

2020-2021 **LGW / LGM** REPORT TO MEMBERS



RISK SPECIALISTS | UNRIVALLED VALUE | OWNED BY MEMBERS

REPORT TO MEMBERS

2020-2021

QUEENSLAND LOCAL
GOVERNMENT MUTUAL

QUEENSLAND LOCAL GOVERNMENT
WORKERS COMPENSATION
SELF-INSURANCE SCHEME



Contents



Chairman's Message	2
LGM Board of Management	4
LGW Management Committee	5
Manager's Message	6
LGMS Member Services	7
LGMS Member Engagement	8
LGM Liability & Claims Statistics	12
LGM Assets & Claims Statistics	14
LGW Workcare & Claims Statistics	16
LGMS Risk Excellence Awards 2020-21	20
Queensland Local Government Mutual Financial Statements	22
LGM Board of Management's Certificate	40
LGM Independent Auditor's Report	41
Queensland Local Government Workers Compensation Self-Insurance Scheme Financial Statements	44
LGW Management Committee's Certificate	59
LGW Independent Auditor's Report	60

Chairman's Message



IAN LECKENBY

*Chair, LGM Board of Management
Chair, LGW Management Committee*

We can also attribute this performance to our members and their continued focus to improve risk management practices at their councils which benefits all scheme members.

Over 25 years ago when the LGMS mutual schemes were established by the LGAQ as Trustee, it was to enable Queensland local government to exercise control over and manage their liability, workers' compensation and asset-based risk exposures and provide councils with specialist covers for their insurable risks whilst delivering risk management solutions through proven mutual arrangements.

The LGMS member owned mutuals utilise the combined bargaining power of member councils collectively to better withstand all claims and market cycles for the sole benefit of the local government sector. This long-term strategy combined with our relationships and commitment to the mutual model is what provides ongoing sustainability of contributions for our members, and without this, councils may again find themselves captive to a single insurance market.

The Annual Report to Members for 2020-21 sets out the financial performance and achievements for Local Government Mutual Services (LGMS) over the previous 12-month period. Despite the ongoing challenges of a global pandemic and the impact of this on insurance market conditions, the schemes have continued to perform well again this year.

LGMS is owned by its members, and we continually strive to have meaningful engagement with our members in terms of their satisfaction, quality of products, service levels and the esteem in which the mutual schemes are held. We are always looking at opportunities to further enhance the schemes, which is why we recently reviewed and refined the LGM & LGW Scheme Management Agreements and established a LGMS Stakeholder Engagement Strategy. This has provided members with a greater understanding of the accountability, transparency and governance of the schemes.

LGM Liability was able to keep the majority of contributions for members stable this year despite challenging insurance market conditions, the ongoing impacts of the COVID-19 pandemic and increasing insurance costs. A \$2.45M distribution was returned directly to LGM scheme members, while annual operations continued to deliver a healthy surplus result and steady returns from our scheme investments.

In 2020-21 the LGM Assets mutual

scheme saw an ongoing increase in costs for covers and a reduced capacity from insurers in the market as a result of global catastrophes and weather events. LGM Assets has continued work hard for members in these market conditions to provide comprehensive covers for their asset-based risk exposures to achieve the long-term goal of ongoing sustainable costs.

The current commercial insurance market remains a challenge for the mutual to not only obtain covers but to do so at a sustainable cost given a significant increase in pricing as a result of the global economy and COVID-19 pandemic. This is where LGM Assets and the mutual pool model benefits members, as increases across the breadth of the scheme in the 2020-21 period have been kept at relatively sustainable levels. By way of comparison, local government risks in Queensland outside of the scheme have in some instances seen increased costs in excess of 100% or refusal of covers, even when claims performance has been good.

This year LGM Assets returned



LGMS is owned by its members, and we continually strive to have meaningful engagement with our members in terms of their satisfaction, quality of products, service levels and the esteem in which the mutual schemes are held.

a small surplus for the scheme, which is a good outcome and partly due to relatively stable weather conditions during the period. It is also the capping of the mutuals' direct exposure to events, prudent reinsurance arrangements, and spreading of risk across supporting insurers that minimises the impact on member contributions.

LGW returned a \$2.45M distribution directly to scheme members and the scheme rate for members' workers compensation contributions remained at 1.3% as in previous years. Annual operations continued to produce a surplus result and steady investment returns.

The LGW scheme rate has over time reduced from 3.64% being charged by Workcover at the inception of the scheme to 1.3% of payroll in recent years. It is these savings year on year that highlights the importance of maintaining the existing self-insurance arrangement for councils. Members also need to ensure that collectively we continue to achieve the benchmarks set by the Regulator which are critical to maintain the scheme's self-insurance licence.

There has been a strong focus by LGW on workplace health and safety matters recently as a result of a number of legal and legislative changes, which has led to the implementation of number of initiatives for councils to ensure that their Safety Management Systems are at a satisfactory level in accordance with the scheme's licence conditions. These initiatives included a Skytrust Pilot Program, which has been extended for a further two years, and a dedicated LGW WHS Conference with subsidised registration and training for members, which was such a success that it will now be held biannually.

The LGMS mutual schemes continue to exist for the sole purpose of providing our Queensland councils with comprehensive tailored covers (not otherwise available in the commercial insurance market), stability of costs and minimising the impact of a challenging insurance market by collectively working together to achieve positive outcomes for local government.

I appreciate our members' ongoing support of the mutual schemes. ■

LGM Board of Management



(Left to right) Mr Darren Leckenby*** (delegate for Ms Alison Smith), Mr Bill Lyon, Mayor Rachel Chambers, Mr Ian Leckenby, Mr John Sharman, Mayor Karen Williams, Mr Terry Brennan. Absent: Mr Greg Hallam

MR IAN LECKENBY

Chair

MR BILL LYON

Divisional Manager, Organisational Services
Brisbane City Council

MR TERRY BRENNAN

Chief Executive Officer
Burdekin Shire Council

MR JOHN SHARMAN

Consultant

MR GREG HALLAM AM PSM (outgoing)*

MS ALISON SMITH (incoming)**

Chief Executive Officer
Local Government Association of Queensland

MAYOR KAREN WILLIAMS

Redland City Council

MAYOR RACHEL CHAMBERS

North Burnett Regional Council

* Mr Greg Hallam ceased being a member of the Board of Management effective 31 October 2021.

** Ms Alison Smith became a member of the Board of Management effective 1 November 2021.

*** Mr Darren Leckenby, Chief Financial Officer and Company Secretary of Local Government Association of Queensland is LGM Board of Management delegate for the Local Government Association of Queensland Chief Executive Officer.



(Left to right) Mr Darren Leckenby*** (delegate for Ms Alison Smith), Mayor Rachel Chambers, Mr Ian Leckenby, Mr Terry Brennan, Mr John Sharman.
Absent: Mr Greg Hallam

MR IAN LECKENBY

Chair

MR JOHN SHARMAN

Consultant

MR TERRY BRENNAN

Chief Executive Officer
Burdekin Shire Council

MAYOR RACHEL CHAMBERS

North Burnett Regional Council

MR GREG HALLAM AM PSM (outgoing)*

MS ALISON SMITH (incoming)**

Chief Executive Officer
Local Government Association of Queensland

* Mr Greg Hallam ceased being a member of the Management Committee effective 31 October 2021.

** Ms Alison Smith became a member of the Management Committee effective 1 November 2021.

*** Mr Darren Leckenby, Chief Financial Officer and Company Secretary of Local Government Association of Queensland is LGW Management Committee delegate for the Local Government Association of Queensland Chief Executive Officer.

Manager's Message



CRAIG HINCHLIFFE

General Manager Queensland & NT
JLT Public Sector

2021 represents the most challenging operating environment that has confronted the LGMS member owned mutuals in the now almost 30 years of continual operation.

The positive outcomes achieved, notwithstanding the realities faced, bear testament to the value of the LGM Liability, LGW Workcare and LGM Assets mutual scheme arrangements.

The LGMS mutuals' real strength continues to be as a result of the commitment of our Queensland member councils, which enables stability and certainty to be achieved. They continue to aggregate information, data and collective influence to support engagement with both regulators and global capital and risk markets.

LGMS continues to enable Queensland local government members to effectively confront and obtain the best outcome to respond to local government exposures, effectively managing substantive risk so it is mitigated in meaningful and sustained ways. LGMS applies

actuarially informed consideration as to collective retention and sharing, then (only to the extent prudently necessary) transferring risk. It is only then, with local government acting on a collective basis to transfer this risk that will drive market influences, so as to not be left as individual market-led price takers.

As always, the JLT Public Sector team acknowledges the LGM Board of Management, LGW Management Committee and LGAQ for the further opportunities to collaborate and contribute in meaningful ways to the best advantage of Queensland local government. Thanks also to all representatives of the Queensland councils who are the owners of the LGMS mutuals; elected, executive, management and operational, members for your personal inclusiveness and the ongoing commitment to membership which enables these great outcomes. ■

The LGMS mutuals real strength continues to be as a result of the commitment of our Queensland member councils, which enables stability and certainty to be achieved.

They continue to aggregate information, data and collective influence to support engagement with both regulators and global capital and risk markets.

LGMS delivers unrivalled value and substantial benefits to our members. Our collective buying power enables covers of a standard and value that Queensland councils could not find in the commercial insurance market. This provides our members with stability of contributions and also assists with councils' budgeting requirements.

LGMS is owned by its members, which forms the basis of all that the schemes do for their members. Our primary focus is on assisting council members with reducing their risk exposure, reduce claims, and ensure ongoing sustainable contributions.

LGMS is always looking at the emerging risk landscape in local government to enable them to provide all the covers and services that best assist our member councils.

The LGMS Regional Risk Coordinator Program and the LGW Workplace Health and Safety Team assist member councils by providing support, advice and assistance to achieve the common goal of minimising the liability and workcare exposures of local government. Our LGMS Member Centre is a dedicated member-only website that provides members with up-to-date information and tools to assist with continuous improvement.

Member services include:



Benefits and value for members:

- LGMS Regional Risk Coordinators geographically located to assist councils
- Dedicated LGW WHS Team to support member councils
- LGMS Website
- LGM Assets Account managers providing support services
- LGMS Member Centre with individualised claims data and risk guidance material
- Local Government Risk Focus Groups and WHS Forums facilitated by LGMS provide councils with updates on important risks facing local government
- Dedicated Queensland-based claims professionals across all mutuals to ensure optimal resolution of councils' claims
- Recent initiatives include LGMS Risk Excellence Awards, LGW WHS Conference, LGW Skytrust Pilot Program (followed by ongoing subsidisation for a further two years) and a LGW Mutual Risk Obligations Program, which includes an audit component to assist councils with compliance. ■



LGMS Member Engagement

The LGMS Stakeholder Engagement Strategy is in its second year and was established to further enhance our engagement with members and provide greater transparency and communication to councils.

Despite the requirement to adhere to a number of Queensland health directives and restrictions due to the COVID-19 pandemic in 2021, LGMS is grateful that we were still able to maintain some flexibility with regard to our face-to-face interactions with councils. Throughout the year we still managed to enjoy a number of good engagement opportunities with our members.

Our regular Local Government Risk Management Focus Group meetings, facilitated by our LGMS Regional Risk Co-ordinator both virtually and in person, had great subject matter experts from both local government and the private sector. In addition to this, LGM Assets facilitated a number of webinars on disaster management that were well received by members.

LGW Workcare was able to run a LGW WHS Conference tailored for local government and with specialist speakers, which was a great success with members. In addition to this, LGW was also able to facilitate nine WHS Forums in regional locations with members keen for opportunities to share their learnings on issues affecting local government.

LGMS representatives attended 32 Elected Member Updates (EMU) run by LGAQ throughout the state. ■

LGW Incident Investigations Differently training	Webinars	LGW WHS Conference - over 3 days with over 90 council officers in attendance
Queensland Disaster Management Conference	LGAQ Annual Conference	LGW WHS Forums
LGFP Annual Conference	LGMA Annual Conference	Council Leader articles
LGM eNews bi-monthly	LGM Local Government Risk Management Focus Group meetings	LGAQ EMU sessions



LGMS trade display at the LGAQ Annual Conference 2021 – (L to R) David Munro (LGMS), David Royston-Jennings (LGMS)



LGMS trade display at the LGW WHS Conference February 2021 – (L to R) LGMS & LGW WHS Team and Rachael Lindsay (LGAQ)



LGMS trade display at the LGAQ Disaster Management Conference 2021 – (L to R) Nick Rossmann (LGMS), Shane Gray (Gympie Regional Council), Paul Bright (LGMS), Rachael Lindsay (LGAQ)



LGMS trade display at the LGAQ Annual Conference 2021 – (L to R) David Munro (LGMS), Rachael Lindsay (LGAQ), Greg Hallam (LGAQ)



LGAQ EMU Session – Somerset Regional Council



LGAQ EMU Session - Sunshine Coast Council



LGAQ EMU Session – Whitsunday Regional Council



Somerset Regional Council



LGAQ EMU Session – Tablelands Regional Council



LGAQ EMU Session – Maranoa Regional Council



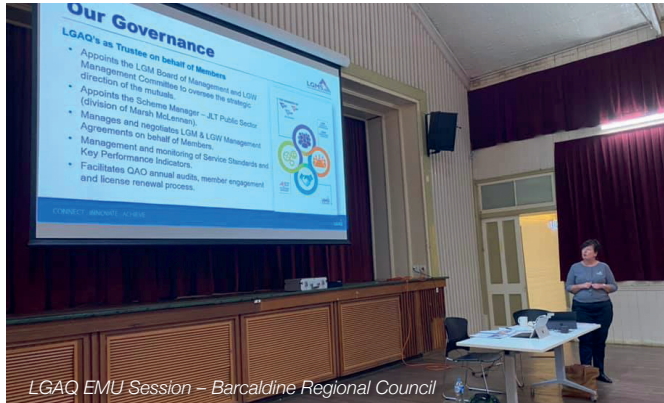
LGAQ EMU Session – Lockyer Valley Regional Council



LGAQ EMU Session – Mt Isa City Council



LGAQ EMU Session – Longreach Regional Council



LGAQ EMU Session – Barcaldine Regional Council

LGMS Member Engagement



LGQA CEO induction, – Paul Bright (LGMS), Darren Leckenby, Rachael Lindsay (LGAQ), Emma Thomas, CEO Sunshine Coast Council and Dean Campbell (LGW).



LGW Central Coast WHS Forum – hosted by Banana Shire Council



LGRMFG hosted by Ipswich City Council – Peter Gould (LGW) presenting Emerging Trends in WHS



LGW Training Session by Incident Investigation Differently in Cairns



LGW WHS Audit Award – Presented to Banana Shire Council



LGW Central Coast WHS Network – hosted by Gladstone Regional Council



LGMA Annual Conference 2021 – Nathan Turner (LGMS), Ian Barton (LGMS), David Royston-Jennings (LGMS)



Boulia Shire Council WHS Day with LGMS Team



Boulia Shire Council site visit – David Royston-Jennings (LGMS)



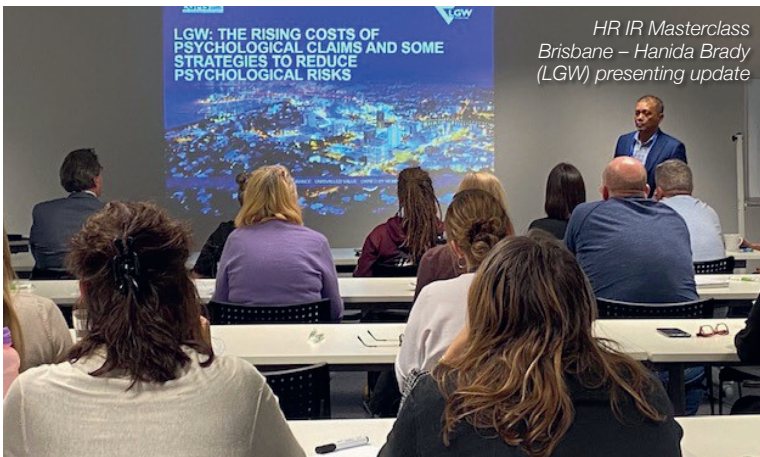
LGAQ Annual Conference 2021 – (L to R) Rachael Lindsay (LGAQ), Dean Campbell (LGMS), David Munro (LGMS), David Royston-Jennings (LGMS), Craig Hinchliffe (LGMS), Nathan Turner (LGMS)



HR IR Masterclass Brisbane - Nara Baskaran (LGW) presenting on psychological claims



LGMA Annual Conference 2021 – Terry Brennan (LGMS Board Member and CEO, Burdekin Regional Council) presenting update



HR IR Masterclass Brisbane – Hanida Brady (LGW) presenting update



LGW WHS Conference February 2021



LGW WHS Conference – run over three days with over 90 council officers

LGM Liability & Claims Statistics



ENTERPRISE RISK MANAGEMENT:

LGM provides support and encouragement for all member councils. This is supplemented by liability guidance materials based on identified risk exposures specific to local government.

MITIGATE RISKS:

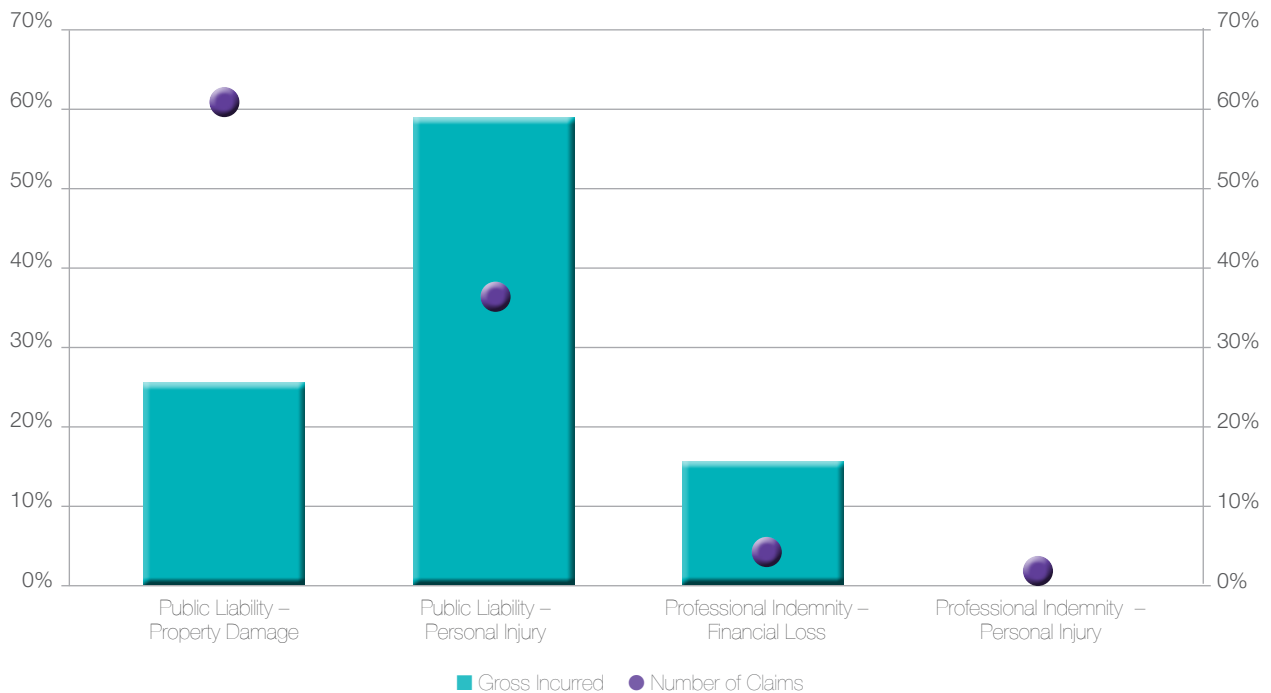
Risk learnings from actual claims experience across the mutual provided to all members.

BEST CLAIMS PRACTICE:

Queensland-based legally qualified claims professionals managing claims on behalf of members to achieve the right result.

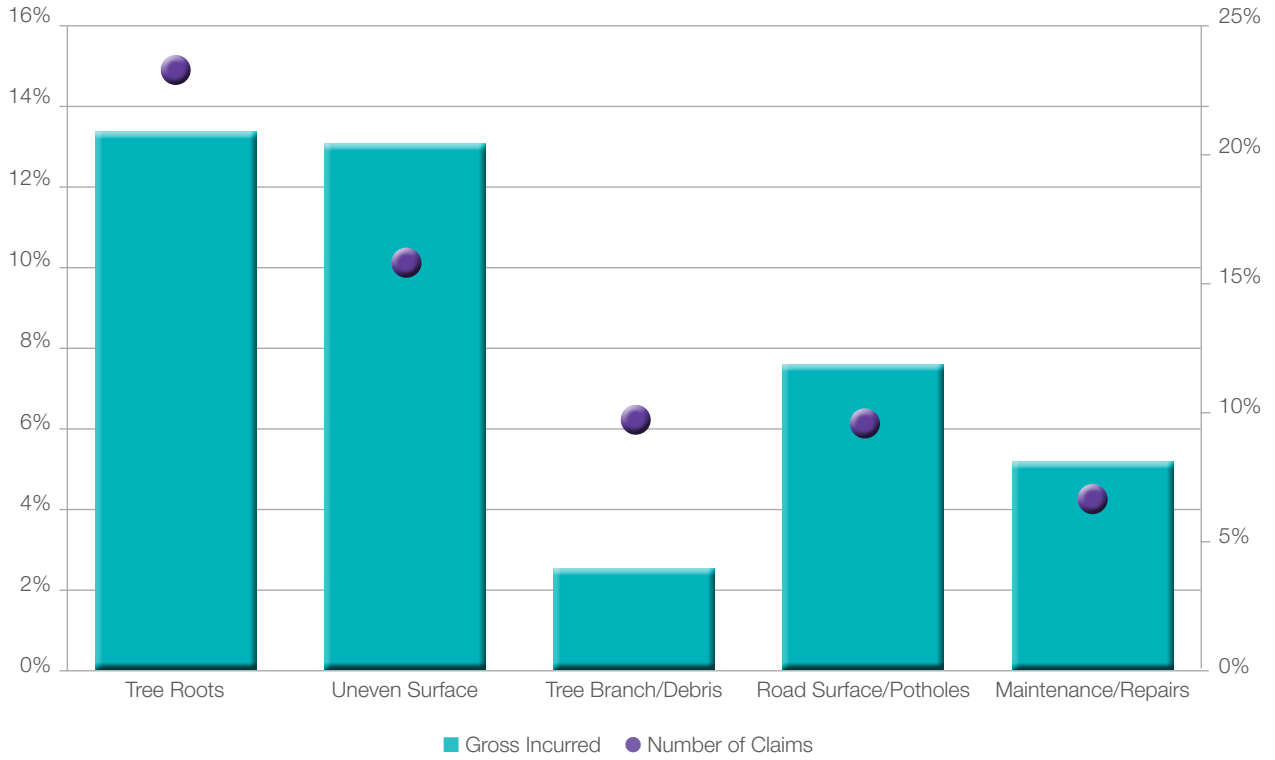
What were the top reasons for council claims?

Types of Cover 2020/2021 by number of claims and claims cost

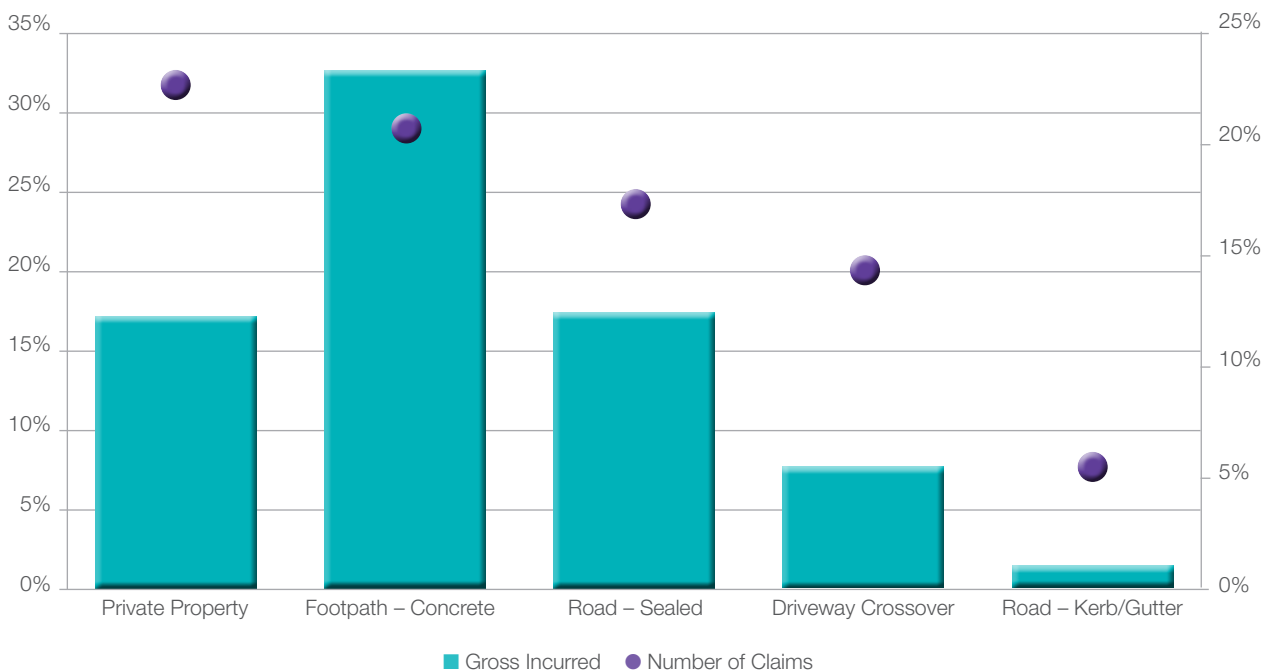




Top 5 Liability Claim Causes 2020/2021 by number of claims and claims cost



Top 5 Liability Claim Locations 2020/2021 by number of claims and claims cost



LGM Assets & Claims Statistics



CONVENIENCE:

Dedicated account managers make it easier to assist members to maintain their membership with the mutuals' services and support.

SUSTAINABILITY:

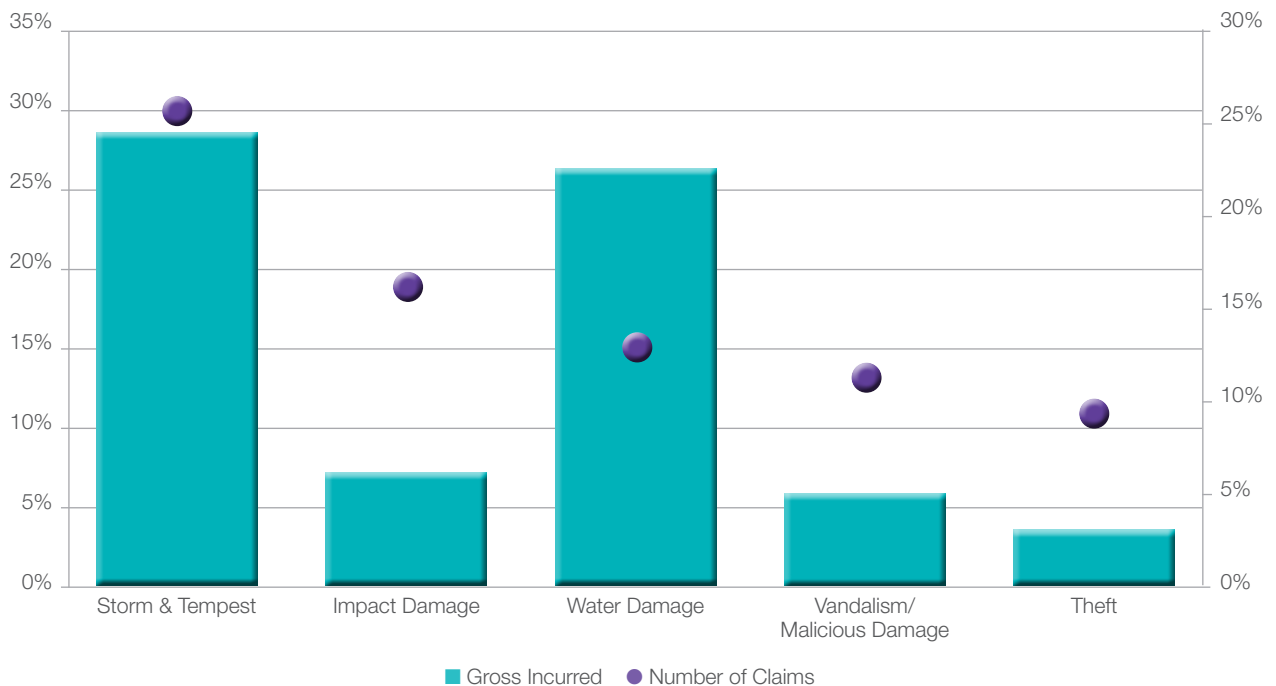
Supporting members to continue to preserve cover, contain pricing and maintain deductibles by undertaking valuations and gathering asset information on their behalf.

OWNERSHIP:

Member owned with all the benefits going back to you and the opportunity for your council to shape the direction of the mutuals.

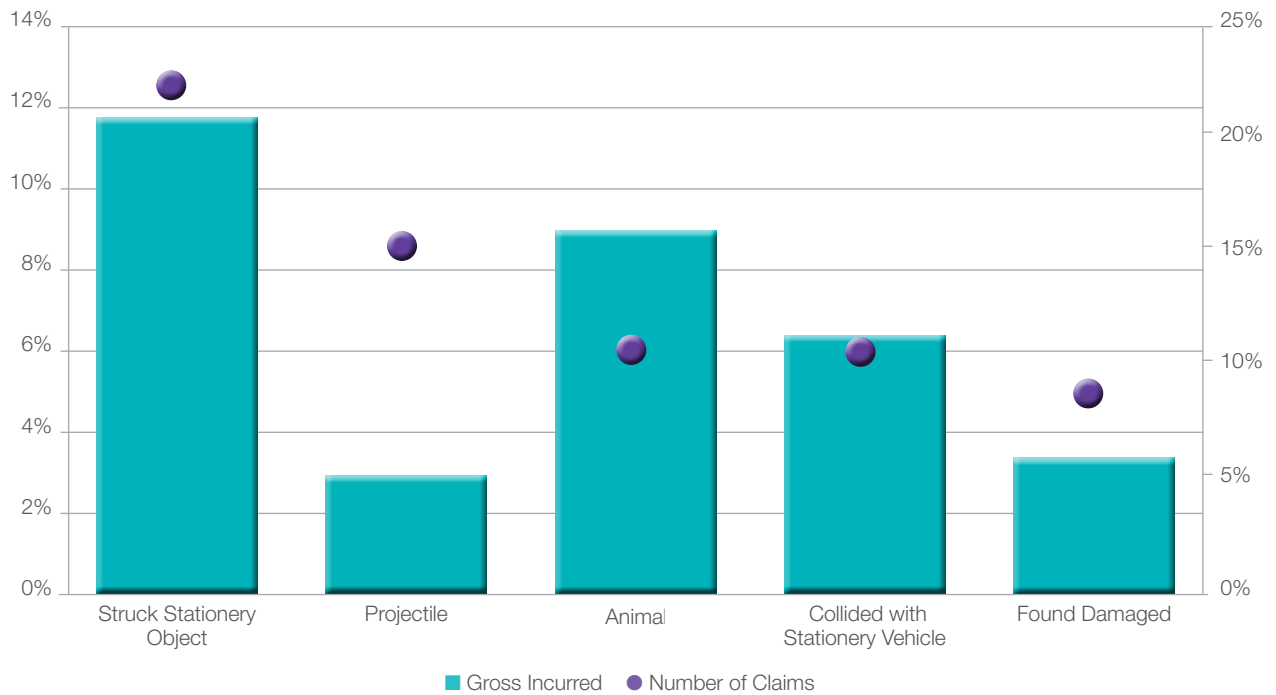
What were the top reasons for council claims?

Top 5 General Property Claim Causes by number of claims and claims cost

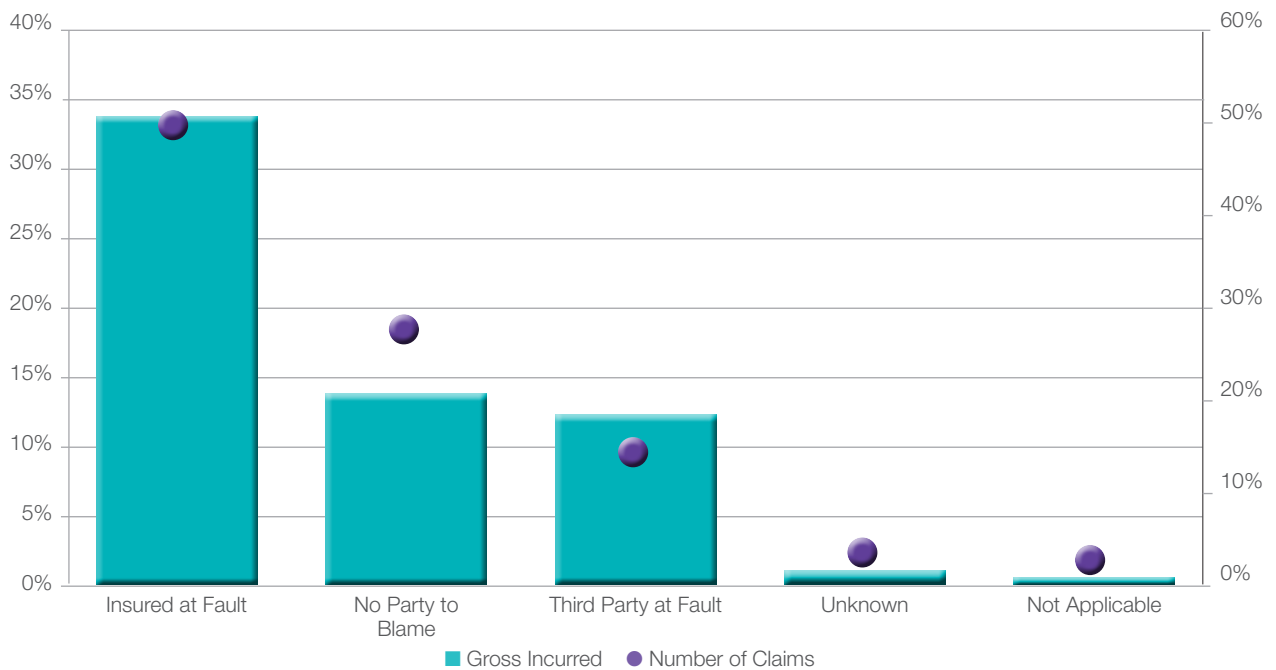




Top 5 Motor Claim Causes by number of claims and claims cost



Top 5 Party Responsible for Motor Vehicle Claims by number of claims and claims cost



LGW Workcare & Claims Statistics



DEDICATED ALLIED HEALTH PROFESSIONALS:

Guide and ensure best claims practice for the benefit of the worker and the council.

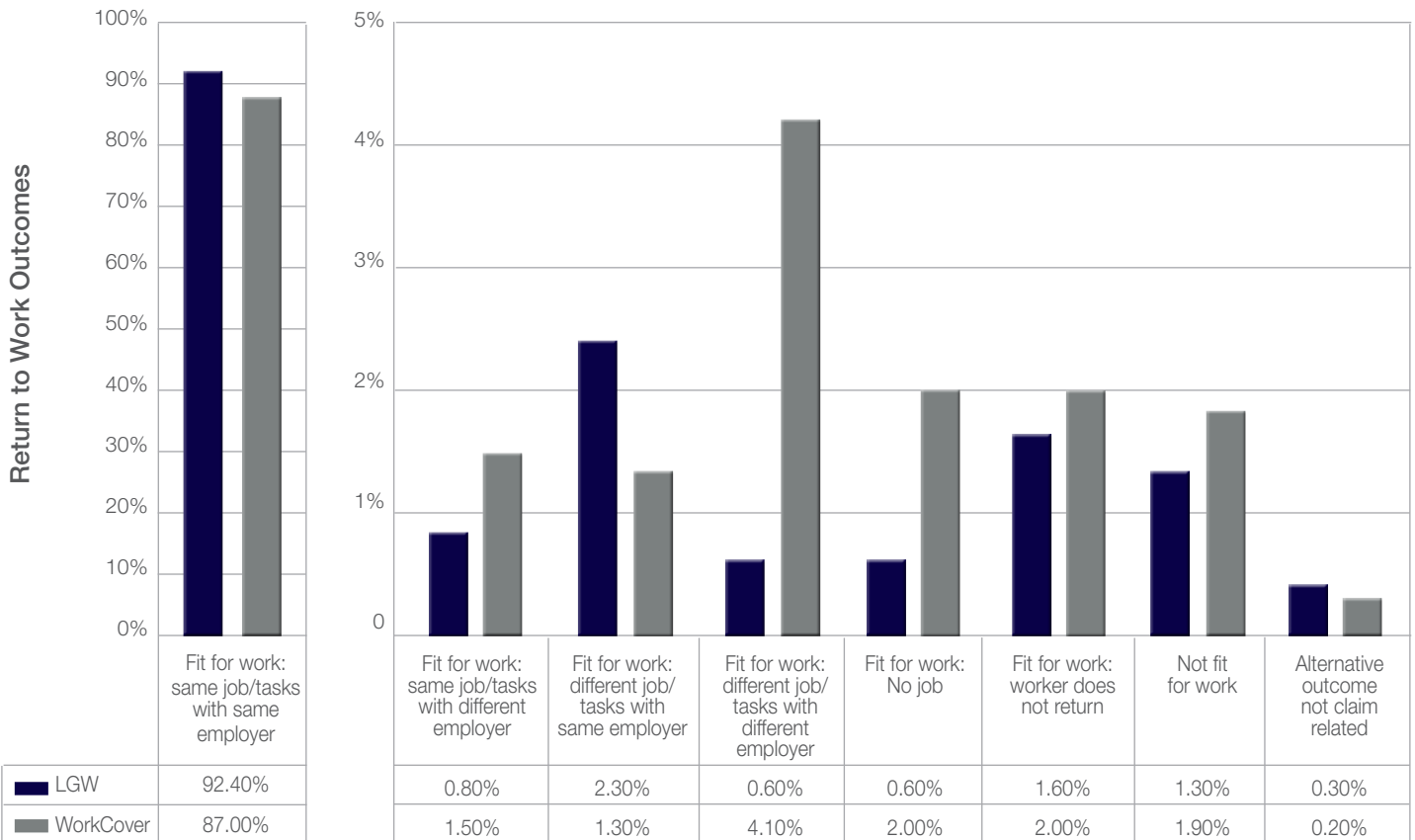
WHS ADVICE AND SUPPORT:

Tailored to local government specific risks to reduce claims.

MUTUAL RISK OBLIGATIONS:





LGW collaborate with member councils to ensure legislative requirements are met including development of a contemporary Local Government Safety Management System.

LGW vs WorkCover



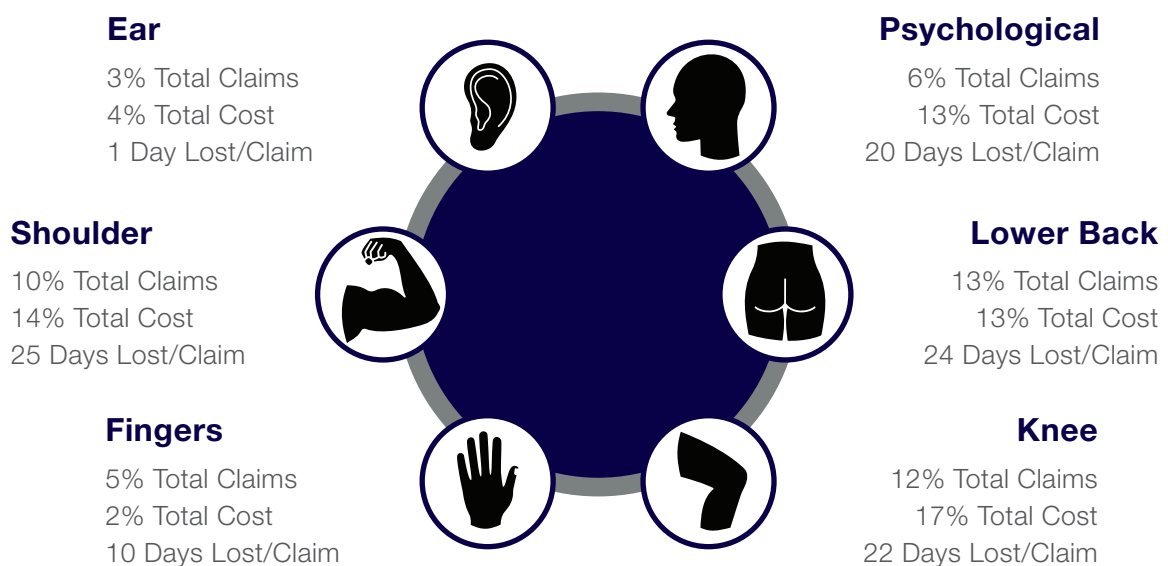
What were the injuries sustained by council workers?

Most Common Causes by claims, cost and days lost per claim

	Muscular Stress	50% Total Claims	52% Total Cost	21 Days Lost/Claim
	Fall Same Level	10% Total Claims	14% Total Cost	18 Days Lost/Claim
	Hit By Moving Object	10% Total Claims	3% Total Cost	7 Days Lost/Claim
	Workplace bullying / harrassment / violence / pressure	6% Total Claims	13% Total Cost	20 Days Lost/Claim

Data is based on claims incurred within the 2020/2021 financial period.

Most Common Injuries by % of claims, % of cost and days lost per claim



Note:

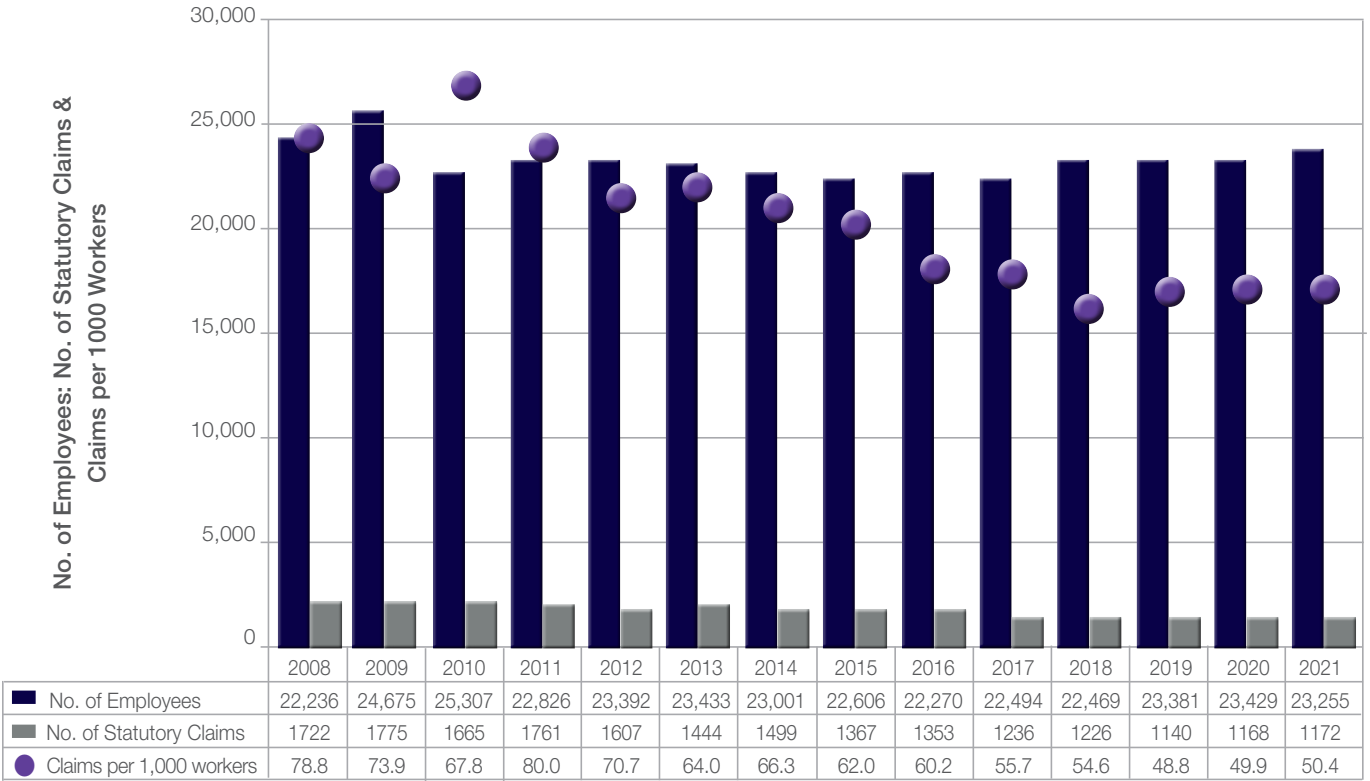
Data is based on claims incurred within the 2020/2021 financial period.

Psychological, Lower Back, Shoulder, Knee and Ear related injuries make up 61% of the total cost of claims

Psychological, Lower Back, Shoulder, Knee and Finger related injuries make up 46% of the total number of claims.

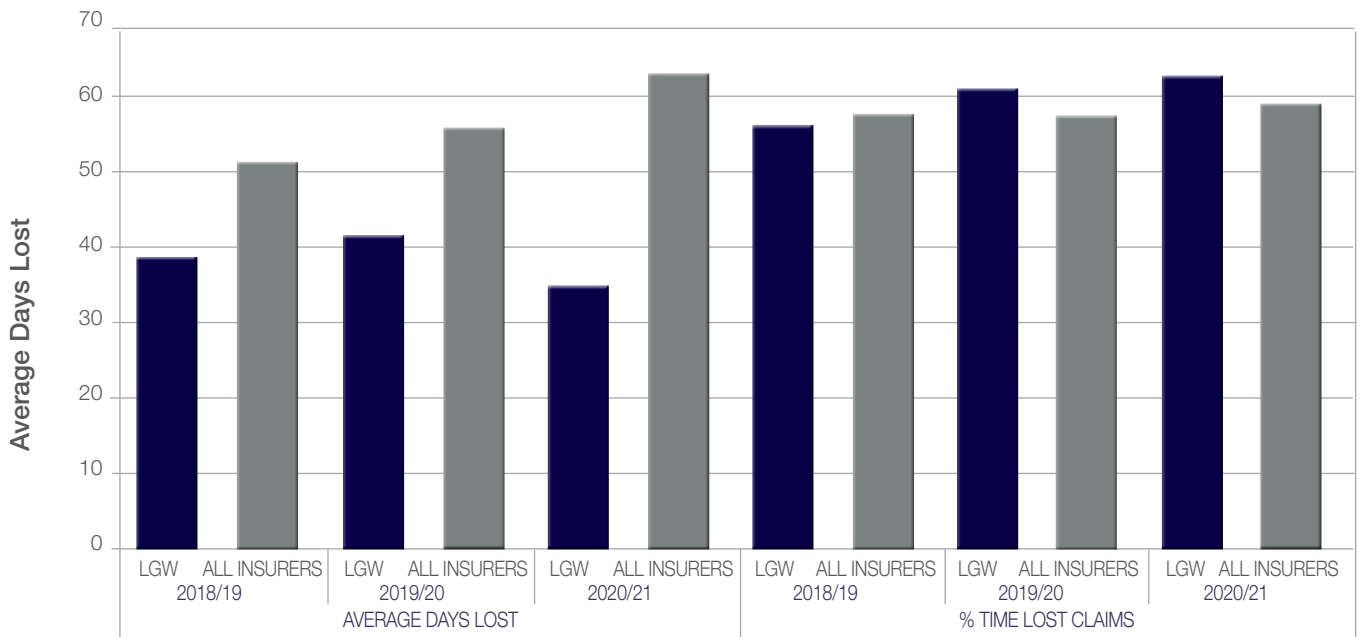


Claims Frequency by injury year





Time Lost Claim Indicators 2020/21



Average Cost of Time Lost Claims 2020/21



LGMS Risk Excellence Awards 2020-21

The LGMS Risk Excellence Awards recognise the efforts of our member councils that have achieved excellent ongoing improvements in risk management.

Four awards are announced each year for each geographical region with consideration given for specific projects, initiatives or programs that are designed to align with the principles of Australian Standards. The awards focus on a projects effectiveness, impact on reducing risk, or progressing members risk management maturity.

The awards were presented at the LGAQ Annual Conference in Mackay by Ian Leckenby (LGMS Chair), Mayor Rachel Chambers (LGMS Board member) and Craig Hinchliffe (General Manager Queensland & NT, JLT Public Sector).

The winners each receive funding towards eligible risk management consulting services to a value of



Left to right: Longreach Regional Council Mayor Tony Rayner, Craig Hinchliffe (JLT Public Sector), Rachael Lindsay (LGAQ), Longreach Regional Council CEO Mitchell Murphy, North Burnett Regional Council Mayor and LGMS Board Member Rachel Chambers, Ipswich City Council Mayor Teresa Harding, Mareeba Shire Council Deputy Mayor Kevin Davies, Balonne Shire Council Mayor Samantha O’Toole, Balonne Shire Council CEO Matthew Magin, Mareeba Shire Council Mayor Angela Toppin

\$20,000. This enables them to progress with their continuous improvement of risk management services for their councils.

On receiving the award, Mareeba Shire Council Mayor Angela Toppin said how proud she was to receive this award.

“It was quite a body of work for our council officers, it is about integrating our risk management framework into our governance cycle, into our corporate plan, into our operational plan and that is regularly reviewed.

“Making sure our major projects are

Congratulations to the following LGMS Risk Excellence Award 2020-21 winners:

NORTH QLD	CENTRAL QLD	SOUTH WEST QLD	SOUTH EAST QLD
Mareeba Shire Council	Longreach Regional Council	Balonne Shire Council	Ipswich City Council
Mareeba Shire Council recently undertook a complete re-write of their entire suite of Enterprise Risk products which fully integrate with Council’s corporate governance.	Longreach Regional Council utilised a risk-based approach to their COVID-19 response. They documented their learnings through reviews and updating their risk registers and business continuity plan in accordance with their risk management framework.	Balonne Shire Council has made significant improvements to its Enterprise Risk Management framework. This provides a comprehensive pathway for assessing where their organisation is at in terms of enterprise risk management and identifying improvement areas for further development. These improvements will provide further consistency, transparency in decision making, and lead to increased organisational performance.	Ipswich City Council has made incredible progress within the Enterprise Risk Management space. Ipswich City Council leads the way with their five-year Risk Road Map. Ipswich City Council is incredibly supportive of other councils within the LGMS Scheme and generously shares information and provides support for other members wishing to improve in this area.

included and that the risk associated with them are managed effectively,” Mayor Toppin said.

Mareeba has an internal audit system that monitors projects and they also report to an audit committee on risk management within their organisation.

Mareeba Shire Council will use their LGMS award prize money to further address their risk management processes.

Longreach Regional Councils CEO, Mitchell Murphy said the highlight of winning the award for them was the fact that they were organised with their risk management system prior to the COVID-19 pandemic. They documented their learnings through reviews and updating their risk registers and business continuity plan in accordance with their risk management framework.

Like most regional councils in remote areas, they struggle for funding so were very appreciative of the LGMS award prize money. They plan on using the funds to further enhance their risk management system, continuing to

invest in software and training to elevate and enhance their learning experience from this event and question and challenge ‘can we do it better’.

Mayor, Samantha O’Toole and CEO Matthew Magin proudly accepted the award on behalf of Balonne Shire Council at the conference. Balonne Shire Council have made significant improvements to their Enterprise Risk Management framework. Providing a comprehensive pathway for assessing where their organisation is at in terms of enterprise risk management and identifying improvement areas for further development. These improvements will provide further consistency, transparency in decision making and lead to increased organisational performance.

Balonne Shire Council plans on using the LGMS award prize money to train their managers and supervisors to further understand their enterprise risk management framework so council can improve their Audit and Risk Committee.

Mayor Teresa Harding was honoured

to accept the LGMS Risk Excellence Award on behalf of the team at Ipswich City Council. This award acknowledges their incredible progress within the Enterprise Risk Management space, leading the way with their Five-year Risk Road Map. Ipswich City Council are incredibly supportive of other councils within the LGMS scheme and generously share information and provide support to other members wishing to improve in this area.

Council’s LGMS award prize money will be reinvested back into their enterprise risk management systems to ensure they are meeting and exceeding the expectations of their residents.

The award acknowledges the hard work required to attain the Australian Standards. The efficiency and effectiveness of reducing risk and understanding the impact of risk and managing it has been vital for their council. ■



Financial Statements

for the year ended 30 June 2021

Contents

Statement of Profit or Loss and other Comprehensive Income	23
Statement of Financial Position	23
Statement of Changes in Equity	24
Statement of Cash Flows	24
Notes to the Financial Statements	25
1. Background	25
2. Statement of Significant Accounting Policies	25
3. Revenue and Expenses	27
4. Financial Position	28
5. Underwriting Result	29
6. Cash Flows	29
7. Notes to the Statement of Cash Flows	30
8. Financial Assets	30
9. Future Claims and Associated Costs	31
10. Net Claims Incurred	34
11. Related Parties	35
12. Financial Instruments	36
13. Risk Management	37
14. Auditor's Remuneration	39
15. Commitments for Expenditure	39
16. New Accounting Standards for Application in Future Periods	39
17. Authorisation of Financial Statements for Issue	39
18. Distributions	39
Queensland Local Government Mutual Board of Management's Certificate	40
Independent Audit Report To The Trustee and Board of Management of Queensland Local Government Mutual	41

Financial Statements

For the year ended 30 June 2021

Statement of Profit or Loss and other Comprehensive Income

for the year ended 30 June 2021

This statement should be read in conjunction with the notes to the financial statements set out on pages 25-39.

	Note	2021 \$	2020 \$
REVENUE			
Member contributions	3	59,367,919	52,679,876
Reinsurance and other recoveries revenue	3	6,364,135	6,007,192
Other income	3	1,285,780	173,891
Investment income	3	2,216,640	2,714,897
Changes in the fair value of investments	3	8,491,874	-
Interest revenue	3	234,363	554,154
Total revenue		77,960,711	62,130,011
EXPENSES			
Claims expense	3	(22,822,953)	(18,830,810)
Outwards risk premium expense	3	(39,060,856)	(32,800,632)
Other underwriting expenses	3	(7,219,236)	(5,157,598)
Changes in the fair value of investments		-	(3,038,238)
General expenses	3	(963,480)	(1,521,608)
Total expenses		(70,066,525)	(61,348,886)
Operating result		7,894,186	781,125
Other comprehensive income		-	-
Total comprehensive income for the year attributable to Members		7,894,186	781,125

Statement of Financial Position

as at 30 June 2021

This statement should be read in conjunction with the notes to the financial statements set out on pages 25-39.

	Note	2021 \$	2020 \$
CURRENT ASSETS			
Cash and cash equivalents	7(a)	41,131,261	31,301,138
Trade and other receivables		1,566,815	287,426
Reinsurance and other recoveries receivables		8,624,955	6,932,901
Financial assets		113,958,125	113,630,882
Total current assets		165,281,156	152,152,347
NON-CURRENT ASSETS			
Reinsurance and other recoveries receivables		17,947,613	16,970,085
Total non-current assets		17,947,613	16,970,085
Total assets		183,228,769	169,122,432
CURRENT LIABILITIES			
Trade and other payables		303,140	197,219
Unearned contributions		19,019,826	15,209,251
Distribution payables	18	606,715	762,129
Future claims and associated costs	9	28,114,823	26,927,761
Total current liabilities		48,044,504	43,096,360
NON-CURRENT LIABILITIES			
Future claims and associated costs	9	55,566,000	51,361,993
Total non-current liabilities		55,566,000	51,361,993
Total liabilities		103,610,504	94,458,353
NET ASSETS		79,618,265	74,664,079
EQUITY			
Retained surplus		79,618,265	74,664,079
TOTAL EQUITY		79,618,265	74,664,079

Statement of Changes in Equity

for the year ended 30 June 2021

This statement should be read in conjunction with the notes to the financial statements set out on pages 25-39.

	Note	2021 \$	2020 \$
Total equity at the beginning of the financial year		74,664,079	76,992,954
TOTAL COMPREHENSIVE INCOME:			
Net result for the year		7,894,186	781,125
Total comprehensive income		7,894,186	781,125
Surplus distribution	18	(2,940,000)	(3,110,000)
Total equity at the end of the financial year		79,618,265	74,664,079

Statement of Cash Flows

for the year ended 30 June 2021

This statement should be read in conjunction with the notes to the financial statements set out on pages 25-39.

	Note	2021 \$	2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Member contributions		63,129,207	56,751,969
Outwards risk premium expense		(39,060,856)	(32,779,313)
Claims expense		(19,843,267)	(17,451,607)
Other underwriting and general expenses		(8,303,483)	(6,731,352)
Interest revenue		238,098	634,229
Reinsurance and other recoveries revenue		6,250,152	5,961,372
GST collected from members		6,231,586	5,621,560
GST paid to suppliers and ATO		(6,097,172)	(5,403,752)
Other income		-	173,891
NET CASH PROVIDED BY OPERATING ACTIVITIES	7(b)	2,544,264	6,776,998
CASH FLOWS FROM INVESTING ACTIVITIES			
Distributions from / (payments for) Investments		8,164,631	(28,887,134)
Investment income received		2,216,641	2,714,897
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		10,381,272	(26,172,236)
CASH FLOWS FROM FINANCING ACTIVITIES			
Surplus distribution paid		(3,095,414)	(3,441,043)
NET CASH PROVIDED USED IN FINANCING ACTIVITIES		(3,095,414)	(3,441,043)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		9,830,123	(22,836,281)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		31,301,138	54,137,420
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		41,131,261	31,301,138

1. Background

Queensland Local Government Mutual (LGM) is a Trust which has been established in Australia by the Local Government Association of Queensland Ltd under a Trust Deed dated 3 December 1993.

The Queensland Local Government Mutual is a self-insurance scheme.

LGM was renamed from Queensland Local Government Mutual Liability Pool to Queensland Local Government Mutual as part of the Trust Deed amendment dated 21 May 2015 that continued a fund for civil liability and established a separate Asset Fund.

The Liability Fund and Asset Fund are both established under the one Trust Deed to spread public liability, professional indemnity and asset risk between the Members, and provide risk management services for the local governments in Queensland who elect to become members. Although there are two separate funds, these funds are not 'individual reporting entities'. There is one legal entity, Queensland Local Government Mutual, which controls both funds. The Asset Fund commenced operations on 1st July 2015. The principal activity of Queensland Local Government Mutual is the provision of cover for civil liability (Liability Fund) and asset loss (Asset Fund) incurred by member local governments and member local government controlled entities within Queensland and the management of associated claims.

The principal place of business of Queensland Local Government Mutual is:

Local Government House
27 Evelyn Street
Newstead QLD 4006

All employees are employed by the Scheme Manager, JLT Risk Solutions Pty Ltd, formerly known as Jardine Lloyd Thompson Pty Ltd, and their associated costs are recharged to LGM through a monthly scheme management fee. This fee is disclosed in the Statement of Profit or Loss and other Comprehensive Income as 'other underwriting expenses'.

2. Statement of significant accounting policies

a) Basis of preparation

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, (including the Australian Accounting Interpretations) to satisfy reporting responsibilities under the Queensland Local Government Mutual (LGM) Trust Deed. LGM is a not for profit entity and the Australian Accounting Standards includes requirements for not for profit entities which are inconsistent with International Financials Reporting Standards (IFRS). Therefore in some instances these financial statements do not comply with IFRS. They have been prepared on the basis of historical costs except where stated.

The accounting policies are consistent with those of the previous year unless otherwise stated. The functional and presentation currency of LGM is Australian Dollars.

b) Rounding

Figures in the financial statements are rounded to the nearest dollar unless otherwise indicated.

c) Taxation

LGM is subject to Goods and Services Tax (GST). The net amount of GST recoverable from or payable to the Australian Taxation Office is shown as an asset or liability respectively.

LGM is not a separate legal entity, and is not a partnership. It operates under a contractual relationship between its members, all of which are local governments or other local government/statutory entities, and all of which are exempt from income tax. All assets of LGM, including surpluses of contributions over claims costs and expenses, remain the directly-owned property of the members. Under the mutuality principle, therefore, LGM does not generate "income" for taxation purposes, except in relation to its investments. The investment income is directly owned property of the tax-exempt members. For these reasons, no provision has been made for income tax.

d) Estimates and judgements

In the process of applying the significant accounting policies, certain critical accounting estimates and assumptions are used and certain judgements are made.

The areas where the estimates and assumptions involve a high degree of judgement or complexity, and are considered significant to the financial statements, are:

- Reinsurance and other recoveries on outstanding claims, refer notes 3 and 10.
- Future claims and associated costs, refer notes 3 and 9.

Impact of Coronavirus (COVID-19) on estimates and judgements

COVID-19 was declared a global pandemic by the World Health Organisation on 11 March 2020. The rapid rise of the virus has seen an unprecedented global response by governments, regulators and numerous industry sectors. This has led to significant volatility and instability in financial markets and the release of a number of government stimulus packages to support individuals and businesses as the Australian and global economies face significant uncertainties and volatility.

The ongoing pandemic has increased estimation uncertainty in the preparation of these financial statements. LGM has developed various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 30 June 2021 about future events that LGM believes reasonable in the circumstances.

There is a considerable degree of judgment involved in preparing these forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of LGM. Accordingly, actual economic conditions may be different from those forecasts since anticipated events may not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financials statements at the date of the report.

The significant accounting estimates particularly impacted by these associated uncertainties are predominantly related to the valuation of the outstanding claims liability and fair value measurement of investments.

Fair value measurement of investments

LGM's investments are designated at fair value through profit and loss, and for the vast majority of the investment, the fair value is determined based on observable market data. This measurement basis has not changed as a result of COVID-19. Refer to Note 8 for further details on investments.

Future claims and associated costs

There have been no changes in the valuation of claims and related costs due to COVID-19 as the impact has been considered to be relatively minor. Changes in assumptions relating to the Future claims and associated costs not related to COVID-19 are detailed in Note 9.

Other than the matter noted above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of LGM's Board of Management, to affect significantly the operations of LGM, the results of those operations, or the state of affairs of LGM, in future financial years.

3. Revenue and expenses

	Total Liability & Asset Funds 2021 \$	Total Liability & Asset Funds 2020 \$	Liability Fund 2021 \$	Liability Fund 2020 \$	Asset Fund 2021 \$	Asset Fund 2020 \$
REVENUE						
Member contributions	59,367,919	52,679,876	23,215,951	21,659,914	36,151,968	31,019,962
Reinsurance and other recoveries revenue	6,364,135	6,007,192	6,304,007	5,972,495	60,128	34,697
Other income	1,285,780	173,892	-	-	1,285,780	173,892
Investment income	2,216,640	2,714,897	2,216,640	2,714,897	-	-
Changes in the fair value of investments	8,491,874	-	8,491,874	-	-	-
Interest revenue	234,363	554,154	63,625	278,487	170,738	275,667
Total revenue	77,960,711	62,130,011	40,292,097	30,625,793	37,668,614	31,504,218

Revenue recognition

Member contributions

Contributions comprise amounts charged to Members of LGM for liability and property protection. Contributions are earned from the date of attachment of risk. The pattern of recognition over the period of cover is based on time, which is considered to closely approximate the pattern of risks undertaken.

Investment revenue

Investment revenue is recognised as it accrues, taking into account the effective yield on the financial asset. Investment distributions are recognised when the right to receive payment is established. The investment revenue comprises of distributions from the investment trusts and the interest received from term deposits.

Interest revenue

The revenue received from cash and cash equivalents is recognised as interest revenue. It is recognised as it accrues on the cash and cash equivalents. The interest revenue comprises of the interest received from the QTC cash fund and ANZ bank.

	Total Liability & Asset Funds 2021 \$	Total Liability & Asset Funds 2020 \$	Liability Fund 2021 \$	Liability Fund 2020 \$	Asset Fund 2021 \$	Asset Fund 2020 \$
EXPENSES						
Claims expense	(22,822,953)	(18,830,810)	(19,782,693)	(15,749,355)	(3,040,260)	(3,081,455)
Outwards risk premium expense	(39,060,856)	(32,800,632)	(11,464,238)	(9,757,578)	(27,596,618)	(23,043,054)
Other underwriting expenses	(7,219,236)	(5,157,598)	(4,710,220)	(3,876,186)	(2,509,016)	(1,281,412)
Changes in the fair value of investments	-	(3,038,238)	-	(3,038,238)	-	-
General expenses *	(963,480)	(1,521,608)	(714,620)	(1,325,239)	(248,860)	(196,369)
Total expenses	(70,066,525)	(61,348,886)	(36,671,771)	(33,746,596)	(33,394,754)	(27,602,290)

*General expenses include as per below

Regional Risk Co-ordinators	-	683,151	-	683,151	-	-
Investment fees and charges	392,057	356,630	360,215	331,664	31,842	24,966
Administration expenses	571,423	481,827	354,405	310,424	217,018	171,403
	963,480	1,521,608	714,620	1,325,239	248,860	196,369

During the year ended 30 June 2021, Regional Risk Co-ordinators are included in the Scheme expenses management fee which is recognised under Other underwriting expenses.

Claims expense and future claims and associated costs liability

Claims expense and a liability for future claims are recognised as losses occur for the Liability and Asset fund. The liability for future claims includes claims incurred but not yet paid, IBNR, IBNERS and the anticipated costs of settling those claims.

The liability for future claims for both the funds are 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 Trust takes all reasonable steps to ensure that it has appropriate information regarding its claim exposures, with estimates and judgements continually being evaluated and updated based on historical experience and other factors. The liability for future claims for both the funds is calculated using a central estimate with no explicit bias towards over- or under-estimation.

Liability fund

The liability for future claims includes a prudential margin to increase the probability that the overall provision for claims will be adequate. The liability has been set having regard to independent actuarial advice.

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 market-determined risk-adjusted discount rates. The details of rates applied are included in Note 9.

Outwards risk premiums

Premiums ceded to insurers and reinsurers are recognised as expenses in accordance with the pattern of services received, being on a daily pro-rata basis.

4. Financial position

	Total Liability & Asset Funds	Total Liability & Asset Funds	Liability Fund	Liability Fund	Asset Fund	Asset Fund
	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$
CURRENT ASSETS						
Cash and cash equivalents	41,131,261	31,301,138	21,594,219	15,135,843	19,537,042	16,165,295
Trade and other receivables	1,566,815	287,426	250,247	158,641	1,316,568	128,785
Reinsurance and other recoveries receivables	8,624,955	6,932,901	8,624,955	6,932,901	-	-
Financial assets	113,958,125	113,630,882	113,958,125	113,630,882	-	-
Total current assets	165,281,156	152,152,347	144,427,546	135,858,267	20,853,610	16,294,080
NON-CURRENT ASSETS						
Reinsurance and other recoveries receivables	17,947,613	16,970,085	17,947,613	16,970,085	-	-
Total non-current assets	17,947,613	16,970,085	17,947,613	16,970,085	-	-
Total assets	183,228,769	169,122,432	162,375,159	152,828,353	20,853,610	16,294,080
CURRENT LIABILITIES						
Trade and other payables	303,140	197,219	94,802	127,494	208,338	69,725
Unearned contributions	19,019,826	15,209,251	19,019,826	15,209,251	-	-
Distribution payable	606,715	762,129	606,715	762,129	-	-
Future claims and associated costs	28,114,823	26,927,761	21,674,000	20,633,997	6,440,823	6,293,764
Total current liabilities	48,044,504	43,096,360	41,395,343	36,732,871	6,649,161	6,363,489
NON-CURRENT LIABILITIES						
Future claims and associated costs	55,566,000	51,361,993	55,566,000	51,361,993	-	-
Total non-current liabilities	55,566,000	51,361,993	55,566,000	51,361,993	-	-
Total liabilities	103,610,504	94,458,353	96,961,343	88,094,865	6,649,161	6,363,489
NET ASSETS	79,618,265	74,664,079	65,413,816	64,733,488	14,204,449	9,930,591
EQUITY						
Retained surplus	79,618,265	74,664,079	65,413,816	64,733,488	14,204,449	9,930,591
TOTAL EQUITY	79,618,265	74,664,079	65,413,816	64,733,488	14,204,449	9,930,591

Unearned contributions

Member contributions billed for the next financial year but received in bank in the current financial year are recognised as unearned contributions in the Statement of Financial Position.

Reinsurance, insurance, and other recoveries

Liability Fund

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid, incurred but not reported claims (IBNRs) and incurred but not enough reported (IBNERS) are recognised as revenue.

Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Recoveries receivable are measured at the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

Asset Fund

The Asset Fund is supported by an appropriate insurance policy. The Asset Fund is subject to an aggregate fund. In the event that the aggregate fund is exhausted all claims will be paid by insurers.

5. Underwriting result

	Total Liability & Asset Funds 2021 \$	Total Liability & Asset Funds 2020 \$	Liability Fund 2021 \$	Liability Fund 2020 \$	Asset Fund 2021 \$	Asset Fund 2020 \$
Member contributions	59,367,919	52,679,876	23,215,951	21,659,914	36,151,968	31,019,962
Outwards risk premium expense	(39,060,856)	(32,800,632)	(11,464,238)	(9,757,578)	(27,596,618)	(23,043,054)
Net contribution revenue	20,307,063	19,879,244	11,751,713	11,902,336	8,555,350	7,976,908
Claims expense	(22,822,953)	(18,830,810)	(19,782,693)	(15,749,355)	(3,040,260)	(3,081,455)
Reinsurance and other recoveries revenue	6,364,135	6,007,192	6,304,007	5,972,495	60,128	34,697
Net claims expense	(16,458,818)	(12,823,618)	(13,478,686)	(9,776,861)	(2,980,132)	(3,046,758)
Other underwriting expenses*	(7,219,236)	(5,157,598)	(4,710,220)	(3,876,186)	(2,509,016)	(1,281,412)
Underwriting result	(3,370,991)	1,898,028	(6,437,193)	(1,750,711)	3,066,202	3,648,738

*Other underwriting expenses pertain to management fees of the Trust.

6. Cash flows

Cash and cash equivalents

Cash and cash equivalents include cash deposits held with a financial institution, and a capital guaranteed investment held with QTC that is subject to a low risk of change in value and is readily convertible to cash on hand.

	Total Liability & Asset Funds 2021 \$	Total Liability & Asset Funds 2020 \$	Liability Fund 2021 \$	Liability Fund 2020 \$	Asset Fund 2021 \$	Asset Fund 2020 \$
CASH FLOW FROM OPERATING ACTIVITIES						
Member contributions	63,129,207	56,751,969	26,934,743	25,769,659	36,194,464	30,982,310
Outwards risk premium expense	(39,060,856)	(32,779,313)	(11,464,238)	(9,757,578)	(27,596,618)	(23,021,735)
Net claims expense	(19,843,267)	(17,451,607)	(16,950,066)	(14,298,232)	(2,893,201)	(3,153,375)
Other underwriting and general expenses	(8,303,483)	(6,731,352)	(5,609,919)	(5,221,380)	(2,693,564)	(1,509,972)
Interest revenue	238,098	634,229	64,145	345,726	173,953	288,503
Reinsurance and other recoveries	6,250,152	5,961,372	6,045,807	5,955,675	204,345	5,697
GST collected from members	6,231,586	5,621,560	2,693,444	2,576,966	3,538,142	3,044,594
GST paid to suppliers and ATO	(6,097,172)	(5,403,752)	(2,541,398)	(2,361,745)	(3,555,774)	(3,042,006)
Other income	-	173,891	-	-	-	173,891
Insurer Buy-Out revenue	-	-	-	-	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,544,264	6,776,998	(827,482)	3,009,091	3,371,747	3,767,907
CASH FLOWS FROM INVESTING ACTIVITIES						
Distributions from / (payments for) Investments	8,164,631	(28,887,133)	8,164,631	(28,887,133)	-	-
Investment income received	2,216,641	2,714,897	2,216,641	2,714,897	-	-
NET CASH PROVIDED / (USED IN) INVESTING ACTIVITIES	10,381,272	(26,172,236)	10,381,272	(26,172,236)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES						
Surplus Distribution Paid	(3,095,414)	(3,441,043)	(3,095,414)	(3,441,043)	-	-
NET CASH USED IN FINANCING ACTIVITIES	(3,095,414)	(3,441,043)	(3,095,414)	(3,441,043)	-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	9,830,123	(22,836,281)	6,458,376	(26,604,189)	3,371,747	3,767,907
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	31,301,138	54,137,420	15,135,843	41,740,032	16,165,295	12,397,388
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	41,131,261	31,301,138	21,594,219	15,135,843	19,537,042	16,165,295

7. Notes to the statement of cash flows

a) Reconciliation of cash

For the purposes of the statement of cash flows, cash and cash equivalents includes cash at bank and short-term investment deposits at call.

Cash and cash equivalents at the end of the financial year, as shown in the statement of cash flows, is reconciled to the related items in the statement of financial position as follows:

	Total Liability & Asset Funds	Total Liability & Asset Funds	Liability Fund	Liability Fund	Asset Fund	Asset Fund
	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$
Cash at bank and in hand	6,702,629	4,549,052	5,137,754	3,724,828	1,564,875	824,224
Deposits at call	34,428,632	26,752,086	16,456,465	11,411,015	17,972,167	15,341,071
	41,131,261	31,301,138	21,594,219	15,135,843	19,537,042	16,165,295

b) Reconciliation of operating surplus to net cash provided by operating activities:

Operating surplus	7,894,186	781,125	3,620,326	(3,120,803)	4,273,860	3,901,928
Non-cash operating items						
Change in the fair value of investments	(8,491,874)	3,038,238	(8,491,874)	3,038,238	-	-
Investing income classified as investing activities	(2,216,640)	(2,714,897)	(2,216,640)	(2,714,897)	-	-
(Increase)/Decrease in reinsurance and other recoveries receivable	(2,669,583)	3,419,312	(2,669,583)	3,419,312	-	-
Increase/(Decrease) in trade and other payables	105,921	17,373	(32,692)	8,555	138,613	8,818
Decrease/(Increase) in trade and other receivables	(1,279,389)	(72,870)	(91,606)	(1,951)	(1,187,783)	(70,919)
Increase/(Decrease) in unearned revenue	3,810,574	4,365,647	3,810,574	4,365,647	-	-
Increase/(Decrease) in future claims and associated costs	5,391,068	(2,056,929)	5,244,010	(1,985,009)	147,057	(71,919)
NET CASH FROM OPERATING ACTIVITIES	2,544,264	6,776,998	(827,483)	3,009,091	3,371,747	3,767,907

8. Financial assets

Financial assets consist of investments in QIC managed unit trusts, which upon initial recognition are classified at 'fair value through profit or loss' (FVTPL) and are subsequently measured at fair value with changes in carrying value being included in profit or loss in the period in which they arise. The QIC managed unit trusts total \$113.96 million at 30 June 2021 (2020: \$113.63 million). Fair value for managed unit trusts is based on the quoted bid price of the investment at reporting date.

Fair value measurements

Monetary financial assets and financial liabilities not readily traded in an organised financial market are initially measured as at the present value of contractual future cash flows on amounts due from customers or due to suppliers. The carrying amount is subsequently reduced for expected credit losses.

Investments are disclosed using a fair value hierarchy which reflects the significance of inputs to the determination of fair value.

Fair Value Hierarchy

The different levels have been defined as follows:

Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 valuation based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability.

Level 3 valuation techniques that are not based on observable market data.

The fair value of investments is measured at market value based on QIC advice. As at 30 June 2021 LGM's financial assets are recognised as Level 2.

9. Future claims and associated costs

	Total Liability & Asset Funds 2021 \$	Total Liability & Asset Funds 2020 \$	Liability Fund 2021 \$	Liability Fund 2020 \$	Asset Fund 2021 \$	Asset Fund 2020 \$
Expected future claims (undiscounted)	84,736,823	78,972,764	78,296,000	72,679,000	6,440,823	6,293,764
Discount to present value	(1,056,000)	(683,009)	(1,056,000)	(683,009)	-	-
Liability for outstanding claims	83,680,823	78,289,754	77,240,000	71,995,991	6,440,823	6,293,764
Current	28,114,823	26,927,761	21,674,000	20,633,997	6,440,823	6,293,764
Non-current	55,566,000	51,361,993	55,566,000	51,361,993	-	-
Liability for outstanding claims	83,680,823	78,289,754	77,240,000	71,995,991	6,440,823	6,293,764

Asset Fund

The Asset Fund provides protection for members' property-related risk exposures. Liabilities arising from these exposures are normally identified within the period of protection or shortly thereafter. Costs associated with those liabilities are brought to account within a short period and therefore no actuarial projections are warranted. A liability for future claims is recognised as losses occur and the liability for future claims includes claims incurred but not yet paid, IBNR, IBNERS and the anticipated costs of settling those claims.

In reference to the Asset Fund, the central estimate is determined, in principle, such that there is no bias to over or under estimation. The outstanding liabilities are established in accordance with appropriate reserving principles and based on management's estimations on the current notified claims and the aggregate level amounts (including catastrophe aggregates) before reinsurance.

Liability Fund – actuarial assumptions and methods

The Liability Fund actuary has increased projected future claims payments to allow for inflation and discounted the expected payments to 30 June 2021 to obtain the present value of the liability.

Liability adequacy test

In reference to the Liability Fund, the central estimate is determined, in principle, such that there is no bias to over or under estimation. However, an adequate provision for the outstanding liability requires a risk margin to be included such that the probability that the provision will prove to be sufficient is increased. An appropriate probability of sufficiency would usually be between 65% and 90%, depending on the acceptable level of risk to the insurer, whilst APRA requires a 75% probability of sufficiency for private sector insurers. LGM's Board of Management have determined to adopt a 75% probability of sufficiency.

Research undertaken on the variability of outstanding liabilities for public liability portfolios suggests that the required margin to achieve a 75% probability of sufficiency for a small portfolio such as that of LGM's lies in the range of 16% to 22%, depending on the individual characteristics of that portfolio.

The actuary has incorporated a risk margin of 20% of the central estimate of the outstanding liability plus claims handling expenses as the recommended provision at 30 June 2021. This provides a probability of sufficiency of approximately 75%. This is the same risk margin as adopted at the previous review.

Uncertainty

The actuary advised that there are many factors which can and will cause the ultimate cost of claims incurred to 30 June 2021 to deviate from the actuary's central estimate.

The sources of the uncertainty in the estimation of the outstanding liability are:

- The models adopted for analysis and projection will never exactly match the actual claim process,
- Assuming a perfect model could be constructed, past fluctuations in the experience cause uncertainty in estimating model parameters,
- Anomalies in the data may cause further undetected problems in estimating model parameters,
- Future claim fluctuations result in uncertainty in projected future payments, even if the true parameter values could be determined for a perfect model, and
- Future economic and environmental conditions are not known and may vary significantly from the assumptions adopted.

The central estimate is determined, in principle, such that there is no bias to over or under estimation. However, an adequate provision for the outstanding liability under AASB1023 *General Insurance Contracts* requires a risk margin to be included such that the probability that the provision will prove to be sufficient is increased. An appropriate probability of sufficiency would usually be between 65% and 90%, depending on the acceptable level of risk to the insurer. LGM Board of Management have determined to adopt a 75% probability of sufficiency.

Actuarial Assumptions

The following assumptions have been made in determining the outstanding claims liabilities for the Liability fund.

Key Actuarial Assumptions	2021	2020
Inflation	2.5%	2.5%
Claim administration expense	12%	12%
Discount rate	0.6%	0.4%
Term to settlement (years)	2.5	2.5

The actuary has set out an analysis by incident year which shows an increase in the outstanding liability from \$40.1 million as at 30 June 2020 to \$42.5 million as at 30 June 2021, that is, an increase of \$2.4 million.

The estimated liability as at 30 June 2021 in this valuation has been estimated to be \$42.5 million. The increase of \$2.4 million is summarised below.

Item	Impact on Liability \$M
Roll-forward of outstanding liability from 30/06/2020 to 30/06/2021*	(2.4)
Experience for claims incurred to 30/06/2020	1.4
Experience for claims incurred during the year ending 30/06/2021	4.8
Claim assumptions	(1.2)
Change in discount rate from 0.4% per annum to 0.6% per annum	(0.2)
Total	2.4

*Roll-forward of outstanding liability involves allowing for new incidents occurred, actual payments made, and the unwind of discount (or interest earned on outstanding liability) over the year.

Method

The estimated outstanding liability at 30 June 2021 is required to be adjusted to allow for future investment returns by discounting expected future claim payments. Future expected claim payments are to be discounted "using risk-free discount rates that are based on current observable, objective rates that relate to the nature, structure and term of the future obligations" as per AASB 1023. The actuary has used the zero coupon yields on Commonwealth government bonds as the basis for determining a uniform risk-free discount rate. The discount rate is the average yield, weighted by the expected future cash flows. The future differences between returns on the LGM investment portfolio and the risk-free rate adopted for discounting purposes will emerge as profit or loss when they arise.

Inflation

The valuation makes no explicit allowance for inflation, although the future development in the incurred claims costs makes allowance for the effects of inflation and superimposed inflation by assuming that future inflation and superimposed inflation will be similar to past experience. In the past it would be reasonable to assume that inflation has been of the order of 2.5% per annum. The overall level of payments can increase at a faster rate than inflation. This is referred to as superimposed inflation.

Claim administration (handling) expense

In accordance with accounting requirements, claims administration expenses have been included. The claims manager of the portfolio has estimated that the claims administration expenses comprise approximately 40% of management fees. As members manage their own claims up to their excess, the actuary has provided the comparison of claims administration expenses, estimated as 40% of management fees to claims expenses net of non-reinsurance recoveries.

The claims administration expenses have averaged approximately 14% of the payments made since 1 July 2012, although higher in more recent years and 16% of claims incurred net of non-reinsurance recoveries. Taking into account that a significant proportion of the claims administration costs are incurred early in the life of a claim, the actuary has assumed that future claims administration expenses will be 12% of future payments net of non-reinsurance recoveries. The expense assumption adopted in the previous valuation was 12% of future payments net of non-reinsurance recoveries.

Discount rate

The combination of the expected net payments by payment year with the future payments for the run-off of LGM's net liabilities (excluding administration expenses), together with the yields available on Government bonds of equivalent durations produces a uniform discount rate for all future years of 0.6% per annum. At the previous valuation, the discount rate was assumed to be 0.4% per annum. The difference is due to the movements in market yields since the previous valuation.

Term to settlement

The actuary has assumed an expected term to settlement of 2.5 years (2020: 2.5 years) based on historical experience and the results of historical claims.

Sensitivity analysis

The outstanding claims liabilities included in the reported results are calculated based on the key actuarial assumptions as disclosed above. The movement in any of the above key actuarial assumptions will impact the performance and total accumulated funds of LGM. The following sensitivity analysis evaluates the impact of a +/- 1% movement in the discount, inflation and expense rates and a +/-10% movement in the cost of claims for the outstanding provisions.

Liability Fund

Inflation assumption

	Carrying Amount \$	2021		Carrying Amount \$	2020	
		-1% Movement	1% Movement		-1% Movement	1% Movement
Future claims and associated cost	77,240,000	(1,935,000)	1,935,000	71,996,000	(1,736,000)	1,736,000
Reinsurance and other recoveries receivables	(26,203,000)	618,000	(618,000)	(23,793,000)	522,000	(522,000)
Potential Impact		(1,317,000)	1,317,000		(1,214,000)	1,214,000

Discount rate assumption

	Carrying Amount \$	2021		Carrying Amount \$	2020	
		-1% Movement	1% Movement		-1% Movement	1% Movement
Future claims and associated cost	77,240,000	1,840,000	(1,840,000)	71,996,000	1,653,000	(1,653,000)
Reinsurance and other recoveries receivables	(26,203,000)	(587,000)	587,000	(23,793,000)	(497,000)	497,000
Potential Impact		1,253,000	(1,253,000)		1,156,000	(1,156,000)

Expense rate assumption

	Carrying Amount \$	2021		Carrying Amount \$	2020	
		-1% Movement	1% Movement		-1% Movement	1% Movement
Future claims and associated cost	77,240,000	(506,000)	506,000	71,996,000	(477,000)	477,000
Reinsurance and other recoveries receivables	(26,203,000)	-	-	(23,793,000)	-	-
Potential Impact		(506,000)	506,000		(477,000)	477,000

Increase in cost of claims assumption

	Carrying Amount \$	2021		Carrying Amount \$	2020	
		-10% Movement	10% Movement		-10% Movement	10% Movement
Future claims and associated cost	77,240,000	(2,592,000)	2,592,000	71,996,000	(1,836,000)	1,836,000
Reinsurance and other recoveries receivables	(26,203,000)	821,000	(821,000)	(23,793,000)	772,000	(772,000)
Potential Impact		(1,771,000)	1,771,000		(1,064,000)	1,064,000

10. Net claims incurred

Current period claims relate to the risks borne in the current financial year. Prior period claims relate to a reassessment of the risks borne in all the previous financial years.

Liability Fund	2021 \$	2020 \$
Net claims expense (note 5)	<u>13,478,686</u>	<u>9,776,861</u>

2021 – Details of net incurred claims are as follows:

	Current Year \$'000	Prior Years \$'000	Total \$'000
Claims incurred and related expenses – undiscounted	28,561	(5,994)	22,567
Reinsurance and other recoveries – undiscounted	(13,075)	4,228	(8,847)
Net claims incurred – undiscounted	15,486	(1,766)	13,720
Discount – Claims incurred and related expenses	(355)	(18)	(373)
Discount – Reinsurance and other recoveries	153	(22)	131
Net discount movement	(202)	(40)	(242)
Net incurred claims	<u>15,284</u>	<u>(1,806)</u>	<u>13,478</u>

2020 – Details of net incurred claims are as follows:

	Current Year \$'000	Prior Years \$'000	Total \$'000
Claims incurred and related expenses – undiscounted	20,597	(9,515)	11,082
Reinsurance and other recoveries – undiscounted	(10,108)	7,998	(2,110)
Net claims incurred – undiscounted	10,489	(1,517)	8,972
Discount – Claims incurred and related expenses	(174)	1,405	1,231
Discount – Reinsurance and other recoveries	75	(502)	(427)
Net discount movement	(99)	903	804
Net incurred claims	<u>10,390</u>	<u>(614)</u>	<u>9,776</u>

Asset Fund	2021 \$	2020 \$
Net claims expense (note 5)	<u>2,980,132</u>	<u>3,046,757</u>

2021 – Details of net incurred claims are as follows:

	Current Year \$'000	Prior Years \$'000	Total \$'000
Claims incurred and related expenses – undiscounted	2,638	402	3,040
Reinsurance and other recoveries – undiscounted	(6)	(54)	(60)
Net claims incurred – undiscounted	<u>2,632</u>	<u>348</u>	<u>2,980</u>

2020 – Details of net incurred claims are as follows:

	Current Year \$'000	Prior Years \$'000	Total \$'000
Claims incurred and related expenses – undiscounted	3,208	(126)	3,082
Reinsurance and other recoveries – undiscounted	-	(35)	(35)
Net claims incurred – undiscounted	<u>3,208</u>	<u>(161)</u>	<u>3,047</u>

11. Related parties

a) Key Management Personnel (KMP)

KMP include members of the Board of Management and Directors of the Trustee.

Board of Management

The Trust Deed provides for the business of LGM to be managed by a Board of Management. The Board is responsible to the LGAQ Board for achieving the Trust's objectives and for financial management. The members of the Board of Management have been listed as key management personnel and receive meeting fees and reimbursement of the costs of travel expenses associated with attending the Board of Management meetings.

The names of the members of the Board of Management at any time during the financial year are:

Mr Ian Leckenby - Chairman
Mr Greg Hallam*
Mr Bill Lyon*
Mr Terry Brennan
Cr Karen Williams
Cr Rachel Chambers
Mr John Sharman
Mr Stephen Fynes-Clinton**

* No Committee meeting fees are paid to these members.

** Mr Stephen Fynes-Clinton ceased being a member of the Board of Management effective 27 August 2020.

Mr Bob Millar ceased being a member of the Board of Management effective 30 June 2020.

KMP Category / Position	Short-Term Employee Benefits 2021 \$	Short-Term Employee Benefits 2020 \$
Chairman	37,500	34,875
Board of Management	15,300	41,325
Total	52,800	76,200

No member of the Board of Management has entered into a material contract with LGM during the current or previous financial year.

Directors of the Trustee

LGAQ is acting through its Board, in its capacity as a trustee of the Trust under the Trust Deed. The Directors of the Trustee of the Trust which have been listed below are also key management personnel as they are responsible for the ultimate oversight of the business of the Trust. No remuneration has been paid to them.

Cr Mark Jamieson
Cr Jenny Hill
Cr Ray Brown - resigned 25 June 2020
Cr Matthew Bourke - resigned 25 June 2020
Cr Karen Williams - appointed 26 June 2020
Cr Matt Burnett - appointed 26 June 2020.

b) Transactions with related parties

Related parties include LGAQ and its controlled entities. The following are transactions within the group:

	2021 \$	2020 \$
Purchase of services from LGAQ and its controlled entities on a commercial basis	116,790	29,944
Cost recovery transactions paid to LGAQ & its controlled entities	5,272	65,687
Asset Fund remuneration paid to LGAQ	215,816	21,000
Liability Fund remuneration paid to LGAQ	875,480	85,265
Surplus distribution for the LG Sherlock's funding requirements was paid to LGAQ	490,000	660,000

Surplus distribution for the LG Sherlock was paid to LGAQ in accordance with the terms and conditions of the Trust Deed for the benefit of scheme members, with the necessary approvals by the LGAQ Board and LGM Board of Management.

Services provided by LGAQ are on a cost recovery basis and represent transactions paid on behalf of LGM. Services provided by Local Buy relate to conference sponsorship and are on commercial terms. The amount owing to LGAQ as at 30 June 2021 for services provided is \$1,080 (2020: \$4,718). Liability and Asset Fund remuneration is paid to LGAQ as per the new Pool management agreement effective from 1 January 2020.

c) Transactions with other related parties

Other related parties include the close family members of KMP and any entities controlled or jointly controlled by KMP or their close family members. Close family members include a spouse, child and dependent of a KMP or their spouse.

d) Loans and guarantees to / from related parties

LGM does not make loans to or receive loans from related parties. No guarantees have been provided.

e) Transactions with related parties that have not been disclosed

Some of LGM's KMP are also KMP of their respective Councils. These Councils transact with LGM on a regular basis as members of the Funds. Examples include:

- Member contributions
- Other recoveries revenue
- Claims expenses
- Distributions

LGM has not included these transactions in its disclosures, where they are made on the same terms and conditions available to all other members of LGM.

12. Financial instruments

Financial instruments

i Recognition and initial measurement

Financial assets are recognised when the entity becomes a party to receive cash and cash equivalents or other financial assets from another entity, and securities issued by another entity. Financial liabilities are recognised when the entity becomes a party to the contractual obligations to pay cash or deliver other financial assets. For financial assets, this is equivalent to the date that LGM commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are included in profit or loss immediately.

ii Impairment of Financial assets

LGM recognises loss allowances for an Expected Credit Loss ("ECL") on financial assets measured at amortised cost. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to LGM and the cash flows that LGM expects to receive).

At each reporting date, LGM also assesses whether financial assets carried at amortised costs are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, LGM considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on LGM's historical experience, informed credit assessment and forward-looking information.

For the year ended 30 June 2021, there was NIL ECL allowance recognised (2020: NIL).

iii Classification and subsequent measurement

Financial instruments are subsequently measured at either their fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value.

Amortised cost is calculated as:

- the amount at which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;

- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and”
- less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

13. Risk management

Membership is available to local government councils and local government controlled entities. LGM operates in Queensland to provide cover and a claims management service to members in respect of their potential and actual liabilities. A member may seek indemnity from LGM in respect of a claim. Under the Trust Deed, LGM's Board of Management may in its sole and absolute discretion determine whether indemnity will be granted in respect of a claim.

Actuarial models, using information from LGM's management information systems, are used to confirm contributions and monitor claim patterns. Past experience and statistical methods are used as part of the process. The principal risk is that the frequency and severity of claims is greater than expected. Insurable risk events are, by their nature, random and the actual number and size of events during any one-year may vary from those estimated using established statistical techniques.

Objectives in managing risk and policies for mitigating those risks

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

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

Risk transfer strategy

LGM adopts a conservative approach towards management of risk and does this by utilising risk transfer options. The Board determines the level of risk, which is appropriate for LGM having regards to ordinary concepts of prudence and regulatory constraints. The risk transfer arrangements adopted by LGM utilise commercial insurance and reinsurance arrangements. These risk transfer arrangements assist LGM to limit its exposures. These programs are regularly reviewed to ensure that they continue to meet the risk needs of LGM.

Management of risks

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

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

Claims experience risk is managed through the non-financial risk assessment and risk management and risk transfer management process. Claims experience is monitored on an ongoing basis to ensure that any adverse trending is addressed. LGM is able to reduce the claims experience risk of severe losses through the reinsurance program and by managing the concentration of risks.

Concentration of risks

Risks are managed by taking a long-term approach to setting the annual contribution rates that minimises price fluctuations, appropriate investment strategy, insurance, reinsurance and by maintaining an active state-wide risk management profile. It is vital that LGM keeps abreast of changes in the general economic, legal and commercial environment in which it operates.

Market Risk

Market risk is the risk that changes in market prices will affect LGM's income or the value of its financial instruments.

In addition to cash and interest-bearing securities, the investment portfolio contains exposures to equity markets through managed unit trusts held in QIC. These investments, integral to insurance activities, are measured at market value at each reporting date and changes in market value are immediately reflected in the statement of comprehensive income. Any overall downturn in the equities market may impact on future results of LGM. The impact of any significant movement is managed by ensuring that the investment portfolio consists of a diverse holding of investments. The Liability Fund holds \$113,958,125 worth of units with QIC as at 30 June 2021 (2020: \$113,630,882).

LGM does not trade in foreign currency and is not materially exposed to commodity price changes.

Interest Rate Risk

LGM is exposed to interest rate risk through its investments with QTC. LGM has access to a mix of variable and fixed rate funding options with QTC and so that the interest rate risk exposure can be minimised.

Interest on cash is charged at prevailing market rates being approximately 0.25% at 30 June 2021 (2020: 0.40%). Interest on QTC investments is charged at prevailing market rates which is approximately 0.51 % at 30 June 2021 (2020: 0.86%) for both funds.

Interest rate sensitivity analysis

Interest rate sensitivity depicts what effect a reasonably possible change in interest rates of +/- 1% would have on the profit and equity, based on the carrying value of financial assets and liabilities. With all other variables held constant, the Liability Fund would have surplus increase/decrease of \$215,942 (2020: \$151,358) for interest rate risk. The Asset Fund would have a surplus increase/(decrease) of \$195,370 (2020: \$161,653) for interest rate risk.

Unit price sensitivity analysis

Unit price sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss if interest rates and unit prices would change by +/- 1% for the QIC Cash Enhanced Fund and by +/-5% for the QIC Long Term Diversified Fund and QIC Short Term Income Fund from the year-end rates applicable to LGM's financial assets and liabilities. With all other variables held constant, the Liability Fund would have a surplus increase/(decrease) of \$167,591 (2020: \$265,919) for unit price risk for the QIC Cash Enhanced Fund and surplus increase/(decrease) of \$4,859,952 (2020: \$4,351,950) for unit price risk for the QIC Long Term Diversified Fund and QIC Short Term Income Fund.

Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. These obligations are principally from LGM's investments and receivables.

The maximum exposure to credit risk at reporting date in relation to each class of recognised assets is the gross carrying amount of those assets inclusive of any impairment.

The credit risk arising from LGM's exposure to individual entities in investment portfolios is monitored and controlled through risk management strategies implemented by LGM's fund manager, QIC.

LGM considers that all of the financial assets at amortised cost that are not impaired for each of the reporting dates under review are of low credit risk due to the high quality credit rating of the parties involved. No collateral is held as security and no credit enhancements relate to financial assets held by LGM.

Liquidity risk

Liquidity risk is the risk that LGM will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

LGM is exposed to liquidity risk in respect of its payables being trade and other payables and distribution payables, refer note 4.

14. Auditor's remuneration

Fees payable to the auditors for the audit of LGM's financial statements for 2020-21 is \$47,000 Liability Fund - \$35,250 and Asset Fund - \$11,750 (2019-2020: \$50,000. Liability Fund - \$37,500 and Asset Fund - \$12,500). There are no non-audit services included in this amount.

15. Commitments for expenditure

Commitments for payment of Trust management fees are payable as follows. (Commitments for payments of the Regional Risk Co-ordinator programme have been incorporated in the Trust management fees).

	Total Liability & Asset Funds	Total Liability & Asset Funds	Liability Fund	Liability Fund	Asset Fund	Asset Fund
	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$
Within one year	7,330,933	7,219,236	4,783,391	4,710,220	2,547,542	2,509,016
Later than one year but not later than 5 years	7,444,360	14,856,961	4,857,701	9,693,485	2,586,659	5,163,476
	14,775,293	22,076,197	9,641,092	14,403,705	5,134,201	7,672,492

16. New accounting standards for application in future periods

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2021, and have not been applied in preparing these financial statements. LGM does not plan to adopt these standards early and does not believe those standards will have a material impact on LGM's financial statements.

17. Authorisation of financial statements for issue

The financial statements are authorised for issue by the Board of Management at the date of signing the Board of Management's Certificate.

18. Distributions

In May 2021 the Board of Management noted and approved the proposed \$2,450,000 surplus distribution to be distributed to individual Liability Fund members in 2020-21. Out of that \$1,843,285 has been already taken up by the members who have paid their contributions for 2021-22 year before 30 June 2021. As a result, there is an amount of \$606,715 as a surplus distribution payable amount in the Statement of Financial Position for 2020-21.

In May 2021 the Board of Management noted and approved a surplus distribution of \$490,000 for the LG Sherlock funding requirements which was paid to LGAQ in June 2021.

In May 2020 the Board of Management noted and approved the proposed \$2,450,000 surplus distribution to be distributed to individual Liability Fund members in 2019-20.

In May 2020 the Board of Management noted and approved a surplus distribution of \$660,000 for the LG Sherlock funding requirements which was paid to LGAQ in June 2020.

Board of Management's Certificate

QUEENSLAND LOCAL
GOVERNMENT MUTUAL

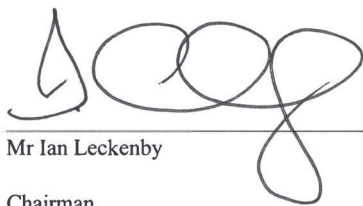
Queensland Local Government Mutual

Queensland Local Government Mutual Board of Management's Certificate

In the opinion of the Board of Management of Queensland Local Government Mutual:

- a) the financial statements and notes, set out on pages 3 to 24:
- i) present fairly the financial position of Queensland Local Government Mutual as at 30 June 2021 and its performance, as represented by the results of its operations and its cash flows, for the year ended on that date;
 - ii) comply with Accounting Standards in Australia; and
 - iii) are drawn up in accordance with the provisions of the revised Trust Deed dated May 2017;
- b) there are reasonable grounds to believe that Queensland Local Government Mutual will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board:



Mr Ian Leckenby

Chairman

26/11/2021

Date



INDEPENDENT AUDITOR'S REPORT

To the Trustee, Board of Management and Members of Queensland Local Government Mutual

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Queensland Local Government Mutual (the trust).

In my opinion, the financial report:

- a) gives a true and fair view of the trust's financial position as at 30 June 2021, and its financial performance and cash flows for the year then ended
- b) complies with the trust deed of Queensland Local Government Mutual dated 19 May 2017 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the certificate given by the board of management.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the trust in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the trust for the financial report

The trustee and board of management are responsible for the preparation of the financial report that presents fairly in accordance with the trust deed of Queensland Local Government Mutual dated 19 May 2017 and Australian Accounting Standards, and for such internal control as the trustee and board of management determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The trustee and board of management are also responsible for assessing the trust's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the trust or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial report

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

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

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

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

A handwritten signature in black ink, appearing to read "Brydie Morris".

Brydie Morris
as delegate of the Auditor-General

29 November 2021

Queensland Audit Office
Brisbane



Financial Statements

for the year ended 30 June 2021

Contents

Statement of Profit or Loss and Other Comprehensive Income	45
Statement of Financial Position	45
Statement of Changes in Equity	46
Statement of Cash Flows	46
Notes to the financial statements	47
1. Background	47
2. Statement of significant accounting policies	47
3. Underwriting result	48
4. General expenses	49
5. Other financial assets	49
6. Future claims and associated costs	50
7. Net claims incurred	53
8. Notes to the statement of cash flows	54
9. Related parties	54
10. Financial instruments	55
11. Risk management	56
12. Auditor's remuneration	58
13. Distribution payables	58
14. Commitments for expenditure	58
15. Contingent liabilities	58
16. New accounting standards for application in future periods	58
17. Authorisation of financial statements for issue	58
Queensland Local Government Workers Compensation Self-Insurance Scheme Management Committee's Certificate	59
Independent Auditor's Report To The Management Committee, Trustee and Members Of Queensland Local Government Workers Compensation Self-Insurance Scheme	60

Statement of Profit or Loss and other Comprehensive Income

for the year ended 30 June 2021

This statement is to be read in conjunction with the notes to the financial statements set out on pages 47 to 58.

	Note	2021 \$	2020 \$
REVENUE			
Member contributions	3	28,510,347	27,643,543
Reinsurance and other recoveries	3	417,374	417,647
Interest revenue		134,417	333,617
Investment revenue		1,459,610	1,971,147
Changes in the fair value of investments		6,064,010	-
Total revenue		36,585,758	30,365,954
EXPENSES			
Claims expense	3	(30,532,186)	(22,591,940)
Outwards reinsurance expense	3	(496,711)	(444,465)
Other underwriting expenses	3	(8,937,405)	(7,784,427)
Changes in the fair value of investments		-	(2093,787)
General expenses	4	(942,784)	(1,406,468)
Total expenses		(40,909,086)	(34,321,087)
Operating result from continuing operations		(4,323,328)	(3,955,133)
OTHER COMPREHENSIVE INCOME/(LOSS)		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO MEMBERS		(4,323,328)	(3,955,133)

Statement of Financial Position

as at 30 June 2021

This statement is to be read in conjunction with the notes to the financial statements set out on pages 47 to 58.

	Note	2021 \$	2020 \$
CURRENT ASSETS			
Cash and cash equivalents		6,217,390	14,692,191
Trade and other receivables		604,984	1,194,890
Reinsurance and other recoveries receivables		843,652	925,000
Other financial assets	5	74,545,377	67,277,488
Total current assets		82,211,403	84,089,569
NON-CURRENT ASSETS			
Reinsurance and other recoveries receivables		1,579,348	1,623,000
Total non-current assets		1,579,348	1,623,000
Total assets		83,790,751	85,712,569
CURRENT LIABILITIES			
Trade and other payables		867,362	599,393
Distribution payables	13	2,450,000	2,450,000
Future claims and associated costs	6	17,534,000	18,555,210
Total current liabilities		20,851,362	21,604,603
NON-CURRENT LIABILITIES			
Future claims and associated costs	6	30,045,000	21,945,249
Total non-current liabilities		30,045,000	21,945,249
Total liabilities		50,896,362	43,549,852
NET ASSETS		32,894,389	42,162,717
EQUITY			
Retained surplus		32,894,389	42,162,717
TOTAL EQUITY		32,894,389	42,162,717

Statement of Changes in Equity

for the year ended 30 June 2021

This statement is to be read in conjunction with the notes to the financial statements set out on pages 47 to 58.

	Note	2021 \$	2020 \$
Total equity at the beginning of the financial year		42,162,717	49,217,850
Other comprehensive income/(loss)			
Net result for the year		(4,323,328)	(3,955,133)
Other comprehensive income/(loss)		(4,323,328)	(3,955,133)
Surplus distributions	13	(4,945,000)	(3,100,000)
Total equity at the end of the financial year		32,894,389	42,162,717

Statement of Cash Flows

for the year ended 30 June 2021

This statement is to be read in conjunction with the notes to the financial statements set out on pages 47 to 58.

	Note	2021 \$	2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt of contributions from members		29,119,646	27,214,937
Reinsurance premiums paid		(496,711)	(444,465)
Claims paid		(23,328,645)	(17,123,531)
Other underwriting and general expenses paid		(9,812,348)	(9,162,796)
Interest received		141,752	355,650
Other recoveries received		417,374	417,647
GST collected from members		2,911,965	2,721,495
GST paid to suppliers and ATO		(2,738,566)	(2,608,782)
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES		(3,785,533)	1,370,155
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investments		(1,203,878)	(1,741,582)
Investment revenue received		1,459,610	1,971,147
NET CASH USED IN INVESTING ACTIVITIES		255,732	229,565
CASH FLOWS FROM FINANCING ACTIVITIES			
Surplus distribution paid		(4,945,000)	(3,050,000)
NET CASH USED IN FINANCING ACTIVITIES		(4,945,000)	(3,050,000)
NET DECREASE IN CASH HELD		(8,474,801)	(1,450,280)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		14,692,191	16,142,471
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		6,217,390	14,692,191

1. Background

Queensland Local Government Workers Compensation Self-Insurance Scheme (the Scheme) is a Trust which has been established in Australia by the Local Government Association of Queensland Ltd (LGAQ) under a Trust Deed dated 19 June 1997.

LGAQ is acting through its Executive, in its capacity as a trustee of the Scheme under the Trust Deed.

The Scheme was established as a result of receiving a self-insurance licence from the Workers' Compensation Regulator. The Scheme consists of local governments and local government controlled entities that jointly hold a group employer workers' compensation self-insurance licence under the *Workers Compensation and Rehabilitation Act 2003*. Each Scheme member is considered to be a joint holder of the self-insurance licence.

LGAQ acts as the agent of the licence holders. As a licensed self-insurer, the Scheme is required to comply with a range of legislative and licensing conditions. Compliance is overseen by the Workers' Compensation Regulator. The LGAQ is considered by the Regulator to be the licence manager and as such is ultimately responsible for ensuring compliance with licence conditions. It is governed by contractual arrangements between the local governments, local government controlled entities and the LGAQ.

The principal activity of the Scheme during the course of the financial year was the provision of workers' compensation cover and the management of associated workers' compensation claims made against scheme members.

The principal place of business of the Scheme is

Local Government House
27 Evelyn Street
Newstead QLD 4006

All employees involved in the management of workers' compensation claims for the Scheme are employed by JLT Risk Solutions Pty Ltd, (formerly known as Jardine Lloyd Thompson Pty Ltd), and their associated costs are recharged to the Scheme through a monthly scheme management fee which is disclosed in the statement of Profit or Loss and Other Comprehensive Income in 'Other underwriting expenses'.

2. Statement of significant accounting policies

a) Basis of preparation

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, (including the Australian Accounting Interpretations) to satisfy reporting responsibilities under Queensland Local Government Workers Compensation Self-Insurance Scheme (the Scheme) Rules. The Scheme is a not for profit entity and the Australian Accounting Standards includes requirements for not for profit entities which are inconsistent with International Financials Reporting Standard (IFRS). Therefore in some instances these financial statements do not comply with IFRS. They have been prepared on the basis of historical costs except where stated. The Scheme actuary has increased projected future claims payments to allow for inflation and discounted the expected payments to 30 June 2021 to obtain the present value of the liability.

The accounting policies are consistent with those of the previous year unless otherwise stated. The functional and presentational currency of the Scheme is Australian Dollars.

b) Taxation

Queensland Local Government Workers Compensation Self-Insurance Scheme (the Scheme) is not a separate legal entity, and is not a partnership. It operates under a contractual relationship between its members, all of which are local governments or other statutory entities, and all of which are exempt from income tax. All assets of the Scheme, including surpluses of contributions over claims costs and expenses, remain the directly owned property of the members. Under the mutuality principle, therefore, the Scheme does not generate "income" for taxation purposes, except in relation to its investments. The investment income is directly owned property of the tax-exempt members. For these reasons, no provision has been made for income tax.

The Scheme is subject to Goods and Services Tax (GST). The net amount of GST recoverable from or payable to the Australian Taxation Office is shown as an asset or liability respectively.

c) Rounding

Figures in the financial statements are rounded to the nearest dollar unless otherwise indicated.

d) Estimates and judgements

In the process of applying the significant accounting policies, certain critical accounting estimates and assumptions are used and certain judgements are made.

The areas where the estimates and assumptions involve a high degree of judgement or complexity, and are considered significant to the financial statements are:

- Future claims and associated costs, refer Note 6
- Reinsurance and other recoveries on outstanding claims, refer Note 3

Impact of Coronavirus (COVID-19) on estimates and judgements

COVID-19 was declared a global pandemic by the World Health Organisation 11 March 2020. The rapid rise of the virus has seen an unprecedented global response by governments, regulators and numerous industry sectors. This has led to significant volatility and instability in financial markets and the release of a number of government stimulus packages to support individuals and businesses as the Australian and global economies face significant uncertainties and volatility.

The ongoing pandemic has increased estimation uncertainty in the preparation of these financial statements. The Scheme has developed various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 30 June 2021 about future events that the Scheme believes to be reasonable in the circumstances.

There is a considerable degree of judgement involved in preparing these forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the Scheme. Accordingly, actual economic conditions may be different from those forecasts since anticipated events may not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements at the date of the report.

The significant accounting estimates particularly impacted by these associated uncertainties are predominantly related to the valuation of the outstanding claims liability and fair value measurement of investments.

The impact of the COVID-19 pandemic on each of these accounting estimates is discussed further below.

Fair value measurement of investments

The Scheme's investments are designated at fair value through profit and loss, and for the vast majority of the investments, the fair value is determined based on observable market data. This measurement basis has not changed as a result of COVID-19. Refer to Note 5 for further details on investments.

Other than the matter noted above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Scheme's Management Committee, to affect significantly the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.

3. Underwriting result

a) Revenue recognition

Member contributions

Contributions comprise amounts charged to Scheme members for liability protection. Contributions are earned from the date of attachment of risk. The pattern of recognition over the period of cover is based on time, which is considered to closely approximate the pattern of risks undertaken.

Reinsurance and other recoveries

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid, incurred but not reported claims (IBNRs) and incurred but not enough reported (IBNERs) are recognised as revenue. Reinsurance and other recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Reinsurance and other recoveries receivable are measured at the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

Investment revenue

Investment revenue is recognised as it accrues, taking into account the effective yield on the financial asset. Investment distributions are recognised when the right to receive payment is established. The investment revenue comprises of the distribution from the investment trusts.

Interest revenue

The revenue received from cash and cash equivalents is recognised as interest revenue. It is recognised as it accrues on the cash and cash equivalents. The interest revenue comprises of the interest received from QTC cash fund and cash held with ANZ Bank.

b) Outwards reinsurance

Premiums ceded to reinsurers are recognised as expenses in accordance with the pattern of reinsurance services received, being on a daily pro-rata basis.

	2021 \$	2020 \$
Member contributions	28,510,347	27,643,543
Outward reinsurance premium expense	(496,711)	(444,465)
Net contributions revenue	28,013,636	27,199,078
Claims expense	(30,532,186)	(22,591,940)
Reinsurance and other recoveries revenue	417,374	417,647
Net claims expense	(30,114,812)	(22,174,293)
Other underwriting expenses*	(8,937,405)	(7,784,427)
Underwriting result	(11,038,581)	(2,759,642)
*Other underwriting expenses include:		
Regulator Levy	(993,875)	(915,654)
Scheme expenses management fee	(7,943,530)	(6,868,773)
	(8,937,405)	(7,784,427)

4. General expenses

	2021 \$	2020 \$
Regional Risk Co-ordinators	-	683,150
Investment fees and charges	288,482	281,713
Administration expenses	654,302	441,605
	942,784	1,406,468

During the year ended 30 June 2021, Regional Risk Co-ordinators are included in the Scheme expenses management fee which is recognised under Other underwriting expenses in Note 3.

5. Other financial assets

Other financial assets consist of investments in QIC managed unit trusts which, upon initial recognition, are classified at 'fair value through profit or loss' (FVTPL) and are subsequently measured at fair value with changes in carrying value being included in profit or loss in the period in which they arise. The QIC managed unit trusts total \$74.54 million at 30 June 2021 (2020: \$67.28 million). Fair value for managed unit trusts is based on the quoted bid price of the investment at reporting date.

Fair Value Hierarchy

Investments are disclosed using a fair value hierarchy which reflects the significance of inputs to the determination of fair value.

The different levels have been defined as follows:

Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 valuation based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability.

Level 3 valuation techniques that are not based on observable market data.

The carrying amount of cash, receivables and payables approximates their net fair value. The fair value of investments is measured at market value based on QIC advice. As at 30 June 2021 the Scheme's financial assets are recognised as Level 2.

6. Future claims and associated costs

	2021 \$	2020 \$
Expected future claims (undiscounted)	48,504,000	40,700,470
Discount to present value	(925,000)	(200,011)
Liability for outstanding claims	47,579,000	40,500,459
Current	17,534,000	18,555,210
Non-current	30,045,000	21,945,249
Liability for outstanding claims	47,579,000	40,500,459

Claims

Claims expense and a liability for future claims are recognised as losses occur. The liability for future claims includes claims incurred but not yet paid, IBNRs, IBNERs, and the anticipated costs of settling those claims.

The liability for future 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 liability has been set having regard to independent actuarial advice.

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".

The expected future payments are then discounted to their present value at the reporting date using market-determined risk-adjusted discount rates. The Scheme takes all reasonable steps to ensure that it has appropriate information regarding its claim exposures with estimates and judgements continually being evaluated and updated based on historical experience and other factors.

The liability for future claims is calculated using a central estimate with no explicit bias towards over or under estimation.

The liability for future claims includes a prudential margin of 15% (2020: 15%) to increase the probability that the overall provision for claims will be adequate.

Uncertainty

The actuary advised that there are many factors which can and will cause the ultimate cost of claims incurred to 30 June 2021 to deviate from the actuary's central estimate.

The sources of the uncertainty in the estimation of the outstanding liability are:

- The models adopted for analysis and projection will never exactly match the actual claim process;
- Assuming a perfect model could be constructed, past fluctuations in the experience cause uncertainty in estimating model parameters;
- Anomalies in the data may cause further undetected problems in estimating model parameters;
- Future claim fluctuations result in uncertainty in projected future payments, even if the true parameter values could be determined for a perfect model; and
- Future economic and environmental conditions are not known and may vary significantly from the assumptions adopted.

The central estimate is determined, in principle, such that there is no bias to over or under estimation. However, an adequate provision for the outstanding liability under AASB 1023 requires a risk margin to be included such that the probability that the provision will prove to be sufficient is increased. An appropriate probability of sufficiency would usually be between 65% and 90%, depending on the acceptable level of risk to the insurer, whilst APRA requires a 75% probability of sufficiency for private sector insurers. The Scheme's Management Committee have determined to adopt a 75% probability of sufficiency.

Actuarial assumptions and methods

The following assumptions have been made in determining the outstanding claims liabilities. A description of the assumptions and the material variances for those assumptions has been detailed below.

Key Actuarial Assumptions	2021	2020
Claims administration expenses	7%	7%
Wage inflation	2.5%	2%
Discount rate	0.78%	0.30%
Term to settlement (years)	2.45	1.65

The actuary has set out an analysis by accident year of the increase in the outstanding liability from \$33.0 million as at 30 June 2020 to \$39.26 million as at 30 June 2021, that is, an increase of \$6.26 million.

Process used to determine actuarial assumptions

In conducting the valuation, the actuary has inflated past claim payments, estimates and remuneration for wage inflation to express monetary amounts in consistent dollar values as at 30 June 2021 ("current values"). In applying the various actuarial valuation methods, the actuary has investigated underlying trends in the experience, allowing them to determine the appropriate assumptions for projecting future payments associated with the outstanding claims liability. Subsequently, the actuary has inflated (allowing for future cost escalation) and discounted (allowing for future investment returns) the projected outstanding claims costs to arrive at the outstanding claims liability estimates. To determine the provision, the actuary has then added claims administration expenses and risk margin to the liability estimate.

In the actuarial analysis, all Statutory claim benefits (except those related to latent onset claims) are included in the valuation of statutory benefits, whilst the common law benefits only considers the common law elements (again except those related to latent onset claims). In other words, for workers who have lodged a common law intimation, their statutory claim payments are allowed for in the modelling of statutory benefits. The analysis of claim payments is based on payments net of GST. For latent onset claims, all their benefits are modelled together and are treated as a standalone segment.

As at 30 June 2020 valuation, latent onset claims were analysed within statutory and common law benefits. Latent onset claims are now separated into a standalone valuation segment. The actuary has also provided for undiagnosed latent onset claims, whereas in the valuation for the year ended 30 June 2020 provision was only made for diagnosed latent onset claims.

The subdivision has inevitably affected the actuarial assessment of the underlying trends and the assumptions selected for the projections of statutory and common law claims. To quantify this impact, the actuary has performed a recast valuation with experience up to 30 June 2020 and compared the recast projection results with the previous valuation. The effect of the recast valuation is an increase in the gross outstanding claims liability estimate of \$5.4M for latent onset claims, offset by a reduction in statutory and common law claims of \$0.6M.

Different methods have been used to project the outstanding claims payments for each payment type.

The methods used are:

- a) For statutory weekly and medical - payments per claim active.
- b) For statutory other - payments per unit (wages) exposure.
- c) For common law disbursements - payments per (common law) claims intimated.
- d) For common law damages - payments per (common law) claims settled.
- e) Latent onset claims - average size by projected frequency.
- f) Non-reinsurance recoveries - payments per unit (wages) exposure.

The actuary has assessed an incurred but not reported ("IBNR") liability allowance, to be included in the outstanding claims liability provision for balance sheet purposes. The projected numbers and claim costs are based on The Scheme's portfolio and other portfolios as well as asbestos- and silicosis-related statistics in general.

Claim administration expense

In addition to future payments to claimants and other providers such as doctors, solicitors and investigators, the Scheme also has to meet future internal administration costs of handling and settling those claims still outstanding. The assessment has to include an allowance for these internal claims handling costs to ensure that it is fully funded for all future costs associated with the Scheme.

Taking into account an estimate of the administration costs expected to be incurred to finalise or settle the outstanding claims from the claims manager, the actuary considers that it is reasonable to set aside 7% (2020: 7%) of the gross future claims payments as adopted in the previous valuation.

Inflation

Statutory weekly benefits have increased in line with wage inflation. Other costs such as statutory medical expenses are also expected to rise broadly in line with inflation. Having regard for various economic forecasts of wage and price inflation over the next 4 to 5 years, the actuary has assumed a rate of future wage inflation of 2.5% (2020: 2%) per annum. The increase in the assumed inflation rate is due to changes in the level of inflation expectations over the year.

The overall level of payments can increase at a faster rate than inflation. This is referred to as superimposed inflation and it arises from such things as precedent setting court awards and a tendency for claimants to stay on benefits longer as the scheme becomes better understood.

At the recast and current valuation, the actuary has reviewed the presence of superimposed inflation under the new methodology for all payment types and concluded that there continues to be a presence of superimposed inflation in the statutory benefits (amongst weekly and medical).

To reflect the same, the actuary has allowed for 3% (2020: 4%) superimposed inflation in both statutory weekly and medical benefits' projections at the current valuation.

Discount rate

Future expected claim payments are to be discounted "using risk-free discount rates that are based on current observable, objective rates that relate to the nature, structure and term of the future obligations". The actuary has used the zero coupon yields on the Commonwealth Government bonds as the basis for determining a uniform risk-free discount rate.

The discount rate is the average yield, weighted by the expected future cash flows. The actuary notes that the assets backing the Scheme's portfolio are required to be invested in Queensland Treasury approved products. The future differences between returns on the Scheme's portfolio and the risk-free rate adopted for discounting purposes will emerge as profit or loss when they arise.

The actuary sets out the future payments for the run-off of the Scheme's liabilities (excluding administration expenses), together with the yields available on Government bonds of equivalent durations. The combination of these payments and yields produces a uniform discount rate for all future years of 0.8% per annum. At the previous valuation, the discount rate was assumed to be 0.3% per annum. The increase in the discount rate reflects changes in the general level of market interest rates and the inclusion of long latency claims that are not yet reported, which has increased the payments made at longer durations where Government bond yields are higher.

Term to Settlement

The actuary has assumed an expected term to settlement of 2.45 years (2020:1.65 years) based on the historical experience and the results of historical claims.

Inflation rate, discount rate, expense rate and estimated cost of claims sensitivity analysis

The following sensitivity analysis evaluates the impact of a +/- 1% movement in the discount, inflation and expense rate and a +/- 10% movement in the estimated cost of claims for the outstanding provisions.

Inflation assumption

2021

LGW Financial Instruments	Carrying Amount \$	-1% Movement	1% Movement
Future claims and associated costs	47,579,000	(1,375,000)	1,375,000
Other recoveries receivables	(2,423,000)	44,000	(44,000)
Potential Impact		(1,331,000)	1,331,000

2020

LGW Financial Instruments	Carrying Amount \$	-1% Movement	1% Movement
Future claims and associated costs	40,500,459	(654,541)	654,541
Other recoveries receivables	(2,548,000)	44,000	(44,000)
Potential Impact		(610,541)	610,541

Discount rate assumption

2021

LGW Financial Instruments	Carrying Amount \$	-1% Movement	1% Movement
Future claims and associated costs	47,579,000	1,099,000	(1,099,000)
Other recoveries receivables	(2,423,000)	(41,000)	41,000
Potential Impact		1,058,000	(1,058,000)

2020

LGW Financial Instruments	Carrying Amount \$	-1% Movement	1% Movement
Future claims and associated costs	40,500,549	651,459	(651,459)
Other recoveries receivables	(2,548,000)	(46,000)	46,000
Potential Impact		605,459	(605,459)

Expense rate assumption

2021

LGW Financial Instruments	Carrying Amount \$	-1% Movement	1% Movement
Future claims and associated costs	47,579,000	(445,000)	445,000
Other recoveries receivables	(2,423,000)	-	-
Potential Impact		(445,000)	445,000

2020

LGW Financial Instruments	Carrying Amount \$	-1% Movement	1% Movement
Future claims and associated costs	40,500,459	(377,541)	377,541
Other recoveries receivables	(2,548,000)	1,000	(1,000)
Potential Impact		(376,541)	376,541

Estimated cost of claims assumption

2021

LGW Financial Instruments	Carrying Amount \$	-10% Movement	10% Movement
Future claims and associated costs	47,579,000	(1,857,000)	1,857,000
Other recoveries receivables	(2,423,000)	-	-
Potential Impact		(1,857,000)	1,857,000

2020

LGW Financial Instruments	Carrying Amount \$	-10% Movement	10% Movement
Future claims and associated costs	40,500,459	(1,743,541)	1,743,541
Other recoveries receivables	(2,548,000)	(75,000)	75,000
Potential Impact		(1,818,541)	1,818,541

7. Net claims incurred

Current period claims relate to risks borne in the current financial year. Prior period claims relate to a reassessment of the risks borne in all previous financial years.

	2021 \$	2020 \$
Net claims expense (Note 3)	30,114,811	22,174,293

2021

Details of net incurred claims are as follows:

	Current Year \$'000	Prior Years \$'000	Total \$'000
Claims incurred and related expenses - undiscounted	31,841	(709)	31,132
Reinsurance and other recoveries - undiscounted	(793)	500	(293)
Net claims incurred - undiscounted	31,048	(209)	30,839
Discount - Claims incurred and related expenses	(717)	(8)	(725)
Discount - Reinsurance and other recoveries	8	(7)	1
Net discount movement	(709)	(15)	(724)
Net incurred claims	30,339	(224)	30,115

2020

Details of net incurred claims are as follows:

	Current Year \$'000	Prior Years \$'000	Total \$'000
Claims incurred and related expenses – undiscounted	23,603	(1,234)	22,369
Reinsurance and other recoveries – undiscounted	(761)	227	(534)
Net claims incurred - undiscounted	22,842	(1,007)	21,835
Discount – Claims incurred and related expenses	(91)	465	374
Discount – Reinsurance and other recoveries	5	(40)	(35)
Net discount movement	(86)	425	339
Net incurred claims	22,756	(582)	22,174

8. Notes to the statement of cash flows

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank and all investment deposits at call net of bank overdraft.

Cash and cash equivalents include cash deposits held with a financial institution, and a capital guaranteed investment held with QTC that is subject to a low risk of change in value and is readily convertible to cash on hand.

Reconciliation of operating surplus to net cash provided by operating activities:

	2021 \$	2020 \$
Operating surplus	(4,323,328)	(3,955,133)
Add non-cash items		
Changes in fair value of investments - unrealised	(6,064,010)	2,093,787
Investing income classified as investing activities	(1,459,610)	(1,971,147)
Net cash used by operating activities before change in assets and liabilities	(11,846,948)	(3,832,493)
Change in assets and liabilities		
Decrease/(Increase) in reinsurance and other recoveries receivable	125,000	(151,000)
Decrease/(Increase) in trade and other receivables	589,906	(108,327)
Decrease/(Increase) in trade and other payables	267,968	(157,434)
Increase/(Decrease) in future claims and associated costs	7,078,541	5,619,409
Net cash provided by / (used) by operating activities	(3,785,533)	1,370,155

9. Related parties

a) Key Management Personnel (KMP)

Management Committee

The day-to-day business of the Scheme is managed by a Management Committee appointed by LGAQ. The Management Committee is responsible to the LGAQ for achieving the scheme's objectives and for financial management. KMP include members of the Management Committee and Directors of the Trustee.

The members of the Management Committee have been listed as key management personnel and receive Committee meeting fees and reimbursement of the costs of travel expenses associated with attending the Committee meetings.

The names of the members of the Management Committee during the financial year are:

Mr Ian Leckenby - Chairman
Mr Terry Brennan
Mr Greg Hallam*
Cr Rachel Chambers
Mr John Sharman
Mr Stephen Fynes-Clinton**

KMP Category / Position	Short-Term Employee Benefits 2021 \$	Short-Term Employee Benefits 2020 \$
Chairman	37,500	37,500
Management Committee Members	9,600	10,950
Total	47,100	48,450

*No Committee meeting fees are paid to this member.

**Mr Stephen Fynes-Clinton ceased being a member of the Management Committee effective 27 August 2020.

Mr Bob Millar ceased being a member of the Management Committee effective 30 June 2020.

No member of the Management Committee has entered into a material contract with the Scheme during the current or previous financial year.

Directors of the Trustee

LGAQ is acting through its Board, in its capacity as a trustee of the Trust under the Trust Deed. The Directors of the Trustee of the Trust which have been listed below are also key management personnel as they are responsible for the ultimate oversight of the business of the Trust. No remuneration has been paid to them.

Cr Mark Jamieson
 Cr Jenny Hill
 Cr Karen Williams - appointed 26 June 2020
 Cr Matt Burnett - appointed 26 June 2020
 Cr Ray Brown - resigned 25 June 2020
 Cr Matthew Bourke - resigned 25 June 2020

The Trust does not make loans to or receive loans from related parties. No guarantees have been provided.

b) Transactions with related parties

Related parties include LGAQ and its controlled entities. The following are transactions within the group:

Purchase of services from LGAQ and its controlled entities on a commercial basis - \$114,660 (2020: \$26,323)
 Cost recovery transactions paid to LGAQ & its controlled entities - \$11,238 (2020: \$44,844)
 Workcare Scheme remuneration paid to LGAQ - \$962,010 (2020:\$472,500)
 Surplus distribution paid to LGAQ for LGAQ Projects - \$2,495,000 (2020 - \$650,000)

Services provided by LGAQ are on a cost recovery basis and represent transactions paid on behalf of the Scheme. Services provided by Local Buy (an LGAQ-controlled entity) relate to conference sponsorship and are on commercial terms. Workcare Scheme remuneration is paid to LGAQ as per the new Scheme management agreement effective from 1 January 2020.

c) Transactions with other related parties

Other related parties include the close family members of KMP and any entities controlled or jointly controlled by KMP or their close family members. Close family members include a spouse, child and dependent of a KMP or their spouse. There have been no such transactions during the year.

d) Transactions with related parties that have not been disclosed

Some of the Scheme's key management personnel (KMP) are also KMP of their respective Councils, these Councils do transact with the Scheme on a regular basis as members of the Scheme. Examples include:

- Member contributions
- Other recoveries revenue
- Claims expenses
- Distributions

The Scheme has not included these transactions in its disclosures, where they are made on the same terms and conditions available to all other members of the Scheme.

10. Financial instruments

Initial recognition and measurement

Financial assets are recognised when the entity becomes a party to receive cash and cash equivalents or other financial assets from another entity, and securities issued by another entity. Financial liabilities are recognised when the entity becomes a party to the contractual obligations to pay cash or deliver other financial assets. For financial assets, this is equivalent to the date that the Scheme commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are included in profit or loss immediately.

Impairment of Financial assets

The Scheme recognises loss allowances for an Expected Credit Loss ("ECL") on financial assets measured at amortised cost. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Scheme and the cash flows that the Scheme expects to receive).

At each reporting date, the Scheme also assesses whether financial assets carried at amortised costs are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Scheme considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Scheme's historical experience, informed credit assessment and forward-looking information.

For the year ended 30 June 2021, there was NIL ECL allowance recognised (2020: NIL).

Classification and subsequent measurement

Financial instruments are subsequently measured at either their fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value.

Amortised cost is calculated as:

- the amount at which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

11. Risk management

Risk management objectives and policies for mitigating risk

The Scheme operates in Queensland to provide services to members in respect of their potential and actual workers compensation liabilities. Subject to the Scheme Rules, the Scheme meets the costs of workers compensation claims against members that are accepted in accordance with the *Workers Compensation and Rehabilitation Act 2003*.

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

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

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

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

Reinsurance strategy

The Scheme adopts a conservative approach towards the management of risk and does this by utilising risk transfer options. The Management Committee determines the level of risk, which is appropriate for the Scheme having regards to ordinary concepts of prudence and regulatory constraints. The risk transfer arrangements adopted by the Scheme utilise commercial reinsurance arrangements. These risk transfer arrangements assist the Scheme to limit its exposures. These programs are regularly reviewed to ensure that they continue to meet the risk needs of the Scheme.

Management of risks

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

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

Claims experience risk is managed through the non-financial risk assessment, and risk management and reinsurance management process. Claims experience is monitored on an ongoing basis to ensure that any adverse trending is addressed. The Scheme is able to reduce the claims experience risk of severe losses through the reinsurance program and by managing the concentration of risks.

Concentration of risks

Risk is managed by taking a long-term approach to setting the annual contribution rates that minimise price fluctuations, adopting an appropriate investment strategy, implementing a reinsurance program and by maintaining an active state-wide risk management profile. It is vital that the Scheme keeps abreast of changes in the general economic, legal and commercial environment in which it operates.

Market risk

Market risk is the risk that changes in market prices will affect the Scheme's income or the value of its financial instruments.

In addition to cash and interest bearing securities, the investment portfolio contains exposures to equity markets through managed unit trusts held in QIC. These investments, integral to insurance activities, are measured at net market value at each reporting date and changes in market value are immediately reflected in the statement of comprehensive income. Any overall downturn in the equities market may impact on future results of the Scheme. The impact of any significant movement is managed by ensuring that the investment portfolio consists of a diverse holding of investments. The Scheme holds \$74,545,377 worth of units with QIC as at 30 June 2021 (2020: \$67,277,488).

The Scheme does not trade in foreign currency and is not materially exposed to commodity price changes.

Interest rate risk

The Scheme is exposed to interest rate risk through its investments with QTC. The Scheme has access to a mix of variable- and fixed-rate funding options with QTC so that the interest rate risk exposure can be minimised.

Interest on cash is charged at prevailing market rates being approximately 0.25% at 30 June 2021 (2020: 0.40%). Interest on QTC investments is charged at prevailing market rates, which is approximately 0.52% at 30 June 2021 (2020: 0.86%).

Interest Rate Sensitivity Analysis

Interest rate sensitivity depicts what effect a reasonably possible change in interest rates of +/- 1% would have on the profit and equity, based on the carrying value of financial assets and liabilities. With all other variables held constant, the Scheme would have surplus increase/decrease of \$62,174 (2020: \$146,922) for interest rate risk.

Unit Price Sensitivity Analysis

Unit price sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss if interest rates and unit prices would change by +/- 1% for the QIC Cash Enhanced Fund, by +/-5% for the QIC Short Term Income Fund and QIC Long Term Diversified Fund from the year-end rates applicable to the Scheme's financial assets and liabilities. With all other variables held constant, the Scheme would have a surplus increase/(decrease) of \$41,600 (2020: \$41,321) for unit price risk for the QIC Cash Enhanced Fund and surplus increase/(decrease) of \$3,519,266 (2020: \$3,157,270) for unit price risk for the QIC Long Term Diversified Fund and QIC Short Term Income Fund.

Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument to meet its contractual obligations. These obligations are principally from Scheme's investments and receivables.

The maximum exposure to credit risk at reporting date in relation to each class of recognised assets is the gross carrying amount of those assets inclusive of any impairment.

The credit risk arising from Scheme's exposure to individual entities in investment portfolios is monitored and controlled through risk management strategies implemented by the Scheme's fund manager, QIC.

The Scheme considers that all of the financial assets at amortised cost that are not impaired for each of the reporting dates under review are of low credit risk due to the high-quality credit rating of the parties involved. No collateral is held as security and no credit enhancements relate to financial assets held by the Scheme.

Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Scheme is exposed to liquidity risk in respect of its payables being trade and other payables, and distribution payables. Refer to the Statement of Financial Position.

The Scheme manages liquidity risk by continuously monitoring cash flows. The Scheme's financial liabilities comprise of trade and other payables of \$867,361 (2020: \$599,393), which are non-interest bearing with maturity date of less than one year.

12. Auditor's remuneration

	2021 \$	2020 \$
Audit of financial statements	<u>40,000</u>	<u>43,000</u>

There are no non-audit services included in this amount.

13. Distribution payables

In May 2021, the Management Committee noted and approved the proposed \$2,450,000 (2020: \$2,450,000 declared in May 2020) surplus distributions to individual members which will be paid in 2021-22.

The surplus distribution of \$2,450,000 which was declared in May 2020 was paid to the members in the financial year 2020-21.

In June 2021, the Management Committee noted and approved a surplus distribution of \$2,495,000 for LGAQ projects funding requirements, which was paid to LGAQ in June 2021 (2020: \$650,000).

14. Commitments for expenditure

Commitments for payments of Scheme Management Fees are payable as follows:

	2021 \$	2020 \$
Within one year	8,066,033	7,943,530
Later than one year but not later than 5 years	8,190,368	16,344,029
	<u>16,256,401</u>	<u>24,287,559</u>

The Regional Risk Co-ordinator programme has been incorporated in the new Scheme Management Agreement which commenced on 1 January 2020 and has therefore been included in the commitments for payments of Scheme Management Fees.

15. Contingent liabilities

The Scheme holds bank guarantees worth \$47,722,000 with QTC (2020: \$43,560,000). The Scheme's members have provided an indemnity towards this bank guarantee to cover bad debts, which may remain should the self-insurance licence be cancelled and there was insufficient funds to cover outstanding liabilities. Only the Queensland Government's worker compensation authority may call on any part of the guarantee should the above circumstances arise.

16. New accounting standards for application in future periods

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2021, and have not been applied in preparing these financial statements. The Scheme does not plan to adopt these standards early and does not believe those standards will have a material impact on the Scheme's financial statements.

17. Authorisation of financial statements for issue

The financial statements are authorised for issue by the Management Committee at the date of signing the Management Committee's Certificate.

Management Committee Certificate

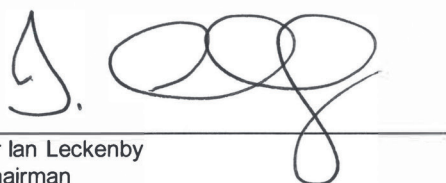
QUEENSLAND LOCAL GOVERNMENT
WORKERS COMPENSATION
SELF-INSURANCE SCHEME

Queensland Local Government Workers Compensation Self-Insurance Scheme Management Committee's Certificate

In the opinion of the Management Committee of Queensland Local Government Workers Compensation Self-Insurance Scheme:

- a) the financial statements and notes, set out on pages 2 to 21:
 - i) present fairly the financial position of Queensland Local Government Workers Compensation Self-Insurance Scheme as at 30 June 2021 and its performance, as represented by the results of its operations and its cash flows, for the year ended on that date;
 - ii) comply with Accounting Standards in Australia; and
 - iii) are drawn up in accordance with the provisions of the Scheme Rules;
- b) there are reasonable grounds to believe that the Queensland Local Government Workers Compensation Self-Insurance Scheme will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Management Committee:



Mr Ian Leckenby
Chairman

Date 26/11/2021



INDEPENDENT AUDITOR'S REPORT

To the Trustee, Management Committee and Members of Queensland Local Government Workers Compensation Self-Insurance Scheme

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Queensland Local Government Workers Compensation Self-Insurance Scheme (the trust).

In my opinion, the financial report:

- a) gives a true and fair view of the trust's financial position as at 30 June 2021, and its financial performance and cash flows for the year then ended
- b) complies with the trust deed of Queensland Local Government Workers Compensation Self-Insurance Scheme dated 19 June 1997 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the certificate given by the management committee.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the trust in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the trust for the financial report

The trustee and management committee are responsible for the preparation of the financial report that presents fairly in accordance with the trust deed of Queensland Local Government Workers Compensation Self-Insurance Scheme dated 19 June 1997 and Australian Accounting Standards, and for such internal control as the trustee and management committee determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The trustee and management committee are also responsible for assessing the trust's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the trust or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial report

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

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

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

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

A handwritten signature in black ink, appearing to read "Brydie Morris".

Brydie Morris
as delegate of the Auditor-General

29 November 2021

Queensland Audit Office
Brisbane



2020-2021
LGW / LGM
REPORT TO
MEMBERS