



13.5 MUNICIPAL ASSOCIATION OF VICTORIA (MAV) WORKCARE SCHEME

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1. PURPOSE

- 1.1 To inform Council on the final wind up costs of the Municipal Association of Victoria (MAV) Workcare scheme and seek delegation for the CEO to approve the invoiced amount of \$1,321,900.

2. EXECUTIVE SUMMARY

- 2.1 The MAV WorkCare Scheme (the Scheme) was Victoria's only local government workers' compensation self-insurance scheme, which at its peak had 31 members.
- 2.2 Officers have previously advised Council in confidence on the performance of the Scheme and discussions with the MAV and Worksafe in relation to these matters. Through this process officers have also advised Council of a decision by the MAV Board to cease the operation of the Scheme following the refusal of the MAV's application for renewal of approval as a self-insurer and the implications and potential wind up costs of the Scheme.
- 2.3 Following advice from the MAV, the financial risks associated with the wind-up of the scheme were considered by officers, and in conjunction with the Victorian Auditor General's Office (VAGO) auditors planned for the liability in financial year 2020/21 at an estimated \$1.499m.
- 2.4 With the scheme having now come to an end, the City of Port Phillip and other member Councils are required to pay the MAV a portion of the contribution that the Scheme is required to pay Worksafe. In the case of Port Phillip Council this has now been confirmed as \$1,321,900.
- 2.5 Council has an ongoing potential financial liability for the next 6 years in relation to the tail claims (i.e., those claims that are continuing to be open and requiring management from the MAV Workcare Scheme).
- 2.6 Council has since transferred to the Worksafe scheme effective from 1 July 2021, with our appointed agent being Employee Mutual Limited (EML). The Workers Compensation Premium of \$1,257,223 was paid to Worksafe for this financial year. This premium amount was based on the remuneration declaration provided by Council (outlining remuneration costs for each deemed worker) and the industry rate for each worksite.



3. RECOMMENDATION

That Council:

- 3.1 Notes that the application of the MAV WorkCare Scheme for renewal of approval as a self-insurer was not approved by Worksafe and as a result the Scheme is now being wound-up.
- 3.2 Authorises the CEO to make payment of the current invoice for the exit costs associated with the MAV Workcare scheme at a value of \$1,321,900.
- 3.3 Notes that officers reviewed the financial risks associated with the wind-up of the MAV WorkCare Scheme, and in conjunction with the Victorian Auditor General's Office (VAGO) auditors planned for the liability in financial year 2020/21 at an estimated \$1.499m.
- 3.4 Notes that Council has an ongoing potential financial liability for the next six years in relation to tail claims and that these will be closely managed to help in mitigating this financial risk and Council will be kept updated on this through the Council budget and quarterly review processes.

4. KEY POINTS/ISSUES

- 4.1 Council officers received correspondence from the MAV and attended a meeting in September 2021 to receive an update on the wind up of the scheme. This correspondence and meeting highlighted that the MAV had sought independent valuation and as of 30 June 2021, WorkSafe's valuation estimated the scheme members' unpaid claims were \$74 million and MAV have advised a shortfall.
- 4.2 The WorkSafe Victoria obligations are set out in the Workplace Injury Rehabilitation and Compensation Act, which requires:
 - Valuations of claims liabilities to occur annually by the WorkSafe appointed actuary
 - Any increase in the value of claims at the three and six-year period will be funded by the ceased self-insurer, which in this case is MAV
 - Any reduction in the value of claims at the three and six-year period will be refunded to the ceased self-insurer by WorkSafe Victoria
 - The ceased self-insurer is required to hold a bank guarantee of 50 per cent of the outstanding claims liabilities at all times until June 2027
- 4.3 The ceased self-insurer is required to meet the cost of the actuarial review and audits for this six-year liability period.
- 4.4 MAV has since received an invoice confirming that full payment is due to WorkSafe Victoria on 12 November 2021. The initial payment of \$59 million will be made by the MAV on 11 October 2021.
- 4.5 The shortfall in funding has been allocated by the MAV between members based on their share of the unpaid claims' costs. Given that not all claims' costs are known as yet, the allocation methodology will use the estimates of unpaid, open claims ("case estimates") and member premiums to estimate each member's share of the financial shortfall.



- 4.6 MAV subsequently issued Council an invoice for \$1,321,900 payable to the MAV by 31 October 2021. This amount is as anticipated and is in line with the budgeted contingency.
 - 4.7 Council has an ongoing potential financial liability for the next 6 years in relation to the tail claims (i.e., those claims that are continuing to be open and requiring management from the MAV Workcare Scheme).
 - 4.8 Worksafe undertake a review and if there is claims deterioration at the 3- and 6-year mark there is potential for additional financial liability. Alternatively, CoPP could potentially receive some money back dependant on the assessment of claims. MAV have not documented how this will be assessed across the scheme and if liabilities will be based on each Councils performance or across all the members of the scheme collectively.
 - 4.9 Monitoring of tail claims status forms part of the quarterly reviews officers are undertaking with EML. Active management and return to work continue for this group of claims.
- 5. CONSULTATION AND STAKEHOLDERS**
- 5.1 MAV held sessions with member Councils. A representative from Port Phillip has attended relevant sessions throughout the transition period.
- 6. LEGAL AND RISK IMPLICATIONS**
- 6.1 There is some financial risk associated with ongoing liability for tail claims across the previous MAV Workcare scheme.
 - 6.2 Mitigation of this risk will be monitoring and tight management of Council's tail claims and a proactive approach to case management and return to work.
- 7. FINANCIAL IMPACT**
- 7.1 The financial impact will only be fully realised after 6 years. This impact can be mitigated as much as possible through effective claims management strategies.
 - 7.2 The anticipated costs for the six-year liability period are a further \$3.1 million for the Scheme (excluding any change in claim valuations at years three and six). This is predominantly the cost of the bank guarantee, actuarial valuations and end of year audits. It is unclear what proportion of this amount will be allocated to Council.
- 8. ENVIRONMENTAL IMPACT**
- 8.1 There is no environmental impact.
- 9. COMMUNITY IMPACT**
- 9.1 There is no Community impact.
- 10. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY**
- 10.1 This matter aligns with the outcomes of strategic direction 5 – Well Governed Port Phillip, by ensuring Council meets its statutory obligations under the Workplace Injury Rehabilitation and Compensation Act.

MEETING OF THE PORT PHILLIP CITY COUNCIL 20 OCTOBER 2021



11. IMPLEMENTATION STRATEGY

11.1 TIMELINE

11.1.1 Finance have arranged for payment of the invoice to be paid following meeting of the Council meeting on 20 October 2021.

12. OFFICER DIRECT OR INDIRECT INTEREST

12.1 No officers involved in the preparation of this report have any material or general interest in the matter.

ATTACHMENTS

Nil