ATTENDEES

“

“Great job as always. Everything was seamless, which means a lot of prep went into the background to ensure everything tracked smoothly. Well done!”

Brook Penfold, Snowy Valleys Council

“

“I gained a lot out of the presentations and talking with people afterwards. I felt very welcome and staff from JLT and Mills Oakley were very friendly and helpful.”

John Wall, Tamworth Regional Council

“

“The format was well suited to the COVID-19 situation. While it may not replace the annual conference, I think the roadshow concept could be implemented annually. It provided a great opportunity for interaction between speakers and audiences.”

Ray Smith, Bland Shire Council



WINNER

2020 Risk Management Excellence Awards
Rural and Smaller Regional Council

SINGLETON COUNCIL

‘SURVIVOR-ING’ AND THRIVING: SINGLETON COUNCIL’S INSPIRED APPROACH TO INTEGRATED RISK MANAGEMENT

Below: Winners of Safety SURVIVOR Singleton 2018, the Green Space team, with General Manager, Jason Linnane, at the conclusion of the grand final.



Above: IRMT Survivor 2019. Dimity Maher, Risk Management Officer; Larissa Bourke, Coordinator Governance; Marco Cortesi, STE Officer; Jenny Rudder, WHS Advisor; Marcelle Jones, STE Officer; Deborah McDonald, Manager Integrated Risk.



Back row: Dimity Maher, Risk Management Officer; Larissa Bourke, Coordinator Governance; Marcelle Jones, STE Officer; Vicki Brereton, Director Organisation & Community Capacity
Front row: Jenny Rudder, WHS Advisor; Marco Cortesi, STE Officer; Deborah McDonald, Manager Integrated Risk; Jason Linnane, General Manager

Some people may say that Deborah McDonald – Manager Integrated Risk of Singleton Council – adopts a ‘quirky’ approach to risk management.

But at Statewide Mutual, we call it inspired.

Since 2016, Deborah and her team have been transforming their council’s approach to risk with a truly creative three-year Integrated Risk Management Plan.

From TV show *Survivor*-esque knowledge-testing challenges to embedding collaboration at all levels, the team has won the hearts and minds of staff – and gained their full support on all things risk management.

In a nutshell: developing the IRM Plan

According to Deborah, back in 2016, Singleton Council’s approach to risk management was – at best – fragmented. Very few elements were in place for enterprise risk management, work health and safety (WHS) and environmental management.

Deborah’s team facilitates risk management across all areas – from employee wellness to community resources such as water and sewer. So it was clear there was an overriding need for a structured, traceable and measurable approach to developing systems that could achieve Council’s risk management vision.

The solution? A three-year rolling Integrated Risk Management (IRM) Plan that aims to develop, maintain and continuously improve their Integrated Risk Management system. The plan also strives to foster an interest in risk management across the organisation.

The substantial system that Deborah and her team have developed includes an IRM Policy and Framework with a strategic risk register and suite of operational risk registers.

Easy to use – and highly accessible

One of the challenges with creating such a comprehensive plan was ensuring its outcomes were practical and accessible at all levels.

Luckily, Deborah and her team excel in this area.

Since developing an initial IRM plan, they have been working on documents to make sure people leaders can quickly find information that’s most relevant to them.

“We didn’t want managers and supervisors having to wade through dense, jargon-filled documents. They don’t have time to navigate a labyrinth every time they want to check their responsibilities. So we knew we had to create some practical tools,” she says.

And lo, the ‘IRM People Leaders’ Toolkit’ was born.

“The toolkit gives managers tips on the responsibilities and procedures that are relevant to them and the area they work in.

“For example, we have a procedure on how to work safely at heights for people leaders who have staff exposed to this risk. And we also have rules that all people leaders need to be across – such as how to manage a smoke-free workplace,” she says.

A collaborative approach

To create the IRM Plan, Deborah and her team started with a vision of where they wanted their system and their risk management culture to be in three years’ time. The draft plan is developed annually and consulted with the WHS Committee and the Leadership Team to ensure it meets the organisation’s needs.

“We believe it’s important to get staff involved in the development phase. That way, they understand how the system will affect them and become more aware of risk management from a Council-wide perspective,” says Deborah.

This collaborative design process – coupled with ongoing training and development – promotes staff buy-in and educates everyone on risk management.

Every iteration of the IRM Plan gives Council the opportunity to tweak the system to ensure it stays relevant and accurately reflects the organisation’s risk management maturity.

Support from the top when bringing risk to life

Looking beyond the IRM Plan, Deborah and her team work hard to lift risk management off the page and bring it to life for employees.

Council’s award-winning internal SWELL (a portmanteau combining the words ‘Safe’ and ‘Well’) Program and Risk Week activities are a perfect demonstration of the team’s people-focused – and yes, quirky – take on risk management.

Another award-winner for Council, the SWELL program takes a holistic approach to the wellbeing and mental health of their people.

And when it comes to taking big steps out of the proverbial box? Look no further than the team’s ‘Survivor Singleton’ program.

As you may have already guessed, Survivor Singleton drew inspiration from the popular reality TV series Survivor. Staff undertook challenges that improved their knowledge of workplace risks and essential systems.

Deborah emphasises that top-level support has also been instrumental to the success of the IRM Plan and its inventive staff engagement approaches. General Manager, Jason Linnane, and the broader leadership team are 100% behind the innovations (even when it involves donning a tie-dyed t-shirt or being ‘stranded’ in a local playground in a Survivor Singleton challenge).

Congrats, Singleton Council!

Since implementing the plan, Singleton Council has seen marked improvements in risk assessment scores across a range of areas including:

- Risk Management maturity self-assessments
- External risk management maturity audits
- Work Health and Safety audits
- Fraud and corruption health checks

Statewide Mutual recognised the Council’s achievements with our 2020 Risk Management Excellence Award.

Singleton Council’s IRM Plan is evidence that small councils can do great things – and we are proud to offer our support as they continue to raise the bar in risk management.

WINNER

2020 Risk Management Excellence Awards
Metropolitan and Large Regional Council

NORTHERN BEACHES COUNCIL

TALKING TECH WITH NORTHERN BEACHES COUNCIL: AVOIDING A BAD RAP WITH AN INNOVATIVE APP

While all NSW councils manage ‘integrity’ as a reputational risk, the stakes are exceedingly high for Northern Beaches Council. Why? Because of one rare and unusual factor: around 80% of Council staff live within the local government area.

When a change in information access guidelines came into play, the situation came to a head.

Council Governance Manager Lesley Milbourne knew it was high time to streamline and simplify their disclosure processes. Her team’s solution? Designing a new app for staff.

Managing disclosures: what’s really at stake?

According to 2018 OECD research, the perception of government integrity is the strongest determinant of community trust.

Conflicts of interest, favouritism and offers of gifts or benefits: these are the types of acts that could ruin council reputation if the public sees decision-making as compromised.

Most councils face some level of reputational risk. But for some, the risk is a lot higher.

Working and living in the same LGA

Lesley explains her Council’s situation, saying, “Our council is unusual for a large metropolitan council in that 80% of our staff live in the local government area. In fact, the area is often affectionately known as the ‘Insular Peninsula’. There are only a couple of roads in and out, and we don’t have a train line – only buses.

“There used to be three councils governing our area, but they amalgamated in 2016. When we had three councils, you could work in one part of the Northern Beaches and live in another LGA.

“Now, as one of the larger councils in NSW, that’s virtually impossible – unless you’re committed to an exceedingly long commute.

“When you have people living and working in the same community, their work and personal lives are going to intersect – resulting in a lot of potential conflict of

interest. And, whether real or perceived conflict, it can impact how our community views us.”

New guidelines putting stress on staff

Before the app was designed, the process for declaring conflicts of interest was arduous on staff.

“Procedures were fragmented and involved. For example, we had a separate process for declaring gifts and benefits – which had about five different approval levels.

“New guidelines from the Privacy Commissioner mean we need to publish our annual returns, which means that individual staff members’ returns need to be made public. Making those declarations public on top of our processes was quite onerous for staff.

“We needed a solution to make the process as straightforward as possible,” she says.

Deciding to get ‘appy

So, how did an app become the chosen path for their solution?

“Because there’s an app for everything, isn’t there?” laughs Lesley.

“In all seriousness, we wanted to make it easy for people. And Council has a big focus on how much we can digitise. We are always looking for ways to utilise technology to improve service internally and externally,” she says.



Right: Rob Koopman, Lesley Milbourne, Christiaan Cable, Anna Moore, Jasmine Evans, Claudia Brodtke.

The design process

Council was posed with a choice: use an existing app or program, or design its own.

“Many councils use off the shelf software programs to manage disclosure processes. However, these types of programs have limitations to their workflows. We wanted to put different disclosures in one place and move items in the chain of approvals back and forth – so managers can give their staff feedback and approve actions.

“Because of this, we decided we needed something custom built and that we would use our internal developer (who is absolutely brilliant and has the patience of a saint).

“Having a bespoke app also means we can continue evolving it with Council ongoing,” she says.

Looking ahead

The app building process started in early 2020, and the project has been fast-tracked because Council knew it was solving a pain point.

Although staff, councillors and panel members are now using the app, Lesley says the process is far from over.

“There’s still work to be done, the app will keep evolving and improving.

“COVID-19 got in the way of us smoothly finalising the process. And now we have another business unit asking for an app feature to manage probity for the local

planning framework. The more we connect disclosures in this way, the more we will be able to proactively manage potential conflicts.

“But more than that, we want to continue to encourage a mindset shift with our staff. It’s one thing to give them the technology – it’s another thing entirely to ensure they’re using it when they should be.

“Encouraging this behaviour is a big piece of work as it’s about changing the mindset and culture around disclosures,” says Lesley.

Lesley adds that they also want to work with staff to better understand the biases that impact all of them in their daily lives and how to be conscious of how they influence their decision-making.

“So Northern Beaches is going to keep evolving its tech and disclosure culture,” says Lesley.

Congr’apps, Northern Beaches Council!

Statewide Mutual recognised the Council’s achievements with a 2020 Risk Management Excellence Award: Metropolitan and Large Regional Council.

Northern Beaches Council is showing us what’s possible when reputational risk management and smart technology use collide. We look forward to seeing where they go from here and are proud to offer our support along their journey.

FINANCE REPORT



As a member-owned mutual, we understand the challenges NSW councils face each year when it comes to risk management. That's why we are committed to making sure our members can always access comprehensive cover – with stable contributions.

To do this, we need to maintain financial sustainability and manage our revenue constraints. As the market continues to harden, both tasks prove no easy feat. But with our team's years of experience and strong industry relationships, we're confident in facing the challenges ahead.

Here's what we've been seeing over the last 12 months, and how we're planning to tackle future challenges.

A hardening market

Several factors have caused the market to harden.

The first factor relates to the historically low interest rates that are on offer, which have made it difficult for insurers and reinsurers to profit from their investment income.

To recoup this revenue, they are being forced into making profits from underwriting.

Other drivers of the hardening market are:

- Industry-wide increases in the cost of liability losses
- Increases in the frequency and severity of ransomware claims
- The global pandemic and resulting economic uncertainty
- A spike in large weather-related loss/catastrophes

Insurance prices on the rise

The Third Quarter Global Insurance Market Index presented by Marsh showed that global commercial insurance prices rose 20% year-over-year in the third quarter of 2020.

This represents the twelfth consecutive quarter of price increases.

Overall, insurance pricing in the third quarter of 2020 in the Pacific region increased 33% – continuing an upward trend that began in 2015.

The above trends present a significant challenge for Statewide Mutual; our promise to members has always been stable contributions to assist them with managing tight budgets.

Taking a long-term view

We have adopted a strategy that both honours our promise to members and responds to these pricing pressures.

In past years, softer markets have allowed us to limit price increases and return funds to members through rebates.

With the market hardening, we will be bringing in moderate pricing increases over the next two years to maintain adequate capital.

Taking this long-term view at tapering financial market peaks places less pressure on councils. Instead, Statewide Mutual will absorb the current price shocks – with a view to flattening increases over a longer period.

With our strategy in mind, it will come as no surprise to members that they are about to see some losses throughout our financial report.

In summary, our approach (along with a dip in reinsurance profit shares and reduced investment income) has resulted in:

- An Operating Ratio of -6.27%
- A loss of \$6.1 million within our 2019/20 Statement of Financial Performance.

A sustainable future

Our forward strategy will see revenue returning to sustainable levels within the next two years. All the while, our low fully funded self-insured retentions reduce our financial risk and protect our members against unforeseen costs.

Our risk management programs continue to enhance maturity across the local government industry and ensure the confidence of underwriters. In turn, this is providing much needed stability in the current market.

Thank you for your continued support.

Therese Manns

Deputy Chair Finance
General Manager, Randwick City Council

Our forward strategy will see revenue returning to sustainable levels within the next two years. All the while, our low fully funded self-insured retentions reduce our financial risk and protect our members against unforeseen costs.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

STATEMENT OF FINANCIAL PERFORMANCE

	2020 \$	2019 \$
Member Contributions	90,293,733	89,756,471
Outward Reinsurance Expense	(76,775,582)	(74,643,467)
Reinsurance Profit Share	6,579,830	9,963,283
Claims Expense Net Of Recoveries (Note 7)	(11,582,417)	(13,230,740)
Other Scheme Expenses (Note 8)	(12,213,928)	(12,918,315)
Excess of contributions and reinsurance profit share over claims and related expenses	(3,698,364)	(1,072,768)
Investment Income	681,519	1,033,069
General Expenses (Note 8)	(3,100,652)	(1,005,946)
SURPLUS FROM ORDINARY ACTIVITIES	(6,117,497)	(1,045,645)
ACCUMULATED SURPLUS		
Accumulated Surplus at the beginning of the year	24,972,049	28,017,694
Operating Surplus from Ordinary Activities	(6,117,497)	(1,045,645)
Current year Surplus Distribution	-	(2,000,000)
ACCUMULATED SURPLUS	18,854,552	24,972,049

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

STATEMENT OF FINANCIAL POSITION

	2020 \$	2019 \$
CURRENT ASSETS		
Cash Assets (Note 5)	4,710,252	2,293,938
Receivables (Note 6)	119,854,705	102,294,471
Reinsurance Recoveries (Note 6)	70,652,312	44,543,245
Non Reinsurance Recoveries (Note 6)	-	507,441
Provision for Doubtful Debts (Notes 6)	-	(507,441)
Investments	14,615,000	39,965,000
	209,832,269	189,096,654
NON-CURRENT ASSETS		
Reinsurance Recoveries (Note 6)	96,690,900	97,738,719
	96,690,900	97,738,719
TOTAL ASSETS	306,523,169	286,835,373
CURRENT LIABILITIES		
Creditors and Accrued Expenses	13,846,107	14,007,160
Outstanding Claims (Note 10)	78,905,482	61,608,445
Unearned Contributions	96,867,290	87,236,102
	189,618,879	162,851,707
NON-CURRENT LIABILITIES		
Outstanding Claims (Note 10)	98,049,738	99,011,617
TOTAL LIABILITIES	287,668,617	261,863,324
NET ASSETS/(LIABILITIES)	18,854,552	24,972,049
MEMBERS EQUITY		
ACCUMULATED SURPLUS/(DEFICIT)	18,854,552	24,972,049

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

STATEMENT OF CASH FLOWS

	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipt of contributions from members (including advance contributions & GST)	90,885,673	89,275,261
Receipt of Profit Share	6,579,830	9,963,283
Claims payments (net of recoveries)	(27,894,893)	(9,836,479)
Outward Reinsurance Payment	(76,729,875)	(74,645,839)
Payment of other expenses	(16,649,927)	(13,593,384)
Interest received	875,508	1,158,812
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	(22,933,684)	2,321,654
CASH FLOWS FROM FINANCING ACTIVITIES		
Surplus Distribution	-	(2,000,000)
Net cash flows used in financing activities	-	(2,000,000)
NET CASH FLOWS	(22,933,684)	321,654
Cash at the beginning of the year	42,258,938	41,937,284
Net increase / (decrease) in cash	(22,933,684)	321,654
CASH AT THE END OF THE YEAR	19,325,254	42,258,938
RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO OPERATING RESULT FOR THE YEAR		
Operating Result for the year	(6,117,497)	(1,045,645)
(Increase) / Decrease in Receivables	(17,560,234)	608,692
(Decrease) / Increase in Creditors & Accrued Expenses	(161,051)	41,103
Decrease / (Increase) in Reinsurance Recoveries	(25,061,248)	(6,514,469)
(Decrease) / Increase in Outstanding Claims Provisions	16,335,158	10,667,858
(Decrease) / Increase in Unearned Contributions	9,631,188	(1,435,885)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(22,933,684)	2,321,654

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 2020

1 SIGNIFICANT ACCOUNTING POLICIES

Statewide Mutual is a member owned discretionary mutual providing cover to local government authorities in New South Wales.

The address of Statewide Mutual's principal place of business is One International Towers Sydney 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) 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.

(f) 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.

(g) 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

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.

Change in accounting policy – reinsurance profit commissions

From 2004 the Scheme has participated in a national reinsurance programme which covers Statewide Mutual and similar schemes in other states. Profit commission arises from an experience adjustment contained within the reinsurance treaties based on the level of national local government claims within each respective underwriting year. Historically, the profit commissions were accounted for on a cash basis and therefore only accounted for when they are received.

In the current year, the scheme has elected to change the adopted accounting policy to recognise all profit commissions on an accruals basis. This accounting policy better aligns with AASB requirements.

This change in policy has no impact on the previous financial year, as all reinsurance profit commission that would have been accrued under this policy change was received by the scheme before 30 June 2019

Impact of COVID-19

During the year, COVID-19 has led to socioeconomic disruption on a global scale. Statewide Mutual has considered the impact of COVID-19 when preparing these financial statements and related note disclosures. While the impacts of COVID-19 do not change the significant estimates, judgements and assumptions in the preparation of consolidated financial statements, it has resulted in additional consideration of judgement and estimation within those

identified areas. The overall impact of COVID-19 is unknown and continues to develop. As such, Statewide will continue to monitor the developments.

Investments

The investment portfolio consists of high quality and highly liquid term deposits. The associated economic downturn will impact interest rates associated with future term deposits. No issues were identified related to the investment balances as at 30 June 2020.

Outstanding Claims

Impacts from changes to claims experience as a result of business closures, working from home requirements and other social distancing and quarantine measures is still uncertain. Current year experience does not indicate a discernible change in claims experience attributable to COVID-19. As such, no specific adjustments for COVID-19 have been made as at 30 June 2020.

Key sources of estimation uncertainty

Excluding the impacts of COVID-19, 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 judgemental 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.

3 REVENUE AND EXPENSES

2020

	CRIME FUND \$	LIABILITY FUND \$	PROPERTY FUND \$	COUNCILLORS AND OFFICERS FUND \$	MOTOR VEHICLE FUND \$	TOTAL \$
Member Contributions	1,493,306	35,300,267	30,470,166	4,929,496	18,100,498	90,293,733
Outward Reinsurance Expense	(1,297,382)	(33,242,173)	(21,014,404)	(3,121,125)	(18,100,498)	(76,775,582)
Reinsurance Profit Share	-	6,579,830	-	-	-	6,579,830
Claims Expense (Note 7)	(389,949)	(135,595)	(9,575,175)	(1,481,698)	-	(11,582,417)
Other Scheme Expenses (Note 8)	(126,298)	(6,887,412)	(4,460,364)	(739,854)	-	(12,213,928)
Excess of contributions and reinsurance profit share over claims and related expenses	(320,323)	1,614,917	(4,579,777)	(413,181)	-	(3,698,364)
Investment Income	26,625	234,843	381,232	38,819	-	681,519
General Expenses (Note 8)	(5,201)	(2,175,466)	(896,168)	(23,817)	-	(3,100,652)
SURPLUS FROM ORDINARY ACTIVITIES	(298,899)	(325,706)	(5,094,713)	(398,179)	-	(6,117,497)
ACCUMULATED SURPLUS						
Accumulated Surplus at the beginning of the year	1,285,146	15,431,630	8,255,273	-	-	24,972,049
Operating Surplus from Ordinary Activities	(298,899)	(325,706)	(5,094,713)	(398,179)	-	(6,117,497)
Assistance to Councillors and Officers Scheme	-	(398,179)	-	398,179	-	-
Current year Surplus Distribution	-	-	-	-	-	-
ACCUMULATED SURPLUS	986,247	14,707,745	3,160,560	-	-	18,854,552

2019

	CRIME FUND \$	LIABILITY FUND \$	PROPERTY FUND \$	COUNCILLORS AND OFFICERS FUND \$	MOTOR VEHICLE FUND \$	TOTAL \$
Member Contributions	1,484,067	35,970,875	30,026,001	5,014,834	17,260,694	89,756,471
Outward Reinsurance Expense	(1,300,767)	(33,242,174)	(19,848,767)	(2,991,064)	(17,260,694)	(74,643,467)
Reinsurance Profit Share	-	9,963,283	-	-	-	9,963,283
Claims Expense (Note 7)	(386,734)	(154,674)	(10,252,043)	(2,437,288)	-	(13,230,740)
Other Scheme Expenses (Note 8)	(125,876)	(6,889,657)	(5,150,556)	(752,225)	-	(12,918,315)
Excess of contributions and reinsurance profit share over claims and related expenses	(329,310)	5,647,652	(5,225,365)	(1,165,744)	-	(1,072,768)
Investment Income	41,803	291,334	644,481	55,451	-	1,033,069
General Expenses (Note 8)	(46)	(1,593,120)	598,212	(10,992)	-	(1,005,946)
SURPLUS FROM ORDINARY ACTIVITIES	(287,553)	4,345,865	(3,982,672)	(1,121,285)	-	(1,045,645)
ACCUMULATED SURPLUS						
Accumulated Surplus at the beginning of the year	1,572,699	14,207,050	12,237,944	-	-	28,017,694
Operating Surplus from Ordinary Activities	(287,553)	4,345,865	(3,982,672)	(1,121,285)	-	(1,045,645)
Assistance to Councillors and Officers Scheme	-	(1,121,285)	-	1,121,285	-	-
Current year Surplus Distribution	-	(2,000,000)	-	-	-	(2,000,000)
ACCUMULATED SURPLUS	1,285,146	15,431,630	8,255,273	-	-	24,972,049

4 FINANCIAL POSITION

2020

	CRIME FUND \$	LIABILITY FUND \$	PROPERTY FUND \$	COUNCILLORS AND OFFICERS FUND \$	MOTOR VEHICLE FUND \$	TOTAL \$
CURRENT ASSETS						
Cash Assets (Note 5)	394,170	3,313,480	785,293	217,309	-	4,710,252
Receivables (Note 6)	1,888,023	48,322,645	40,090,186	8,905,923	20,647,928	119,854,705
Reinsurance Recoveries (Note 6)	1,400,000	35,998,474	32,745,838	508,000	-	70,652,312
Non Reinsurance Recoveries (Note 6)	-	-	-	-	-	-
Provision for Doubtful Debts (Notes 6)	-	-	-	-	-	-
Investments	1,015,000	3,500,000	8,500,000	1,600,000	-	14,615,000
	4,697,193	91,134,599	82,121,317	11,231,232	20,647,928	209,832,269
NON-CURRENT ASSETS						
Reinsurance Recoveries (Note 6)	-	96,690,900	-	-	-	96,690,900
Provision for Doubtful Debts (Notes 6)	-	-	-	-	-	-
	-	96,690,900	-	-	-	96,690,900
TOTAL ASSETS	4,697,193	187,825,499	82,121,317	11,231,232	20,647,928	306,523,169
CURRENT LIABILITIES						
Creditors and Accrued Expenses	170,198	7,192,849	3,877,785	541,282	2,063,993	13,846,107
Outstanding Claims (Note 10)	1,826,771	32,230,300	40,771,896	4,076,515	-	78,905,482
Unearned Contributions	1,713,977	37,003,706	34,311,076	5,254,596	18,583,935	96,867,290
Accrued Surplus Distributions	-	-	-	-	-	-
	3,710,946	76,426,855	78,960,757	9,872,393	20,647,928	189,618,879
NON-CURRENT LIABILITIES						
Outstanding Claims (Note 10)	-	96,690,899	-	1,358,839	-	98,049,738
TOTAL LIABILITIES	3,710,946	173,117,754	78,960,757	11,231,232	20,647,928	287,668,617
NET ASSETS/(LIABILITIES)	986,247	14,707,745	3,160,560	-	-	18,854,552
MEMBERS EQUITY						
ACCUMLATED SURPLUS/(DEFICIT)	986,247	14,707,745	3,160,560	-	-	18,854,552

2019

	CRIME FUND \$	LIABILITY FUND \$	PROPERTY FUND \$	COUNCILLORS AND OFFICERS FUND \$	MOTOR VEHICLE FUND \$	TOTAL \$
CURRENT ASSETS						
Cash Assets (Note 5)	35,572	758,078	1,186,079	314,209	-	2,293,938
Receivables (Note 6)	1,630,843	39,633,505	33,802,952	7,995,629	19,231,541	102,294,471
Reinsurance Recoveries (Note 6)	-	34,668,550	9,444,695	430,000	-	44,543,245
Non Reinsurance Recoveries (Note 6)	-	507,441	-	-	-	507,441
Provision for Doubtful Debts (Notes 6)	-	(507,441)	-	-	-	(507,441)
Investments	1,465,000	16,250,000	20,500,000	1,750,000	-	39,965,000
	3,131,415	91,310,133	64,933,726	10,489,839	19,231,541	189,096,654
NON-CURRENT ASSETS						
Reinsurance Recoveries (Note 6)	-	97,738,719	-	-	-	97,738,719
Provision for Doubtful Debts (Notes 6)	-	-	-	-	-	-
	-	97,738,719	-	-	-	97,738,719
TOTAL ASSETS	3,131,415	189,048,851	64,933,726	10,489,839	19,231,541	286,835,373
CURRENT LIABILITIES						
Creditors and Accrued Expenses	150,334	8,258,381	3,110,661	512,905	1,974,879	14,007,160
Outstanding Claims (Note 10)	231,684	32,579,573	24,978,494	3,818,694	-	61,608,445
Unearned Contributions	1,464,251	35,040,548	28,589,299	4,885,341	17,256,663	87,236,102
Accrued Surplus Distributions	-	-	-	-	-	-
	1,846,270	75,878,502	56,678,453	9,216,941	19,231,542	162,851,707
NON-CURRENT LIABILITIES						
Outstanding Claims (Note 10)	-	97,738,719	-	1,272,898	-	99,011,617
TOTAL LIABILITIES	1,846,270	173,617,221	56,678,453	10,489,839	19,231,542	261,863,324
NET ASSETS/(LIABILITIES)	1,285,146	15,431,630	8,255,273	-	-	24,972,049
MEMBERS EQUITY						
ACCUMLATED SURPLUS/(DEFICIT)	1,285,146	15,431,630	8,255,273	-	-	24,972,049

5 CASH FLOWS

2020

	CRIME FUND \$	LIABILITY FUND \$	PROPERTY FUND \$	COUNCILLORS AND OFFICERS FUND \$	MOTOR VEHICLE FUND \$	TOTAL \$
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipt of contributions from members (including advance contributions & GST)	1,500,137	35,675,955	30,530,450	4,978,113	18,201,018	90,885,673
Receipt of Profit Share	-	6,579,830	-	-	-	6,579,830
Claims payments (net of recoveries)	(198,946)	(8,655,751)	(17,281,438)	(1,758,758)	-	(27,894,893)
Outward Reinsurance Payment	(1,297,382)	(33,196,466)	(21,014,404)	(3,121,125)	(18,100,498)	(76,729,875)
Payment of other expenses	(136,499)	(10,870,063)	(5,169,218)	(373,627)	(100,520)	(16,649,927)
Interest received	41,288	271,899	533,824	28,497	-	875,508
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	(91,402)	(10,194,596)	(12,400,786)	(246,900)	-	(22,933,684)
CASH FLOWS FROM FINANCING ACTIVITIES						
Surplus Distribution	-	-	-	-	-	-
NET CASH FLOWS USED IN FINANCING ACTIVITIES	-	-	-	-	-	-
NET CASH FLOWS	(91,402)	(10,194,596)	(12,400,786)	(246,900)	-	(22,933,684)
Cash at the beginning of the year	1,500,572	17,008,078	21,686,079	2,064,209	-	42,258,938
NET INCREASE / (DECREASE) IN CASH	(91,402)	(10,194,596)	(12,400,786)	(246,900)	-	(22,933,684)
CASH AT THE END OF THE YEAR	1,409,170	6,813,482	9,285,293	1,817,309	-	19,325,254

2019

	CRIME FUND \$	LIABILITY FUND \$	PROPERTY FUND \$	COUNCILLORS AND OFFICERS FUND \$	MOTOR VEHICLE FUND \$	TOTAL \$
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	-	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	-	321,654
Cash at the beginning of the year	1,580,400	13,196,222	25,239,026	1,921,636	-	41,937,284
NET INCREASE / (DECREASE) IN CASH	(79,828)	3,811,856	(3,552,946)	142,572	-	321,654
CASH AT THE END OF THE YEAR	1,500,572	17,008,078	21,686,079	2,064,209	-	42,258,938

5 CASH FLOWS (continued)

2020

	CRIME FUND \$	LIABILITY FUND \$	PROPERTY FUND \$	COUNCILLORS AND OFFICERS FUND \$	MOTOR VEHICLE FUND \$	TOTAL \$
RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO OPERATING RESULT FOR THE YEAR						
Operating Result for the year	(298,899)	(325,706)	(5,094,713)	(398,179)	-	(6,117,497)
NON-CASH ITEMS						
Assistance to/from Councillors and Officers Scheme	-	(398,179)	-	398,179	-	-
MOVEMENT IN OPERATING ASSETS AND LIABILITIES						
(Increase) / Decrease in Receivables	(257,180)	(8,689,141)	(6,287,234)	(910,293)	(1,416,386)	(17,560,234)
(Decrease) / Increase in Creditors & Accrued Expenses	19,864	(1,065,529)	767,124	28,376	89,114	(161,051)
(Increase) / Decrease in Accrued Profit Share Commission	-	-	-	-	-	-
Decrease / (Increase) in Reinsurance Recoveries	(1,400,000)	(282,105)	(23,301,143)	(78,000)	-	(25,061,248)
Decrease / (Increase) in Non-Reinsurance Recoveries	-	507,441	-	-	-	507,441
(Decrease) / Increase in Provisions for Doubtful Debts	-	(507,441)	-	-	-	(507,441)
(Decrease) / Increase in Outstanding Claims Provisions	1,595,087	(1,397,093)	15,793,402	343,762	-	16,335,158
(Decrease) / Increase in Unearned Contributions	249,726	1,963,157	5,721,778	369,255	1,327,272	9,631,188
NET CASH PROVIDED BY OPERATING ACTIVITIES	(91,402)	(10,194,596)	(12,400,786)	(246,900)	-	(22,933,684)

2019

	CRIME FUND \$	LIABILITY FUND \$	PROPERTY FUND \$	COUNCILLORS AND OFFICERS FUND \$	MOTOR VEHICLE FUND \$	TOTAL \$
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 Non-Reinsurance Recoveries	-	-	-	-	-	-
(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	-	2,321,654

6 RECEIVABLES

2020

	CRIME FUND \$	LIABILITY FUND \$	PROPERTY FUND \$	COUNCILLORS AND OFFICERS FUND \$	MOTOR VEHICLE FUND \$	TOTAL \$
Recoveries outstanding	-	745,320	1,415,190	170,880	-	2,331,390
Accrued interest	6,590	14,545	89,137	10,322	-	120,594
Prepayment	-	285,342	-	-	-	285,342
GST debtors	-	129,858	17,055	29,308	50	176,271
Debtors Sundry	4,089	6,679,830	229,069	2,947,759	62,285	9,923,032
Contributions receivable	1,877,344	40,467,750	38,339,735	5,747,654	20,585,593	107,018,076
	1,888,023	48,322,645	40,090,186	8,905,923	20,647,928	119,854,705
Non reinsurance recoveries - current	-	-	-	-	-	-
Reinsurance recoveries - current	1,400,000	35,998,474	32,745,838	508,000	-	70,652,312
Reinsurance recoveries - non current	-	96,690,900	-	-	-	96,690,900
Provision for Doubtful Debts - current	-	-	-	-	-	-
Provision for Doubtful Debts - non current	-	-	-	-	-	-
	3,288,023	181,012,019	72,836,024	9,413,923	20,647,928	287,197,917

2019

	CRIME FUND \$	LIABILITY FUND \$	PROPERTY FUND \$	COUNCILLORS AND OFFICERS FUND \$	MOTOR VEHICLE FUND \$	TOTAL \$
Recoveries outstanding	-	472,594	1,397,386	76,329	-	1,946,309
Accrued interest	21,253	51,601	241,729	-	-	314,582
Prepayment	-	331,049	-	-	-	331,049
GST debtors	4	103,586	15,343	7,076	-	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

7 CLAIMS EXPENSE

2020

	CRIME FUND \$	LIABILITY FUND \$	PROPERTY FUND \$	COUNCILLORS AND OFFICERS FUND \$	MOTOR VEHICLE FUND \$	TOTAL \$
Net Claims Paid	194,862	1,580,077	17,100,720	1,565,488	-	20,441,147
Claims outstanding at beginning of year	(231,684)	(130,318,292)	(24,978,494)	(5,091,593)	-	(160,620,063)
Claims outstanding at end of year	1,826,771	128,921,200	40,771,896	5,435,354	-	176,955,221
Recoveries outstanding at beginning of year	-	472,594	1,397,386	76,329	-	1,946,309
Recoveries outstanding at end of year	-	(745,320)	(1,415,190)	(170,880)	-	(2,331,390)
Reinsurance Recoveries at beginning of year	-	132,407,268	9,444,695	175,000	-	142,026,963
Less Reinsurance Recoveries at end of year	(1,400,000)	(132,689,373)	(32,745,838)	(508,000)	-	(167,343,211)
Non reinsurance recoveries at beginning of year	-	507,441	-	-	-	507,441
Non reinsurance recoveries at end of year	-	-	-	-	-	-
Doubtful debts at beginning of year	-	-	-	-	-	-
Doubtful debts at end of year	-	-	-	-	-	-
	389,949	135,595	9,575,175	1,481,698	-	11,582,417

2019

	CRIME FUND \$	LIABILITY FUND \$	PROPERTY FUND \$	COUNCILLORS AND OFFICERS FUND \$	MOTOR VEHICLE FUND \$	TOTAL \$
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

8 EXPENSES

2020

	CRIME FUND \$	LIABILITY FUND \$	PROPERTY FUND \$	COUNCILLORS AND OFFICERS FUND \$	MOTOR VEHICLE FUND \$	TOTAL \$
OTHER SCHEME EXPENSES						
Scheme Administration Fees	126,298	6,887,412	4,460,364	739,854	-	12,213,928
GENERAL EXPENSES						
Actuarial Fees	-	80,693	-	16,908	-	97,601
Auditors Fees	5,250	57,564	8,000	6,825	-	77,639
Bank Charges	2	324	179	84	-	589
Board of Management Expenses	-	19,634	-	-	-	19,634
General Expenses	(51)	16,428	62,989	(0)	-	79,366
Insurance	-	13,700	-	-	-	13,700
Legal Expenses	-	24,019	-	-	-	24,019
Marketing and Communication Expenses	-	183,049	100,000	-	-	283,049
Risk Management Expenses	-	1,780,055	-	-	-	1,780,055
Property Valuation Fees	-	-	725,000	-	-	725,000
	5,201	2,175,466	896,168	23,817	-	3,100,652
	131,499	9,062,877	5,356,531	763,671	-	15,314,580

2019

	CRIME FUND \$	LIABILITY FUND \$	PROPERTY FUND \$	COUNCILLORS AND OFFICERS FUND \$	MOTOR VEHICLE FUND \$	TOTAL \$
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

9 AUDITORS' REMUNERATION

2020

	CRIME FUND \$	LIABILITY FUND \$	PROPERTY FUND \$	COUNCILLORS AND OFFICERS FUND \$	MOTOR VEHICLE FUND \$	TOTAL \$
AUDIT SERVICES						
Audit of financial report	5,250	57,564	8,000	6,825	-	77,639

2019

AUDIT SERVICES						
Audit of financial report	5,000	39,032	8,000	6,500	-	58,532

Auditors' remuneration for the Motor Vehicle Scheme in 2020 and 2019 were by borne by the Liability Scheme and were not recharged.

10 OUTSTANDING CLAIMS

2020

	CRIME FUND \$	LIABILITY FUND \$	PROPERTY FUND \$	COUNCILLORS AND OFFICERS FUND \$	MOTOR VEHICLE FUND \$	TOTAL \$
Reported claims outstanding	1,826,771	43,450,965	40,771,896	2,114,266	-	88,163,898
Provision for claims incurred but not reported, claims development, prudential margin and claims settlement costs.	-	87,808,186	-	3,335,427	-	91,143,613
Discount to present value	-	(2,337,952)	-	(14,339)	-	(2,352,291)
	1,826,771	128,921,199	40,771,896	5,435,354	-	176,955,220
COMPRISING						
Current Liabilities	1,826,771	32,230,300	40,771,896	4,076,515	-	78,905,482
Non-Current Liabilities	-	96,690,899	-	1,358,839	-	98,049,738
	1,826,771	128,921,199	40,771,896	5,435,354	-	176,955,220

2019

	CRIME FUND \$	LIABILITY FUND \$	PROPERTY FUND \$	COUNCILLORS AND OFFICERS FUND \$	MOTOR VEHICLE FUND \$	TOTAL \$
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

THE ACTUARIAL ASSUMPTIONS WITH RESPECT TO THE LIABILITY FUND ARE:

- (a) The average term to settlement of outstanding claims is 2020: 3.61 years (2019: 3.50 years)
(b) The following average inflation (normal and superimposed) rates and discount rates were used in measuring the liability for outstanding claims

	2020		2019	
	2021	2022 and beyond	2020	2021 and beyond
Inflation Rate	1.25%	1.50% to 2.50%	2.00%	2.25%
Superimposed Inflation Professional Indemnity		0%		0%
Superimposed Inflation Personal Injury		0%		0%
Discount Rate Range	0.22%	0.29% to 2.42%	0.97%	1.00% to 2.45%

THE ACTUARIAL ASSUMPTIONS WITH RESPECT TO THE COUNCILLORS AND OFFICERS FUND ARE:

- (a) The average term to settlement of outstanding claims is 2020: 1.36 years (2019: 1.47 years)
(b) The following average inflation (normal and superimposed) rates and discount rates were used in measuring the liability for outstanding claims

	2020		2019	
	2021	2022 and beyond	2020	2021 and beyond
Inflation Rate	1.25%	1.50% to 2.50%	2.00%	2.25%
Discount Rate Range	0.22%	0.29% to 2.42%	0.97%	1.00% to 2.45%

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

Subsequent to the reporting period, there have been further COVID-19 developments across Australia with the implementation of further lockdowns and interstate border controls and updates to Government support packages. Statewide has considered the impact of these developments on its estimates and judgements and has not identified any subsequent events that would require the financial statements or other disclosures to be adjusted, nor has Statewide identified any material non-adjusting subsequent events requiring additional disclosure to the financial statements.

CERTIFICATE BY THE CHAIRMAN AND DEPUTY 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 27 to 40:

- (a) presents fairly the financial position of Statewide Mutual as at 30 June 2020 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: 05/03/2021



REBECCA RYAN

Chairman - Board of Management



THERESE MANNS

Deputy Chairman - Finance



Independent Auditor's Report

To the members of Statewide Mutual

Opinion

We have audited the **Financial Statements** of Statewide Mutual.

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of Statewide Mutual at 30 June 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the basis of preparation described in Note 1 to the financial statements for the purpose of meeting the requirements of the Deed of Establishment dated 22 March 1994.

The **Financial Statements** comprise:

- Statement of financial position as at 30 June 2020;
- Statement of financial performance and Statement of cash flows for the year then ended; and
- Notes including a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Statements* section of our report.

We are independent of the Statewide Mutual in accordance with the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the *Financial Statements* in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter – basis of preparation and restriction on use and distribution

We draw attention to Note 1 to the Financial Statements, which describes the basis of preparation.

The Financial Statements have been prepared to assist the members of Statewide Mutual to meet the requirements of the Deed of Establishment dated 22 March 1994.

As a result, the Financial Statements and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the members of Statewide Mutual and should not be used by or distributed to parties other than the members of Statewide Mutual. We disclaim any assumption of responsibility for any reliance on this report, or on the Financial Statements to which it relates, to any person other than the members of Statewide Mutual or for any other purpose than that for which it was prepared.

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Responsibilities of Management for the Financial Statements

Management are responsible for:

- the preparation and fair presentation of the Financial Statements and have determined that the basis of preparation described in Note 1 to the Financial Report is appropriate to meet the reporting requirements of the Deed of Establishment dated 22 March 1994 and have determined that the basis of preparation described in Note 1 to the Financial Statements is appropriate to meet the needs of the members
- implementing necessary internal control to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error
- assessing Statewide Mutual's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate Statewide Mutual or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objective is:

- to obtain reasonable assurance about whether the Financial Statements as a whole are 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf This description forms part of our Auditor's Report.



KPMG

5 March 2021

MEMBERS

AS AT 30 JUNE 2020

Albury City Council
Armidale Regional Council
Ballina Shire Council
Balranald Shire Council
Bathurst Regional Council
Bega Valley Shire Council
Bellingen Shire Council
Berrigan Shire Council
Bland Shire Council
Blayney Shire Council
Bogan Shire Council
Bourke Shire Council
Brewarrina Shire Council
Broken Hill City Council
Byron Shire Council
Cabonne Council
Campbelltown City Council
Canterbury Bankstown Council
Carrathool Shire Council
Castlereagh Macquarie County Council
Central Coast Council
Central Darling Shire Council
Central Tablelands Water
Cessnock City Council
City of Canada Bay Council
City of Ryde
Clarence Valley Council
Cobar Shire Council
Cobar Water Board
Coffs Harbour City Council
Coolamon Shire Council
Coonamble Shire Council
Cootamundra-Gundagai Regional Council
Cowra Shire Council
Dungog Shire Council
Edward River Council
Eurobodalla Shire Council
Federation Council
Forbes Shire Council
Georges River Council
Gilgandra Shire Council
Glen Innes Severn Council
Goldenfields Water County Council

Goulburn Mulwaree Council
Greater Hume Shire Council
Griffith City Council
Gunnedah Shire Council
Gwydir Shire Council
Hawkesbury River County Council
Hay Shire Council
Hilltops Council
Hornsby Shire Council
Inner West Council
Inverell Shire Council
Junee Shire Council
Kempsey Shire Council
Ku-ring-gai Council
Kyogle Council
Lachlan Shire Council
Lake Macquarie City Council
Leeton Shire Council
Lismore City Council
Lithgow City Council
Liverpool Plains Shire Council
Lockhart Shire Council
Maitland City Council
Mid Coast Council
Moree Plains Shire Council
Mosman Municipal Council
Murray River Council
Murrumbidgee Council
Muswellbrook Shire Council
Nambucca Shire Council
Narrabri Shire Council
Narrandera Shire Council
Narromine Shire Council
New England Weeds Authority
Newcastle City Council
Norfolk Island Regional Council
North Sydney Council
Northern Beaches Council
Oberon Council
Port Macquarie-Hastings Council
Port Stephens Council
Queanbeyan Palerang Regional Council
Randwick City Council

Riverina Water County Council
Rous County Council
Shoalhaven City Council
Singleton Council
Snowy Monaro Regional Council
Snowy Valleys Council
Strathfield Council
Sutherland Shire Council
Tamworth Regional Council
Temora Shire Council
Tenterfield Shire Council
Tweed Shire Council
Upper Hunter County Council
Upper Hunter Shire Council
Upper Lachlan Shire Council
Upper Macquarie County Council
Uralla Shire Council
Wagga Wagga City Council
Walcha Council
Walgett Shire Council
Warren Shire Council
Warrumbungle Shire Council
Waverley Municipal Council
Weddin Shire Council
Wentworth Shire Council
Willoughby City Council
Wingecarribee Shire Council
Woollahra Municipal Council
Yass Valley Council

NAAMON EURELL
Executive Officer
Statewide Mutual

PO Box H176
Australia Square NSW 1215
T: +61 (0)2 9320 2726
mail@statewidemutual.com.au
statewidemutual.com.au



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