

Annual Report



WorkCover. **Watching out for you.**

2003/2004



Letter to the

Minister

30 November 2004

The Hon John Della Bosca MLC
Special Minister of State
Minister for Commerce
Minister for Industrial Relations
Assistant Treasurer
Minister for the Central Coast

Parliament House
Macquarie Street
Sydney NSW 2000

Dear Minister

In accordance with sections 8, 9A and 10 of the *Annual Reports (Statutory Bodies) Act 1984*, I have pleasure in submitting for your information and presentation to Parliament the Annual Report of the WorkCover Authority of New South Wales (WorkCover NSW) for the financial year ended 30 June 2004.

As in previous years, the Treasurer has granted an extension of one month in order to synchronise the reporting of the WorkCover Scheme Statutory Funds' financial results within WorkCover's Annual Report.

Yours sincerely



Jon Blackwell
Chief Executive Officer
WorkCover Authority of New South Wales

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WorkCover NSW

VISION

Safe secure workplaces.

History

WorkCover serves the NSW Government and community in the areas of occupational health and safety, rehabilitation and workers compensation insurance. Establishment of WorkCover on 1 July 1989 made it the first government agency to integrate prevention, rehabilitation and compensation into a single body with a unified mission.

The organisation is funded through a levy on workers compensation premiums.

As such, industry bears the direct cost of occupational health and safety services and management of the workers compensation system in NSW.

In 2001, WorkCover assumed key responsibility for introducing the NSW Government's comprehensive reform plan for the workers compensation system.

Role

WorkCover monitors workers compensation and injury management schemes, licenses insurance companies to provide workers compensation insurance, and assists insurers to meet all statutory requirements. WorkCover also provides information and assistance on occupational health and safety in the workplace, as well as licensing defined premises, activities and the operation of hazardous equipment. It enforces occupational health and safety legislation through inspections, investigation of incidents and complaints, mediation of disputes and, when necessary, penalties and prosecutions. Recently, there was significant reform of workers compensation and occupational health and safety legislation to improve workplace safety and injury management programs and address the rising costs of the workers compensation scheme. Furthermore, WorkCover:

- ▶ promotes prevention of work-related injury and diseases and assists workplaces to become healthier and safer
- ▶ promotes prompt, efficient and effective management of injuries to persons at work
- ▶ ensures efficient operation of workers compensation insurance arrangements
- ▶ ensures appropriate coordination of the administration of the schemes under which workers compensation legislation or occupational health and safety legislation relates.

WorkCover is responsible to the Hon John Della Bosca MLC, Special Minister of State, Minister for Commerce, Minister for Industrial Relations, Assistant Treasurer, and Minister for the Central Coast.

MISSION

To work in partnership with the New South Wales community to achieve safe workplaces, effective recovery, return to work, and security for injured workers.

Legislation

WorkCover's main statutory functions are to administer the *Workers Compensation Act 1987*, *Workplace Injury Management and Workers Compensation Act 1998*, *Occupational Health and Safety Act 2000*, *Dangerous Goods Act 1975*, *Workers Compensation (Bush Fire, Emergency & Rescue Services) Act 1987* and the regulations and codes of practice under those Acts.

Corporate direction and reporting

This 2003/04 annual report is structured against the 2003/04 WorkCover Corporate Plan. The information is presented under the plan's four key objectives and covers outcomes for the whole organisation, not individual divisions.

Our corporate goals for 2003/04 were:

Injury and illness prevention: make progress on the aim to reduce injury and illness by 20 per cent by 2007 and 40 per cent by 2012 through targeted interventions, compliance activity and effective occupational health and safety legislation. Major strategies were to reduce injury rates in high risk industries, workplaces and employers, make progress on the 2002 Safety Summit goals to reduce major injury claims by 40 per cent and fatalities by 20 per cent over 10 years, and achieve safer workplaces through development of effective occupational health and safety regulation and compliance.

Scheme viability: achieve 90 per cent funding of the Workers Compensation Scheme by 2008 through improvements in insurer performance, return-to-work outcomes and effective workers compensation legislation and compliance. Major strategies were to provide incentives to improve insurer industry performance, improve return-to-work outcomes, and improve Workers Compensation Scheme equity through regulation and compliance enforcement.

Our corporate goals (continued):

Stakeholder engagement: increase awareness among workers and employers of their occupational health and safety responsibilities to reduce injury and illness in the workplace. Major strategies were to improve cost benefit analysis through legislative change and WorkCover's Project Management Approach, and engage employers and workers in occupational health and safety initiatives.

Organisational capability: build organisational capability and a commercial focus. Major strategies were the

introduction of a range of quality core business systems, expanding opportunities for staff to build their skills and an active commitment to service and social justice.

The **Financial Statements** contain the audited financial statements for the year ended 30 June 2004.

The **Appendices** present additional information on WorkCover's annual reporting legislative compliance under the *Annual Reports (Statutory Bodies) Act 1984* and its Regulations, the *Freedom of Information Act 1989*, Treasury Circulars and Premier's Memoranda.

THE FUTURE

During 2003/04, WorkCover developed a corporate plan to guide the organisation from 2004 to 2007. The 2004/05 annual report will measure the organisation's progress against the new corporate plan's key outcomes, strategies, performance measures and priorities in the areas of:

- ▶ illness and injury prevention
- ▶ Workers Compensation Scheme viability
- ▶ stakeholder engagement
- ▶ organisational capability.

VISION

WorkCover continues to work towards a vision of:

Safe secure workplaces.

MISSION

To maintain a focus on continuing to improve the safety of NSW workplaces, the mission for 2004 to 2007 has been modified as follows:

To work in partnership with the New South Wales community to achieve safer workplaces, effective recovery, return-to-work, and security for injured workers.

Values – how we operate

- ▶ Integrity
- ▶ Accountability
- ▶ Customer Service
- ▶ Leadership.

Objectives – what we deliver

WorkCover has maintained the objectives from the 2003–06 plan of:

- ▶ Injury and illness prevention

WorkCover's injury and illness prevention strategies will deliver:

 - the safest public and private workplaces in Australia
 - a greater than the national average improvement in injury rates in the public and private sectors.
- ▶ Workers Compensation Scheme viability

WorkCover's Scheme viability strategies will deliver:

 - the best return-to-work rates in Australia
 - a fully funded Scheme by 2014
 - a new funds management model for the Scheme.

Enablers – core competencies

WorkCover has maintained the enablers from the 2003–06 plan of:

- ▶ Stakeholder engagement

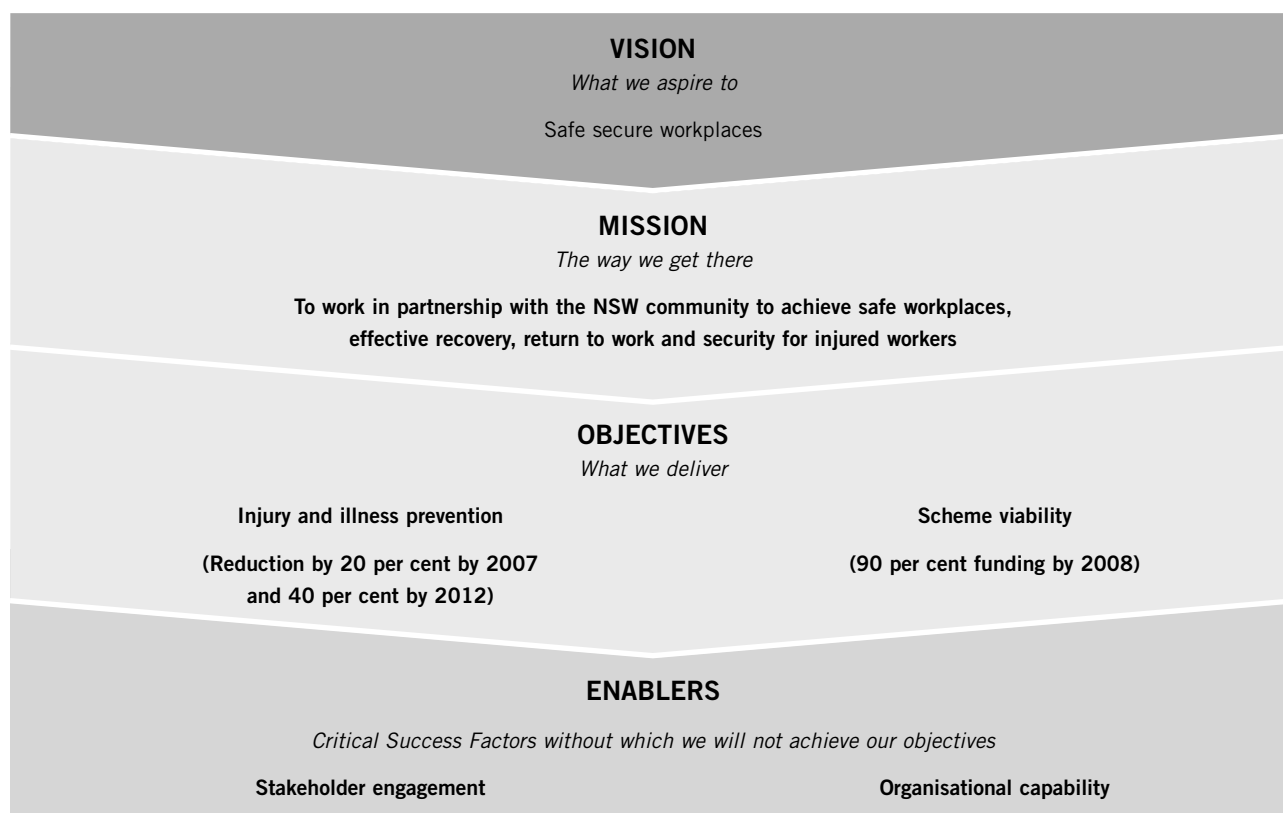
WorkCover's stakeholder engagement strategies will deliver:

 - improved engagement with our stakeholders
 - ensure that NSW's position is reflected in the national agenda
 - effective occupational health and safety and workers compensation systems to new and emerging areas of business.
- ▶ Organisational capability

WorkCover's organisational capability strategies will deliver:

 - improved organisational capability
 - a commercial focus
 - effective leadership and a highly skilled workforce
 - effective systems.

Corporate Plan 2003–06



| STRATEGIES AND SUCCESS <i>KNOW what we delivered and HOW</i> | | | |
|---|---|---|---|
| KEY STRATEGIES AND PERFORMANCE MEASURES | | | |
| Injury and illness prevention <ul style="list-style-type: none"> ▶ Targeted use of resources ▶ Implementation of scheduled Safety Summit initiatives ▶ Effective occupational health and safety regulation and compliance | Scheme viability <ul style="list-style-type: none"> ▶ Insurer performance improvement ▶ Improved return-to-work outcomes ▶ Effective workers compensation regulation and compliance | Stakeholder engagement <ul style="list-style-type: none"> ▶ Improved cost/benefit analysis in legislative change ▶ Engaged employers and workers | Organisational capability <ul style="list-style-type: none"> ▶ Effective people strategy ▶ Core business systems and process improvement |

| PRIORITIES 2003/04 | | | |
|--|-----------------------|-------------------------|-----------------|
| Safety Summit Targeted use of resources | Scheme Design Project | Small business strategy | People strategy |

| VALUES | | |
|-----------|----------------|------------------|
| INTEGRITY | ACCOUNTABILITY | CUSTOMER SERVICE |

Chief Executive Officer's Report



As Chief Executive Officer of WorkCover NSW, I am pleased to present the annual report for 2003/04. The report provides information on our achievements in improvements to workplace safety, injury management and return-to-work outcomes, and workers compensation provision in NSW.

These results have been supported by organisational improvements, including a new corporate planning approach and the realignment of resources, designed to ensure that WorkCover operates to its maximum capacity to achieve its aims.

Injury and illness prevention

The Legislative Council of the NSW Parliament, through its General Purpose Standing Committee #1, established its 'Inquiry into serious injury and death in the workplace,' which examined the role of WorkCover in responding to serious injuries and fatalities in the workplace. The inquiry's report, released on 17 May 2004, commended the organisation for its:

- ▶ protocols for investigating serious injuries and fatalities
- ▶ commitment of significant financial and human resources to preventing serious injury and fatalities in the workplace, and
- ▶ establishment of the Fatalities Unit, to more effectively liaise with families of those fatally injured in the workplace.

A major legislative reform program undertaken during the year included the realignment of the dangerous goods legislative framework to enable NSW to adopt the 'National Standard for the Handling and Storage of Dangerous Goods' and the 'National Standard for the Control of Major Hazard Facilities'.

The NSW Parliament also passed the *Explosives Act 2003* to implement greater control on the use of explosives. Drafting instructions for a regulation for the control of major hazard facilities such as oil refineries, were provided during the reporting period to Parliamentary Counsel.

In addition, the provisions of the Occupational Health and Safety Amendment (Chrysotile Asbestos) Regulation 2003 restricting the use of the substance in NSW commenced on 31 December 2003.

Scheme viability

Due to a number of improvements, including better return-to-work rates and tail claims management, the financial position of the WorkCover Scheme has greatly improved over the past financial year. The June 2004 valuation of the WorkCover Scheme Managed Funds by PricewaterhouseCoopers has indicated that the WorkCover Scheme projected deficit reduced substantially over the previous 12 months, from \$2,982 million in June 2003 to \$2,353 million in June 2004, an improvement of \$629 million.

The report, 'Partnerships for Recovery: Caring for injured workers and restoring financial stability to workers compensation in NSW,' by McKinsey & Company, was released in September 2003. Its implementation will help deliver improved outcomes to injured workers, and introduce greater competition and choice for employers in workers compensation provision, as well as helping to reduce the WorkCover Scheme deficit.

Major achievements in the Scheme Design implementation program included:

- ▶ passage by the NSW Parliament of the *Workers Compensation (Insurance Reform) Act 2003* in November 2003 to provide the framework for the new Scheme arrangements
- ▶ development of preliminary new agent and remuneration models
- ▶ development of preliminary claims and policy agent requirements
- ▶ finalisation of Scheme governance arrangements, including provisions for the establishment of the WorkCover Fund Investment Board.

Stakeholder engagement

From 1 September 2003, small businesses were required to comply with the provisions of the Occupational Health and Safety Regulation 2001. Our Small Business Assistance Strategy assisted employers to comply with these requirements.

Since September 2001, WorkCover has undertaken a significant program of assistance, particularly for small and medium sized businesses. The focus has principally been educational, providing information on a statewide basis about employers' statutory obligations, including:

- ▶ information seminars and safety workshops
- ▶ the Small Business Safety Checklist
- ▶ press, radio and television advertising
- ▶ free on-site consultations with WorkCover inspectors
- ▶ programs targeting safety in the rural and manufacturing sectors.

The third and final year of the WorkCover Assist program has seen \$5 million in grant funding allocated to employer associations and unions to build an understanding of, and compliance with, the changes to workers compensation and occupational health and safety laws. A total of \$15 million has been allocated under this program over three years reaching a wide range of workplaces through employer associations and unions.

Interventions in the rural sector included the tractor Roll Over Protective Structures program, the ShearSafe program and a focus on the use of quad bikes (or all terrain vehicles) as work machines on farms.

The WorkCover NSW Research Centre of Excellence is being established in conjunction with the University of Newcastle at the Ourimbah Campus. WorkCover is providing funding of \$1.5 million over five years to focus on research in the field of occupational health and safety. The centre will provide valuable information and data to help shape our workplace interventions, as well as building on the presence of our organisation on the Central Coast.

Organisational capability

The decision-making process in WorkCover has been strengthened as a result of a number of improvements that have been made to help ensure greater budgetary control and accountability in the organisation. These include the introduction of the WorkCover Project Management Approach in November 2003 and the implementation of substantial revisions to WorkCover's administrative and financial delegations.

In addition, our corporate service functions were consolidated in January 2004 with the transfer of responsibility for the Finance and Information Management branches from the Chief Executive Officer to the Corporate Governance Division.

An Internal Audit Unit was established in April 2004. The unit's director reports to the CEO and the Audit Committee, and provides overall management and control of our internal audit and corruption prevention functions. The unit will deliver professional audit and corruption prevention services directed towards improving the efficiency, economy and effectiveness of our operations, as well as improvements to internal controls and ethical culture.

Looking ahead

The next 12 months for WorkCover will again be extremely busy. In particular, the year will see the implementation of the major elements of the Scheme Design Project, the assumption of responsibility for major hazardous facilities, the continuation of the comprehensive program to improve occupational health and safety in the public sector that commenced in 2004, and ongoing organisational and business process improvements.

I want to thank the skilled and dedicated staff of WorkCover who continue to demonstrate the importance and effectiveness of what we do as an organisation on a daily basis. I look forward to the challenging and rewarding work we have ahead of us.

Jon Blackwell

Chief Executive Officer

Review

INJURY AND ILLNESS PREVENTION

AIM

- ▶ Reduce injury and illness by 20 per cent by 2007 and 40 per cent by 2012, and fatalities by 10 per cent by 2007 and 20 per cent by 2012, through targeted interventions, compliance activity and effective occupational health and safety legislation.

PERFORMANCE

- ▶ Compensable fatalities reduced by 23.2 per cent in 2002/03 (latest available data).
- ▶ Major workplace injuries reduced by 6.9 per cent in 2002/03.
- ▶ Major claims for occupational diseases reduced by 7.3 per cent in 2002/03.
- ▶ Under the TargetSafe program, commenced pilot programs and research on high risk industries.
- ▶ Completed most Safety Summit recommendations on specific risks of injury or fatality.
- ▶ Responded to an investigation into corruption in the safety accreditation system.
- ▶ Reformed dangerous goods legislation and regulations.
- ▶ Conducted 18,219 workplace visits.
- ▶ Undertook 399 successful occupational health and safety prosecutions, resulting in over \$13 million in penalties.

WHAT NEXT

- ▶ Report on TargetSafe pilot.
- ▶ Complete the 2002 Safety Summit recommendations by June 2005.
- ▶ Continue work on the Explosives Regulations.

SCHEME VIABILITY

AIM

- ▶ Achieve 90 per cent funding of the Workers Compensation Scheme by 2008 through improvements in insurer performance, return-to-work outcomes and effective workers compensation legislation and compliance.

PERFORMANCE

- ▶ The Scheme funding ratio improved from 66 per cent in June 2003 to 73 per cent in June 2004.
- ▶ Made significant progress on implementing recommendations of the recent review of the NSW Workers Compensation Scheme.
- ▶ Strengthened the insurer remuneration structure in the areas of improving return-to-work rates, reducing tail claim liabilities, implementing best practice case management models, improving the WorkCover Industry Classification System data, and improving the quality of data supplied by insurers.
- ▶ Through compliance activities identified additional premiums of \$26.5 million, exceeding the target of additional premiums collection by \$1.5 million.
- ▶ Predicted improvements for 2003/04 in 0–26 weeks return-to-work claims are 5.2 per cent, exceeding the target of 5 per cent over the base year of 2001/02.
- ▶ 19 successful fraud prosecutions were carried out.

WHAT NEXT

- ▶ Introduce a new funds management model.
- ▶ Conduct a review of the premium setting formula, including extensive consultation with stakeholders.
- ▶ Continue to link return-to-work outcomes with insurer remuneration and set targets for individual insurers to improve return-to-work performance.
- ▶ Achieve the best return-to-work rates in Australia.
- ▶ Achieve a fully funded Scheme by 2014.

STAKEHOLDER ENGAGEMENT

AIM

- ▶ Increase awareness among workers and employers of their occupational health and safety, injury management and workers compensation responsibilities to reduce injury and illness in the workplace.

PERFORMANCE

- ▶ Improved awareness of occupational health and safety, injury management and workers compensation through production and distribution of various publications, conducting seminars and workshops and providing grants to educate workers and employers.
- ▶ In 2003/04, 4,230 people attended WorkCover seminars held in 45 locations statewide, and 157 one-on-one consultations were held between WorkCover inspectors and small business employers.
- ▶ Introduced a project management approach that incorporates cost benefit analysis into decision making.
- ▶ Funded 23 trade unions and 29 employer associations under the WorkCover Assist program to help implement the new legislative requirements.
- ▶ Mailed out over 75,000 Small Business Starter Kits.
- ▶ Over 100,000 safety checklists developed for industry were downloaded from the WorkCover website.

WHAT NEXT

- ▶ Continually enhance assistance services to small and medium sized businesses.
- ▶ Review the Industry Reference Groups.
- ▶ Provide \$1.5 million over five years to fund a research centre for occupational health and safety research.
- ▶ Continue to encourage improvement in occupational health and safety in all businesses through a workplace safety awards program.

ORGANISATIONAL CAPABILITY

AIM

- ▶ Build organisational capability and a commercial focus to support the objectives of the organisation.

PERFORMANCE

- ▶ Considerably improved internal occupational health and safety and injury management performance, resulting in a reduced workers compensation premium.
- ▶ Introduced the WorkCover Project Management Approach to provide an organisation-wide rigorous and consistent approach.
- ▶ Reduced time paid for compensable injuries/illnesses by 11,280 hours in the last five years.
- ▶ Developed and implemented a plan to guide effective workforce planning and development.
- ▶ Provided learning and development opportunities for staff, including taking a lead role in both developing and implementing the nationally recognised Diploma in Government (Workplace Inspection).
- ▶ Held 130 training events for 1,393 staff.
- ▶ Implemented an Aboriginal information strategy.
- ▶ Increased the percentage of female staff to 49 per cent.

WHAT NEXT

- ▶ Build organisational capability and a commercial focus through effective leadership, a highly skilled workforce and effective systems.
- ▶ Streamline reporting on incident and injury trends and workers compensation.
- ▶ Analyse recordkeeping processes and further upgrade electronic recordingkeeping.

Board of Directors and Senior

Management

The Board of Directors of WorkCover NSW is constituted and defined under the *Workplace Injury Management and Workers Compensation Act 1998*.

Under the Act:

- ▶ the Board of Directors determines the administrative policies of WorkCover and ensures activities are carried out properly and efficiently. The Board consists of seven part-time directors (including the Chairperson) and the Chief Executive Officer. The part-time directors are appointed by the Governor of NSW on the recommendations of the Minister for Commerce
- ▶ the Chief Executive Officer controls and manages the affairs of WorkCover in accordance with the policies of the Board
- ▶ both the Board and the Chief Executive Officer are subject to Ministerial control and direction.

The Board was reappointed on 13 May 2004 for 12 months.

The Chief Executive Officer's Group

The Chief Executive Officer's Group consists of the Office of the Chief Executive and the Internal Audit Unit.

The Office of the Chief Executive coordinates and provides executive support and secretariat services to the Chief Executive Officer, the WorkCover executive, the WorkCover Board and the Workers Compensation and Workplace Occupational Health and Safety Council of NSW.

The Internal Audit Unit provides overall management and control of WorkCover's internal audit and corruption prevention functions to improve the operation of the organisation's operations, systems of internal control and ethical culture. The Director of the Internal Audit Unit reports to the Chief Executive Officer and the Audit Committee.

Senior management on 30 June 2004

Chief Executive Officer

Jon Blackwell BA MA

General Manager, Corporate Governance Division

Philip Reed BSc (Hons)

General Manager, Insurance & Scheme Design

Rob Seljak BA LLB MBus

General Manager, Occupational Health & Safety Division

John Watson Assoc Dip OHS

Director, Strategy & Policy Group

Narelle Caldwell BBus

Acting Director, Office of the Chief Executive

Murray McLachlan BA DipEd GDTL MPubPol

Board attendance 2003/04

| Name | Number of meetings attended | Date/s absent |
|--|-----------------------------|--|
| J Riordan AO | 14 | |
| G Keating | 14 | |
| G McCarthy | 13 | 12/12/03 |
| K McKenzie | 9 | 27/10/03, 15/12/03, 24/5/04, 27/5/04, 23/6/04 |
| J Robertson | 6 | 28/7/03, 27/10/03, 23/2/04, 19/4/04, 24/5/04, 27/5/04, 2/6/04, 23/6/04 |
| D Staunton | 12 | 22/3/04, 23/6/04 |
| D Wright AM | 13 | 19/4/04 |
| J Blackwell (Chief Executive Officer from 18/8/03) | 12 | 2/6/04 |
| R Seljak (Acting General Manager to 18/8/03) | 1 | |

Meetings of committees of the Board of Directors 2003/04

Audit Committee

Membership All Board members

Meetings held on 28 July 2003, 22 September 2003, 11 November 2003, 15 December 2003, 22 March 2004, 24 May 2004.

Members of the board on 30 June 2004



Joe Riordan AO

Chairperson and part-time director Joe Riordan AO is a member of the Administrative Decisions Tribunal, Chairperson of the Ethical Clothing Trades Council of NSW and freelance mediator, facilitator and consultant to trade unions, companies and corporations in the private and public sectors. He was a member of the House of Representatives from 1972 to 1975, serving as Minister for Housing and Construction in 1975. Between 1979 and 1982 he was Vice Chairperson of the Electricity Commission of NSW. Mr Riordan was Secretary and Department Head of the NSW Department of Industrial Relations from 1982 to 1986, and Deputy President and Senior Deputy President of the Australian Industrial Relations Commission between 1986 and 1995. In 1995/96, he was Chairperson of the National Occupational Health and Safety Commission (Worksafe Australia). Mr Riordan has been Chairperson of the WorkCover Board since 20 August 1997.



Jon Blackwell BA MA

Jon Blackwell commenced as Chief Executive Officer of WorkCover NSW in August 2003. He is responsible for the operation of the workplace safety, injury management, recovery and return-to-work, and workers compensation systems in NSW. In addition to his position as CEO of WorkCover, Mr Blackwell is a member of the National Occupational Health & Safety Commission and Chairperson of the Heads of Workers Compensation Authorities, Australia & New Zealand. Mr Blackwell was Chief Executive Officer of the Central Coast Area Health Service from 1997 to 2003. Formerly, he held a variety of executive positions at health services in Victoria, Western Australia, South Australia and NSW. He has a Bachelor of Arts in Social Administration and a Masters level certificate of qualification in social work.



Greg Keating Dip Law

Greg Keating is Senior Partner, McClellands Lawyers. He has practised extensively in personal injury law, and is an accredited specialist practitioner. Mr Keating is a Director of the Paraplegic and Quadriplegic Association of New South Wales. He was an Acting Judge of the District Court of NSW from 1996 to 1999. Mr Keating has a Diploma of Law and was admitted as a solicitor in 1980. He was appointed to the WorkCover Board on 14 October 1998.



Greg McCarthy AAIL

Greg McCarthy has been involved in workers compensation and other disability classes of insurance for 30 years. His primary focus in recent years has been strategic and systematic management of injuries and claims. Mr McCarthy is an Associate of the Australian Insurance Institute, has a management Certificate in Insurance and is the current Chairperson of the Workers Compensation and Workplace Occupational Health and Safety Council of NSW. Mr McCarthy was appointed to the WorkCover Board on 30 January 2003 and appointed Deputy Chairperson on 13 May 2004.



Kate McKenzie BA LLB

Kate McKenzie is Director-General of the NSW Department of Commerce. Previously, she was General Manager of WorkCover from August 2000 to April 2003, and Director-General of the Department of Industrial Relations from January 2001 to April 2003. Ms McKenzie has also held other senior positions in the NSW public service, including Deputy Director-General of The Cabinet Office from 1998 to 2000. She is a qualified solicitor and barrister, with degrees in Arts and Law. Kate McKenzie was appointed to the Board on 23 April 2003.



John Robertson Grad Dip HR

John Robertson has extensive experience in industrial relations since joining the Labor Council of NSW in 1991, and carrying responsibility for overseeing public sector policy and negotiations, negotiating major disputes, and covering industries that included building and construction, local government, oil, and Sydney Water. He is currently Secretary of the Labor Council. Formerly, he held the position of Assistant Secretary of the Council for two terms. Mr Robertson is on the boards of Labor Media Pty Ltd, Getonboard Pty Ltd, Labor Campaign Pty Ltd, Parramatta Stadium Trust and the North South West Co-operative Housing Society and is a member of the NSW Building and Construction Industry Long Service Leave Payments Committee. He was appointed to the WorkCover Board on 22 August 2001.



Donna Staunton BA LLB

Donna Staunton is currently Executive Director of Communications at CSIRO, the Commonwealth Scientific Industrial and Research Organisation. She was previously principal of her own consulting business and was on the senior management teams of AMP Limited and Philip Morris Group. Ms Staunton is legally qualified, having worked for a number of years with Clayton Utz, Solicitors. She is currently on the Board of the Global Foundation and was previously a member of the Board of the National Breast Cancer Centre. Ms Staunton was appointed to the WorkCover Board on 14 October 2001.

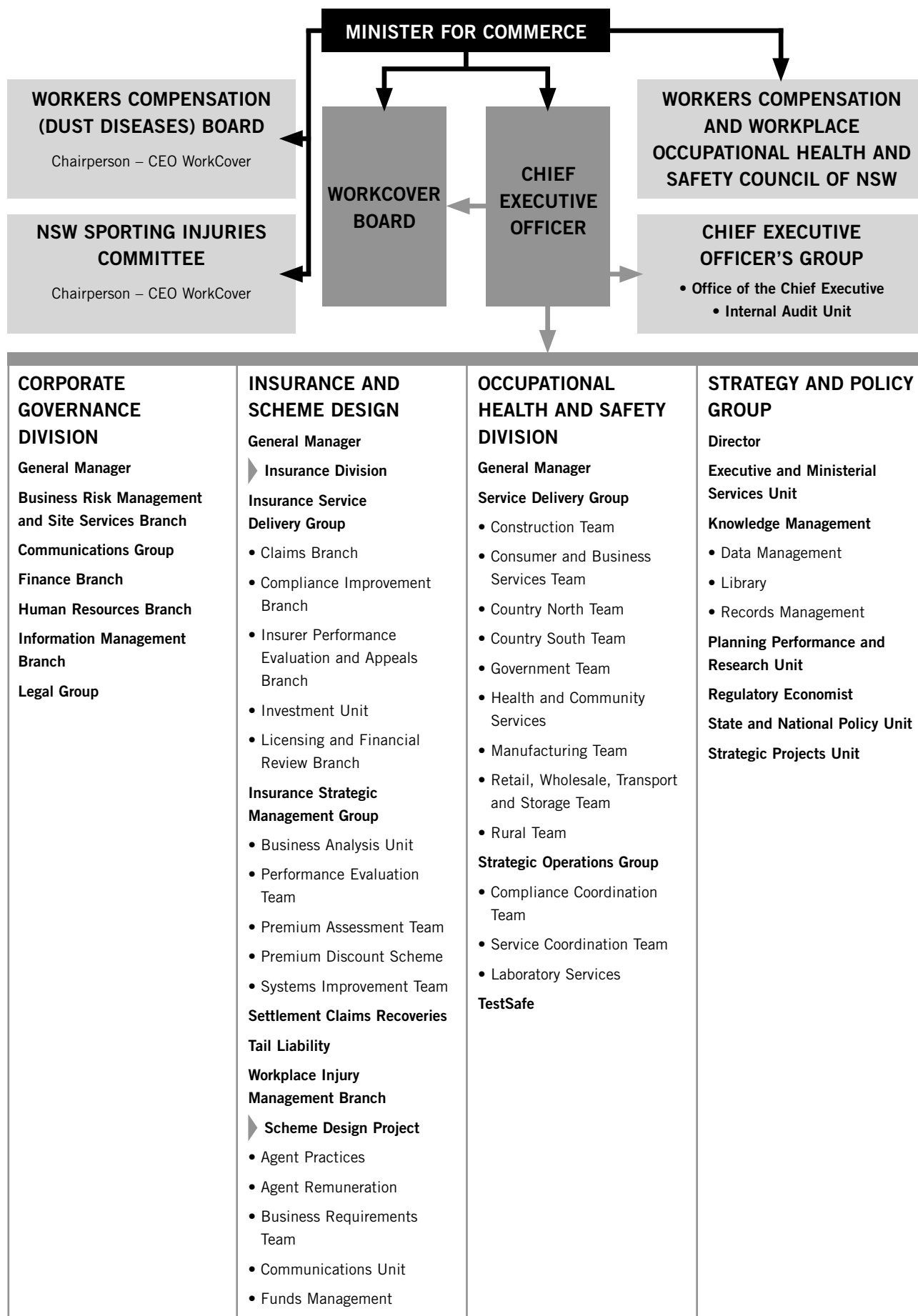


Doug Wright AM BA BEc

Doug Wright is a former Director of the Metal Trades Industry Association (NSW Branch), and a member of the TAFE Commission Board, NSW Building and Construction Industry Long Service Leave Payments Committee, the Board of the Vocational Education and Training Accreditation Agency, and the Board of the Hunter Valley Training Co. He represents the Australian Industry Group on the Australian National Training Authority's National Training Quality Council. Mr Wright is Chairperson of the Manufacturing, Engineering and Related Services Industry Training Advisory Body, and Director of Commonwealth Study Conferences Australia (Incorporated). He was appointed to the WorkCover Board on 16 August 1995 and holds degrees in Economics and Arts.

Structure

on 30 June 2004



Prevention

PERFORMANCE AGAINST OBJECTIVES

| AIM | PERFORMANCE | WHAT NEXT |
|---|---|---|
| <ul style="list-style-type: none"> ▶ Reduce injury and illness by 20 per cent by 2007 and 40 per cent by 2012, and fatalities by 10 per cent by 2007 and 20 per cent by 2012, through targeted interventions, compliance activity and effective occupational health and safety legislation. | <ul style="list-style-type: none"> ▶ Compensable fatalities reduced by 23.2 per cent in 2002/03 (latest data). ▶ Major workplace injuries reduced by 6.9 per cent in 2002/03. ▶ Major claims for occupational diseases reduced 7.3 per cent in 2002/03. ▶ WorkCover NSW has the most active workplace safety inspectorate in Australia. | <ul style="list-style-type: none"> ▶ Report on TargetSafe pilot. ▶ Complete the 2002 Safety Summit recommendations by June 2005. ▶ Continue work on the Explosives Regulations. |
| STRATEGIES | | |
| TARGETED USE OF RESOURCES | SAFETY SUMMIT | EFFECTIVE OHS REGULATION AND COMPLIANCE |
| AIM | AIM | AIM |
| <p>Reduce injury rates in high risk industries, workplaces and employers.</p> | <p>Reduce major injury claims by 40 per cent and fatalities by 20 per cent over 10 years.</p> | <p>Safer workplaces through development of effective occupational health and safety regulation and compliance.</p> |
| PERFORMANCE | PERFORMANCE | PERFORMANCE |
| <ul style="list-style-type: none"> ▶ Under the TargetSafe program, commenced pilot programs and research on high risk industries. ▶ Decreased new major claims by 6.7 per cent and incidence rates by 8.9 per cent in 2002/03. ▶ Coordinated a national strategy to decrease the risk of falls from heights in the heavy vehicle and construction sectors. ▶ Conducted a very successful rural program, improving tractor safety and safety in shearing sheds. ▶ Targeted the community nursing sector in the risk areas of violence and security. | <ul style="list-style-type: none"> ▶ Completed most Safety Summit recommendations on specific risks of injury or fatality. ▶ Conducted the Safer Towns and Cities demonstration program in Bathurst and Orange. ▶ Organised and conducted a Road Freight Safety forum. ▶ Undertook targeted programs to increase safety in the construction industry. ▶ Ran a project to reduce injuries in kitchen and furniture manufacturing. | <ul style="list-style-type: none"> ▶ Responded to an investigation into corruption in the safety accreditation system. ▶ Reformed dangerous goods legislation and regulations. ▶ Developed major hazard facilities legislation. ▶ Carried out a compliance blitz on falls from heights in construction and heavy vehicle transport. ▶ Developed a code of practice for moving plant on construction sites. ▶ Conducted 18,219 workplace visits. ▶ Undertook 399 successful occupational health and safety prosecutions, resulting in over \$13 million in penalties. |
| WHAT NEXT | WHAT NEXT | WHAT NEXT |
| <ul style="list-style-type: none"> ▶ Report on TargetSafe pilot. ▶ Release a national report on falls from heights in heavy vehicle transport and construction. ▶ Revise shearing guidelines. ▶ Conduct further research in the community nursing sector. | <ul style="list-style-type: none"> ▶ Complete the 2002 Safety Summit recommendations by June 2005. ▶ Prepare for and coordinate the next NSW Safety Summit in 2005. | <ul style="list-style-type: none"> ▶ Continue work on the Explosives Regulations. ▶ Conduct compliance blitzes on high risk work practices. ▶ Continue workplace visits. ▶ Assist workplaces to comply with occupational health and safety legislative requirements and prosecute for non-compliance when necessary. |

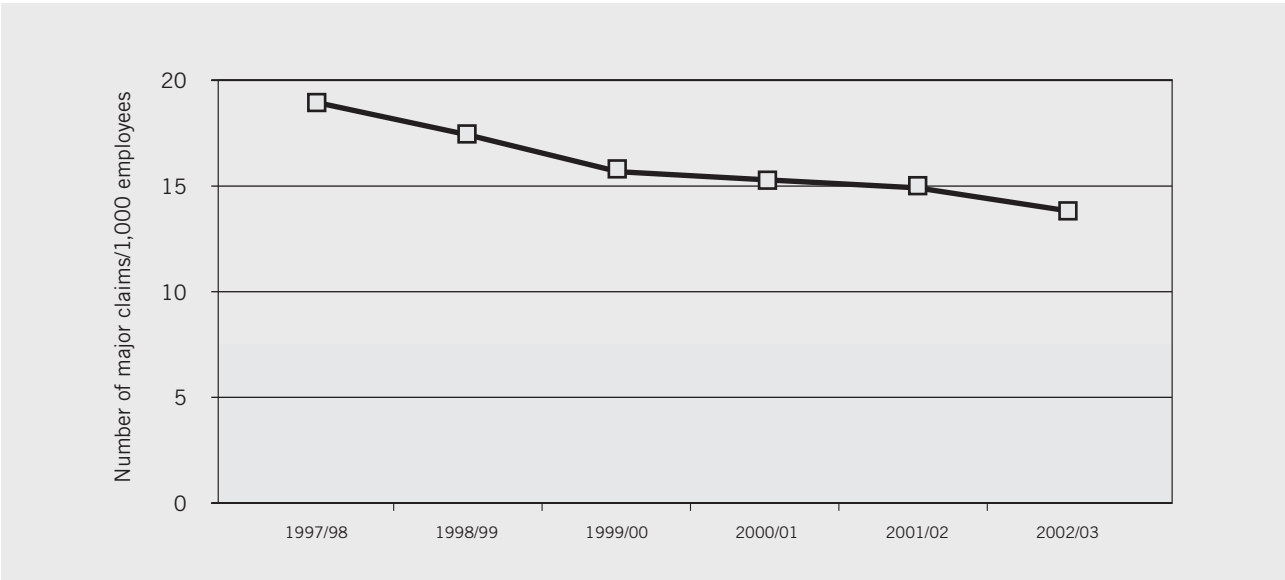
Injury and Illness Prevention

WorkCover is committed to working with industry and unions to make NSW workplaces among the safest of the world's modern economies and ensuring that, when injuries do occur, the injury management and workers compensation schemes operate efficiently and effectively to provide security to those affected.

WorkCover administers the NSW occupational health and safety legislation through education, inspections, investigations into incidents and complaints and, when necessary, applies penalties and prosecutions. WorkCover also has a regulatory role in licensing and certification of certain activities and hazardous equipment.

The effectiveness of WorkCover interventions to reduce injury and illness in the workplace is measured at a corporate level through injury and illness incidence rates.

Trend in the incidence of major workplace injury claims in NSW



Major workplace injuries

The graph above indicates the incidence rate of major workplace injury claims. The incidence rate is the number of major workplace injury claims per 1,000 employees. Major claims are injuries that cause death, permanent disability or temporary disability when five or more days have been paid for total incapacity.

Workplace injuries are caused by incidents at the workplace, either during work or a work break when the worker's activity is under the control of the employer. They comprise a subset of employment injuries (see below).

Total major workplace injuries reduced by 6.9 per cent to 37,422 in 2002/03 (latest available data) from 40,204 in 2001/02.

Sprains and strains remained the main contributor to major workplace injuries with 23,686 claims, 64 per cent of all major claims resulting from workplace injuries.

Employment injuries

Employment injuries comprise all injuries resulting from incidents and all occupational diseases contracted or aggravated in the course of a worker's employment. These include all workplace injuries – either during work (including at work, working away from normal place of work or base of operations) or work breaks; and other work-related injuries – either road traffic incidents, commuting incidents, and incidents away from work during a recess period.

In 2002/03 (latest available data), new major claims decreased by 6.7 per cent from 2001/02 to 51,000, with incidence rates reducing by 8.9 per cent to 18.5 per 1,000 workers.

Incidence rates have fallen from 28.6 per 1,000 workers in 1994/95 to 18.5 per 1,000 workers in 2002/03.

Total major claims for occupational diseases reduced by 7.3 per cent to 9,157 in 2002/03 from 9,878 in 2001/02.

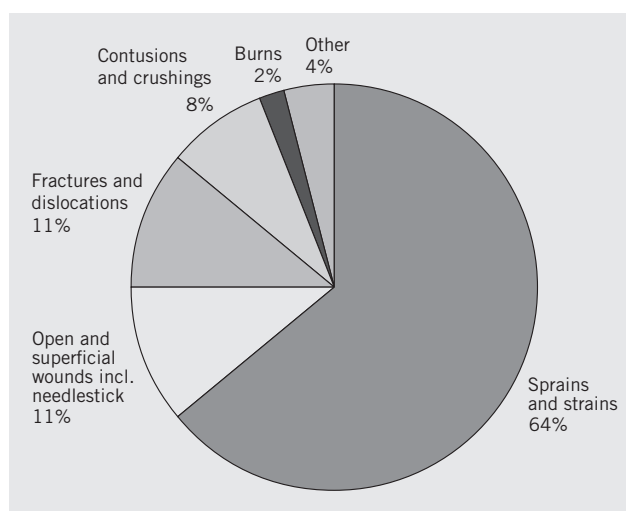
Mental disorder claims continued to increase from 2,643 in 2001/02 to 3,246 in 2002/03, totaling 35.4 per cent of all major claims for occupational disease.

Deafness claims reduced by 30.1 per cent from 2001/02 to 2,501. Total deafness claims have reduced from 11,212 in 1994/95, a total reduction of 77.7 per cent.

There were 136 compensable fatalities in 2002/03, down 23.2 per cent from 2001/02, with 46 in the workplace, 31 from occupational disease, 18 resulting from road traffic incidents and 41 from commuting incidents.

Fatality figures include those resulting from traumatic injuries or occupational diseases contracted in the course of employment, as well as workplace and other work-related incidents.

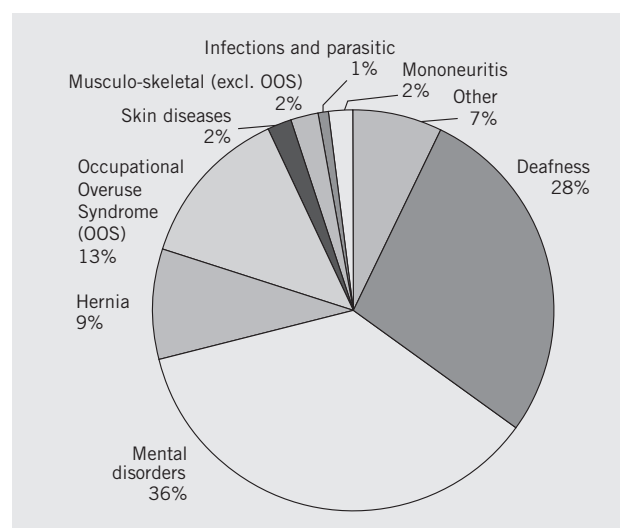
Injury type (workplace injuries) 2002/03



Injury types (workplace injuries)

| | 2002/03 Totals | 2002/03 % | 2001/02 % |
|-----------------------------|-------------------|--------------|--------------|
| Sprains and strains | 23,686 | 64% | 65% |
| Open and superficial wounds | 4,214 | 11% | 11% |
| Fractures and dislocations | 4,146 | 11% | 10% |
| Contusions and crushings | 3,029 | 8% | 8% |
| Burns | 739 | 2% | 2% |
| Other | 1,608 | 4% | 4% |
| Total | 37,422 | 100% | 100% |

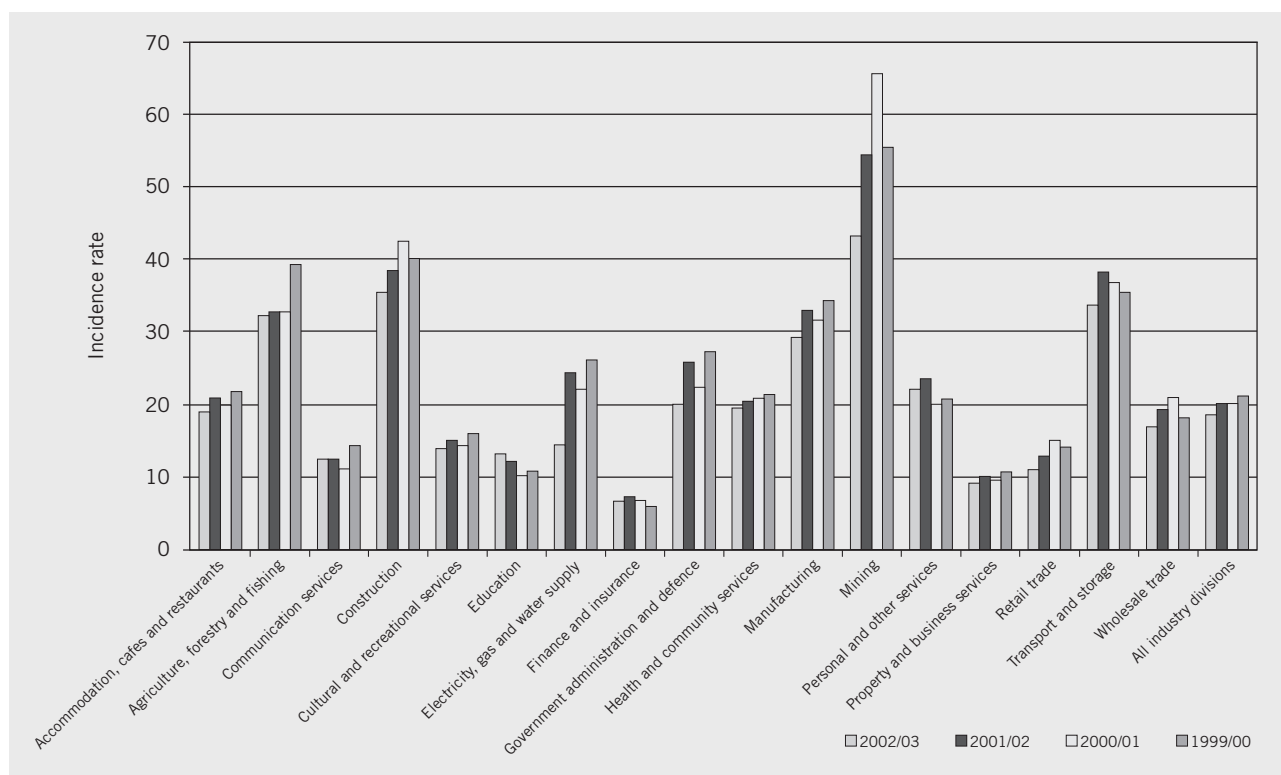
Occupational diseases 2002/03



Occupational diseases

| | 2002/03 Totals | 2002/03 % | 2001/02 % |
|-------------------------------------|-------------------|--------------|--------------|
| Deafness | 2,501 | 28% | 36% |
| Mental disorders | 3,246 | 36% | 27% |
| Hernia | 829 | 9% | 8% |
| Occupational Overuse Syndrome (OOS) | 1,207 | 13% | 13% |
| Skin diseases | 226 | 2% | 3% |
| Musculo-skeletal (excluding OOS) | 210 | 2% | 4% |
| Infections and parasitic | 99 | 1% | 1% |
| Mononeuritis | 213 | 2% | 2% |
| Other | 626 | 7% | 6% |
| Total | 9,157 | 100% | 100% |

Incidence rates by industry in 2002/03



Incidence rate (employment injuries)

| Industry | 2002/03 | 2001/02 | 2000/01 | 1999/2000 |
|---------------------------------------|---------|---------|---------|-----------|
| Accommodation, cafes and restaurants | 19.5 | 20.8 | 20.0 | 22.7 |
| Agriculture, forestry and fishing | 32.5 | 32.9 | 32.9 | 39.2 |
| Communication services | 12.9 | 12.9 | 11.6 | 14.6 |
| Construction | 35.2 | 38.9 | 42.1 | 39.9 |
| Cultural and recreational services | 14.0 | 15.5 | 14.7 | 16.5 |
| Education | 12.9 | 11.9 | 9.9 | 10.3 |
| Electricity, gas and water supply | 14.9 | 24.4 | 21.8 | 25.6 |
| Finance and insurance | 6.5 | 6.6 | 6.5 | 5.9 |
| Government administration and defence | 19.9 | 24.7 | 21.8 | 25.8 |
| Health and community services | 19.7 | 20.1 | 20.3 | 20.8 |
| Manufacturing | 28.9 | 32.5 | 31.4 | 33.4 |
| Mining | 43.5 | 54.2 | 63.8 | 55.0 |
| Personal and other services | 22.1 | 23.3 | 20.1 | 20.7 |
| Property and business services | 9.5 | 10.0 | 9.7 | 11.1 |
| Retail trade | 11.0 | 13.1 | 14.8 | 14.1 |
| Transport and storage | 33.9 | 37.6 | 36.4 | 35.0 |
| Wholesale trade | 16.7 | 19.2 | 21.2 | 18.1 |
| All industry divisions | 18.5 | 20.3 | 20.3 | 21.3 |

Targeted use of resources

Strategies targeting high risks

TargetSafe

The TargetSafe program seeks to increase health and safety outcomes of those employers in NSW with the greatest capacity to improve, especially employers in high risk industries and those with vulnerable workers. The aim is to reduce the incidence of injuries and improve return-to-work rates in those workplaces.

The TargetSafe program involves research to establish whether there is a link between Workers Compensation Scheme performance and the presence, absence and/or quality of employer's systems for managing occupational health and safety, workplace injuries and return-to-work, and to evaluate the value of targeting employers that need assistance.

A pilot study of 14 employers is under way to verify the targeting methodology and related data, as well as the relationship between claims performance and employers' systems for managing occupational health and safety, workers compensation and work-related injuries.

As a result of the pilot, the methodology will be adjusted and assessment tools will be developed for employers. A reporting format is being finalised to provide useful feedback to participating employers.

During 2004/05, effective approaches to identifying and targeting employers with the greatest need of assistance will be documented. It is also planned to use the project as a benchmark for enhancing organisational success in project concept, design and management.

Construction and demolition

As part of the National Falls Prevention Campaign targeting residential construction, WorkCover carried out fieldwork and contributed data for a national report to be released early in 2004/05.

WorkCover also targeted prevention of falls from heights focusing on the construction industry, especially roof workers, electricians, painters and gyprockers. The program included developing systems of work, and providing training and education for workers who are vulnerable, such as the young or inexperienced.

The second phase of a four-phase asbestos/demolition strategy included conducting compliance visits, reviewing publications and incidents, and involving country regions and local councils in improving management of asbestos removal and demolition sectors.

When WorkCover issues demolition permits, inspectors conduct site inspections to verify that the safety measures detailed in the application are implemented.

Similar site inspections are being conducted for a proportion of the asbestos removal permits issued by WorkCover. Sites selected for inspection are those identified as performing poorly.

In May 2004, the Minister announced the results of a nine-month WorkCover crackdown on the asbestos and demolition industry. The campaign of three targeted crackdowns in June and

December 2003 and March 2004 resulted in:

- ▶ visits to 700 sites and/or firms by WorkCover inspectors
- ▶ more than 700 Improvement, Infringement and Prohibition Notices issued for asbestos contamination, unsafe demolition, scaffolding and working at heights protection
- ▶ meeting with 420 contractors, ranging from large employers to owner-builders and their subcontractors.

The asbestos and demolition strategy also involved liaising with local councils to improve awareness of asbestos and demolition management practices, reviewing all WorkCover asbestos and demolition publications and the demolition approval process, and providing a comprehensive refresher training for inspectors.

Inspectors are continuing to focus their activities on such areas of high risks in the construction industry.

Rural and regional

WorkCover has also carried out a range of successful strategies to improve safety in regional NSW.

As part of the commitment to improve WorkCover's capacity to deliver services to country and regional NSW, a range of projects and programs were undertaken in these areas, including roll out of the national falls from heights initiative in the construction industry and the ForestSafe project which assesses and monitors application of the Code of Practice for Logging in NSW.

The ForestSafe project is monitoring compliance with the Code of Practice for Safety in Forest Harvesting Operations and delivering on the Safety Summit recommendation of developing a framework for effective collection of data on workplace injuries. In 2003/04, 49 sites in southern NSW and 16 in northern NSW were visited.

At rural field days in 2003/04, WorkCover sponsored quad bike (all terrain vehicles or ATV) safety through demonstrations of safe riding and ownership.

The Roll-over Protective Structures on Tractors program provided 10,442 rebates to tractor owners across NSW, representing \$2,088,400 in financial assistance since August 2000. Only one fatality was recorded in 2001/02, compared to an average of three fatalities per year for each of the 10 years prior to commencement of the program.

There was a 31 per cent reduction in total hours lost due to serious tractor incidents. The number of serious tractor incidents remains relatively stable compared to the 10 year average, indicating the need for further activities on raising awareness in the rural community to the hazards associated with tractor operation.

The ShearSafe program aims to help woolgrowers and shearers improve their working conditions through a worm drive rebate aimed at replacing dangerous pin drives in shearing devices, a dollar-for-dollar shed improvement initiative, and information and assistance seminars.

ShearSafe is a response to the significant number of workers compensation claims among shearers whose annual claims are almost six times more than any other industry (150 claims

per 1,000 workers, compared with 26 per 1,000 in all other industries). By 30 June 2004, \$280,260 in rebates had been provided to replace 4,671 dangerous pin drives with worm drives since 1 July 2002.

There is also a dollar-for-dollar incentive of up to \$20,000 to develop safer working environments for 13 shearing shed owners who were identified by competitive selection. The funds will be used for guarding grinders, replacement of electrical wiring, and providing better ventilation, lighting and floors.

Eight shed open days were held in partnership with FarmSafe NSW, NSW Farmers Association, Australian Workers Union, NSW Agriculture and the Shearing Contractors Association of Australia, showcasing affordable shearing shed improvements.

Transport

WorkCover coordinated a national strategy in 2003/04 to address the risk of falls from heights in the heavy vehicle sector through a compliance program followed by an information/advisory service targeting car carriers, fuel tankers, dry bulk haulage and livestock transport. During 2003/04, NSW, South Australia, Victoria and Western Australia completed the compliance phase on car carriers. The aim is that 90 per cent of new cars and 40 per cent of used cars will be transported on a carrier with controls to prevent falls from heights. This strategy involves the development and trial of designs that eliminate all risk of falls from heights.

Another high-risk area for transport is manual handling hazards in the motor vehicle repair industry. Guidance material was developed and check lists and a fact sheet on manual handling, hazardous substances, slips, trips, falls and plant have been drafted, along with a guide on the safe removal of asbestos brake shoes.

A Cash in Transit code of practice was developed, gazetted and commenced in 2003/04. In partnership with four major companies from the sector, a targeted compliance and enforcement program was planned to assist the industry in addressing long standing safety concerns through the implementation of risk management and consultation obligations.

Health

Under a partnership with the NSW Nurses Association, WorkCover is carrying out a range of strategies to reduce injury and illness in the community nursing sector. The effectiveness of management systems in preventing violence and security risks is being examined. A range of tools to address these risks will be developed and an education program will build the skills of nurses and managers in this area. At the end of 2003/04, focus groups were being established.

WorkCover also prepared a report on an important health and safety issue, smoking in the workplace, and contributed to the Government's Joint Working Party for Smoke Free Licensed Premises, which has now concluded deliberations.

WorkCover is revising operational policy to accommodate the planned prohibition of smoking in internal areas of licensed

premises, as well as considering an industry partnership to develop and implement an intervention program in the hospitality industry.

Government and education

In partnership with 12 key NSW public sector agencies, WorkCover is assisting the agencies to improve their occupational health and safety and injury management systems, and measuring incident reductions against annual targets.

A comprehensive review of occupational health and safety and injury management policies and procedures in public primary and secondary schools is being undertaken by WorkCover to assist the NSW Department of Education and Training under the SchoolSafe program. A total of 60 school, 12 district and seven directorate visits were completed in 2003/04 and a report is being prepared.

Other industry initiatives

A strategy involving other states and territories to address manual handling in the community services industry saw WorkCover carry out a baseline compliance audit at 70 randomly selected sites in Wollongong, Sydney and the Central Coast and developed a communications strategy that will be carried out in 2004/05, followed by a compliance audit to establish if there is an improvement.

The Amusement Device Intervention strategy concentrated on amusement rides at the Sydney Royal Easter Show and Luna Park as well as involvement with an investigation into a six-year-old child falling from a ferris wheel at Tamworth. As a result of the investigation, a WorkCover safety alert was issued, advising that riders should either be fully restrained against the seat or enclosed in a cabin.

A number of initiatives targeted the cleaning industry in 2003/04. Guidelines for property owners and managers and cleaning contractors were released and the Department of Commerce was assisted in strengthening occupational health and safety management systems in tenders for Government cleaning contracts. In 2004/05 WorkCover will investigate development of an assessment of cleaners' manual tasks by researching workloads and musculo-skeletal injuries.

An evaluation of the health and safety guidelines for call centres started in 2003/04 and was followed by awareness raising which has increased calls to WorkCover for guidance about office work, lighting and ergonomics.

To address the issues associated with the illegal supply and use of fireworks in NSW, licensing conditions for pyrotechnicians were revised and stricter controls were introduced. To raise awareness of these conditions and controls, an operating protocol on enforcement was drafted with NSW Police and a community education strategy was developed. Consultation on restricting the illegal import of fireworks has started with the Australian Customs Services.

▶ An information kit was prepared for the metal recycling industry to raise awareness of occupational health and safety legislation, especially in the areas of risk assessment and manual handling. Inspectors visited 41 metal recycling sites and also carried out compliance audits of another high risk area, forklift truck use and pressure vessels.

▶ WorkCover is establishing benchmarks, developing safety tools, conducting information sessions and visiting workplaces in the wood furniture manufacturing and fabricated metal processing industries. The aim is to target key safety hazards and common processes in these industries.

Service delivery

In the area of advisory activities during 2003/04:

- ▶ advice was provided to construction contractors in partnership with the Master Builders Association, the Housing Industry Association and the Construction Forestry Mining and Energy Union
- ▶ a Road Freight Safety forum was conducted in 2003 to help improve safety in the road freight sector
- ▶ interagency guidelines on long haul trucking were established to coordinate enforcement activities.

In February 2000, WorkCover undertook far reaching organisational reforms by introducing an industry teams-based approach to occupational health and safety service delivery. Through WorkCover's continuous improvement approach, the Business Improvement Program has realigned business to improve delivery of WorkCover's occupational health and safety services to NSW workplaces.

The Business Improvement Program builds on the 2000/01 reforms to further improve WorkCover's delivery of occupational health and safety services. The objective of the program is to realise opportunities to improve business services covering licensing, accreditation, audits and technical and specialist services by recommending how these can operate more effectively and efficiently.

Safety Summit

The NSW Workplace Safety Summit, held in July 2002, brought together representatives from government, employer groups, unions, and health and safety experts who made 132 recommendations to improve safety in NSW workplaces.

NSW Minister for Commerce, John Della Bosca, launched the Government's formal response to the Workplace Safety Summit in November 2002, including a \$13 million package to achieve injury and illness prevention targets in NSW workplaces.

The NSW Government is committed to reducing workplace fatalities by at least 20 per cent by 30 June 2012 and reducing the incidence of workplace injury by at least 40 per cent by 30 June 2012.

Following the Government's response, WorkCover developed a six-point plan for implementing the Safety Summit recommendations.

WorkCover's six-point plan comprised:

1. targeted use of resources
2. small business assistance strategy
3. effective regulatory framework
4. incentives
5. stakeholder engagement
6. return-to-work improvement.

By the end of 2003/04, most Summit recommendations on specific risks of injury or fatality were either complete or nearing completion under the six-point plan.

In 2005, WorkCover will report on progress in meeting injury and fatality objectives set in 2002.

Targeted use of resources

WorkCover's Notification project has streamlined the notification process for workplace incidents by simplifying the injury and incident notification for employers, as well as improving data collection which will, in turn, improve WorkCover's capacity to better identify problem areas for targeted intervention.

The Community Services Safety Pack provides user-friendly information on occupational health and safety, workers compensation and injury management to community service organisations. Another initiative in the area of community service organisations is funding a project officer for the NSW Council of Social Services to provide occupational health and safety support to non-government organisations, particularly those funded by Government human service agencies.

Other initiatives include:

- ▶ revising the 15 minute farm safety checklist to make it easier for farm owners and workers to check for common hazards and risks
- ▶ introducing SchoolSafe to improve the occupational health and safety and injury management of workers under the Department of Education and Training.

Small Business Assistance Strategy

This strategy aims to help small business build their capacity to appropriately manage occupational health and safety, workers compensation and injury management.

A first round of 27 seminars between July and October 2003 attracted 3,601 participants and a second round of 12 seminars in November 2003 attracted 431 attendees. A further eight seminars were held during May and June 2004 attracting 198 attendees.

Over 75,000 Small Business Safety Starter Kits were distributed to NSW businesses. The Kit provides a six-step plan for managing small business safety. It contains health and safety forms for reviewing safety systems, training staff and developing procedures, together with an occupational health and safety policy that can be tailored to any small business. The kit also includes an easy-to-use checklist.

Effective regulatory framework

Two important codes of practice and an interagency agreement strengthened the regulatory framework of health and safety in 2003/04.

The new Code of Practice on Moving Plant on Construction Sites provides safe work guidance procedures on planning work, controls for the safe operation of plant, practical steps for controlling hazards, and sets supervision and training levels. The code applies to moving plant at all construction sites in NSW, except mines.

The Code of Practice on Cash in Transit was developed in consultation with industry and commenced in 2003. A targeted compliance and enforcement program was planned to ensure compliance with occupational health and safety legislation.

An interagency agreement between road freight regulatory agencies, setting out clear guidelines for the investigation and prevention of long haul trucking incidents in NSW, was completed in early 2004. WorkCover, NSW Police, the Roads and Traffic Authority and the Department of Environment and Conservation were signatories.

Incentives

In 2003/04 WorkCover offered employers, tractor owners and shearers incentives to improve occupational health and safety.

- ▶ The Premium Discount Scheme rewards employers that improve their occupational health and safety and injury management systems. Since its inception in 2001, over 3,400 NSW employers have entered the discount scheme, which has returned more than \$117 million to them in workers compensation premium discounts.
- ▶ The Roll Over Protective Structure on Tractors program has been an overwhelming success with 10,442 tractor owners receiving rebates totaling \$2,088,400 since August 2000. The program was extended by five months to give tractor owners until the end of May 2004 to take advantage of the remaining funds.
- ▶ Another rural program, ShearSafe, is helping to introduce safer shearing handpieces across the wool industry. The program offers \$60 rebates to shearers and woolgrowers when they replace dangerous pin-drive mechanisms with the safer worm-drives. The initiative has seen 4,671 rebates claimed since the Government launched ShearSafe in July 2002, a total of \$280,260.

Stakeholder engagement

The Safer Towns and Cities demonstration program, held 3–10 June 2004 in Bathurst and Orange, showcased Government activities and services and demonstrated best practice safety models. The program, which focused on safety issues, benefited from the cooperative efforts of NSW agencies, including the Premier's Department, WorkCover, Police, Rural Fire Service, Health and others.

A Road Freight Safety forum in November 2003 brought together stakeholders from the trucking industry to improve safety in the road freight sector. An accredited risk management training package for

supervisors and line managers was launched and promoted in August 2003.

Return-to-work improvement

Workers compensation and injury management fact sheets have been published and are available on the WorkCover website. The fact sheets give information on workers compensation and injury management, including insurance policies and premiums, return-to-work programs, responsibilities of employers, workers and insurers, benefits, and dispute resolution.

Education workshops for general practitioners have been held throughout NSW to help ensure that injured workers who have acute low back pain receive treatment that delivers the best health and occupational outcomes.

Effective occupational health and safety regulation and compliance

Regulation

The *Occupational Health and Safety Act 2000* applies to all NSW workplaces and describes the general requirements to ensure a safe and healthy workplace. The aim of the legislation is to reduce the number of injuries in the workplace by imposing responsibilities on individuals and corporations.

Under its legislative obligations, WorkCover sought assistance from the Independent Commission Against Corruption (ICAC) in investigating corruption in the safety accreditation system in the construction industry.

The ICAC investigation commenced in February 2003 by initially focusing on the conduct of a number of assessors accredited by WorkCover, and later investigating occupational health and safety induction training in the construction industry, as well as training in the safe operation of cranes and plant near overhead power lines.

In response to the ICAC report which made 14 recommendations on corruption risks, WorkCover changed its system of monitoring the performance of assessors to ensure it is more corruption resistant. WorkCover is currently preparing responses to the report's recommendations for changes to the legislation and certification and accreditation system, and for increased resources to manage and improve the systems.

An Audit Management Unit was established to audit approved service providers, such as accredited assessors, and to investigate and take action against those found operating corruptly or inappropriately. As a result of these audits, WorkCover cancelled the licenses of 46 accredited assessors and suspended a further eight in the past nine months. Legal proceedings are now under way to prosecute two accredited assessors who pleaded guilty to related charges, and it is anticipated additional prosecutions will follow.

During 2003/04, an inquiry was held by the Legislative Council of the NSW Parliament to examine serious injury and death in the workplace.

At the time of the release of the Committee's report in May 2004, WorkCover had already implemented, or was currently implementing measures to address most of the recommendations.

As well as making recommendations, the report also commended the protocol for investigating serious injuries and fatalities between WorkCover and the NSW Police. It also acknowledged that the organisation has the most active workplace safety inspectorate in Australia, and that WorkCover has committed significant financial and human resources to preventing serious injury and fatalities in the workplace. The report also acknowledged WorkCover's initiative to implement a fine enforcement protocol with the courts and the State Debt Recovery Office.

During 2003/04, an important legislative initiative to achieve efficient occupational health and safety regulation and compliance was the reform of the dangerous goods legislation. This enabled NSW to adopt the National Standard for the Handling and Storage of Dangerous Goods and the National Standard for the Control of Major Hazard Facilities.

As the national standard does not include provisions for explosives, the NSW Parliament passed the *Explosives Act 2003*. As part of this process, WorkCover was involved in development of a new Explosives Regulation that will streamline the existing licensing system and improve the capacity for enforcement.

A regulatory impact statement for the proposed Explosives Regulation, required by the *Subordinate Legislation Act 1989*, was commissioned during 2003/04 and is in the final stages of development. An analysis of costs and benefits of the dangerous goods proposals is also under development and will be available for the period of public consultation for the legislative proposals.

In 2004/05, the Regulation will be edited into plain English to make it easier to understand and to streamline the process of updating requirements as industry needs or technology evolve.

Another Regulation that was finalised and gazetted was the Occupational Health and Safety Amendment (Chrysotile Asbestos) Regulation 2003. This Regulation, which prohibits the use of this substance from January 2004 for all purposes in NSW, was supported by communication and enforcement strategies.

To increase safety in working with electricity, WorkCover released a position paper on the testing and tagging of electrical appliances in all workplaces and addressing the issue of working live on electrical apparatus and appliances.

Compliance

There were 18,219 workplace visits in 2003/04 by WorkCover inspectors, which included a compliance blitz on falls from heights.

These visits resulted in the issue of 915 Infringement Notices, 1,139 Prohibition Notices and 17,927 Improvement Notices for Non-compliance with Occupational Health and Safety Regulations.

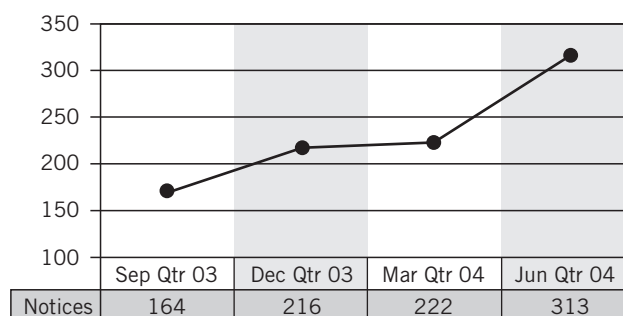
During the year, WorkCover also conducted comprehensive safety investigations into trucks, cattle transport, jackeroos, regional civil construction, confined spaces, major site fires and explosions, as well as falls from heights by young workers.

In 2003/04 399 successful occupational health and safety prosecutions were concluded resulting in \$13,330,537 in penalties, a small increase on the \$13 million in penalties for breaches in 2002/03.

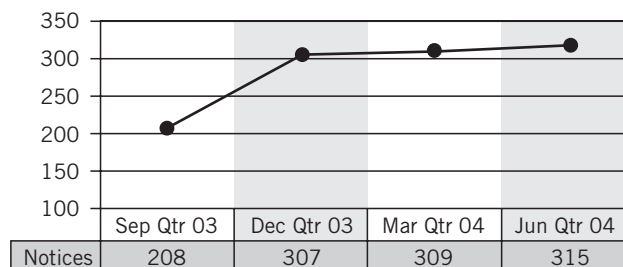
There were 336 occupational health and safety summonses laid, of which 16 were unsuccessful, including withdrawals, dismissals and no further action cases.

On 30 June 2004, WorkCover had 810 occupational health and safety prosecutions in progress.

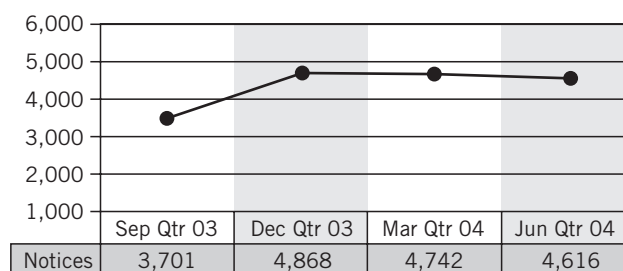
Number of infringement notices issued



Number of prohibition notices issued



Number of improvement notices issued



Viability

PERFORMANCE AGAINST OBJECTIVES

| AIM | PERFORMANCE | WHAT NEXT |
|---|---|---|
| <ul style="list-style-type: none"> ▶ Achieve 90 per cent funding of the Workers Compensation Scheme by 2008 through improvements in insurer performance, return-to-work outcomes and effective workers compensation legislation and compliance. | <ul style="list-style-type: none"> ▶ The Scheme funding ratio improved from 66 per cent in June 2003 to 73 per cent in June 2004. | <ul style="list-style-type: none"> ▶ Introduce a new funds management model. ▶ Achieve the best return-to-work rates in Australia. ▶ Achieve a fully funded Scheme by 2014. |
| STRATEGIES | | |
| IMPROVE INSURER PERFORMANCE | IMPROVE RETURN-TO-WORK OUTCOMES | EFFECTIVE REGULATION AND COMPLIANCE |
| AIM | AIM | AIM |
| <p>Provide incentives to improve insurer industry performance.</p> | <p>Improve return-to-work rates by 10 per cent by June 2005 and implement an effective case management model.</p> | <p>Improve Workers Compensation Scheme equity through regulation and compliance enforcement, with a focus on the collection of premium from fraud detection.</p> |
| PERFORMANCE | PERFORMANCE | PERFORMANCE |
| <ul style="list-style-type: none"> ▶ Made significant progress on implementing recommendations of the recent review of the NSW Workers Compensation Scheme. ▶ Strengthened the insurer remuneration structure in the areas of improving return-to-work rates, reducing tail claim liabilities, implementing best practice case management models, improving the WorkCover Industry Classification System data, and improving the quality of data supplied by insurers. ▶ Progressed development of IT business and information requirements. | <ul style="list-style-type: none"> ▶ Predicted improvements for 2003/04 in 0–26 weeks return-to-work claims are 5.2 per cent, exceeding the target of 5 per cent over the base year of 2001/02. ▶ Assisted insurers to introduce case management programs. ▶ Provided training in applying outcomes measures and developed training and treatment protocols for manual therapists. | <ul style="list-style-type: none"> ▶ Through compliance activities identified additional premiums of \$26.5 million, exceeding the target of additional premiums collection by \$1.5 million. ▶ Initiated approximately 13,000 wage audits, exceeding the target by 1,000. ▶ Issued \$918,506 in section 156 certificates for double avoided premium penalties. ▶ Successfully prosecuted 10 charges involving non-insurance and failure to produce wage records. ▶ 19 successful fraud prosecutions were carried out. |
| WHAT NEXT | WHAT NEXT | WHAT NEXT |
| <ul style="list-style-type: none"> ▶ Further strengthen the remuneration structure to ensure an increased focus on outcomes and key performance areas. ▶ Consolidate funds management activities. ▶ Provide more detailed performance monitoring tools to insurers. ▶ Finalise IT business information requirements. ▶ Release tenders for claims and policy agents. | <ul style="list-style-type: none"> ▶ Continue to link return-to-work outcomes with insurer remuneration and set targets for individual insurers to improve return-to-work performance. ▶ Introduce an advanced return-to-work coordination training package. | <ul style="list-style-type: none"> ▶ Undertake a targeted program of wage audits, commencing with audits of the asbestos demolition industry. ▶ Conduct a review of the premium setting formula, including extensive consultation with stakeholders. |

The ability of the NSW WorkCover Managed Fund (the Scheme) to fund its outstanding claims liabilities is crucial to its ongoing success. Consequently, WorkCover's 2003–06 Corporate Plan set a target of a 90 per cent funded Scheme by 2008.

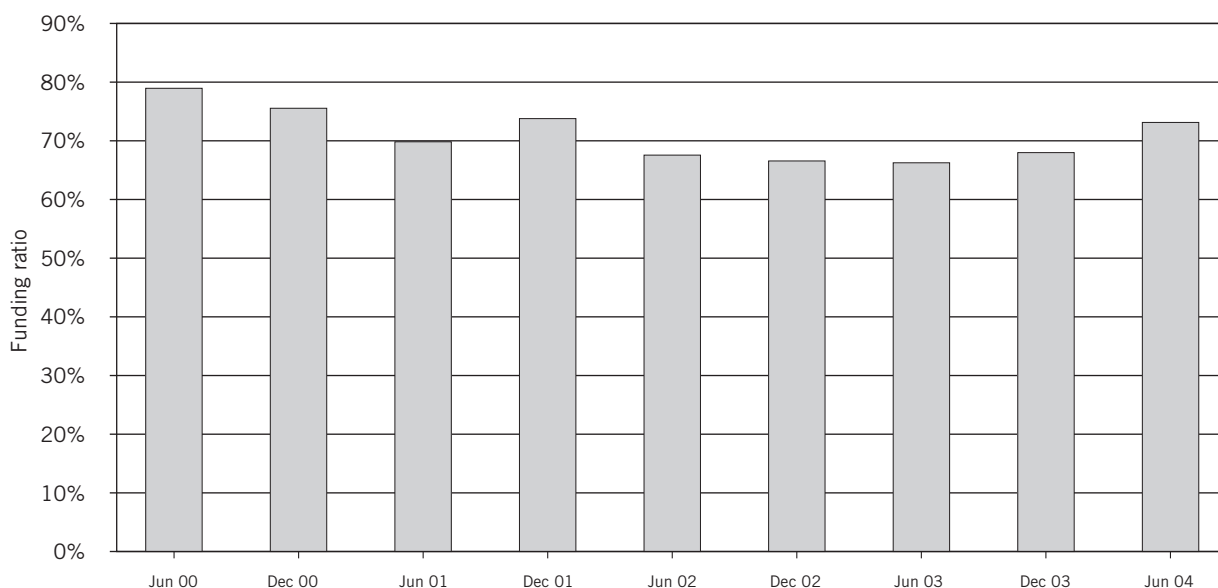
Every six months the Scheme actuaries, PricewaterhouseCoopers, provide the Government with a report on the Scheme's performance. The valuation includes:

- ▶ an estimate of the Scheme's liability
- ▶ funding ratio projections.

The NSW WorkCover Managed Fund funding ratio is assessed by taking the Scheme's assets as a proportion of its liabilities, including asset and liability values. This measure indicates the extent to which the Scheme holds assets to meet its long-term outstanding claims liabilities.

The funding ratio had increased to 73 per cent on 30 June 2004. The Scheme deficit decreased by \$629 million from \$2,982 million in June 2003 to \$2,353 million in June 2004.

Scheme funding ratio, including asset and liability projections



The valuation for 30 June 2004 shows the Scheme's projected deficit has reduced substantially over the six months since 31 December 2003. At 30 June 2004 the deficit was estimated to be \$2,353 million, a reduction of \$576 million since December 2003.

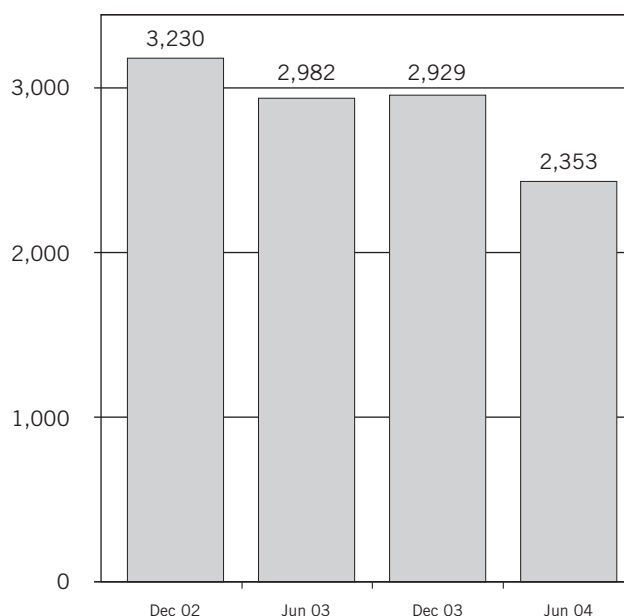
This reduction was due to an improvement in the performance of the Scheme's insurance operations and strong investment returns.

Over the last 12 months:

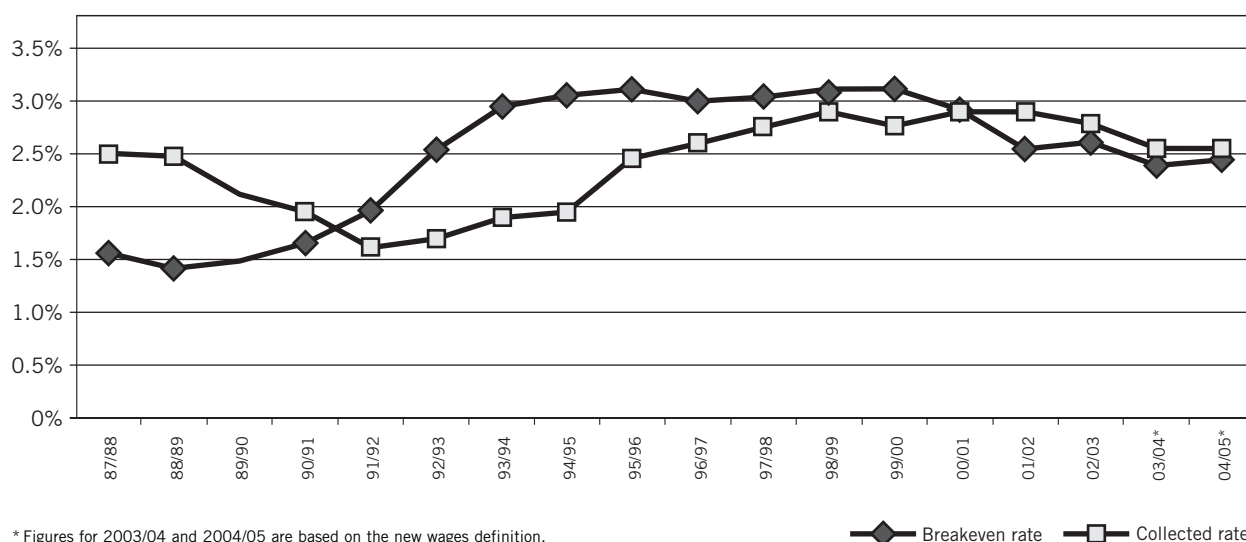
- ▶ WorkCover's insurance operations have improved, continuing the success of the previous period and indicating an improvement in the management of claim liabilities (largely attributable to the cost savings emerging from the 2001 reforms)
- ▶ investment returns were \$440 million more than expected, reversing the previous trend, when international markets suffered from a period of instability.

On the premium front, the 2.4 per cent breakeven premium rate is lower than the estimated target average rate of 2.57 per cent. In fact, the breakeven premium rate has been lower than the target average rate since 2001/02. From that time the Scheme has been paying for itself.

Estimate of deficit (\$m)



Ultimate collected and breakeven premium rates by policy renewal year



The positive results are expected to continue, given WorkCover's renewed focus to:

- ▶ improve the Scheme's structural and operational arrangements
- ▶ ensure ongoing improvements to the effective management of claims
- ▶ improve return-to-work outcomes and service delivery for workers and employers.

The WorkCover 2003–06 Corporate Plan identified three key strategies to achieve 90 per cent funding by 2008:

- ▶ improve insurer performance
- ▶ improve return-to-work outcomes
- ▶ effective workers compensation regulation and compliance.

The next phase of reform includes a comprehensive review of the workers compensation premium formula and implementation of the Scheme Design Project.

WorkCover will continue to work with insurers, new agents, employers and workers to ensure the best possible results for the Scheme and its stakeholders. This will produce long-lasting benefits for all workers and employers in NSW, and allow the NSW Government to maintain a fair and equitable workers compensation system.

Insurer performance improvement

WorkCover regulates licensed insurers that: issue and administer workers compensation insurance policies, manage the collection of premiums, perform injury and claims management, and inform employers of their responsibilities.

WorkCover also regulates organisations that are licensed self-insurers, group self-insurers or a specialised insurer.

In NSW there are six licensed insurers, 50 self-insurers, 16 group self-insurers, six specialised insurers and 16 specialised domestic insurers.

Licensed insurer market shares – year ended 30 June 2004

| Insurer | Market share of 2003/04 policies | Market share of 2003/04 premiums |
|---|----------------------------------|----------------------------------|
| Allianz Australia Workers' Compensation (NSW) Limited | 16.0% | 23.2% |
| CGU Workers Compensation (NSW) Limited | 25.1% | 24.0% |
| Employers Mutual Indemnity (Workers Compensation) Limited | 4.9% | 7.4% |
| GIO Workers Compensation (NSW) Limited | 28.8% | 20.0% |
| QBE Workers Compensation (NSW) Limited | 23.6% | 20.7% |
| VERO Workers Compensation (NSW) Limited | 1.6% | 4.7% |

An employer with a self-insurer's licence is not required to obtain workers compensation insurance from a licensed insurer. They carry their own underwriting risk and pay and manage their own claims. There are strict criteria that employers must meet before WorkCover grants a self-insurer licence.

Specialised insurers have a restricted licence to underwrite workers compensation risks, specific to a particular industry or class of business or employer.

Because insurer performance significantly affects outcomes for employers and injured workers, in 2003/04 WorkCover's remuneration packages for licensed insurers provided strong incentives to improve performance in a number of areas:

- ▶ improving return-to-work rates for injured workers
- ▶ reducing tail claim liabilities by improving the health outcomes and return-to-work opportunities for long-term claimants
- ▶ implementing a best practice case management model
- ▶ improving the quality of data submitted by insurers
- ▶ increasing the accuracy of determining an employer's WorkCover industry classification and applying the new wage definition to ensure Scheme premium income targets are met.

To measure improvement in return-to-work rates for injured workers, WorkCover set a target to improve the 0–26 week claims by 5 per cent in 2003/04 over the base year of 2001/02. Due to a lag in return-to-work indicator data, final results for 2003/04 are not available; however, current projections anticipate an improvement of 5.2 per cent. The target for 2004/05 is a 5.1 per cent reduction in days claimed for all claims up to 78 weeks.

Improvements to management of injured workers

While the main method to improve return-to-work within the Scheme has been to provide incentives for insurers, education programs have targeted general practitioners, introducing them to treatment protocols for acute low back pain.

The very successful education program has introduced 2,700 general medical practitioners to clinical guidelines for the management of acute low back pain. The second phase of the program in 2004/05 and 2005/06 will reach more than 5,000 general practitioners and will also provide material on managing more chronic musculo-skeletal conditions.

Other health professionals that can influence the timing of the return to work of an injured worker are manual therapists such as physiotherapists, chiropractors and osteopaths. Consequently, these groups have been required to attend training in applying outcome measures to their interventions and incorporating activities at the workplace into management of injured workers. By 30 June 2004, approximately 2,000 physiotherapists, 300 chiropractors and 80 osteopaths had attended training. The result has seen decreases in the overall cost of providing these services in 2003/04, compared to previous years.

The next phase of training will introduce manual therapists to implementation of a biopsychosocial approach (taking into account physical, psychological and social issues) to the management of pain associated with soft tissue injuries.

WorkCover introduced an initiative to reduce the occurrence of remedial massage that does not result in improved function for injured workers. This initiative requires remedial massage therapists to have appropriate qualifications and also attend training on treatment planning for outcomes that can demonstrate improved function for injured workers.

Helping the long-term injured and reducing tail claim liability

WorkCover established a project team to work with insurers to increase focus on the management of longer term claims. The project has been successful in a number of areas including:

- ▶ the development of improved reporting structures which provide additional and timely information on all relevant aspects of claims management
- ▶ an improved focus on the health of injured workers who have been unemployed for a lengthy period of time
- ▶ the establishment of new pilot job replacement programs that include 20 weeks of intensive assistance and a direct placement service
- ▶ utilising specialised rehabilitation personnel and general practitioners to assist workers fit to work less than 25 hours per week.

The program will continue through 2004/05 and is expected to produce further improvements in the management of longer term claims, as well as reducing Scheme liability.

Improving the quality of data submitted by insurers

WorkCover has developed a plan for the optimum information technology platform to support its future business needs. The plan will provide important infrastructure, both in terms of technologies and processes, to underpin WorkCover's key business priorities for the next five to 10 years.

The first phase of the strategic architecture initiative is the development of a new information technology solution to support the business objectives of the Scheme Design Project. The new corporate data repository (CDR) will replace WorkCover's existing INSITE claims and policy system. The CDR, together with enhanced reporting and data acceptance procedures, will improve the quality of Scheme data.

WorkCover conducted a business and systems analysis as part of the Data Quality project in 2003. This analysis identified that the poor quality of data is caused by deficiencies in both insurer and WorkCover processes. To address this issue, WorkCover has reorganised the data management functions, processes and responsibilities. This included establishing a data governance function that will implement data policies and procedures to ensure the complete, accurate and timely delivery of data to all internal and external stakeholders.

A feature of the new Scheme will be the ability to move claims between Scheme agents. A protocol for transferring data and physical files between agents will be developed in consultation with the industry. It is anticipated that the minimum data set to be transferred between agents will be defined in conjunction with potential agents and will incorporate unique identifiers for claim, policy and employer.

As part of the new Scheme arrangements the following initiatives will be implemented:

- ▶ segmentation of data capture
- ▶ improvements to validation processes to ensure ‘zero defects’ at time of data input to WorkCover
- ▶ standardisation of data definitions, minimise the required data set, re-write the operational manual and develop an organisation data quality issue and response log.

These initiatives are expected to remedy the existing issues with Scheme data.

WorkCover Industry Classification System

Insurers allocate their clients to the WorkCover Industry Classification System, enabling them to charge the correct premiums to employers. The aim of the system is to maintain the WorkCover Workers Compensation Scheme income and ensure equity across employers in the Scheme. WorkCover is committed to ensuring that all employers contribute their fair share to the Scheme and that premium rates accurately reflect the risk in an employer’s industry.

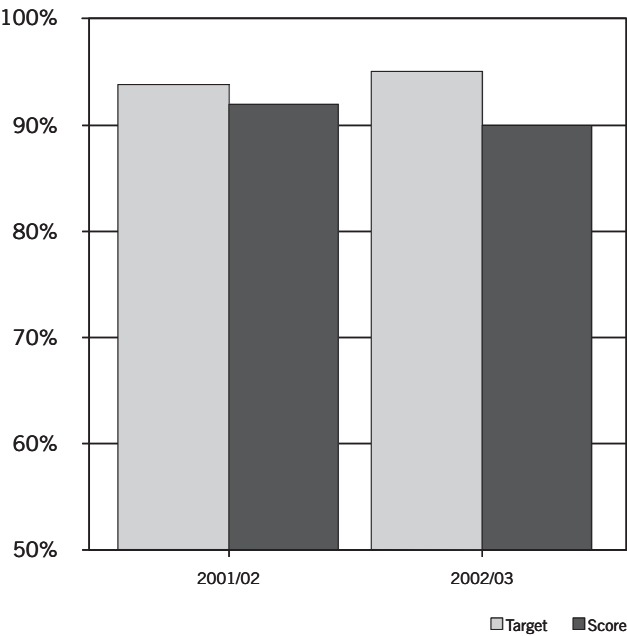
In 2003/04 the target was 96 per cent of policies to be correctly rated under the WorkCover Industry Classification System classes.

Percentage of policies correctly categorised in the WorkCover industry classification system

The data for this measure is obtained from self-audits conducted by insurers annually on a sample of policies selected by WorkCover for the relevant financial year. The results of insurer self-audits are independently confirmed by test-checks.

As the 2003/04 insurer self-audits were under way at the time this report was prepared, results for 2003/04 were not available. WorkCover expects an improvement in the WorkCover Industry Classification System scores for correct allocation for 2003/04 as insurers were required to implement strategies to improve their performance.

The target set for insurers to achieve was 96 per cent correct for 2002/03 and 2003/04 in order to earn maximum remuneration. The graph below shows the proportion of policies correctly allocated for the 2001/02 and 2002/03 policy renewal years, as well as targets for 2001/02 and 2002/03.



WorkCover will continue to emphasise the importance of this performance measure to ensure the WorkCover Industry Classification System is accurately allocated by insurers.

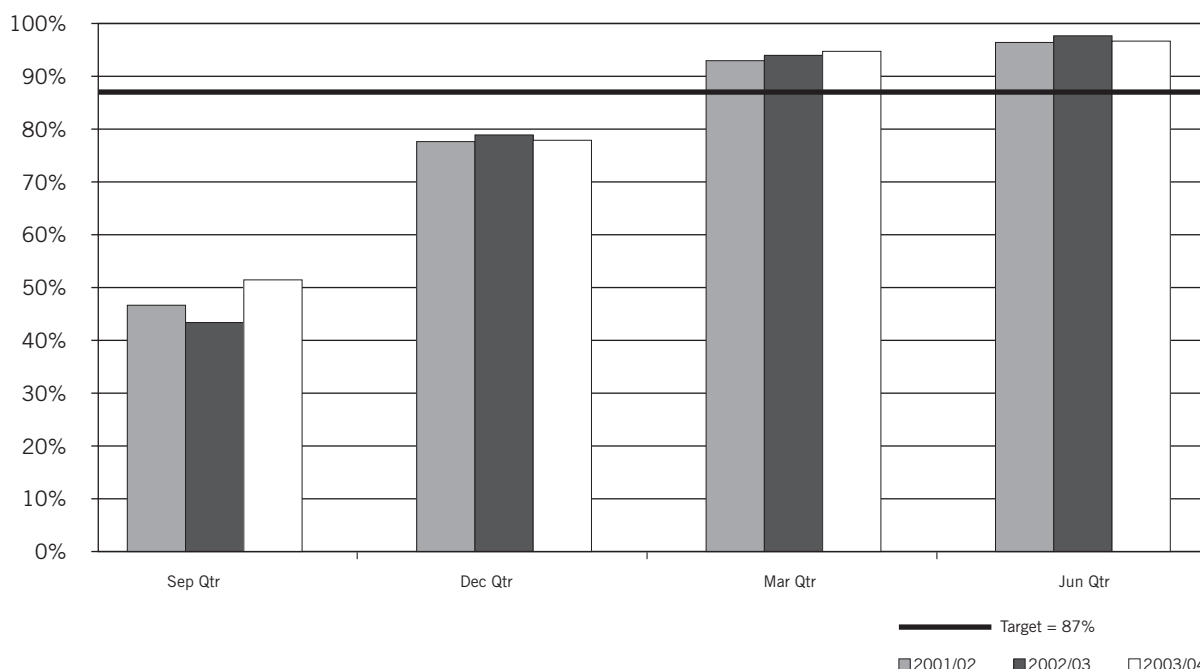
WorkCover also monitors the ratio between the premiums collected and premiums written to assess whether strategies to optimise premium collection for the Workers Compensation Scheme are effective in achieving the target collection ratio. The ratio is calculated by comparing premiums collected (net of certain third party debt collection costs) with premiums written for the current financial year.

The Scheme performance target is a ratio of 97 per cent of premium collected (net of third party costs) to written premium for each financial year (ie. 97 per cent by June year end).

Insurers have consistently exceeded the performance target by achieving a ratio of 98 per cent in 2001/02, 2002/03 and 2003/04.

In 2004/05, WorkCover will continue to closely monitor premiums collected by insurers to ensure premium collection rates are consistent and optimised.

Premium collected ratio



Effective workers compensation regulation and compliance

To protect workers and their employers in the event of a workplace-related injury or disease, all NSW employers must have a workers compensation policy. The policy must reflect the wages paid to workers and the industry in which the employer operates. Workers compensation premiums are used to provide injured workers with benefit payments for income support and medical and vocational rehabilitation expenses.

WorkCover's compliance function was substantially expanded during the year and utilises a range of methods to ensure that a high level of compliance is achieved by employers with their workers compensation statutory requirements. The function also investigates and actively pursues any potential instances of fraud identified.

As a result of compliance activities undertaken in 2003/04:

- ▶ additional premiums of \$26.5 million were identified, exceeding the target rate of \$25 million
- ▶ approximately 13,000 audits were initiated through insurers, exceeding the target of 12,000
- ▶ approximately 225 non-insurance matters were investigated and a total of \$918,506 in section 156 certificates were issued for double avoided premium penalties
- ▶ 149 penalty notices were issued for non-insurance and non-production of wage records for a total of \$88,500
- ▶ 19 successful fraud prosecutions were carried out
- ▶ 272 fraud matters were investigated, exceeding the target of 160

▶ 10 charges involving non-insurance and the failure to produce wage records were successfully prosecuted, and 35 fraud prosecution matters were referred to WorkCover's Legal Branch in 2003/04

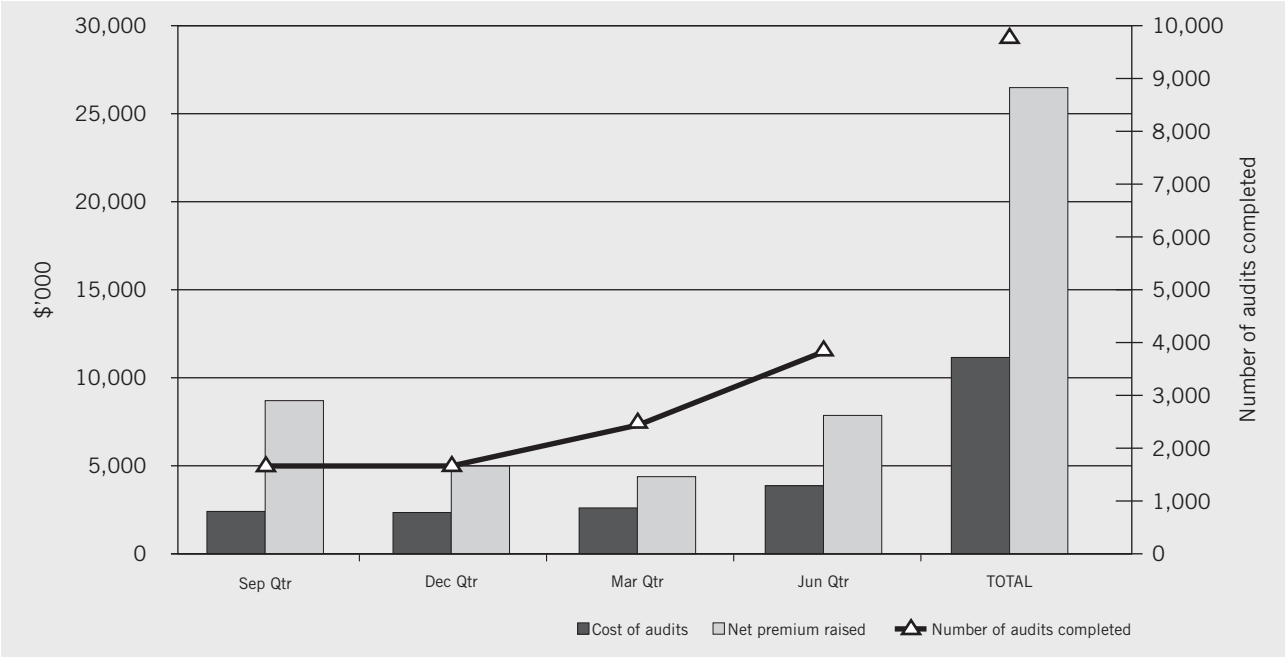
▶ the return rate was \$2.34:\$1.00, which is less than the target rate of \$3:\$1 due to poor returns on some audits selected, based on a data-mining model that has since been replaced. However, the return from wage audits is still more than double the cost of the audits, and as such is considered an excellent result.

The definition of wages for workers compensation was expanded from 30 June 2003 to come into line with the definition of wages used by employers for payroll tax purposes. As there has been a full 12 months since introduction of the new definition, it is anticipated that further data matching with payroll records of the Office of State Revenue will identify potential employers and policies that have under-declared wages for workers compensation purposes.

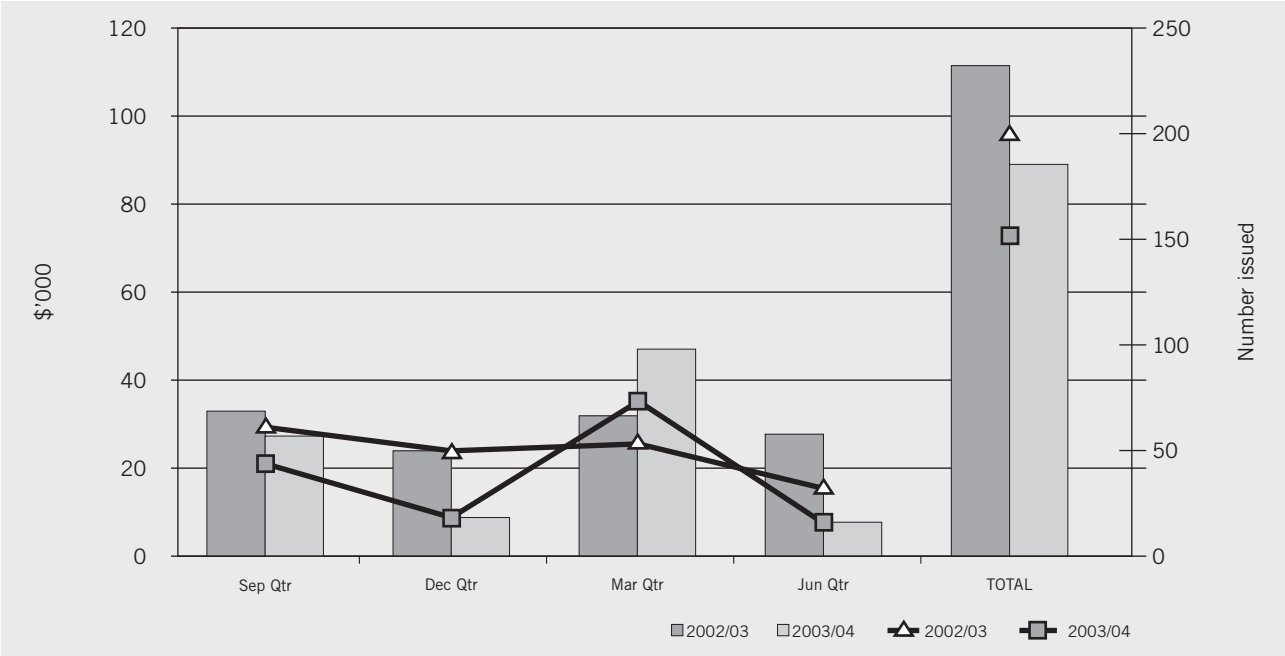
In 2004/2005, WorkCover's Compliance Improvement Branch will undertake a number of field-based compliance investigation projects with the occupational health and safety industry teams.

These projects will primarily target construction and cleaning, with the first project in July 2004 focusing on the asbestos removal and demolition industry. Other projects involving the construction team will target mobile plant and equipment operators on construction sites. The Compliance Improvement Branch will also participate in the ongoing cleaning project being undertaken within WorkCover by focusing on the detection of non-insurance and under-insurance, and the investigation and detection of any potentially fraudulent activity.

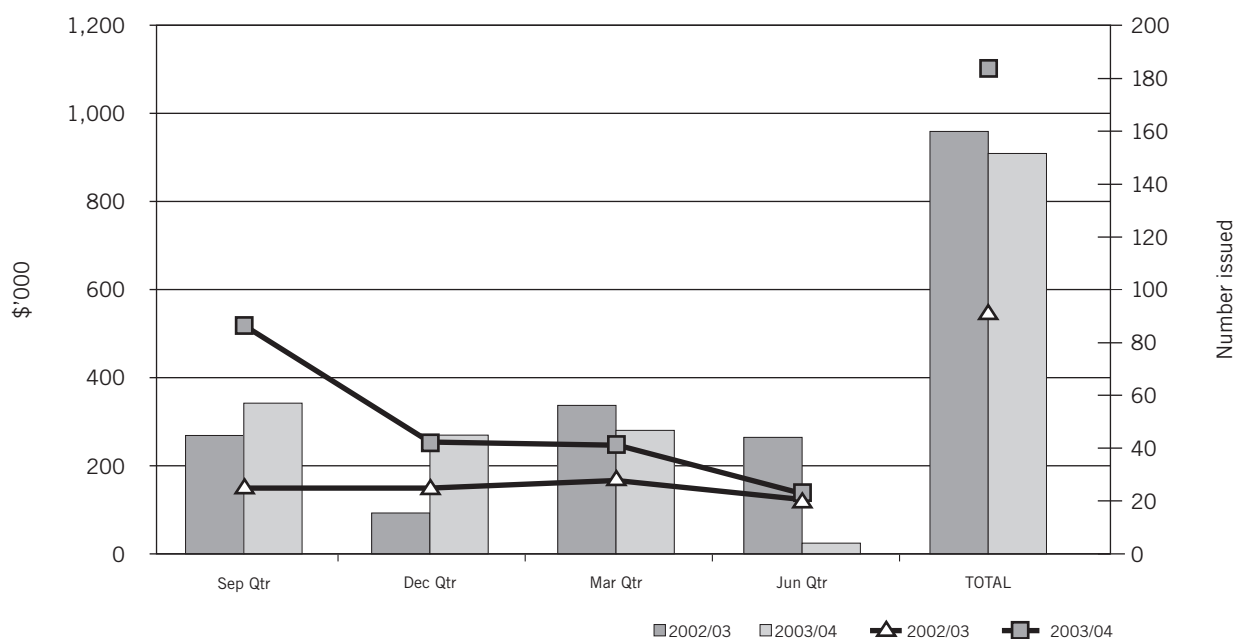
Insurer wage audit results for 2003/04



Number and value of penalty notices issued



Number and value of certificates issued for non-insurance



Premium Discount Scheme

The Premium Discount Scheme commenced on 30 June 2001 as an incentive for employers to implement measurable occupational health and safety and injury management systems. Under the Scheme, Premium Discount Advisers who are approved by WorkCover conduct audits of participating employers' occupational health and safety and injury management systems. If an employer meets WorkCover benchmarks, the adviser notifies the insurer who provides the employer with a workers compensation premium discount.

The Premium Discount Scheme is aimed at employers with high claims costs. Over 3,400 employers who employ an estimated 500,000 workers are participating in the scheme. These employers have received aggregate discounts of \$117 million.

The majority, 77 per cent (2,615), of Premium Discount Scheme participants are in the target base tariff premium range between \$25,000 and \$500,000. Employers with a high-risk WorkCover Industry Classification within this base tariff premium range are a primary target group, with 68 per cent of participants in these industries.

A limited Small Business Strategy that ran over a three-year period to 30 June 2004 was also implemented to target smaller employers with 20 or less full-time equivalent workers. A total of 1,817 small employers initially subscribed to participate in sponsored programs. Of these, the 1,540 that have participated in the strategy are estimated to employ over 15,000 workers. These employers have received total discounts of almost \$6.2 million.

A total of 83 advisers have completed audits for employers out of the pool of 107 advisers currently approved by WorkCover. The WorkCover Audit Management Unit is currently reviewing the performance and operations of advisers. All advisers will be reviewed before 30 June 2005.

Details of the Premium Discount Scheme Awards 2003 that recognised significant improvements in occupational health and safety and injury management can be found on page 37.

Workers Compensation Scheme Design review

The NSW Government has endorsed the most comprehensive and far-reaching reforms to the structure of the Scheme since its inception in 1987.

In 2002, McKinsey & Company was commissioned to review the operations of the Scheme and make recommendations for improving the Scheme's underwriting and insurance arrangements. The McKinsey report, 'Partnerships for Recovery: Caring for injured workers and restoring the financial stability to workers compensation in NSW', released in September 2003 recommended significant changes to the Scheme designed to improve outcomes for injured workers and improve the financial performance of the Scheme.

The review outlined 57 recommendations that address changes to the arrangements for claims management, funds investment, and premium assessment and collection. It recommended:

- ▶ opening the market to allow specialist service providers to tender for roles within the NSW workers compensation market
- ▶ unbundling the existing functions of insurers so that the most effective businesses, or new agents, are selected to manage each of these functions and enabling specialised management of general, long-term and catastrophic care claims
- ▶ making WorkCover a stronger manager of the Scheme by giving it greater powers to manage the activities of the agents

▶ introducing contract arrangements between WorkCover and agents that will enable the appointment of the most efficient, better performing businesses

▶ private underwriting of the Scheme should not be pursued at least until the Scheme is fully funded.

In response to the report, WorkCover NSW has formed the Scheme Design Project. The purpose of the project is to make operational these changes to the Scheme.

The new Scheme arrangements are designed to improve return-to-work rates, improve service delivery and outcomes for workers and employers and deliver a sustainable Scheme.

The reform program will seek to ensure agents and stakeholders in the Scheme are provided with incentives to achieve effective injury management, leading to safe and durable return to work.

Performance contracts and the competitive tendering of claims management contracts will be integral, and inseparable, elements for improving Scheme performance and meeting Scheme objectives.

The new Scheme will result in other important benefits for workers, employers and insurers, in addition to reducing the Scheme's deficit. It aims to provide workers with the right level of treatment and management of their claim to assist them to return to work. Moreover, it will provide the most seriously injured workers with specialised attention.

For employers, it will focus on creating a more efficient and transparent Scheme, and achieving better value for the premiums they pay. They will be able to make more informed decisions on agent performance to determine with which agent to place their business.

For agents, it aims to create a market where high-performing agents thrive.

In tandem with these changes, the report's recommendations on information technology systems and processes are being introduced. In 2003/04, preliminary information technology business and information requirements were defined and a plan was developed for an information technology platform that will support the reporting requirements for the new Scheme.

Fundamental to the new Scheme arrangements is the consolidation of funds into a single Workers Compensation Insurance Fund. During 2003/04, a preliminary model for funds management was completed and selection by tender of an asset consultant commenced.

Accompanying these Scheme management changes were two papers: Claims and Policy Agents – information for organisations interested in becoming claims and policy agents in the Scheme; and Scheme Design – General information, giving an overview of the McKinsey recommendations and setting out WorkCover's preliminary views with regard to implementation.

Two important changes were made to workers compensation legislation in 2003/04:

▶ the *Workers Compensation Amendment (Insurance Reform) Act 2003* was passed in November 2003, introducing a framework for the new Scheme arrangements, outlining WorkCover's role and responsibilities, and establishing a nominal insurer to contract out functions and consolidate Scheme statutory funds into a single Workers Compensation Insurance Fund

▶ the *Workers Compensation Legislation Amendment Act 2004* was passed in June 2004, establishing an independent board with investment and commercial expertise to determine investment policy and monitor the fund's performance.

As part of the focus on Scheme outcomes and a more active management of agents, a claims and policy agent model was finalised.

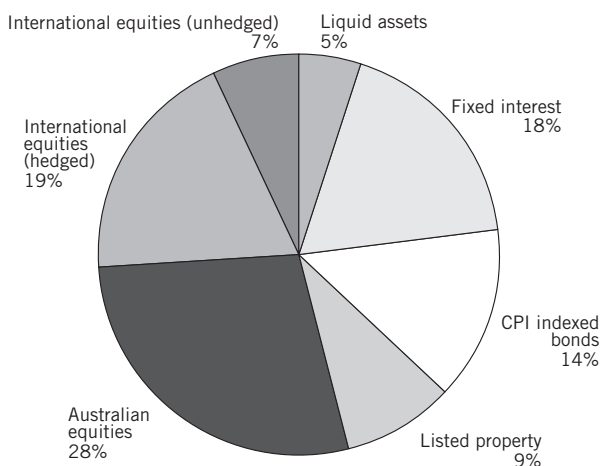
Work on a preliminary agent remuneration model was commenced to support management of agent contracts by providing incentives that encourage competition and improved performance.

In 2004/05 it is planned to finalise testing of the information technology model, release claims and policy agent tenders, and appoint an asset consultant and asset managers.

Overall Scheme performance for 2003/04

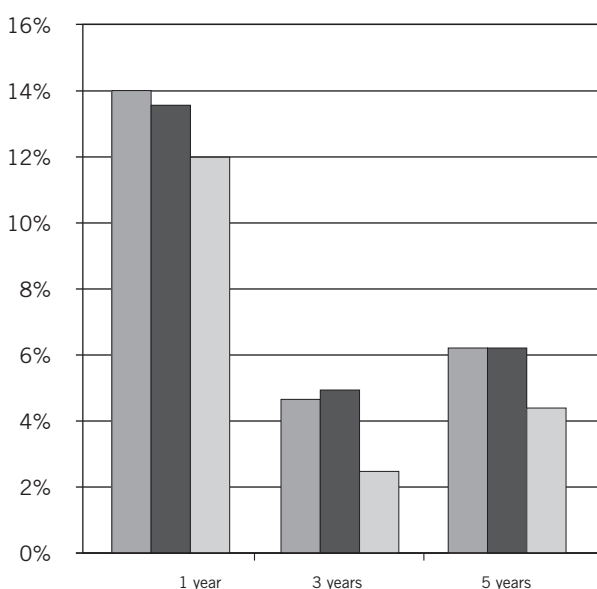
The Scheme investment portfolio totals \$5.5 billion invested in various asset classes and is shown in the following graph.

Workers Compensation Scheme asset allocation



From time to time, WorkCover sets the strategic asset allocation (ie. the reference portfolio) based on the advice of an independent asset consultant. The primary target is for Scheme investment returns to out-perform (or only marginally under-perform) the reference portfolio returns over various investment horizons. A peer group comparative average return is also used as a performance indicator to assess performance of the Scheme's fund managers, relative to the performance of other industry fund managers managing portfolios with a comparable asset mix (mainly superannuation fund managers).

Investment performance – rate of return to 30 June 2004



The Scheme returned 14.1 per cent in 2003/04, out-performing the reference portfolio benchmark by 0.6 per cent. The Scheme also out-performed the peer group comparative return by 2.2 per cent.

The Scheme returned 4.7 per cent annually for the three-year period, marginally under-performing the reference portfolio return by 0.1 per cent. Over the five-year period, the Scheme returned 6.3 per cent annually in line with the reference portfolio. The Scheme out-performed the peer group over three and five-year periods.

The Scheme had an excellent year to 30 June 2004, due to the continued recovery in global share markets. The rebounding United States' economy, combined with strong demand for commodities especially from China, low global interest rates and improved company earnings all aided equities, both globally and domestically. International and Australian equities provided superior returns. The level of merger and takeover activity benefited listed property trusts, especially in the final quarter.

The Scheme's good performance is due to its asset allocations in 2003/04. The Scheme's average overweight position in Australian and hedged international equities added to performance as well as the general underweight position of fixed interest.

Actual investment returns have matched the benchmark over the period and exceeded the Consumer Price Index for the total period.

Claims payments

Total claims-related payments are made up of total compensation payments and total non-compensation payments (see table below for a detailed breakdown of payments for recent years). Compensation payments include weekly benefits, lump sum payments and medical expenses. Non-compensation payments are comprised largely of damages and common law legal costs and investigation expenses.

Total non-compensation payments rose from \$1.3 billion to \$1.5 billion in 2002/03 (latest available data), an increase of 18.7% over the previous year. This increase is largely due to an increase in damages and common law payments, which rose from \$704.7 million in 2001/02 to \$1,013.8 million in 2002/03.

There has been an increase in statutory payments from 2001/02 to 2002/03 for permanent injury (70%), pain and suffering (97%) and weekly payments (9%). This has been offset by a reduction in commutations in 2002/03, a consequence of the workers compensation reforms in 2001. Total commutations decreased by \$785.7 million from \$812.5 million in 2001/02 to \$26.8 million in 2002/03.

Breakdown of claims-related payments

| | 2002/03 | | 2001/02 | | 2000/01 | |
|--|------------------|-------------|------------------|-------------|------------------|-------------|
| | \$'000 | % | \$'000 | % | \$'000 | % |
| COMPENSATION PAYMENTS | | | | | | |
| Ambulance services | 9,757 | 0.3 | 8,395 | 0.2 | 7,166 | 0.2 |
| Medical treatment | 284,573 | 8.8 | 277,054 | 7.8 | 232,692 | 7.9 |
| Hospital treatment | 59,059 | 1.8 | 60,620 | 1.7 | 60,990 | 2.1 |
| Rehabilitation treatment | 111,258 | 3.4 | 88,096 | 2.5 | 74,258 | 2.5 |
| Physiotherapy and chiropractic treatment | 61,387 | 1.9 | 66,189 | 1.9 | 63,069 | 2.1 |
| Damage to artificial limbs and clothing | 4,388 | 0.1 | 3,636 | 0.1 | 3,328 | 0.1 |
| Death payments | 25,743 | 0.8 | 20,643 | 0.6 | 22,964 | 0.8 |
| Permanent injury | 265,827 | 8.2 | 156,633 | 4.4 | 136,377 | 4.6 |
| Pain and suffering | 113,348 | 3.5 | 57,493 | 1.6 | 50,621 | 1.7 |
| Redemptions (Commutations) | 26,771 | 0.8 | 812,501 | 23.0 | 665,565 | 22.6 |
| Partial incapacity (weekly benefit) | 306,090 | 9.4 | 257,042 | 7.3 | 236,758 | 8.1 |
| Total incapacity (weekly benefit) | 433,428 | 13.3 | 423,582 | 12.0 | 416,987 | 14.2 |
| Total compensation payments | 1,701,629 | 52.3 | 2,231,884 | 63.1 | 1,970,775 | 66.9 |
| NON-COMPENSATION PAYMENTS | | | | | | |
| Transport and maintenance | 14,966 | 0.5 | 15,802 | 0.4 | 15,312 | 0.5 |
| Damages and common law | 1,013,830 | 31.2 | 704,657 | 19.9 | 460,308 | 15.6 |
| Investigation expenses | 137,986 | 4.2 | 173,112 | 4.9 | 150,152 | 5.1 |
| Interpreter services | 2,277 | 0.1 | 2,234 | 0.1 | 1,624 | 0.1 |
| Legal costs | 379,300 | 11.7 | 408,399 | 11.6 | 347,938 | 11.8 |
| Total non-compensation payments | 1,548,359 | 47.7 | 1,304,204 | 36.9 | 975,334 | 33.1 |
| Total payments | 3,249,988 | 100 | 3,536,088 | 100 | 2,946,109 | 100 |

Engagement

PERFORMANCE AGAINST OBJECTIVES

AIM

- ▶ Increase awareness among workers and employers of their occupational health and safety, injury management and workers compensation responsibilities to reduce injury and illness in the workplace.

PERFORMANCE

- ▶ Improved awareness of occupational health and safety, injury management and workers compensation in NSW through production and distribution of various publications, conducting seminars and workshops, and providing grants to educate workers and employers in NSW.

WHAT NEXT

- ▶ Continually enhance assistance services to small and medium sized businesses.
- ▶ Engage workers and employers in policy development while increasing their awareness of occupational health and safety, injury management and workers compensation requirements.

STRATEGIES

EFFICIENTLY ALLOCATE RESOURCES

AIM

Improve cost benefit analysis through legislative change and WorkCover's Project Management Approach.

PERFORMANCE

- ▶ Introduced a project management approach that incorporates cost benefit analysis into decision making.
- ▶ WorkCover's Regulatory Economist provided inhouse training to staff on cost benefit analysis.
- ▶ Cost benefit analysis has improved the approval process for regulation and legislative changes, policy development and project management.

WHAT NEXT

- ▶ Develop a database of the economic cost of work-related injuries and fatalities and regularly audit WorkCover compliance with the WorkCover Project Management Approach and cost benefit analysis guidelines.
- ▶ Develop cost benefit analysis guidelines for IT projects.
- ▶ Develop regulatory impact statement guidelines.

INCREASE AWARENESS AMONG EMPLOYERS AND WORKERS OF THEIR REGULATORY RESPONSIBILITIES

AIM

Engage employers and workers in occupational health and safety, injury management and workers compensation initiatives.

PERFORMANCE

- ▶ Convened 13 Industry Reference Groups.
- ▶ Funded 23 trade unions and 29 employer associations under the WorkCover Assist program to help implement the new legislative requirements.
- ▶ Granted \$870,390 to organisations for projects that increase awareness of occupational health and safety in NSW.
- ▶ Sponsored various initiatives aimed at improving occupational health and safety and injury management.
- ▶ Conducted the 2003 Premium Discount Scheme Awards.
- ▶ Conducted approximately 50 seminars under the Small Business Assistance Strategy.
- ▶ Mailed out over 75,000 Small Business Starter Kits.
- ▶ Over 100,000 safety checklists developed for NSW business were downloaded from the WorkCover website.

WHAT NEXT

- ▶ Review the Industry Reference Groups.
- ▶ Provide \$1.5 million over five years to fund a research centre for occupational health and safety research.
- ▶ Continue to encourage improvement in occupational health and safety in all businesses through a workplace safety awards program.

Engagement

To effectively regulate workplaces, WorkCover maintains a high public profile and supports relationships with stakeholders across NSW, including:

- ▶ the NSW Government
- ▶ employers and workers
- ▶ industry groups
- ▶ Workers Compensation Scheme investors and actuaries
- ▶ insurers
- ▶ the National Occupational Health and Safety Commission
- ▶ the Workers Compensation Commission
- ▶ medical practitioners and health care providers
- ▶ occupational health and safety professionals.

Two key strategies are identified in the 2003–06 Corporate Plan to improve WorkCover's stakeholder engagement:

- ▶ improved cost benefit analysis
- ▶ engaged employers and workers.

In addition, the Small Business Assistance Strategy was identified as a priority project to assist small business understand and implement their regulatory obligations under the occupational health and safety and workers compensation and injury management legislation.

Improved cost benefit analysis

The broad purpose of cost benefit analysis is to help social decision-making by efficiently allocating society's resources.

WorkCover has implemented initiatives that support the integration of cost benefit analysis in the decision-making process. These include:

- ▶ creating a new position of Regulatory Economist responsible for introducing and developing economic expertise and ensuring cost benefit analysis is appropriate
- ▶ introducing a project management approach which mandates the use of cost benefit analysis to support business cases
- ▶ developing economic evaluation guidelines on how to undertake a cost benefit analysis, supported by training
- ▶ working with the National Occupational Health and Safety Commission on development of information and sources for cost benefit analysis.

In addition, the following initiatives will be undertaken in 2004/05:

- ▶ regularly auditing WorkCover compliance with the WorkCover Project Management Approach and cost benefit analysis guidelines

- ▶ developing cost benefit analysis guidelines for information technology projects
- ▶ developing regulatory impact statement guidelines
- ▶ developing a database on the economic cost of work-related injuries and fatalities in NSW.

Engaging employers and workers in occupational health and safety initiatives

WorkCover has established a number of avenues for the NSW community and industry to provide input into the development of policies and strategies that will improve workplace health and safety, injury management and workers compensation performance.

Industry Reference Groups were established in 1999 and are convened by WorkCover to assist in improving WorkCover's stakeholder capabilities. The 13 Industry Reference Groups are made up of:

- ▶ employer and worker representatives from industry
- ▶ industry specialists with expertise in occupational health and safety, injury management and workers compensation
- ▶ WorkCover officers
- ▶ insurance industry representatives.

Under the WorkCover Assist program, registered NSW trade unions and employer associations help their members implement the *Occupational Health and Safety Act 2000*, the *Occupational Health and Safety Regulation 2001* and the *Workers Compensation Legislation Amendment Act 2001* as it applies to dispute resolution and claims assistance. The funding is used to assist key target groups better understand and adopt the legislation's key requirements, with the ultimate aim of reducing the incidence of occupational illness and injury and the cost of workers compensation claims.

The program funds a variety of methods to achieve these aims, for example briefings and workshops, telephone hotlines, and assistance for injury management.

WorkCover has identified small business as a major stakeholder since exemptions for businesses with less than 20 employees were removed in September 2003 from the provisions of the occupational health and safety legislation relating to hazard identification, risk assessment and risk control.

As a result, proposals for WorkCover Assist that support WorkCover's small business strategy and other priority target areas attracted additional weighting. Other priority target areas include risk assessment, new workers compensation reforms and principal contractor provisions.

Funds granted to non-government community organisations

In 2003/04 WorkCover granted \$870,390 to programs that increase awareness of occupational health and safety in NSW.

| Organisation | Amount \$ | Project |
|---|----------------|--|
| Australian Commercial Dental Laboratories Association NSW | 27,000 | Education assistance using a work manual, seminars, and random laboratory inspections. |
| Australian Entertainment Industry Association | 25,000 | A guide which aims to reach all 300 national members (180 in NSW) covering a potential 10,000 worksites. |
| Australian Retailers Association | 120,000 | Information workshops and self-help occupational health and safety/workers compensation guides for NSW retailers. |
| Baking Industry Association | 57,405 | A range of occupational health and safety initiatives in nearly 4,000 businesses. |
| Building Service Contractors Association of Australia | 42,700 | A safety kit for cleaners in schools, nursing homes and shopping centres. |
| Catholic Commission for Employment Relations | 50,000 | Certifying 40 trainers in professional assault response training. |
| Civil Contractors Federation | 29,950 | Training in the implementation of safety management systems. |
| Fire Contractors NSW Ltd | 45,000 | A safety check audit that supports industry teamwork. |
| Gunnedah Chamber of Commerce | 46,340 | Training for local businesses in implementing the occupational health and safety and worker compensation Acts and Regulations. |
| Master Painters Australia NSW Association Inc. | 31,940 | Focus group sessions, safe work method statements, guide and audit. |
| Motor Traders Association | 29,320 | Workshops and guidance materials. |
| National Meat Association of Australia | 50,000 | Guide for 28 abattoirs in NSW. |
| Newcastle Trades Hall Council | 50,000 | Provide training to union officials on implementing the occupational health and safety and workers compensation acts and regulations. |
| NSW Apiarists Association Inc | 30,000 | Training and a self-help manual for 600 rural businesses. |
| NSW Taxi Industry Association | 39,715 | Improve occupational health and safety hazard and risk management for 5,000 taxi operators. |
| NSW Thoroughbred Racing Board | 38,670 | Deliver six train the trainer courses to 80 participants in metropolitan and country areas. Of these, 50 per cent will, in turn, deliver training courses as accredited occupational health and safety trainers targeting 1,500 trainer members. |
| The Shearing Contractors Association of Australia | 31,350 | Establish occupational health and safety and injury management standards and systems for shearing contractors. |
| Council of Social Services of NSW | 100,000 | Provide an occupational health and safety advisory service to non-government organisations. |
| YouthStart | 26,000 | Produce an online training course, YouthSafe, for new starters and the 15-20 year age group. |
| Total | 870,390 | |

WorkCover NSW Research Centre of Excellence

Starting in 2004/05, WorkCover will provide \$1.5 million over five years for a research centre to provide and encourage excellence in workplace safety research. The centre will be established in conjunction with the University of Newcastle at its Ourimbah campus. The WorkCover NSW Research Centre of Excellence will initiate and promote research and research training aimed at preventing or minimising workplace injury and disease. Researchers, specialists and post-graduate students will undertake the research.

The research centre aims to provide excellence in research and research training for the prevention of workplace injury and disease in line with WorkCover's corporate objectives. The centre will support occupational health and safety research and research for higher degrees in occupational health and safety and workplace rehabilitation and will be linked with existing programs in these areas.

The vision is that the centre will become a significant contributor to a research base that is recognised globally. In turn, this will

contribute to development of safer work environments, improved workplace injury management practices, and more focused policy development in occupational health and safety.

It is predicted that as recognition for its research performance grows, the centre will attract both Australian and international students who will undertake research, education and training and will become the future leaders in the occupational health and safety discipline.

Small Business Assistance Strategy

Since 2001, this project has provided integrated and easy to understand occupational health and safety and workers compensation information, education and advice, to help small businesses manage health and safety in their workplaces. Since 1 September 2003, the initiative has responded to the removal of exemptions for businesses with less than 20 employees from the provisions of the occupational health and safety legislation relating to hazard identification, risk assessment and risk control.

The focus has principally been educational, providing information about employers' statutory obligations for occupational health and safety and injury management, including:

- ▶ information seminars and safety workshops statewide
- ▶ production of guidance materials, most notably the Small Business Safety Checklist
- ▶ an advertising campaign
- ▶ 157 one-on-one consultations with WorkCover inspectors
- ▶ sector-specific programs targeting rural businesses and selected manufacturers.

The checklists and consultations were particularly aimed at advising employers about how to plan and manage occupational health and safety, injury management, return-to-work programs and workers compensation in a systematic way.

The following statistics show the favourable response among the small business community to these initiatives. In 2003/04:

- ▶ 4,230 people attended the seminars in 45 locations statewide
- ▶ an additional 30 workshops were held as part of the Safer Towns and Cities demonstration program held in Bathurst and Orange
- ▶ four seminars were held at the Safety Show in Homebush, attracting between 100-120 people to each session
- ▶ 225,000 small NSW businesses were direct mailed information on occupational health and safety legislative requirements and 80,000 businesses responded with requests for the Small Business Starter Kit and/or safety checklists
- ▶ over 75,000 Small Business Starter Kits were mailed out
- ▶ over 100,000 safety checklists were downloaded from the WorkCover website
- ▶ 100 per cent of participants in the Consultant Program pilot gave positive feedback.

Although the statistics are very encouraging, research is under way to rigorously evaluate the effectiveness of these education initiatives in promoting behavioural change, increasing compliance and reducing work-related injury and disease.

WorkCover is also conducting a \$150,000 research project, Effective Intervention Strategies For Small Business, which is looking at the effectiveness of the following areas:

- ▶ advertising (TV, radio, print)
- ▶ educational initiatives (seminars, compliance visits, publications, website)
- ▶ expert assistance (one-on-one consultations, information line)
- ▶ compliance programs (enforcement initiatives, inspectorate visits, prosecutions).

The research will also recommend strategies to further improve occupational health and safety awareness and behaviour in small business.

Overall, this project contributes to WorkCover's long-term goal of optimising legislation, regulation and policy to deliver the vision of safe secure workplaces.

In 2003/04, an invitation to tender for the project was advertised and information on the initiative was posted on the WorkCover website. At the end of 2003/04 a formal agreement was being drawn up with CREEDA Projects Pty Ltd.

WorkCover is looking at further services to help small to medium enterprises build their capacity to manage their occupational health and safety and workers compensation obligations, with a focus on identifying practical tools they need and how best to deliver them to different industry sectors.

For example, as many small businesses have expressed a preference for receiving information electronically, and this media is a convenient and cost effective way to provide further practical assistance to a very diverse and dispersed small business community, WorkCover started offering to send information by email. Direct mail has also proved highly successful in gaining a wide reaching response from small business.

Customer service

The WorkCover Assistance Service is comprised of the WorkCover Information Centre and the WorkCover Claims Assistance Service. Through the Information Centre, it provides information and assistance to workers, industry and the community on workplace health and safety, injury management and the workers compensation system. The Claims Assistance Service provides information and assistance to injured workers and employers about claims for workers compensation, particularly resolution of potential disputes.

In 2003/04, the Information Centre's total telephone, email and counter contacts were 211,203, an increase of more than 9 per cent over 2002/03. This increase continues the 2001/02 trend and is attributed largely to WorkCover's successful media campaigns and reform program.

Although there was a 17.5 per cent decrease in internet queries, which dropped to 12,414, telephone enquiries rose to 193,207, an increase of almost 11 per cent since 2002/03. At the same time, counter enquiries increased by almost 39 per cent to 5,592.

In 2003/04, the Claims Assistance Service handled 5,611 cases, an increase of almost 12 per cent on 2002/03, with a resolution rate of almost 81 per cent. The most common causes of referral were:

- ▶ benefits delayed or not paid
- ▶ claims declined
- ▶ difficulties in obtaining information from insurers
- ▶ difficulties with employers, for example, not passing on monies
- ▶ problems with return-to-work issues
- ▶ difficulties in making a notification to the insurer.

Electronic service delivery

The NSW Government has made a commitment to make all appropriate government services available online.

WorkCover's major projects in electronic service delivery in 2003/04 were:

- ▶ implementation of the Wage Audit System
- ▶ Government Licensing System
- ▶ Scheme Design Project.

The Wage Audit System will:

- ▶ provide automation and tracking to wage auditing
- ▶ improve the ability to retrieve wage audit information for use by various business areas
- ▶ provide a means of notification to insurers of required wage audits
- ▶ provide a means of advising WorkCover of due and past due audits
- ▶ give immediate feedback to the insurer of rejected data.

The Government Licensing System, which is currently in development will:

- ▶ enable licence processes to be completed via the internet as part of the whole-of-government NSW Government Licensing Project, managed by the Department of Commerce
- ▶ improve the quality and timeliness of licence processing
- ▶ improve the integrity of licence assessments and counter the possibility of fraud.

The Scheme Design Project is aimed at improving the operations of the WorkCover Scheme. The reform objectives are:

- ▶ improved service delivery for employers and workers
- ▶ early, safe and durable return-to-work for injured workers
- ▶ a fully funded WorkCover Scheme within five to 10 years
- ▶ a sustainable and outcome-focused Scheme design
- ▶ to create conditions for a competitive marketplace.

To support these reforms WorkCover will introduce new information technology systems. These systems and tools will:

- ▶ enable the submission and retrieval of information by insurers and employers via the internet
- ▶ make available to agents and employers online information and data on agent comparative performance.

Publications

WorkCover publishes a variety of printed and online material to assist employers and workers meet their responsibilities in the areas of workplace safety, injury management and workers compensation. These include guides, fact sheets, codes of practice, forms and posters.

WorkCover News, the official publication of WorkCover, is produced quarterly to provide the latest news and information on occupational health and safety, workers compensation and injury management. In March 2004 a readership survey was conducted with 28,781 surveys distributed. Of the responses received, 94 per cent rated the content of the publications as interesting or very interesting and 90 per cent rated it as good or excellent at providing helpful information. WorkCover News also rated very highly in all other areas including length of articles, layout and design, and quality of photographs and illustrations. Results and feedback from the survey are now being incorporated into future issues.

In 2003/04, WorkCover distributed over 2.2 million publications to employers, workers, unions, employer and industry associations, local councils and libraries. Many were distributed free of charge and an increasing number are now available on the WorkCover website. To meet client demand, as well as changes in technology and publishing, WorkCover is moving towards more accessible and cost-effective means of providing information with the introduction of CD ROMs and online publications.

WorkCover produces a number of new publications each year, including many which are developed in conjunction with industry, including the Industry Reference Groups. Examples include the Community Services Safety Pack publication and CD ROM, Code of Practice for Moving Plant on Construction Sites, and Safe Working at Heights.

The publications listed below are all available in hard copy and/or online at www.workcover.nsw.gov.au

Publications 2003/04

Application for a licence to carry dangerous goods of class 1 explosives (DG3)

Application for licence to import explosives (DG7)

Application for licence to manufacture explosives (DG5)

Application for general permit to use display fireworks (DG15-GP)

Application for a one day display fireworks permit (DG15-D)

Application for shot firer's permit

Application for WorkCover construction induction certificate

Application guide when applying to WorkCover NSW for pyrotechnics/fireworks permits

| | |
|--|---|
| Application for single occasion fireworks permit | The new simple way to notify work-related incidents |
| Application form for pyrotechnicians permit | Wages Definition Manual – October 2003 edition |
| Application for transfer of licence to keep dangerous goods | Work trial guidelines |
| Benefits Guide – October 2003 edition | WorkCover News editions 54, 55, 56 and 57 |
| Benefits Guide – April 2004 edition | WorkCover NSW Annual Report (2002/03) |
| Code of Practice: Moving plant on construction sites | Workers compensation fraud – employer referral form |
| Community services safety pack | Workers compensation fraud – insurer referral form |
| Conversion to a WorkCover construction induction certificate | Workers compensation fraud – worker/other referral form |
| Construction induction certificate | Workers Compensation and Injury Management Fact Sheet 1 – Insurance policy and premiums information for employers |
| Exemption from training – OHS general induction for construction work in NSW | Workers Compensation and Injury Management Fact Sheet 2 – Injury management and return-to-work programs |
| Fact Sheet – Health and community services industry team | Workers Compensation and Injury Management Fact Sheet 3 – What to do if there is an injury |
| Fact Sheet – Health and safety obligations and workers compensation employer obligations protecting small business | Workers Compensation and Injury Management Fact Sheet 4 – Claims and benefits |
| Fifteen minute farm safety checklist | Workers Compensation and Injury Management Fact Sheet 5 – Resolving problems and disputes about workers compensation |
| Health and safety guidelines for hairdressers | Workers Compensation and Injury Management Fact Sheet 6 – Service providers and other assistance |
| Investigation complaint referral sheet | Workers Compensation and Injury Management Fact Sheet 7 – Checklist for employers |
| Licence to keep dangerous goods | Workers Compensation and Injury Management Fact Sheet 8 – Getting more information |
| Manual handling resource | Workers Compensation and Injury Management Fact Sheet 9 Information for principal contractors – subcontractor premiums |
| Notification of pyrotechnics/fireworks display form | WorkCover construction induction certificate brochure |
| Operational conditions for WorkCover NSW pyrotechnics/fireworks permits | Work involving the use of MOCA (4,4'-METHYLENE BIS (2-CHLOROANILINE)) |
| Outline of the NSW Workers Compensation Premium Scheme 2003/04 | |
| Paralympian sponsorship program | |
| Premium Discount Scheme – Incentives for employers | |
| Premium Discount Scheme audit tool – 2003 | |
| Premium Discount Scheme benchmark guidance materials – 2003 | |
| Remedial massage therapist's guide | |
| Replacement of a WorkCover construction induction certificate | |
| Rural Safety Magazine – 2003 | |
| Small business safety checklist – checking out your business | |
| S53 guidelines for sponsorship of retraining | |
| Safe working at heights guide | |

Advertising and promotion

WorkCover's 2003/04 community awareness advertising campaign commenced in August with a focus on advising small business owners about steps they could take to create a safer workplace. The campaign included print, radio and television advertising, as well as direct mail to over 225,000 small business owners. All ads and direct mail urged small business owners to get more information on their obligations and copies of the Small Business Safety Starter Kit and Safety Checklists by ringing WorkCover or visiting the WorkCover website.

In February 2004, WorkCover ran a television advertisement to coincide with a working from heights compliance blitz by inspectors. The ad focused on the need for employers to provide a safe workplace, proper training and supervision for workers, with particular emphasis on young workers. The advertising campaign was consistent with WorkCover's long-standing practice of promoting safety in the workplace through awareness campaigns that target high risk industries and work activities.

The Rural Safety Magazine was produced for the fourth consecutive year by the Rural Industry Reference Group in conjunction with industry and employer groups. In July 2003 during Rural Safety Week, 260,000 copies of the magazine were distributed throughout rural NSW. The magazine contained articles on WorkCover's rural initiatives, such as the Roll-over Protective Structures on Tractors program, the ShearSafe program, rural field days, and the Rural Safety Hotline, as well as news and information on general workplace safety, workers compensation, injury management and other rural programs.

Sponsorships

To involve stakeholders in occupational health and safety initiatives, WorkCover sponsors a number of Paralympians, runs the Premium Discount Scheme awards program, and supports a range of conferences and expos.

Under the \$96,300 Paralympian Sponsorship program, WorkCover sponsors five Paralympians who have suffered injuries in the workplace. These athletes visit workplaces and industry groups, and attend conferences, media events and dinners to give first-hand accounts of how their injury occurred, measures that could have been taken to prevent their injury, and their efforts to return to the workforce.

One of the Paralympians sponsored by WorkCover is Heath Francis, who was seven when his arm was badly injured at his family's workplace and had to be amputated just below the elbow. Heath's determination, dedication and discipline have taken him to the Australian Institute of Sport where he trained to compete in the 400m and 200m track events, and the 4 x 400m and 4 x 100m relays at the Athens Paralympic Games in 2004.

The Labor Council of NSW received \$175,000 in part sponsorship for a sculpture, Memory Lines, at the Australian Workers' Memorial. NSW Minister for Commerce, John Della Bosca, unveiled the Australian Workers' Memorial in Sydney on

the International Day of Mourning in April 2004 when ceremonies are held around the world to remember those who have died from occupational injuries and diseases. The silicone, bronze and stainless steel sculpture was produced by Sydney artist Ingrid Skirka and is located in Little Pier Street Park, Sydney.

A total of \$86,900 in sponsorship supported 10 conferences and field days, including:

- ▶ National Safety Council of Australia Futuresafe conference
- ▶ 13th biennial conference of Musculo-skeletal Physiotherapy Australia
- ▶ Sydney Safety Show and Conference 2003
- ▶ Farm Health and Safety Expo.

Recognising improvements in occupational health and safety

The Premium Discount Scheme Awards recognise significant improvement in occupational health and safety and injury management by Premium Discount Scheme participants.

WorkCover's 2003 Employer of the Year Award was awarded to Somersby-based Continental Ace Pty Ltd. The company, which is a large supplier of conveyor equipment to the mining, tunnelling and materials handling industry, reviewed its injury management systems, adopted more meaningful suitable duties for injured workers, enhanced workplace assessments and incident reporting, and implemented company-wide occupational health and safety training. These efforts generated savings of almost 50 per cent in workers compensation premiums.

Details on the operation of the Premium Discount Scheme can be found in the Scheme Viability section on page 27.

In 2004/05, WorkCover will broaden its awards program to include other NSW employers and workers through establishment of the WorkCover NSW Safe Work Awards.

The aim of the new awards program will be to raise awareness of, and promote high standards in, occupational health and safety among NSW employers and workers in small and medium to large businesses.

A major objective of the new program will be to encourage innovation in occupational health and safety in small business. To facilitate this, businesses with 20 or less employees will be eligible for the Best Workplace Health and Safety Initiative in Small Business Award.

In 2003/04, WorkCover also awarded a prize to the best performing student in occupational health and safety at the University of Newcastle and sponsored a workplace safety award in the Gunnedah District Development Board 2004 Business and Service Awards.

Support, counselling and liaison service following workplace fatalities

WorkCover has established a support, counselling and liaison service for the families of NSW workers who die as a result of a work-related incident.

The service offers a timely, sensitive and consistent approach that makes available, at no cost, experienced social workers and psychologists, approved by the Victims of Crime Bureau, to counsel families and/or bereaved individuals.

Complementing the counselling is WorkCover’s publication, ‘Information for Families: Dealing with workplace death’. Compiled in consultation with a range of expert sources, the guide details how agencies respond to and investigate workplace fatalities, issues families need to consider in the event of a traumatic occurrence, and the types of assistance and support available. This publication is provided to affected families by the WorkCover Counselling and Liaison Coordinator.

Additionally, given that many families of workers killed in workplace incidents usually have a strong interest in WorkCover’s investigations and legal proceedings, the Coordinator, working closely with lawyers from the Workplace Fatality Investigation Unit, will be able to provide prompt and pertinent information on progress to families that desire it.

The Coordinator is able to guide those eligible families and individuals who elect to submit Victim Impact Statements to the Court under the provisions of the *Crimes (Sentencing Procedure) Act 1999* in relation to offences under the *Occupational Health and Safety Act 2000*, resulting in death or physical bodily harm to any person.

A psychologist experienced in trauma, grief and bereavement, was appointed in May 2004 to coordinate the new service, and the infrastructure to administer the new scheme is being established.

Testing facilities

WorkCover operates two testing facilities, TestSafe Australia and WorkCover Laboratory Services. Both are National Association of Testing Authorities (NATA) accredited, operate under strict quality management guidelines, and employ highly qualified staff.

TestSafe Australia is a safety testing and research facility that offers manufacturers and suppliers a comprehensive range of safety testing, certification and approval services in the electrical/ electronic, mechanical and personal protective equipment fields.

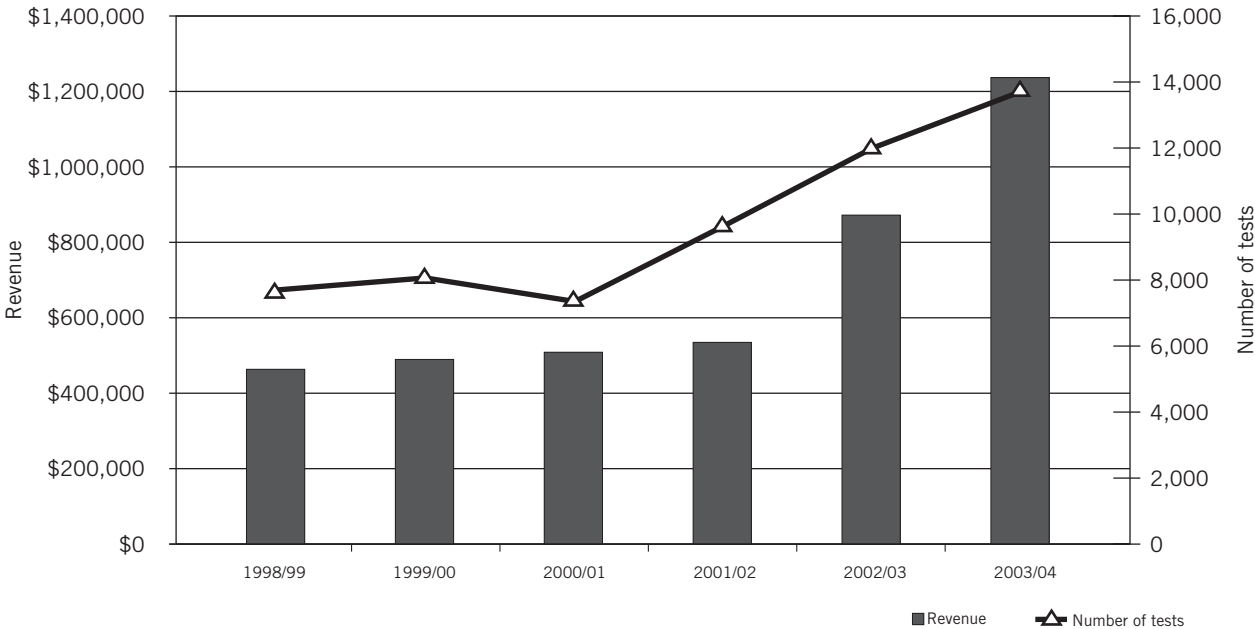
TestSafe specialises in certification and testing equipment for use in hazardous areas and also supports a range of testing services against the risk of fire and explosions.

Its client base represents a significant component of NSW and Australian manufacturers with a current order book of more than 600 contracted jobs worth in excess of \$1 million. At the same time, TestSafe’s staff are providing specialist advice to inspectors covering six complex workplace fatality investigations, five major fires and explosions, and 24 serious workplace incidents.

WorkCover Laboratory Services tests chemical hazards in the occupational health and safety area to assist industry with illness and injury prevention.

WorkCover Laboratory Services has been achieving good income generation results in the last three years, with cost recovery increasing to 74 per cent in 2003/04 from 59 per cent in 2002/03 and 31 per cent in 2001/2002.

Revenue from WorkCover Laboratory Services



Capability

PERFORMANCE AGAINST OBJECTIVES

AIM

- Build organisational capability and a commercial focus to support the objectives of the organisation.

PERFORMANCE

- Considerably improved internal occupational health and safety and injury management performance, resulting in a reduced workers compensation premium.
- Introduced the WorkCover Project Management Approach, and a plan which will improve internal service delivery.

WHAT NEXT

- Build organisational capability and a commercial focus through effective leadership, a highly skilled workforce and effective systems.

STRATEGIES

IMPROVE CORE BUSINESS SYSTEMS AND PROCESSES

AIM

Quality core business systems.

EFFECTIVE PEOPLE STRATEGY

AIM

Highly skilled staff.

IMPROVE SERVICE EQUITY AND ACCESSIBILITY

AIM

An active commitment to service and social justice.

PERFORMANCE

- Positioned the organisation as a leader in occupational health and safety.
- Improved management of obsolete records, increased recordkeeping training and streamlined records disposal.
- Introduced the WorkCover Project Management Approach to provide an organisation-wide rigorous and consistent approach.
- Reduced time paid for compensable injuries/illnesses by 11,280 hours in the last five years.
- Introduced a new information technology strategic architecture.

PERFORMANCE

- Developed and implemented a plan to guide effective workforce planning and development.
- Provided learning and development opportunities for staff, including taking a lead role in both developing and implementing the nationally recognised Diploma in Government (Workplace Inspection).
- Held 130 training events for 1,393 staff.
- Increased the percentage of female staff to 49 per cent.
- Activated the Critical Incident Support program 21 times to assist staff in dealing with stress caused by traumatic incidents.
- Provided professional counselling and advice on personal or work-related problems to staff.

PERFORMANCE

- Implemented the 2003–06 Social Justice plan and policy statement.
- Implemented an Aboriginal information strategy.
- As part of the government's shared corporate services strategy, commenced provision of corporate services, including human resources and information technology, to several other government agencies.

WHAT NEXT

- Analyse recordkeeping processes and further upgrade electronic recordkeeping.
- Implement the Occupational Health and Safety Action plan.

WHAT NEXT

- Conduct an organisational health survey.
- Streamline reporting on incident and injury trends and workers compensation.

WHAT NEXT

- Finalise a client diversity profile.
- Translate into community languages the video on the Workers Compensation Commission proceedings.
- Introduce a compulsory workplace training program for staff, which includes equal employment opportunity and cultural diversity.

Capability

Development of a more commercial focus through effective leadership and highly skilled staff, while ensuring the whole organisation is supported by quality core business systems, is vital to the ability of WorkCover to implement the Scheme Design Project and deliver the vision of safe secure workplaces.

Quality core business systems

In 2003/04, WorkCover focused strongly on four areas:

- ▶ improve occupational health and safety performance
- ▶ improve electronic and physical recordkeeping
- ▶ introduce a robust project management approach
- ▶ meet the WorkCover information technology objectives.

Occupational health and safety performance

As the regulator of occupational health and safety in NSW, WorkCover is positioning itself to lead by example through best practice occupational health and safety models that are part of its core business systems.

During 2003/04, WorkCover used the NSW Government's Occupational Health and Safety Improvement Standard as part of its continuous improvement processes. This involved implementation of the 2003/04 Occupational Health and Safety Strategic Plan and extensive staff consultation on the revision and development of safety and injury management procedures.

The Occupational Health and Safety Action Plan was developed and approved by the executive for implementation in 2004/05, and risk management procedures were enhanced and incorporated into the occupational health and safety management system.

WorkCover has trained occupational health and safety committees in the Gosford head office, Country North, Country South, Sydney CBD South, Parramatta, the Workers Compensation Commission, and TestSafe offices. All other WorkCover sites have occupational health and safety representatives. Minutes of all committee

meetings are reviewed for common or unresolved issues and posted on the WorkCover Intranet site.

In 2003/04, committee chairpersons and representatives participated in a forum on the Occupational Health and Safety Strategic Plan. Another meeting will be held in 2004/05 to promote information exchange. Committees carried out regular inspections and reviewed incident and hazard reports.

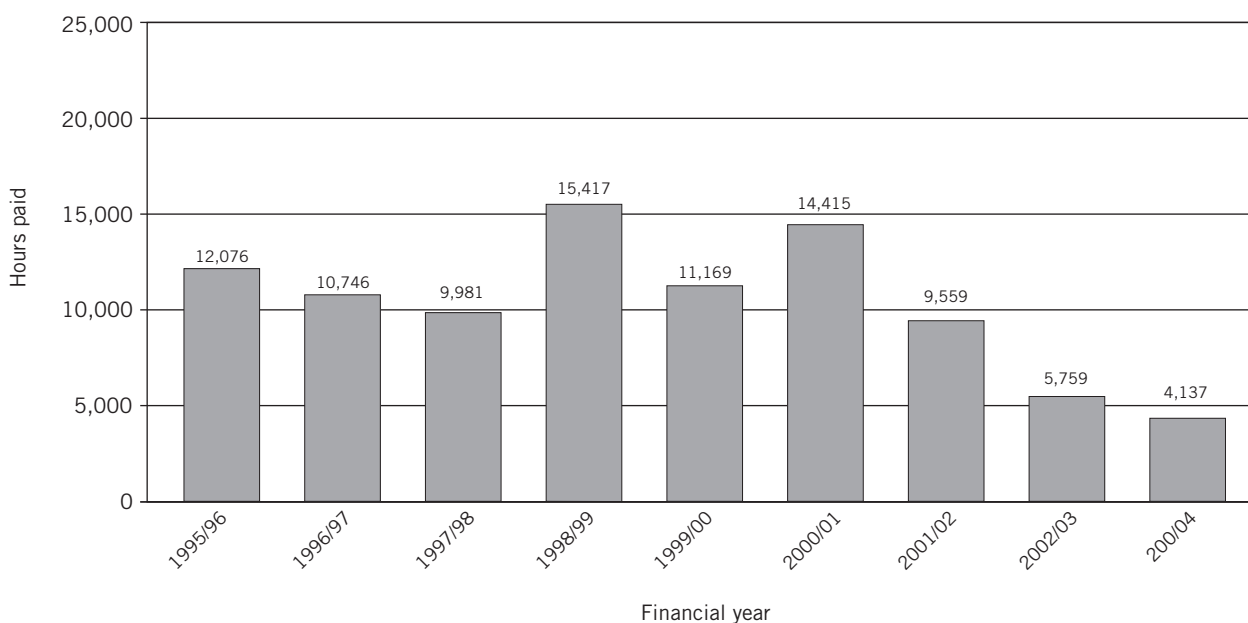
First aid officers have been trained and their number exceeds the requirement of the Occupational Health and Safety Regulation 2001. Their locations and contact details are on the Intranet and in the internal phone directory. Emergency procedures are in place along with an online hazard reporting system that is accessible by all WorkCover staff (106 hazard reports in 2003/04 and 125 in 2002/03), and incidents of injuries suffered in the workplace (132 in 2003/04 and 138 in 2002/03).

Total time paid for compensable injuries/illnesses in 2003/04 was 4,137 hours. This is a big improvement since 1998/99 when 15,417 hours of time lost were paid and has been achieved by a consistent emphasis on early reporting and proactive return-to-work action.

With a strong emphasis on communication with return-to-work stakeholders and active claims management, WorkCover's generally improved workers compensation performance has been reflected in the experience factor applied to the Treasury Managed Fund renewal premium for 2004/05.

WorkCover's calculated workers compensation premium is nearly 5 per cent below the industry benchmark. This was achieved despite the increase of 50 staff for the Scheme Design Project and an allowance for increases of 2 per cent and 3 per cent in Awards during 2004/05.

Total hours paid per financial year for compensable injuries/illnesses



Starting in 2003/04, staff were consulted on a range of policies and strategies that were revised or developed:

- ▶ managing workplace violence, bullying and personal safety by setting protocols and providing personal risk training to assist all employees in eliminating or minimising the likelihood of these problems
- ▶ the Healthy Work / Healthy Life strategy, which connects a range of corporate plans and social justice policies to support organisational performance, promote health and wellbeing, and acknowledge and enhance staff skills and diversity
- ▶ an updated, timely and safe return-to-work program for staff with significant injuries and illnesses.

Records management

Good progress was made on improving the management of records collection in 2003/04 with an increase in electronic and paper records registered on the corporate records management system, increased internal training on recordkeeping, improvements to the integrity and accuracy of the records management database, and streamlined management of the records disposal program.

Collection priorities were realigned to focus on the destruction of records that are no longer required to be kept to free up space in the secondary storage facility at West Gosford.

799,722 records were registered in the corporate records management system on 30 June 2004.

Records management statistics

| | 2003/04 | 2002/03 |
|---|---------|--------------------|
| Registered records | 154,340 | 155,490 |
| Training and support | 1,845 | 515 |
| New transfers to the repository (boxes) | 2,947 | 2,256 |
| Retrieval of files/boxes | 6,447 | 1,931 ¹ |
| Retrieval accuracy (average) | 97.2% | 95.4% ² |

Notes:

¹ Does not include statistics from September 2002 to December 2002.

² Only represents the six months from January to June 2003.

In 2004/05, it is planned to further improve customer service, business recordkeeping processes and practices, technology functionality and use, while adhering to requirements of the *State Records Act 1998*.

Information Technology (IT) management

In 2003/04:

- ▶ IT organisational structure and positions were restructured to deliver more effective IT solutions to the organisation's business
- ▶ IT projects were consolidated and budgeted to allow prioritisation in line with the corporate plan
- ▶ a resource plan was prepared for the program of works and service partnership agreements
- ▶ an IT Architecture Transition action plan was implemented.

In 2004/05, it is planned to improve core information and communication technology (ICT) services by:

- ▶ ensuring the ICT Infrastructure is secure, maintainable and reliable
- ▶ building a corporate systems infrastructure using proven, industry leading solutions and tools
- ▶ implementing packaged, rather than customised, systems
- ▶ delivering shared IT corporate services to the Long Service Payments Corporation, the Workers Compensation Commission and any other shared arrangements developed during the period.

WorkCover Project Management Approach

The key objective of the WorkCover Project Management Approach, introduced in November 2003, is to provide a rigorous and consistent system of managing projects for successful outcomes. The project management framework improves decision making and gives greater certainty to project officers, managers and staff that the outcomes they expect will be achieved, by providing:

- ▶ a uniform approach to managing projects
- ▶ a framework to manage projects with supporting documentation to ensure consistency of information, planning, progress and outcome reporting.

Implementation of the approach included a staff learning and development program followed by a review of its usability and usefulness.

Risk management

A risk management plan has been prepared in accordance with the Australian and New Zealand Risk Management Standard. The plan identified major business risks, such as:

- ▶ non-achievement of planned results
- ▶ below standard service delivery
- ▶ disruption to business
- ▶ adverse WorkCover Scheme viability.

To manage risks associated with the achievement of results and the contribution of staff, the corporate planning cycle and performance measurement were improved and a people plan was implemented to ensure a consistent internal human resource policy.

Implementation of initiatives to improve the performance of the WorkCover Scheme was also a priority in 2003/04 (see also the section titled Scheme Viability) and included implementation of recommendations arising from the McKinsey & Company review in 2002. These reforms are so significant that detailed risk treatment schedules were compiled and a risk manager appointed.

Internal auditors undertook a risk assessment review mid year and recommended a three-year strategic internal audit plan. The review which included assessment of the business risk management plan recommended aligning audits to that plan.

The internal audit plan for 2003/04 and insurance program were implemented and effectively supplemented by strategies to mitigate corporate business risks.

Energy performance and waste reduction

WorkCover is committed to achieving savings in energy use and sustainable energy management principles. During 2003/04, WorkCover engaged the Energy Services Section of the Department of Commerce to investigate the potential for rolling regional and district offices' energy supply into the NSW Government Energy Contract.

Consequently, an additional 24 sites are being moved into the Department of Commerce electricity contract to enable the purchase of 6 per cent of electricity from renewable sources. The purchase of electricity on this contract will lower costs and reduce greenhouse gas emissions by providing access to a guaranteed source of green power.

The Department of Commerce is also assisting WorkCover with the preparation and interpretation of energy use under

the NSW Government Energy Management Policy for 2003/04 and will be providing a report on this with recommendations on areas to target for improvement.

Actions are also well advanced to introduce strategies in head office to reduce energy consumption, including installation of motion sensors in communal and service areas to control lighting and minimise the number of hours that lights are left on.

WorkCover is in constant consultation with the Department of Commerce to keep abreast of the latest innovations in energy management that will allow sustained energy savings and deliver positive outcomes for the environment.

During 2002/03, a number of waste reduction strategies were implemented as part of WorkCover's commitment to the NSW Government's Waste Reduction and Purchasing Policy which also required a biennial report. The report included detailed information on the waste management program, which has been so successful that the NSW Department of Environment and Conservation selected WorkCover as a best practice example of resource recovery and will include it in the Whole-of-Government Report to the Minister for the Environment.

Annual energy consumption and costs of fuels

| Fuel | Total energy consumed GJ | | | Annual cost \$ | | | CO ₂ emissions tonnes | | | Energy % change in the last year |
|---------------------------|--------------------------|---------------|---------------|------------------|------------------|------------------|----------------------------------|--------------|--------------|----------------------------------|
| | 2003/04 | 2002/03 | 2001/02 | 2003/04 | 2002/03 | 2001/02 | 2003/04 | 2002/03 | 2001/02 | |
| Electricity (black coal) | 17,920 | 17,376 | 12,630 | 442,334 | 323,164 | 259,724 | 4,760 | 4,549 | 3,319 | +3.1% |
| Electricity (green power) | 854 | 627 | 458 | 25,719 | 19,195 | 13,693 | 0 | 0 | 0 | +36% |
| Natural gas | 680 | n/a | n/a | 8,139 | n/a | n/a | 35 | n/a | n/a | n/a |
| LPG | 184 | 177 | 161 | 2,561 | 5,943 | 5,557 | 11 | 19 | 20 | +4% |
| Diesel | 87 | 57 | nil | 1,825 | 155 | n/a | 6 | 1 | n/a | +52% |
| Petrol | 41,491 | 41,067 | 40,323 | 963,801 | 1,043,213 | 979,105 | 2,738 | 2,704 | 2,650 | +1% |
| TOTAL | 61,216 | 59,304 | 53,572 | 1,444,379 | 1,391,670 | 1,258,079 | 7,550 | 7,273 | 5,989 | |

Highly skilled staff

A major milestone in 2003/04 was development and implementation of a plan which sets broad objectives to:

- ▶ position WorkCover's structure and workforce to achieve current and future business requirements
- ▶ strengthen organisational capacity by developing the skills and talents of its people
- ▶ provide an environment of recognition and opportunity for people to develop and contribute to WorkCover's ongoing success.

Under the plan, in the area of skills and talent development, 130 training events were held for 1,393 staff. A learning and development calendar was prepared for the first six months of 2004/05 and development of an organisational learning framework and strategy commenced.

The Inspectorate

WorkCover's support for its staff includes providing ongoing learning and development opportunities to improve the skills of individuals and the organisation. While these opportunities equip staff to meet the challenges faced by WorkCover, they also have the flexibility to meet individual needs.

WorkCover maintains accreditation as a Registered Training Organisation (RTO) to provide accredited training and assessment to its staff, including nationally recognised qualifications.

One such qualification is the Diploma in Government (Workplace Inspection) for its inspectors. This nationally recognised qualification was developed by workplace safety agencies across Australia, with NSW WorkCover taking a leading role in both developing and implementing the program.

The Diploma program developed and conducted within WorkCover is robust and rigorous in its learning requirements and program contents. The thorough initial and ongoing training that inspectors receive sharpens their skills and increases knowledge to ensure the proper and effective administration of the legislation that governs occupational health and safety, injury management and workers compensation.

Following an extensive training period and a block of several months' applied fieldwork, the Diploma qualification is achieved by assessing inspectors against national recognised competency standards. WorkCover's assessment system is built on existing work practices, which means inspectors' competence is assessed on how they conduct themselves in the field. This ensures alignment with learning, qualifications and applied business processes.

18 new inspectors graduated during 2003/04 and were presented with their Diploma by the Minister for Commerce, John Della Bosca. 44 inspectors began their formal training in February and November 2003, and are due to graduate later in 2004.

Existing inspectors receive a range of ongoing training and development to maintain and continually improve the level of their knowledge and skill in effectively carrying out their duties in line with the legislation and regulations that govern safe workplaces.

Human resource statistics

| Category | 2003/04 | 2002/03 | 2001/02 | 2000/01 |
|--|--------------------------|------------|------------|------------|
| Administration and clerical | 657 ¹ | 591 | 551 | 483 |
| Associates/Ministerial | 3 | 4 | n/a | n/a |
| Departmental professional officers | 21 | 20 | 24 | 20 |
| Engineers | 15 | 14 | 16 | 14 |
| General division | 2 | 1 | 1 | 3 |
| Legal officers | 22 | 15 | 22 | 15 |
| Librarians | 2 | 3 | 2 | 3 |
| Lift specialists | 2 | 4 | 10 | 11 |
| Medical staff | 2 | 3 | 3 | 3 |
| Safety inspectors | 274 ² | 270 | 269 | 267 |
| Senior management (senior executive service and senior officers) | 38 | 38 | 24 | 18 |
| Statutory and other officers | 2 ³ | – | – | – |
| Scientific technical officers | 16 | 17 | 20 | 18 |
| TOTAL | 1,056⁴ | 981 | 943 | 856 |

Notes

¹ The increases over 2002/03 are largely due to staffing for temporary projects such as the Scheme Design Project, as well as additional staff for the Workers Compensation Commission. 94 employees occupy temporary positions, including over 30 for the Scheme Design Project.

² As at 30 June 2004 there were 27 vacancies in the Inspectorate.

³ The President of the Workers Compensation Commission is a direct appointment by the Minister. (Previously recorded as Associate/Ministerial).

⁴ Includes 79 Workers Compensation Commission staff.

Supporting our people

To promote the organisation's health and wellbeing, WorkCover provides employees and their families with an assistance program of professional counselling and advice on personal or work-related problems. The current annual utilisation rate is 10 per cent.

A Critical Incident Support program assists employees to manage stress caused by critical and traumatic incidents, such as inspectors attending major disasters or serious workplace incidents, and staff dealing with highly distressed clients. The program has been activated 21 times since November 2003. During 2003/04, WorkCover delivered refresher information sessions on the program to frontline staff and provided additional information to supervisors.

Policies on managing sick leave and induction and orientation were revised and implemented.

In 2004/05 WorkCover will:

- ▶ conduct an organisational health survey
- ▶ streamline reporting on incident and injury trends and workers compensation
- ▶ develop policies and procedures for safety and security in district offices, and safer banking procedures.

Senior Executive Service (SES) and Chief Executive Service (CES) positions

| | 2003/04 | 2002/03 | 2001/02 | 2000/01 |
|-------------------------------------|---------|---------|---------|---------|
| Number of CES/SES positions | 13 | 14 | 13 | 11 |
| Number of positions filled by women | 4 | 3 | 4 | 3 |
| Positions at or above SES level 5 | 4 | 3 | 3 | 3 |

Note: One SES position is temporary.

Value of recreation and long service leave at 30 June 2004

| | 2004 \$'000 | 2003 \$'000 | 2002 \$'000 |
|--------------------|----------------|----------------|----------------|
| CURRENT | | | |
| Recreation leave | 6,178 | 6,238 | 6,509 |
| Extended leave | 3,888 | 4,033 | 3,698 |
| | 10,066 | 10,271 | 10,207 |
| NON-CURRENT | | | |
| Extended leave | 12,167 | 9,354 | 10,511 |
| TOTAL | 22,233 | 19,625 | 20,718 |

An active commitment to service

Guarantee of service

WorkCover is committed to providing a high quality, efficient service to the employers, workers and community of NSW. WorkCover is also committed to providing effective service. This is achieved by listening to clients so services can be shaped to meet their needs.

While working to meet clients' needs, WorkCover has a responsibility to the community to minimise costs. With this in mind, WorkCover endeavours to be fair and equitable in the provision of services.

Standard of service

WorkCover is also committed to the continual improvement of services to help assess progress, and recognises that it is important that clients know the standards of service WorkCover aims to achieve. The standards of service that all personnel work towards include:

- ▶ delivering services efficiently and courteously
- ▶ giving authoritative and up-to-date information and advice
- ▶ answering telephone enquiries immediately, whenever possible. If this is not possible, the enquiry is recorded and a WorkCover officer makes contact within two working days
- ▶ responding to written requests for information, including publications, within 10 working days of receipt
- ▶ conducting investigations of occupational health and safety problems at places of work according to need, with situations of greatest risk of injury given highest priority
- ▶ conducting impartially all disputes resolution and appeal matters, according to defined policies and relevant legislation.

Privacy management

WorkCover's Privacy Management plan outlines the organisation's policies and practices on the management of personal information. The plan can be accessed on WorkCover's internet site: www.workcover.nsw.gov.au

During 2003/04, WorkCover continued training for supervisors to meet the requirements of the *Privacy and Personal Information Protection Act 1998* as part of its supervisor's legal requirements awareness programs.

During 2003/04, no reviews were conducted by, or on behalf of, WorkCover under Part 5 of the *Privacy and Personal Information Protection Act 1998*.

Shared corporate services program

As part of the Government's Shared Corporate Services Strategy, WorkCover NSW commenced corporate services provision in a number of areas including information technology, financial services, human resources and site services to the following agencies:

- ▶ Long Service Payments Corporation (located in the WorkCover Head Office building in Gosford)
- ▶ Motor Accidents Authority (located in Sydney)
- ▶ Workers Compensation Commission (located in Sydney).

Agreements identifying the services to be provided and levels of service provision were negotiated and implemented with each of these agencies during the year.

Central Coast Regional Coordination Management Group

Regional Coordination Management Groups form part of the Government's program for improving coordination between government agencies in a number of geographic areas throughout the state. They operate through the Premier's Department. Workcover sits on the Central Coast Regional Coordination Management Group and its Executive, and is represented by the Director, Office of the Chief Executive.

Promoting social justice

As a corporate citizen and employer, WorkCover is committed to providing the NSW community with equitable access to all its services and actively promotes social justice.

Important social justice outcomes that benefited the NSW community in 2003/04 included:

- ▶ implementing WorkCover's 2003–06 Social Justice Plan and Policy Statement
- ▶ continued integration of social justice into WorkCover's planning and project management framework
- ▶ continued improvements in knowledge management and the collation of data on cultural diversity to guide ethnic affairs and indigenous activities
- ▶ addressing diverse stakeholder needs in the implementation of the 2002 Safety Summit recommendations
- ▶ implementing an Aboriginal information strategy to engage Aboriginal communities and increase their understanding of, and compliance with, the new occupational health and safety legislation
- ▶ incorporating access and design principles in WorkCover's office refurbishment of regional and metropolitan offices
- ▶ implementing the Workers Compensation Commission Access and Equity Service Charter.

Ethnic Affairs Priority Statement

WorkCover's planning, development and delivery of services aims to be sensitive to the cultural, ethnic and religious needs of NSW society. The 2003–06 Ethnic Affairs Priority Statement supports the principles of multiculturalism and outlines strategies to achieve equitable access to its services.

Main initiatives in 2003/04 were:

- ▶ implementing the 2003–06 Ethnic Affairs Priority Statement and improving knowledge management and the collation of cultural diversity data
- ▶ collating Australian Bureau of Statistics data for the development of a demographic profile of NSW workers from a non-English speaking background to improve communication and services
- ▶ organising the Industry Reference Groups as a consultative forum to collect information and feedback from industry representatives on their industry's cultural and diverse needs
- ▶ implementing a major communication strategy for small business operators to help them better understand their obligations under the new occupational health and safety and workers compensation legislative reforms
- ▶ raising community awareness of workplace safety and workers compensation through television and radio advertisements that also targeted regional and ethnic media and encompassed 12 key nationality groups and communities, and using closed captioning for the hearing impaired

- ▶ redesigning the WorkCover internet site to improve access for diverse clients
- ▶ providing support to a diverse client base through the \$5 million WorkCover Assist program and Non-government Organisation Grants program to help members of NSW trade unions and employer associations implement the new legislation and reform initiatives
- ▶ improving information access and client interaction through field days and cultural events/displays, for example the Vietnamese New Year Festival, rural field days and farm seminars
- ▶ implementing a number of strategic initiatives through the 2003 Inspector Recruitment Program to attract applicants from equal employment opportunity minority groups, and those with bilingual skills
- ▶ incorporating an equity and access curriculum to help new inspectors build understanding of the needs of people from diverse backgrounds and the impact of cultural diversity on occupational health and safety, injury management and workers compensation
- ▶ offering through the WorkCover Assistance Service, practical, impartial and easy to understand information and help to employers and injured workers
- ▶ developing protocols and resources to ensure services are accessible to all people, such as the Guidelines for the Use of Interpreters, and Language Assistance Cards in 21 languages
- ▶ implementing and promoting the Community Language Allowance Scheme through orientation, training and service delivery procedures. Twenty officers are registered to assist in communicating with people whose first language is not English
- ▶ providing a rural safety toll free hotline on rural safety information
- ▶ implementing in the Workers Compensation Commission an Access and Equity Service Charter, supported by brochures in 10 community languages.

Many of these initiatives will be continued and enhanced in 2004/05 by:

- ▶ finalising a client diversity profile for project development and multicultural marketing
- ▶ collating and analysing Scheme Design data to inform planning and specific interventions to better meet the needs of multicultural and equal employment opportunity client groups
- ▶ reviewing Industry Reference Groups to improve occupational health and safety, injury management and workers compensation outcomes, and broadening stakeholder engagement
- ▶ developing communication guidelines for agents under the new Scheme design
- ▶ translating into community languages the video on the Workers Compensation Commission proceedings

- ▶ reviewing publication and information needs for diverse clients
- ▶ reviewing the Community Language Allowance Scheme to better meet customer and business needs
- ▶ implementing a staff resource strategy to assist workforce planning and targeting of equal employment opportunity in staff recruitment, traineeships, apprenticeships and work experience
- ▶ implementing a cultural harmony information strategy
- ▶ introducing a compulsory workplace training program which includes cultural diversity
- ▶ amending the grants scheme guidelines and tendering process to include cultural diversity and equal employment opportunity considerations.

Disability Action Plan

WorkCover's Disability Action Plan aims to meet the needs of its service users, both as clients and workers. Main initiatives in 2003/04 included:

- ▶ improved access to WorkCover buildings and facilities through a capital works program for all WorkCover sites, and the adaptation of Workers Compensation Commission services to meet the special needs of clients, including a new registry service counter section with wheelchair access
- ▶ promoting positive community attitudes by sponsoring five Paralympians who were injured in the workplace to help promote workplace safety
- ▶ redesigning the internet site to meet the international standards, resulting in greater access for visually impaired clients and staff. WorkCover's Intranet site will be redeveloped in 2004/05 to incorporate internet accessibility and usability standards
- ▶ promoting the Disability Action Plan at orientation and induction sessions

- ▶ promoting key social justice events, such as International Day for People with a DisAbility and Loud Shirt Day
- ▶ ensuring the Workers Compensation Commission's communication policy provides clear and easy access to information on the Commission and its processes. The Commission will develop a hearing impaired protocol in 2004/05 and train arbitrators to enhance services for hearing impaired clients
- ▶ developing a staff resource strategy to assist workforce planning and targeting equal employment opportunity groups in staff recruitment through development programs, such as traineeships, apprenticeships, and work experience. The strategy will be finalised and implemented in 2004/05
- ▶ providing effective complaints procedures through the WorkCover Claims Assistance Service, and the implementation of the Workers Compensation Commission's complaint policy.

NSW Government's Action Plan for Women

WorkCover contributes to the NSW Government's Action Plan for Women by developing and funding a number of strategies for improving women's employment and increasing workplace participation.

Key initiatives in 2003/04 included:

- ▶ commissioning research into work-related stress in the health and community services industries
- ▶ completing health and safety guidelines for call centres
- ▶ establishing a violence working party of non-government organisations in the health and community services industry
- ▶ implementing a non-government organisation community services industry initiative to improve health and safety in the workplace.

These initiatives will be progressed in 2004/05.

Equal employment opportunity (EEO) management

WorkCover collects EEO data regularly for the Premier's Department workforce profile which measures performance in meeting NSW Government employment benchmarks for staff from EEO minority groups, and informs planning and development of EEO initiatives.

The 2004 workforce profile indicates the proportion of women increased to 49 per cent with the highest proportion, 36 per cent, employed at the salary level \$56,013 – \$72,434. A total of 40 per cent of management and administrator positions are occupied by women.

The proportion of Aboriginal and Torres Strait Islander staff increased to 1 per cent, however, this is still below the public sector benchmark of 2 per cent. The proportion of staff from racial, ethnic or ethno-religious minority groups was 20 per cent, down from 22 per cent in 2002/03. Of this group, 16 per cent were staff whose first language was not English.

The proportion of staff with a disability was 7 per cent, down from 8 per cent in 2002/03. Of those with a disability, 2.6 per cent required workplace adjustment.

Trends in the representation of equal employment opportunity groups on 30 June

| EEO group | Benchmark or target | Percentage of total staff ¹ | | | |
|--|---------------------|--|------|------|------|
| | % | 2004 | 2003 | 2002 | 2001 |
| Women | 50 | 49.0 | 47 | 46 | 45.0 |
| Aboriginal people and Torres Strait Islanders | 2 | 1.0 | 0.9 | 0.7 | 0.6 |
| People whose first language was not English | 19 | 16.0 | 17.0 | 19.0 | 15.0 |
| People with a disability | 12 | 7.0 | 8.0 | 8.0 | 6.0 |
| People with a disability requiring work-related adjustment | 7 | 2.6 | 2.5 | 2.4 | 1.9 |

¹ Excludes casual staff

Trends in the distribution of equal employment opportunity groups on 30 June

| EEO group | Benchmark or target | Distribution index ¹ | | | |
|--|---------------------|---------------------------------|------|------|------|
| | | 2004 | 2003 | 2002 | 2001 |
| Women | 100 | 89 | 88 | 89 | 86 |
| Aboriginal people and Torres Strait Islanders | 100 | n/a | n/a | n/a | n/a |
| People whose first language was not English | 100 | 97 | 95 | 88 | 90 |
| People with a disability | 100 | 103 | 102 | 103 | 101 |
| People with a disability requiring work-related adjustment | 100 | 101 | 103 | 98 | 99 |

¹ A distribution index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values of less than 100 mean the EEO group tends to be more concentrated at lower salary levels than other staff. The more pronounced this tendency, the lower the index. In some cases, the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels.

WorkCover promoted EEO in a range of projects in 2003/04, and important outcomes included:

- ▶ implementing the 2003–06 EEO Management Plan that aligns with WorkCover's corporate people plan
- ▶ implementing a Workers Compensation Commission's Access and Equity Service Charter and communication policy, including staff training in cultural diversity
- ▶ implementing an occupational health and safety strategic plan, employee assistance program, and critical incident support program
- ▶ creating a policy development template, guidelines, and a policy review process that incorporate EEO criteria
- ▶ developing a flexible work practices agreement template
- ▶ reviewing and updating WorkCover's policy on managing workplace violence, bullying and personal safety policy
- ▶ introducing affirmative action initiatives, such as the inspector recruitment program, support strategies for female inspectors, and an Aboriginal and Torres Strait Islander employment strategy
- ▶ incorporating an equity and access curriculum to help new inspectors build understanding of the needs of people from diverse backgrounds and the impact of cultural diversity on all areas of occupational health and safety
- ▶ improving accessibility to the internet site for EEO clients by meeting international standards

- ▶ implementing and promoting the Community Language Allowance Scheme through staff orientation, training and service delivery
- ▶ developing a work/life strategy to promote work/life balance, enhance workplace safety strategies, foster good health management, and realise the full and equitable participation of all employees
- ▶ enhancing family room facilities at the head office building in Gosford.

Many of these initiatives will be continued and enhanced in 2004/05, including:

- ▶ review the Community Language Allowance program to better meet customer and business needs
- ▶ finalise and implement a staff resource strategy that targets EEO staff recruitment
- ▶ implement a Cultural Harmony Information strategy to endorse celebration of key promotional activities and foster a climate of mutual respect
- ▶ introduce a compulsory workplace training program, which includes EEO and cultural diversity.

Spokeswomen's Program

As part of the 2003/04 Spokeswomen's Strategic Plan, WorkCover's Spokeswomen conducted a number of highly successful initiatives focusing on health, equity and development.

A number of WorkCover Spokeswomen initiatives were acknowledged as best practice in the public sector. For example, the Spokeswomen's Strategic Plan is included in the Premier's training program for new spokeswomen, and the Illawarra Regional Partnership Initiative was commended by Premier Bob Carr at the 2004 Spokeswomen's Annual Conference.

Aboriginal and Torres Strait Islander development strategies

WorkCover's Aboriginal and Torres Strait Islander Network (WATSIN) provides a formal network of support and encouragement to Aboriginal staff, and offers management advice on concerns and aspirations of Aboriginal staff, and to work with and service Aboriginal clients. A senior management representative has been appointed to offer an executive support and mentor role for WATSIN, and the Project Officer Social Justice assists in the coordination and operations of WATSIN and WorkCover's Aboriginal policies and programs.

WATSIN provides a valuable contribution to the development and implementation of WorkCover's Aboriginal and Torres Strait Islander Employment and Development Strategy, which supports WorkCover's corporate goals and priority activities. The strategy is an important part of WorkCover's social justice program. It seeks to strengthen partnerships between agencies and Aboriginal communities to improve the quality of service outcomes, through the employment and development of Aboriginal people across classifications and locations. An important strength of the strategy is the valuing, developing and utilising of Aboriginal staff skills and experience to achieve corporate priorities and client initiatives.

WorkCover has set strategies to influence and build the capacity of Aboriginal employers, workers and communities by delivering culturally appropriate information and services, and ensuring an effective profile of Aboriginal staff and skills. Key initiatives in 2003/04 included:

- ▶ implementing its 2003–06 Aboriginal and Torres Strait Islander employment and development strategy
- ▶ implementing an information strategy to engage Aboriginal communities and increase their understanding of, and compliance with, the new legislation
- ▶ convening with other key agencies' Aboriginal forums on workplace relations and building their understanding of their rights and responsibilities
- ▶ collating Australian Bureau of Statistics data for an Aboriginal client profile and demography in 2004/05
- ▶ implementing an Aboriginal employment strategy
- ▶ participating in the Central Coast Aboriginal Interagency Network
- ▶ implementing information strategies to raise cultural awareness through activities linked to National Aboriginal Islander Day Observance Committee (NAIDOC) week, for example a NAIDOC staff session, a corporate team in the inaugural 2004 Kikupa Cup Touch Football Competition, and participation in the Central Coast Community Gathering and Health Expo.

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Overview of Workcover NSW Financial

Performance

The WorkCover Authority of New South Wales (WorkCover) has responsibility for the direction, control and management of four active funds, namely:

- ▶ the WorkCover Authority Fund
- ▶ the Insurers' Guarantee Fund (ie. failed insurers)
- ▶ the Bush Fire Fighters Compensation Fund
- ▶ the Emergency and Rescue Workers Compensation Fund.

An overview of the financial performance of the WorkCover Scheme Statutory Funds also accompanies the financial statements. Key aggregated results of the four funds under WorkCover's direct management in 2003/04 and a comparative year are below:

| | 2003/04 Actual \$m | 2002/03 Actual \$m |
|---------------------------|--------------------------|--------------------------|
| OPERATING RESULT | | |
| Revenues | 223.2 | 221.7 |
| Expenses | 249.8 | 242.8 |
| Operating Deficit | (26.5) | (21.1) |
| FINANCIAL POSITION | | |
| Short-Term Solvency | 139% | 138% |
| Long-Term Solvency | 116% | 120% |
| Total Assets | \$366m | \$355m |
| Total Liabilities | \$315m | \$296m |
| Equity | \$51m | \$59m |

Operating result

(Statement of financial performance)

The operating result for 2003/04 was a deficiency of \$26.5 million. The result is part of a planned reduction in accumulated funds and was featured by:

- ▶ a change in the measurement of investment income
- ▶ the recognition of \$20.4 million in liabilities related to the Compensation Court judges' pension entitlements
- ▶ reduction in uninsured (\$17.7 million) and superannuation liabilities (\$3.8 million) following actuarial review of assumptions including improved investment factors
- ▶ a \$27.5 million rise in the claims liability of the Insurers' Guarantee Fund due principally to an increased allowance for asbestos claims of NEM Insurance Ltd (in liquidation).

Overall, WorkCover's equity has decreased to \$51 million which is in excess of a targeted \$35 million required over the long-term.

Cash flows

(Statement of cash flows)

The reporting of cash flows helps with an assessment of financial results by providing information about capacity to meet financial commitments. This capacity is commonly measured by a positive or break-even cash flow from operating activities.

For WorkCover, the capacity to meet claims and other operating expenses as they fall due is essential.

For 2003/04, cash flows from operating activities amounted to a negative \$6.84 million (cash outflow). This arose in part from \$7.7 million paid out for claims of the Insurers' Guarantee Fund. No cash receipts occurred because of the full funding status of this fund. For this reason, negative cash flows from operating activities will remain a feature in future years. Further, the release of funds is occurring as part of the budget strategy to reduce excess accumulated funds in the WorkCover Authority Fund.

Financial position

(Statement of financial position)

Overall, WorkCover's financial position is sound.

Short-term solvency is adequate with current assets representing 139 per cent (2003: 138 per cent) of current liabilities. This is well in excess of an acceptable minimum of 100 per cent and reflects a capacity to meet short-term obligations as they arise.

Long-term solvency is also more than adequate with total assets representing 116 per cent of liabilities (2003: 120 per cent). Outstanding workers compensation claims are the main liabilities and they have been actuarially assessed at \$256 million (2003: \$250 million). Further, WorkCover's total superannuation liability is \$113 million and is substantially funded by superannuation reserve accounts totaling \$107 million (95 per cent) and WorkCover's equity funding for the remainder of \$6 million (5 per cent).

Overview of the Workcover Scheme Statutory Funds' Financial Performance

The WorkCover Authority of New South Wales (WorkCover) is responsible for the regulation of statutory funds constituted under Division 4 of Part 7 of the *Workers Compensation Act 1987*. These statutory funds form the WorkCover Scheme Statutory Funds.

The statement of financial performance and financial position of the WorkCover Scheme Statutory Funds are detailed in Note 28 of this Annual Report. The result of the Scheme's underwriting operations, excluding the impact of external factors are shown in the following table.

| | 2003/04 Actual \$m | 2002/03 Actual \$m |
|--|--------------------------|--------------------------|
| Operating result | | |
| Net earned premiums | 2,104 | 2,229 |
| Expected investment credit | 248 | 241 |
| Other income | 27 | 24 |
| Claims incurred (excluding external factors) | (2,326) | (1,792) |
| Operating expenses | (229) | (249) |
| (Deficit)/Surplus from underwriting operations | (176) | 453 |
| Impact on result from external factors | | |
| Difference between actual and long-term expected returns | 444 | (160) |
| Change in inflation assumptions and discount rates | 361 | (474) |
| Surplus/(Deficit) from ordinary activities | 629 | (181) |
| Financial position | | |
| Total assets | 6,245 | 5,673 |
| Total liabilities | 8,598 | 8,655 |
| Accumulated deficit | (2,353) | (2,982) |

Note: the above table has not been audited.

The table is based on PricewaterhouseCoopers Actuarial Pty Ltd's calculations of the surplus (deficit) from underwriting operations for the last eight half years as set out in their actuarial report on the Scheme dated 17 September 2004.

Underwriting operations

For the first half of the financial year to 31 December 2003 the Scheme showed a deficit from underwriting operations of \$397 million. The latest actuarial report dated 17 September 2004, however, shows an improvement in the last six months to June 2004 with the Scheme achieving a surplus from underwriting operations of \$221 million mainly due to improvements in claims experience. The good result for the six months to June 2004 has reduced the deficit from underwriting operations for the full year to \$176 million.

Surplus from ordinary activities

The surplus from ordinary activities of the WorkCover Scheme Statutory Funds for the year ended 30 June 2004 was \$629 million. This was a significant improvement on the \$181 million deficit for 2003. As highlighted in the table, the result can be attributed to strong investment returns and an improvement in claims management and experience for the last six months.

Over the financial year investment returns were \$444 million higher than the expected long-term expected returns. The changes in actuarial assumptions and discount rates also added \$361 million.

Accumulated deficit

The Scheme deficit has reduced substantially to \$2,353 million at 30 June 2004 (2003: \$2,982 million). Of the \$629 million reduction in the deficit since last year most of the improvement (\$576 million) occurred in the last six months to 30 June 2004. The funding ratio of the Scheme has improved to 73 per cent since June 2003 (66 per cent).

The actuarial report on the Scheme prepared by PricewaterhouseCoopers dated 17 September 2004 commented that over the next five years the funding ratio is expected to gradually improve and, in absolute dollar terms, the Scheme accumulated deficit is expected to decrease in size.

Statements

for the year ended 30 June 2004

Statement by Directors

Pursuant to section 41C(1B) and (1C) of the *Public Finance and Audit Act 1983* and in accordance with a resolution of the Board of Directors of the WorkCover Authority of New South Wales, we declare on behalf of the Board that in our opinion:

1. the accompanying financial statements exhibit a true and fair view of the financial position of the WorkCover Authority of New South Wales as at 30 June 2004 and transactions for the year then ended; and
2. the statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2000 and the Treasurer's Directions.

Further, we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

WorkCover Scheme Statutory Funds

Reference is made to Note 28 of the financial statements.

The financial statements of the WorkCover Scheme Statutory Funds have not been consolidated with the financial statements of the WorkCover Authority as the relationship between the WorkCover Authority and the WorkCover Scheme Statutory Funds does not constitute 'control' within the meaning of Australian Accounting Standard AAS24 'Consolidated Financial Reports'. This has been confirmed in advice given by the Solicitor General.

The financial statements of the WorkCover Scheme Statutory Funds are included separately at Note 28 as the Board is of the opinion that it is of vital interest to the Government, Parliament and stakeholders of the Scheme. This accounting treatment has been adopted consistently for the financial statements since the year ended 30 June 1996.

Provisions for outstanding claims liability of the Scheme have been based on central estimates by PricewaterhouseCoopers, Actuarial Pty Ltd.



J. M. Riordan
Chairperson

8 November 2004



Jon Blackwell
Chief Executive Officer



GPO BOX 12
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

WORKCOVER AUTHORITY OF NEW SOUTH WALES

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the WorkCover Authority of New South Wales:

- (a) presents fairly the Authority's financial position as at 30 June 2004 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 41B of the *Public Finance and Audit Act 1983* (the Act).

My opinion should be read in conjunction with the rest of this report.

The Board's Role

The financial report is the responsibility of the members of the Board of the WorkCover Authority of New South Wales. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows and the accompanying notes.

The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Board in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that Board members had not fulfilled their reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the Authority including the Scheme Statutory Funds,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



G J Gibson FCPA
Director of Audit

SYDNEY
18 November 2004



**PricewaterhouseCoopers
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WORKCOVER AUTHORITY OF NSW

Actuarial Certificate Outstanding claims liabilities at 30 June 2004

PricewaterhouseCoopers ("PwC") has been contracted by the WorkCover Authority of NSW ("the WorkCover Authority") to make estimates of the outstanding claims liabilities as at 30 June 2004, of the following funds:

- WorkCover Scheme Statutory Funds;
- Uninsured Liability and Indemnity Scheme ("ULIS");
- Emergency and Rescue Workers Compensation ("ERWCF") and Bushfire Fighters Compensation Funds ("BFFCF"); and
- Insurers' Guarantee Fund ("IGF"), covering the pre-WorkCover liabilities of the following failed insurers: National Employers Mutual ("NEM"), Bishopsgate, AGCI, Greatlands and HIH.

Data

Data was provided to us by the WorkCover Authority, except as follows:

- For HIH liabilities in the IGF, additional data was provided by Insurance Australia Group;
- For all other failed insurer liabilities in the IGF, data was provided by Corporate Management Services (Australia) Pty Ltd, on behalf of the Authority.

PwC has relied on historical data and other quantitative and qualitative information supplied by the WorkCover Authority and other parties without audit or independent verification. We did, however, review this information for reasonableness and internal consistency, where possible. The accuracy of our results is dependent upon the accuracy and completeness of the underlying data.

Liability is limited by the Accountant's Scheme under the Professional Standards Act 1994 (NSW)



Basis of Our Estimates

We have made *central estimates* of the outstanding claims liabilities – this means that our assumptions have been selected to yield estimates that are not knowingly above or below the ultimate liabilities. Our estimates include allowance for:

- Future inflation and investment return; and
- Future expected recoveries.

The gross outstanding claims liability for the WorkCover Scheme Statutory Funds also includes an allowance for expenses of \$271 million to meet the cost of management of claims outstanding (including claims incurred but yet to be reported) as at 30 June 2004;

Valuation Results

WorkCover Scheme Statutory Funds

The estimated liability for the WorkCover Scheme Statutory Funds as at 30 June 2004, net of recoveries, is \$7,586 million. This amount is made up as follows:

| Table 1 - WorkCover Scheme Statutory Funds | |
|---|-------|
| Outstanding Claims Liability at 30 June 2004 | |
| | \$m |
| Gross Outstanding Claims | 8,021 |
| Less Anticipated Recoveries | (435) |
| Net Outstanding Claims | 7,586 |

The WorkCover Authority has provided \$7,586 million in the Financial Statements of the WorkCover Scheme Statutory Funds as at 30 June 2004.

Other Funds

The estimated outstanding claims liability at 30 June 2004 for the Other Funds, net of recoveries is set out in Table 2.

| Table 2 | |
|---|--------------|
| Outstanding Claims Liability at 30 June 2004 - Other Funds | |
| | \$m |
| ULIS | 102.1 |
| ERWCF | 8.9 |
| BFFCF | 11.4 |
| NEM | 101.7 |
| Bishopgate | 9.8 |
| AGCI | 4.9 |
| Greatlands | 0.4 |
| HHH | 17.1 |
| Total | 256.1 |



It is our understanding that the WorkCover Authority has provided \$256.1 million in the Financial Statements of the above Funds as at 30 June 2004 for the outstanding claims liabilities.

Uncertainty

There is a limitation upon the accuracy of the estimates in this certificate in that there is an inherent uncertainty in any estimate of outstanding claim liabilities. This is due to the fact that the ultimate liability for claims is subject to the outcome of events yet to occur. These include, but are not limited to, the likelihood of injured workers lodging claims under the Scheme, the amount of compensation paid and the attitudes of claimants towards settlement of their claims. In our judgement, we have employed techniques and assumptions that are appropriate, and we believe the conclusions presented herein are reasonable, given the information currently available. However, it should be recognised that future claim development is likely to deviate, perhaps materially, from our estimates.

In the case of the NSW WorkCover Scheme this uncertainty is compounded by uncertainty surrounding the outcome of the various reforms made to the Scheme in recent years, in particular the 2001 reforms and more recently the closure of the Compensation Court from 31 December 2003. However, this uncertainty is reduced compared to this time last year and from the situation at the time the reforms were introduced, as the consequences of the reforms have started to emerge.

Reports

Full details of data, method, assumptions and results for the WorkCover Scheme Statutory Funds are set out in our report dated 17 September 2004 and for the Other Funds in 3 separate reports dated 9 July 2004.

Relevant Standards

Our estimates and reports are prepared in accordance with the Australian Accounting Standard AAS26, and with the Institute of Actuaries of Australia's Professional Standard 300, which relates to estimation of outstanding claims liabilities.

John Walsh
Fellow of the Institute of Actuaries of Australia
05 October 2004

Michael Playford
Fellow of the Institute of Actuaries of Australia
05 October 2004

Statement of FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2004

| | Note | 2004 \$'000 | 2003 \$'000 |
|---|----------|-----------------|-----------------|
| REVENUES | | | |
| Contributions | 2(e) & 3 | 187,526 | 196,639 |
| Fees and charges | 4 | 7,837 | 7,562 |
| Investment revenue | 5 | 9,526 | 7,167 |
| Other revenue | 6 | 18,385 | 10,339 |
| TOTAL REVENUES FROM ORDINARY ACTIVITIES | | 223,274 | 221,707 |
| EXPENSES | | | |
| WorkCover Authority operations | | | |
| Salaries and employee payments | 7 | 75,033 | 67,497 |
| Superannuation | 17 | 3,172 | 16,364 |
| Office accommodation | | 14,025 | 13,119 |
| Depreciation | 14(d) | 10,027 | 6,457 |
| Other operating expenses | 8 | 50,775 | 50,189 |
| | | 153,032 | 153,626 |
| WorkCover Scheme services | | | |
| Grants | 9 | 64,507 | 40,398 |
| Net claims incurred | 10 | 25,780 | 42,627 |
| Other expenses | | 6,425 | 6,119 |
| | | 96,712 | 89,144 |
| TOTAL EXPENSES FROM ORDINARY ACTIVITIES | | 249,744 | 242,770 |
| Operating deficiency from ordinary activities | | (26,470) | (21,063) |
| Non-Owner transaction changes in equity | | | |
| Net increase in asset revaluation reserve | 18 | 756 | 1,234 |
| Net increase in financial investment revaluation reserve | 18 | 17,576 | 0 |
| TOTAL CHANGES IN EQUITY – other than those resulting from transactions with owners as owners | | (8,138) | (19,829) |

The accompanying notes form part of these financial statements.

Statement of FINANCIAL POSITION

AS AT 30 JUNE 2004

| | Note | 2004 \$'000 | 2003 \$'000 |
|--|-----------|----------------|----------------|
| CURRENT ASSETS | | | |
| Cash assets | 20 | 21,677 | 22,690 |
| Receivables | 11 | 28,988 | 31,307 |
| Other financial assets | 12 | 13,104 | 19,561 |
| TOTAL CURRENT ASSETS | | 63,769 | 73,558 |
| NON-CURRENT ASSETS | | | |
| Receivables | 11 | 45,134 | 24,304 |
| Other financial assets | 12 | 205,131 | 198,207 |
| Property, plant and equipment | 14 | 52,120 | 58,901 |
| TOTAL NON-CURRENT ASSETS | | 302,385 | 281,412 |
| TOTAL ASSETS | | 366,154 | 354,970 |
| CURRENT LIABILITIES | | | |
| Payables | 15 | 12,152 | 16,211 |
| Provisions | 17 | 10,794 | 9,674 |
| Outstanding claims | 16 | 22,863 | 27,285 |
| TOTAL CURRENT LIABILITIES | | 45,809 | 53,170 |
| NON-CURRENT LIABILITIES | | | |
| Payables | 15 | 1,469 | 1,222 |
| Provisions | 17 | 34,367 | 18,013 |
| Outstanding claims | 16 | 233,246 | 223,166 |
| TOTAL NON-CURRENT LIABILITIES | | 269,082 | 242,401 |
| TOTAL LIABILITIES | | 314,891 | 295,571 |
| NET ASSETS | | 51,263 | 59,399 |
| EQUITY | | | |
| Asset revaluation reserve | 14 & 18 | 11,924 | 11,168 |
| Financial investment revaluation reserve | 2(i) & 18 | 17,576 | 0 |
| Retained surplus | 2(g) & 18 | 21,763 | 48,231 |
| | | 51,263 | 59,399 |

The accompanying notes form part of these financial statements.

Statement of CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2004

| | | 2004 \$'000 Inflows (Outflows) | 2003 \$'000 Inflows (Outflows) |
|--|------|---|---|
| | Note | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Contributions | | 157,615 | 148,696 |
| Investment revenue | | 10,357 | 767 |
| Recoveries | | 1,477 | 1,737 |
| Transfer from statutory funds | | 15,368 | 15,856 |
| GST refund from ATO | | 9,761 | 10,255 |
| Other receipts | | 30,089 | 9,663 |
| Salaries and employee payments | | (78,084) | (71,839) |
| Office accommodation | | (16,700) | (14,287) |
| Grants paid | | (50,503) | (36,444) |
| Compensation claims paid | | (21,657) | (21,409) |
| GST payment to ATO | | (903) | (710) |
| Other payments | | (63,655) | (56,053) |
| NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES | 19 | (6,835) | (13,768) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (10,403) | (28,952) |
| Proceeds on sale of property, plant and equipment | | (52) | 232 |
| Purchase of investments | | 0 | (39,146) |
| Redemption of investments | | 16,277 | 58,811 |
| NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES | | 5,822 | (9,055) |
| Net increase/(decrease) in cash held | | (1,013) | (22,823) |
| Cash at the beginning of the financial year | | 22,690 | 45,513 |
| CASH AT THE END OF THE FINANCIAL YEAR | 20 | 21,677 | 22,690 |

The accompanying notes form part of these financial statements.

Notes to and forming part of the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 1 Constitution and functions

The WorkCover Authority is constituted under the *Workplace Injury Management and Workers Compensation Act 1998*. The Authority has responsibility for the direction, control and management of a range of funds as outlined in Note 24. These financial statements comprise all of those funds but do not include the WorkCover Scheme Statutory Funds' accounts. These accounts are shown separately in Note 28.

WorkCover's funds are predominantly funded by contributions payable by licensed and self-insurers based on their level of premium income or deemed premium income respectively.

In undertaking its statutory role, the WorkCover Authority:

- ▶ promotes the prevention of injuries and diseases at the workplace and the development of healthy and safe workplaces
- ▶ promotes the prompt, efficient and effective management of injuries to persons at work; and
- ▶ ensures the efficient operation of workers compensation insurance arrangements.

WorkCover is exempt from the payment of income tax under section 23(d) of the *Income Tax Assessment Act 1936*.

NOTE 2 Summary of significant accounting policies

(a) Basis of financial statements

- i These financial statements have been prepared on the basis of historical cost except for the reporting of property, plant and equipment and investments which are valued at fair value.
- ii These financial statements are a general purpose financial report and have been prepared on an accrual basis.
- iii Proper accounts and records have been maintained for all of the operations of the WorkCover Authority in terms of section 41(1) of the *Public Finance and Audit Act 1983*.
- iv These financial statements have been prepared having regard to Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Consensus Views and the *Public Finance and Audit Act 1983*.
- v Amounts shown in these financial statements have been rounded to the nearest thousand dollars.

NOTE 2 Summary of significant accounting policies (continued)**(b) Property, plant, equipment and depreciation**

Property, plant and equipment are valued on the fair value basis. Where available, fair value is determined having regard to the highest and best use of the asset on the basis of current market selling prices for the same or similar assets. Where market selling price is not available, the asset's fair value is measured as its market buying price. That is, the replacement cost of the asset's remaining future economic benefits. The agency is a not for profit entity.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

Depreciation is provided for on a straight line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life.

The rates applied are:

| | % |
|-------------------------------|-------------|
| Buildings | 3.0 |
| Furniture and fittings | 10.0 |
| Library | 10.0 |
| Scientific equipment | 20.0 |
| Technical equipment | 14.3 |
| Office machines and equipment | 20.0 |
| Computer software | 14.3 – 33.0 |
| Computer hardware | 33.3 |

Experience has been that the useful lives of computer software assets are predominantly in the three to four year range with a number of recently acquired assets expected to have a longer, seven year, useful life.

Leasehold improvements are depreciated over the unexpired terms of the respective leases or the estimated life of the improvements, whichever is the shorter.

Capitalisation policy

Property, plant and equipment are those assets with a useful life of more than one year and with a unit cost in excess of \$2,000 but with the exception of:

| | Unit cost |
|-------------------|-----------|
| Computer software | \$3,000 |
| Computer hardware | \$1,000 |
| Reference books | \$500 |

(c) Net claims incurred

Net claims incurred include claims paid and the movement in the provision for outstanding claims liabilities. The provision for outstanding claims liabilities includes claims incurred but not yet paid, incurred but not yet reported, and allowances for the costs of claims administration. An assessment of outstanding claims by independent actuarial consultants is undertaken to determine this liability and the central estimate of that liability is brought to account.

(d) Employee benefits

Compensated absences is the term used in the Notes to refer to annual and long service leave.

Liabilities for salaries and wages, annual leave and long service leave that are expected to be settled within 12 months are recognised and measured in respect of employees' services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled.

Sick leave is non-vesting and does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

The outstanding amounts of payroll tax, workers compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

Long service leave that is expected to be settled after 12 months is measured on a present value basis. The present value method is based on remuneration rates at year end which are adjusted by factors developed by the NSW Treasury. This treatment is consistent with AASB 1028 'Employee Benefits'.

No employees have entitlements to non-monetary benefits which accumulate over time and hence, no liabilities exist.

Contributions are made by WorkCover to various State superannuation schemes and the amount of each year's expense includes any movement in the superannuation provisions. Any unfunded superannuation liability is recognised as a liability and any prepaid superannuation contributions are recognised as an asset.

(e) Contributions

Contributions to the major funds, the WorkCover Authority Fund and the Insurers' Guarantee Fund, are principally made by licensed insurers and licensed self-insurers and:

- i for the WorkCover Authority Fund, are brought to account on the basis of licensed insurers' premium income and self-insurers' deemed premiums relating to each policy renewal year, and are determined after having regard to the estimate of WorkCover's net operating expenses
- ii for the Insurers' Guarantee Fund, are brought to account to recognise the full funding of total claims costs.

Contributions to the Bush Fire Fighters and Emergency and Rescue Workers Compensation Funds are made through the NSW Treasury and are brought to account to recognise the full funding of total claims costs. The annual cash contributions by NSW Treasury are determined on the basis of the anticipated cost of claims on a 'pay as you go' basis for each year together with an allowance for administration expenses.

Notes to and forming part of the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 2 Summary of significant accounting policies (continued)

(f) Leases

WorkCover has entered into a number of operating lease agreements for office accommodation where the lessors effectively retain all the risks and benefits incidental to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the statement of financial performance over the lease term, as this is representative of the pattern of benefits to be derived from the leased property.

(g) Retained surplus

The retained surplus has decreased by the amount of the operating deficit for the year, \$26.4 million, to \$21.8 million (\$48.2 million – 2003).

(h) Extension of time

The Treasurer granted WorkCover an extension of time to 30 September 2004 for the preparation and submission of its financial statements to enable the preparation and inclusion of the accounts of the WorkCover Scheme Statutory Funds.

This extension of time has been granted each year since 1996 and it recognises the lead-time involved in the preparation and lodgement of audited financial returns by licensed insurers.

(i) Changes in accounting policies

Investments

During the year, the accounting policy for reporting the value of investments was changed. Previously, differences between the net market value of investments at the reporting date and their net market value at the previous date (or cost of acquisition, if acquired during the reporting period) were recognised in the statement of financial performance.

The Authority adopted this policy because of the similarity of its functions to insurance businesses which are obliged under Australian Accounting Standard AAS26 'Financial Reporting of General Insurance Activities' to recognise the increase in net market value of assets as a component of income.

The revised accounting policy is now in line with AASB 1041 'Revaluation of Non Current Assets' with these differences in the net market value of investments now reported in the statement of financial position as movements in a revaluation reserve.

The financial effect of this change in accounting policy is that \$17.6 million of revenue that would previously have been recognised in the statement of financial performance in the current year is recognised as an increment to an asset revaluation reserve in the statement of financial position. The overall financial impact on equity or net assets is nil.

Assets

During the year, the accounting policy for recording expenditure on assets was changed. Previously, all expenses incurred in the acquisition or development of an asset were capitalised regardless of which stage of the project they were incurred and recorded in the statement of financial position.

Under the revised accounting policy, costs incurred in the research and investigation stage of an asset will be accounted for in accordance with AASB 1011 'Accounting for Research and Development Costs' and will be expensed and recorded in the statement of financial performance where these costs do not result in the acquisition of an asset.

All costs incurred in the development and installation phase of an asset with the exception of user training, maintenance, support and annual license fees will be capitalised and recognised in the statement of financial position.

The financial effect of this change is to recognise \$2.8 million of expenses in the statement of financial performance which would have previously been recognised as an asset in the statement of financial position.

(j) Adopting Australian equivalents to International Financial Reporting Standards

i Management of transition

WorkCover will apply the Australian Equivalents to International Financial Reporting Standards (AIFRS) from the reporting period beginning 1 July 2005.

WorkCover is managing the transition to the new standards by allocating internal resources to analyse the standards and Urgent Issues Group Abstracts to identify key areas regarding policies, procedures, systems and financial impacts affected by the transition.

As a result of this exercise, the following steps are being taken to manage the transition to the new standards:

- ▶ An internal committee of financial accounting personnel is overseeing the transition.
- ▶ The following phases that need to be undertaken have been identified:
 - preliminary identification of likely impacts
 - final assessment of Australian equivalent standards
 - liaison on impacts with The Audit Office
 - preparation of opening statements as at 1 July 2004
 - finalise implementation of AIFRS.
- ▶ To date, an initial review of all standards has been undertaken and those having a major affect on WorkCover have been identified. Part (ii) provides an outline of the major differences affecting WorkCover.

Notes to and forming part of the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 2 Summary of significant accounting policies (continued)

NSW Treasury is assisting agencies to manage the transition by developing policies, including mandates of options, presenting training seminars to all agencies, providing a website with up-to-date information to keep agencies informed of any new developments, and establishing an AIFRS Agency Reference Panel to facilitate a collaborative approach to manage the change.

ii Key differences in accounting policies

WorkCover has identified a number of significant differences in accounting policies that will arise from adopting AIFRS. Some differences arise because AIFRS requirements are different from existing AASB requirements. Other differences could arise from options in AIFRS. To ensure consistency at the whole of government level, NSW Treasury has advised WorkCover of options it is likely to mandate, and will confirm these during 2004/05. This disclosure reflects these likely mandates.

WorkCover's accounting policies may also be affected by a proposed standard designed to harmonise accounting standards with Government Finance Statistics (GFS). This standard is likely to change the impact of AIFRS and significantly affect the presentation of the income statement. However, the impact is uncertain, because it depends on when this standard is finalised and whether it can be adopted in 2005/06.

Based on current information, the following key differences in accounting policies from adopting AIFRS are expected to impact on WorkCover in the following ways:

AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' requires retrospective application of the new AIFRS from 1 July 2004, with limited exceptions. Similarly, AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the opening balance of accumulated funds. This differs from current Australian requirements, because such changes must be recognised in the current period through profit or loss, unless a new standard mandates otherwise.

AASB 138 'Intangible Assets' requires that all assets which do not have a physical substance be reported as intangibles. Computer software development, currently reported under Property, Plant and Equipment, will be reported as an intangible asset. Intangible assets are required to be revalued each year by reference to an active market. As there is no active market for WorkCover's computer software development these assets cannot be revalued but must be carried at the initial cost less accumulated amortisation and any accumulated impairment losses. Currently the computer software development asset has a carrying value of \$10.1 million.

AASB 119 'Employee Benefits' requires the defined benefit obligation to be discounted using the Government bond rate at each reporting date rather than the long-term expected rate of return on plan assets. The administrator of WorkCover's superannuation accounts has advised that a reduction in the liability discount rate will occur and have the impact of increasing the accrued liability and therefore reducing any surpluses or increasing the net unfunded liability of WorkCover's account.

AASB 139 'Financial Instrument Recognition and Measurement' results in the recognition of financial instruments that were previously off balance sheet, including derivatives. The standard adopts a mixed measurement model and requires financial instruments held for trading and available for sale to be measured at fair value and valuation changes to be recognised in profit or loss or equity, respectively. Previously they were recognised at cost.

WorkCover's investments would meet 'held for trading' definition of financial assets and would therefore be measured at fair value. Thus all changes in fair value would be recognised in the statement of financial performance as gains or losses in fair value. This is consistent with the treatment of investments allowed to date for insurance and superannuation entities that hold investments for the purpose of paying claims. A significant amount of WorkCover's investments are held to pay the outstanding claims liability of uninsured claimants.

NSW Treasury's advice is that to achieve full harmonisation with Government finance statistics, entities would need to designate all financial instruments at fair value through profit or loss. However, at this stage it is unclear whether this option will be available under the standard and, if available, whether Treasury will mandate this option for all agencies.

(k) Accounting for the Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred by WorkCover as a purchaser is not recoverable from the Australian Taxation Office, is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

(l) Dispute resolution system

Since 2002, the WorkCover Authority has had responsibility for the funding of the Workers Compensation Commission which was established to arbitrate on disputed workers compensation claims.

The *Compensation Court Repeal Act 2002* abolished the Compensation Court from 1 January 2004 and transferred the Court's jurisdiction to the Workers Compensation Commission. Certain matters such as coal miners' workers compensation disputes and Police 'hurt on duty' matters were transferred to the residual jurisdiction of the District Court which is also funded by the WorkCover Authority.

At the time of closure, the depreciated book value of the Court's equipment, court fitout and furniture assets totalled \$0.533 million. The assets identified for disposal and not for continued use had a book value of \$0.382 million. These assets mainly comprised of aged computer equipment and court fitouts and accordingly, had either a nil or a low value on disposal.

Liabilities of the Compensation Court represent the pension entitlements of retired and sitting judges and totalled \$29.2 million as at 30 June 2004. The NSW Treasury's Pension Pool Scheme has accepted the pension liability of sitting judges of the former Compensation Court and actuarially assessed at \$10.4 million. The WorkCover Authority has recognised the liability of retired judges actuarially assessed at \$18.8 million.

Notes to and forming part of the

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 3 Contributions

Contributions to the various funds were:

| | 2004 \$'000 | 2003 \$'000 |
|---|----------------|----------------|
| WorkCover Authority Fund | | |
| Insurers | 140,121 | 155,149 |
| WorkCover Scheme Statutory Funds | | |
| Management and administration expenses | 22,541 | 29,003 |
| WorkCover Grants Scheme | (62) | 121 |
| | 162,600 | 184,273 |
| Insurers' Guarantee Fund | 24,065 | 5,566 |
| Bush Fire Fighters Compensation Fund | 2,618 | 3,090 |
| Emergency & Rescue Workers Compensation Fund | (1,757) | 3,710 |
| | 187,526 | 196,639 |

Contributions from the WorkCover Scheme Statutory Funds were made to meet specific costs incurred by WorkCover that were unique to the management and administration of those funds, together with transitional costs arising from changes to the dispute resolution system.

The contribution rate for the WorkCover Authority Fund in 2004 was 4.1% (4.1% – 2003) of insurers' premium income and self-insurers' deemed premiums.

NOTE 4 Fees and charges

| | 2004 \$'000 | 2003 \$'000 |
|--------------------------------------|----------------|----------------|
| TestSafe Australia testing fees | 2,576 | 2,481 |
| Certificates of competency | 1,967 | 1,915 |
| Testing and boiler inspection | 822 | 642 |
| Registration of plant | 939 | 881 |
| Demolition and pest control licences | 357 | 410 |
| Consultancy and training | 168 | 180 |
| Accreditation fees | 113 | 178 |
| Other | 895 | 875 |
| | 7,837 | 7,562 |

NOTE 5 Investment revenue

| | 2004 \$'000 | 2003 \$'000 |
|---|----------------|----------------|
| Interest on call and term deposits | 270 | 308 |
| Movement in market values | | |
| – realised | 10,087 | 459 |
| – unrealised | (831) | 6,400 |
| | 9,526 | 7,167 |

NOTE 6 Other revenue

| | 2004 \$'000 | 2003 \$'000 |
|---|----------------|----------------|
| OHS prosecutions fines | 6,012 | 4,478 |
| Professional costs recoveries | 2,112 | 2,065 |
| Workers compensation s.156 recoveries | 6,603 | 988 |
| Infringement Notices | 1,116 | 919 |
| Motor vehicle and overtime recoveries | 650 | 622 |
| Legal aid and interpreter scheme recoveries | 244 | 319 |
| Proceeds from sale of property, plant and equipment | (56) | 227 |
| Other | 1,704 | 721 |
| | 18,385 | 10,339 |

NOTE 7 Salaries and employee payments

| | 2004 \$'000 | 2003 \$'000 |
|--------------------------------|----------------|----------------|
| Salaries and allowances | 62,412 | 57,489 |
| Long service leave | 3,585 | 1,257 |
| Annual leave | 3,575 | 3,491 |
| Workers compensation insurance | 650 | 923 |
| Payroll tax | 4,082 | 3,549 |
| Fringe benefits tax | 519 | 537 |
| Payment to Board Members | 210 | 251 |
| | 75,033 | 67,497 |

Payments to Board Members are made in accordance with Premier's Guidelines.

NOTE 8 Other operating expenses

Other operating expenses of \$50.8 million (\$50.2 million – 2003) contain items of expenditure which are required to be disclosed by the *Public Finance and Audit Act 1983*. Those items are:

| | 2004 \$'000 | 2003 \$'000 |
|---|----------------|----------------|
| Consultancy fees | 598 | 7,147 |
| Audit fees | | |
| External audit – audit of the financial report – WorkCover Authority | 192 | 186 |
| External audit – audit of the financial report – WorkCover Scheme | 46 | 42 |
| Internal audit | 138 | 248 |
| Provision for doubtful debts | 3,594 | 169 |
| Bad debts | 8 | 28 |
| Loss on sale of assets | 28 | 18 |
| Property, plant and equipment written off | 7,962 | 1,321 |

Notes to and forming part of the

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 9 Grants

The Authority provided the following grants to other government agencies throughout the year:

| | 2004 \$'000 | 2003 \$'000 |
|---|----------------|----------------|
| Workers Compensation Commission | 23,303 | 13,165 |
| Workers Compensation Resolution Service | – | 31 |
| Compensation Court of NSW (Note 2(l)) | 41,204 | 27,202 |
| | 64,507 | 40,398 |

NOTE 10 Net claims incurred

Details of the net claims incurred by the various funds are:

| | Claims Paid | Movement in Claims Liabilities | Net Claims Incurred | |
|--|----------------|-----------------------------------|---------------------|----------------|
| | 2004 \$'000 | 2004 \$'000 | 2004 \$'000 | 2003 \$'000 |
| WorkCover Authority Fund – Uninsured Scheme | 7,818 | (17,718) | (9,900) | 29,896 |
| Insurers' Guarantee Fund | 7,668 | 27,519 | 35,187 | 6,276 |
| Bush Fire Fighters Compensation Fund | 2,133 | 304 | 2,437 | 2,915 |
| Emergency & Rescue Workers Compensation Fund | 2,503 | (4,447) | (1,944) | 3,540 |
| | 20,122 | 5,658 | 25,780 | 42,627 |

Current period claims relate to risks borne in the current reporting period. Prior period claims relate to an assessment of the risks borne in all previous reporting periods.

| Direct business | Current year \$'000 | 2004 Prior years \$'000 | Total \$'000 | Current year \$'000 | 2003 Prior years \$'000 | Total \$'000 |
|---|------------------------|-------------------------------|-----------------|------------------------|-------------------------------|-----------------|
| Gross claims incurred and related expenses – undiscounted | 29,164 | 144,373 | 173,537 | 27,311 | 20,912 | 48,223 |
| Reinsurance and other recoveries – undiscounted | (3,288) | (10,791) | (14,079) | (2,964) | (3,083) | (6,047) |
| Net claims incurred – undiscounted | 25,876 | 133,582 | 159,458 | 24,347 | 17,829 | 42,176 |
| Discount and discount movement | | | | | | |
| – gross claims incurred | (12,479) | (133,649) | (146,128) | (9,441) | 9,171 | (270) |
| – reinsurance and other recoveries | 1,737 | 10,713 | 12,450 | 1,333 | (612) | 721 |
| Net discount movement | (10,742) | (122,936) | (133,678) | (8,108) | 8,559 | 451 |
| Net claims incurred | 15,134 | 10,646 | 25,780 | 16,239 | 26,388 | 42,627 |

Net claims incurred – prior years

Undiscounted net claims incurred has increased due to a deterioration in case estimates for asbestos claims from the older accident years. The net discount movement has also increased due to a higher outstanding claims estimate partially offset by an increase in the discount rates since last year.

Notes to and forming part of the

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 11 Receivables

| | 2004 \$'000 | 2003 \$'000 |
|-----------------------------------|----------------|----------------|
| Current | | |
| Receivables | 34,037 | 34,075 |
| Prepaid superannuation (Note 17) | 417 | – |
| Prepayments | 591 | 145 |
| Other | 606 | 156 |
| | 35,651 | 34,376 |
| Less provision for doubtful debts | (6,663) | (3,069) |
| | 28,988 | 31,307 |
| Non-Current | | |
| Receivables | 45,134 | 24,304 |
| | 74,122 | 55,611 |

Receivables include amounts payable to the Insurers' Guarantee Fund from contributing insurers and have been determined after having regard to the central estimate of the Fund's outstanding claims liability.

NOTE 12 Other financial assets – Investments

Other financial assets comprise deposits with investment funds managers and other securities authorised by the *Public Authorities (Financial Arrangements) Act 1987*.

| | 2004 \$'000 | 2003 \$'000 |
|--|----------------|----------------|
| Colonial First State Investments Limited | 54,348 | 57,727 |
| UBS Asset Management (Australia) Limited | 37,278 | 38,546 |
| Merrill Lynch Investment Managers Limited | 43,017 | 35,671 |
| AMP Henderson Global Investors | 32,445 | 33,070 |
| Citigroup Asset Management Australia Limited | 26,120 | 25,390 |
| State Street Global Advisors Australia Limited | 24,882 | 24,771 |
| BT Funds Management Limited | 145 | 2,593 |
| | 218,235 | 217,768 |
| Current | 13,104 | 19,561 |
| Non-Current | 205,131 | 198,207 |
| | 218,235 | 217,768 |

Other financial assets are classified as current and non-current depending upon the amount expected to be consumed or converted into cash within 12 months of balance date.

Market valuations were provided by the investment managers with whom investments were placed.

NOTE 13 Financial instruments – terms, conditions and accounting policies

The accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

| Recognised financial instruments | Statement of financial position notes | Accounting policies | Terms and conditions |
|--|---------------------------------------|---|--|
| Financial assets | | | |
| Cash assets | 20 | Short-term deposits are stated at net fair value. Interest is recognised in the statement of financial performance when earned. | Cash deposits are at call. The rate for cash in the money market facility averaged 5.0% during the year. (2003: 4.8%) |
| Receivables | 11 | Receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable. | Contributions from insurers and legal prosecution debts are payable on dates specified. Credit sales are on 14 day terms. |
| Other financial assets (Investments) | 12 | Realised amounts for all investments and unrealised movements for current investments are recognised in the statement of financial performance. Unrealised market value movements for non-current investments are recognised in the statement of financial position as movements in revaluation reserve in accordance with AASB 1041 'Revaluation of Non-Current Assets'. | An investment management agreement based on the standard agreement of the Investment and Financial Services Association is in place with each of the external fund managers appointed. |
| Financial liabilities | | | |
| Payables (Trade creditors and accruals) | 15 | Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to WorkCover. | Trade liabilities are normally in accordance with supplier's terms. |
| WorkCover has no unrecognised financial instruments. | | | |

NOTE 13 Financial instruments – terms, conditions and accounting policies (continued)**Net fair values**

The financial assets and liabilities are carried at net fair value.

Exposure to risk

The use of financial instruments exposes WorkCover to two main types of risk:

1. Price risk is the risk of fluctuation in the value of a financial instrument as a result of changes in circumstances pertaining to any one or more of three risks elements:

Market: value fluctuations due to changes in market price whether those changes are caused by factors specific to the individual security or its issuer, or factors affecting all securities traded in the market.

Currency: value fluctuations due to changes in foreign currency rates.

Interest rate: value fluctuations due to changes in market interest rates.

2. Credit risk is the risk of financial loss arising from another party to a contract or financial position failing to discharge a financial obligation thereunder.

The major risks are quantified below.

Market risk exposure

The exposure to market risk on financial instruments at the balance date and previous year is as follows:

| FINANCIAL INSTRUMENTS | Market value 2004 \$'000 | Market value 2003 \$'000 |
|---|--------------------------------|--------------------------------|
| Financial assets | | |
| Investments in Australian shares | 80,296 | 74,217 |
| Investments in International shares – hedged | 10,776 | 12,974 |
| Investments in International shares – unhedged | 14,105 | 11,797 |
| Investments in Australian listed property trusts | 28,034 | 24,641 |
| TOTAL FINANCIAL ASSETS EXPOSED TO MARKET RISK | 133,211 | 123,629 |
| Cash | 21,677 | 22,690 |
| Receivables | 73,114 | 55,466 |
| Other investments | 85,024 | 94,139 |
| TOTAL FINANCIAL ASSETS NOT EXPOSED TO MARKET RISK | 179,815 | 172,295 |
| TOTAL FINANCIAL ASSETS | 313,026 | 295,924 |
| Financial liabilities | | |
| Trade creditors and accruals | 13,621 | 17,433 |
| TOTAL FINANCIAL LIABILITIES NOT EXPOSED TO MARKET RISK | 13,621 | 17,433 |

Market risk management

At the overall market level, market risk is managed by matching investments with long-term workers compensation and employee entitlements liabilities. At the individual security level, market risk is managed through diversification.

Currency risk exposure

The maximum exposure to currency risk at balance date is the carrying value of investments in unhedged international shares as indicated in the Market Risk Exposure table reported under this heading. WorkCover accepts currency risk as a part of diversification. Currency risk is monitored and controlled through the setting of exposure limits.

Interest rate risk exposure

The exposure to interest rate risks and effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, is as follows:

| FINANCIAL INSTRUMENT | Weighted average effective interest | Floating interest rate | Non-interest bearing | Total |
|------------------------------------|-------------------------------------|------------------------|----------------------|----------------|
| | 2004 % | 2004 \$'000 | 2004 \$'000 | 2004 \$'000 |
| Financial assets | | | | |
| Cash at bank | 4.1 | 3,872 | – | 3,872 |
| Cash in money market facility | 5.0 | 17,805 | – | 17,805 |
| Receivables | N/A | – | 73,114 | 73,114 |
| Investment in Cash Plus facilities | 5.2 | 145 | – | 145 |
| Investment in Australian Bonds | 4.4 | 58,759 | – | 58,759 |
| Other investments | N/A | | 159,331 | 159,331 |
| TOTAL FINANCIAL ASSETS | | 80,581 | 232,445 | 313,026 |
| Financial liabilities | | | | |
| Trade creditors and accruals | N/A | 0 | 13,621 | 13,621 |
| TOTAL FINANCIAL LIABILITIES | | 0 | 13,621 | 13,621 |

NOTE 13 Financial instruments – terms, conditions and accounting policies (continued)**Interest rate risk exposure – Previous year**

| Financial instruments | Weighted average effective interest | Floating interest rate | Non- interest bearing | Total |
|---------------------------------------|--|------------------------------|-----------------------------|----------------|
| | 2003 % | 2003 \$'000 | 2003 \$'000 | 2003 \$'000 |
| Financial assets | | | | |
| Cash at bank | 3.7 | 13,167 | – | 13,167 |
| Cash in money market facility | 4.8 | 9,523 | – | 9,523 |
| Receivables | N/A | – | 55,466 | 55,466 |
| Investment in Cash Plus facilities | 4.8 | 8,712 | – | 8,712 |
| Investment in Australian Bonds | 6.9 | 66,156 | – | 66,156 |
| Other investments | N/A | – | 142,900 | 142,900 |
| Total financial assets | | 97,558 | 198,366 | 295,924 |
| Financial liabilities | | | | |
| Trade creditors and accruals | N/A | 0 | 17,433 | 17,433 |
| Total financial liabilities | | 0 | 17,433 | 17,433 |

Interest rate risk sensitivity and risk management

WorkCover's outstanding workers compensation claim liabilities are determined by projecting the expected claim payment cash flows in each future year, and then discounting the sum of these projected amounts using an average future rate that could be earned on a portfolio of government bonds.

Changes in interest rates are likely to be associated with changes in government bond rates, which due to the method of determining outstanding claims liabilities, will affect both financial assets and financial liabilities.

Credit risk

The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of these assets as indicated in the statement of financial position.

Exchange traded options

Australian and international share funds managers are permitted to deal in options in accordance with specified rules. Options contracts give the purchaser the right to buy (call) or sell (put) a financial, equity or index instrument at a specified price or value and may be settled in cash or through delivery.

Share funds managers may purchase a call or put option and sell a call option on:

- (a) Australian Stock Exchange 200 Share Price Index (SPI)
Futures Contracts
- (b) any securities issued by a public company that is listed on the Australian Stock Exchange 200.

Exchange traded futures

Australian and international share funds managers are permitted to deal in futures in accordance with specified rules. These futures contracts are commitments to make or take delivery of a specified financial, equity or index instrument at an agreed price or value and may be settled through cash or delivery.

The objective of the share funds managers is to remain fully invested in the equity market at all times. To accomplish this, a small amount of futures contracts are held to maintain full exposure. Futures are also used from time to time to obtain immediate exposure to equity markets, particularly where cash flows are involved. The ability to hold futures allows the share funds managers to accommodate cash flows into and out of the fund on a daily basis without negatively impacting the performance of the fund.

Share funds managers are not permitted to use futures for gearing or for creating net short positions.

Share funds managers may buy and sell the following futures contracts denominated in Australian dollars and traded on the Sydney Futures Exchange or such other exchanges as may be approved by the WorkCover Authority:

- (a) Australian Stock Exchange 200 Share Price Index (SPI)
Futures contracts
- (b) share futures contracts on any securities issued by a public company that is listed on the Australian Stock Exchange 200.

The market value of derivatives held as at 30 June 2004 was \$2.5 million (\$1.7 million – 2003), which represents 1.04% of total investments (0.7% – 2003). The market value represents the amount of unrealised gains and losses.

Notes to and forming part of the

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 14 Property, plant and equipment

| | Note | 2004 \$'000 | 2003 \$'000 |
|---|------|----------------|----------------|
| Land and buildings | | | |
| Freehold land | | | |
| At fair value | | 6,600 | 5,575 |
| Total freehold land | (c) | 6,600 | 5,575 |
| Buildings | | | |
| At fair value | | 5,873 | 6,252 |
| Accumulated depreciation | | (1,058) | (841) |
| Total buildings | | 4,815 | 5,411 |
| Total land & buildings | | 11,415 | 10,986 |
| Leasehold improvements | | | |
| At fair value | | 23,370 | 18,140 |
| Accumulated amortisation | | (5,556) | (2,799) |
| Total leasehold improvements | | 17,814 | 15,341 |
| Office machines and equipment | | | |
| At fair value | | 2,546 | 2,651 |
| Accumulated depreciation | | (1,571) | (1,637) |
| Total office machines and equipment | | 975 | 1,014 |
| Furniture and fittings | | | |
| At fair value | | 478 | 463 |
| Accumulated depreciation | | (176) | (118) |
| Total furniture and fittings | | 302 | 345 |
| Computer hardware and software | | | |
| At fair value | | 15,417 | 16,064 |
| Accumulated depreciation | | (10,223) | (6,896) |
| Total computer hardware and software | | 5,194 | 9,168 |
| Computer software development | | | |
| At fair value | (b) | 19,062 | 14,848 |
| Accumulated depreciation | | (8,989) | (5,157) |
| Total computer software development | | 10,073 | 9,691 |
| Scientific and technical equipment | | | |
| At fair value | | 6,518 | 6,311 |
| Accumulated depreciation | | (4,856) | (4,814) |
| Total scientific and technical equipment | | 1,662 | 1,497 |
| Capital works in progress | | | |
| At fair value | | 4,685 | 10,859 |
| Total capital works in progress | | 4,685 | 10,859 |
| Total property, plant and equipment | | 52,120 | 58,901 |

- (a) In accordance with a policy of revaluing non-current assets with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at the reporting date, buildings and scientific and technical equipment were revalued in 2002 and freehold land in 2004. Freehold land, buildings and scientific and technical equipment were revalued on the basis of net fair value.

The independent valuations as at 30 June 2002 were carried out by:

Buildings

Mr K S Lew AVLE (VAL) – State Valuation Office

Scientific and technical equipment

Mr S McMahon AAPI (P&M) – Machinery Valuations Pty. Ltd.

The independent valuations as at 30 June 2004 were carried out by:

Land

Mr P Goldsmith AVLE (VAL) – State Valuation Office

- (b) Computer software development was revalued as at 30 June 2004. This directors' valuation was based on the assessment of net fair value and resulted in a revaluation decrement of \$5.2 million for this asset class. The revaluation decrement was recognised in the statement of financial performance. Further, a review of the useful life of assets in this category resulted in additional depreciation of \$0.451 million in 2003/04.

- (c) Details of land owned by WorkCover:

| Description of use | Location | Fair value |
|---|---|-------------|
| 38.529 hectares | 919 Londonderry Road Londonderry NSW | \$6,600,000 |
| Used as a centre for occupational health and safety research and testing. | | |

Notes to and forming part of the

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 14 Property, plant and equipment (continued)

(d) Movements during financial year:

| Class of asset | Balance as at 1/7/2003 | Additions | Disposals | Depreciation w/back on disposal | Net revaluation movements | Recoverable amount w/downs | Depreciation expense | Balance as at 30/6/2004 |
|--|---------------------------|---------------|-------------------------|---------------------------------------|---------------------------------|----------------------------------|-------------------------------|----------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Freehold land | 5,575 | – | – | – | 1,025 | – | – | 6,600 |
| Buildings | 5,411 | – | – | – | (430) | – | (166) | 4,815 |
| Leasehold improvements | 15,341 | 5,350 | (121) | 120 | – | – | (2,876) | 17,814 |
| Office machines & equipment | 1,014 | 280 | (281) | 276 | 9 | – | (323) | 975 |
| Motor vehicles | – | – | – | – | – | – | – | 0 |
| Furniture and fittings | 345 | 8 | (13) | 10 | 12 | – | (60) | 302 |
| Computer hardware and software | 9,168 | 3,957 | (4,459) | 96 | 7 | – | (3,575) | 5,194 |
| Computer software development | 9,691 | 4,344 | (130) | – | – | – | (3,832) | 10,073 |
| Scientific and technical equipment | 1,497 | 402 | (182) | 172 | 133 | – | (360) | 1,662 |
| Capital WIP | 10,859 | 9,299 | (10,273) ^(b) | – | (5,200) | – | – | 4,685 |
| Total property, plant & equipment | 58,901 | 23,640 | (15,459) | 674 | (4,444) | (0) | (11,192)^(a) | 52,120 |

(a) includes WCC depreciation expense of \$1,166,000.

(b) represents transfers to completed assets.

NOTE 15 Payables

| | 2004 \$'000 | 2003 \$'000 |
|-------------------------------------|----------------|----------------|
| Current | | |
| Creditors | 8,049 | 12,022 |
| Accrued salaries, wages and oncosts | 4,103 | 4,189 |
| | 12,152 | 16,211 |
| Non-Current | | |
| Creditors | – | – |
| Accrued salaries, wages and oncosts | 1,469 | 1,222 |
| | 1,469 | 1,222 |
| | 13,621 | 17,433 |

NOTE 16 Outstanding claims

| | 2004 \$'000 | 2003 \$'000 |
|----------------------------------|------------------|----------------|
| Expected future claims payments | 586,829 | 385,344 |
| Claims handling expenses | 79,650 | 52,744 |
| Discount to present value | (410,370) | (187,637) |
| Liability for outstanding claims | 256,109 | 250,451 |
| Current | 22,863 | 27,285 |
| Non-Current | 233,246 | 223,166 |
| | 256,109 | 250,451 |

(a) The weighted average expected term to settlement from the reporting date of the outstanding claims is as follows for each fund:

| | 2004 Years | 2003 Years |
|--|---------------|---------------|
| WorkCover Authority Fund | | |
| (Uninsured Scheme) | 11 | 11.3 |
| Bush Fire Fighters Compensation Fund | 6.3 | 6.2 |
| Emergency & Rescue Workers Compensation Fund | 5.4 | 5.5 |
| Insurers' Guarantee Fund | 5.5 | 3.5 |

(b) The following average inflation rates and discount rates were used in measuring the liability for outstanding claims expected to be paid not later than one year:

| | 2004 % | 2003 % |
|----------------|-------------|-----------|
| Inflation rate | 3.75 | 3.75 |
| Discount rate | 5.31 | 5.0 |

(c) The following average inflation rates and discount rates were used in measuring the liability for outstanding claims expected to be paid later than one year:

| | 2004 % | 2003 % |
|----------------|--------------------|-----------|
| Inflation rate | 3.75 | 3.75 |
| Discount rate | 5.40 – 6.36 | 5.0 |

Notes to and forming part of the

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 16 Outstanding claims (continued)

(d) The liability brought to account is the amount recommended by consulting actuaries being their central estimate. Statutory provision provides assurances for the funding of the total liability. The dissection of the total liability by fund is:

| | \$'000 | 2004 \$'000 | \$'000 | 2003 \$'000 |
|---|---------|----------------|--------|----------------|
| WorkCover Authority Fund | | | | |
| – Uninsured Scheme | | 102,063 | | 119,781 |
| Bush Fire Fighters Compensation Fund | | 11,371 | | 11,067 |
| Emergency & Rescue Workers Compensation Fund | | 8,858 | | 13,304 |
| Insurers' Guarantee Fund comprising: | | | | |
| – NEM Insurance Co | 101,655 | | 64,139 | |
| – HIH Insurance Co Ltd | 17,118 | | 32,020 | |
| – Bishopsgate Aust Insurance Co Ltd | 9,778 | | 6,774 | |
| – AGCI Co Ltd | 4,879 | | 2,631 | |
| – Greatlands Insurance Co Ltd | 387 | | 735 | |
| | | 133,817 | | 106,299 |
| Total outstanding claims | | 256,109 | | 250,451 |

NOTE 17 Provisions

| | 2004 \$'000 | 2003 \$'000 |
|--|----------------|----------------|
| Current | | |
| Lease restoration | 176 | 876 |
| Employee benefits | | |
| Compensation Court judges pensions | 1,600 | 0 |
| Compensated absences | 9,018 | 8,798 |
| | 10,794 | 9,674 |
| Non-Current | | |
| Employee benefits | | |
| Compensated absences | 10,698 | 8,133 |
| Compensation Court judges pensions | 17,216 | 0 |
| Superannuation | 6,453 | 9,880 |
| | 34,367 | 18,013 |
| Total provisions | 45,161 | 27,687 |
| Aggregate employee benefits and related oncosts | | |
| Provision – current | 10,618 | 8,798 |
| Provision – non-current | 34,367 | 18,013 |
| Accrued salaries, wages and oncosts | 5,572 | 5,411 |
| | 50,557 | 32,222 |

Superannuation

Unfunded superannuation liabilities are recognised as a liability in the statement of financial position. Prepaid superannuation contributions are recognised as an asset.

Details of WorkCover's liabilities and reserves under superannuation schemes relating to employees as at 30 June 2004 are as follows:

| | Assessed liability | Reserve account | Net Asset/ (Liability) | |
|--|-----------------------|--------------------|---------------------------|----------------|
| | 2004 \$'000 | 2004 \$'000 | 2004 \$'000 | 2003 \$'000 |
| State Superannuation Scheme | 88,519 | 88,719 | 200 | (4,297) |
| State Authorities Superannuation Scheme | 17,672 | 13,217 | (4,455) | (3,972) |
| State Authorities Non-Contributory Superannuation Scheme | 6,954 | 5,173 | (1,781) | (1,611) |
| | 113,145 | 107,109 | (6,036) | (9,880) |

The 30 June 2004 assessment of liability was calculated by Pillar Administration actuary, Mercer, where the key assumptions adopted by the actuary were:

| | 2004 | 2005 | 2006 and thereafter |
|---------------------------------|------------|------|------------------------|
| | % | % | % |
| Rate of investment return | 7.0 | 7.0 | 7.0 |
| Rate of general salary increase | 4.0 | 4.0 | 4.0 |
| Rate of increase in CPI | 2.5 | 2.5 | 2.5 |

Future contributions

As of 30 June 2004, the WorkCover Authority's assessed liabilities exceeded the reserves in both of the State Authorities Superannuation Scheme and the State Authorities Non-Contributory Superannuation Scheme. This deficiency of \$6.2 million is reported as a liability.

The First State Superannuation Scheme has established superannuation cover for employees who are not contributing to any other schemes and employer contributions were 9.0% of such employees' salaries for the year (9.0% – 2003). Payments for staff covered by the scheme totalled \$3.4 million (\$2.7m – 2003). For this scheme WorkCover has no outstanding employer liability as the contributions are fully funded and vested to individual officers.

Notes to and forming part of the

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 18 Changes in equity

| | Retained surplus | | Asset revaluation reserve | | Total equity | |
|--|------------------|----------------|---------------------------|----------------|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| Balance at the beginning of the financial year | 48,231 | 69,294 | 11,168 | 9,934 | 59,399 | 79,228 |
| Changes in equity – transactions with owners as owners | | | | | | |
| Increase in net assets from administrative restructuring | – | – | – | – | – | – |
| Total changes in equity – other than transactions with owners as owners | | | | | | |
| Deficit for the year | (26,470) | (21,063) | – | – | (26,470) | (21,063) |
| Increment/(decrement) on revaluation of: | | | | | | |
| Financial Investments | – | – | 17,576 | – | 17,576 | – |
| Land and building | – | – | 595 | 1,400 | 595 | 1,400 |
| Plant and equipment | – | – | 28 | 8 | 28 | 8 |
| Scientific and technical equipment | – | – | 133 | – | 133 | – |
| Computer software development | – | – | – | (174) | – | (174) |
| Balance at the end of the financial year | 21,763 | 48,231 | 29,500 | 11,168 | 51,263 | 59,399 |

Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

NOTE 19 Reconciliation of net cash provided by operating activities to the operating surplus (deficiency) from ordinary activities

| | 2004 \$'000 | 2003 \$'000 |
|--|-----------------|-----------------|
| Operating deficiency from ordinary activities | (26,470) | (21,063) |
| Depreciation/asset writeback | 19,155 | 7,778 |
| Loss or gain on sale of asset | 85 | (209) |
| Unrealised investment income | 831 | (6,400) |
| Provisions | | |
| Outstanding claims | 5,657 | 23,022 |
| Superannuation | (3,449) | 6,499 |
| Lease restoration | (700) | 255 |
| Doubtful debts | 3,594 | 169 |
| Compensated absences | 2,786 | (1,836) |
| Judges pensions | 18,816 | – |
| Decrease/(increase) in debtors & prepayments | (17,801) | (13,880) |
| Increase/(decrease) in creditors | (9,339) | (8,103) |
| Net cash provided by operating activities | (6,835) | (13,768) |

NOTE 20 Reconciliation of cash

For the purposes of the statement of cash flows, cash assets include cash (at bank and on hand), call deposits and NSW Treasury special deposits. Cash at the end of the period as shown in the statement of cash flows is also shown as cash assets in the statement of financial position.

| | 2004 \$'000 | 2003 \$'000 |
|-------------|----------------|----------------|
| Cash assets | 21,677 | 22,690 |
| | 21,677 | 22,690 |

NOTE 21 Expenditure commitments**Lease commitments**

| | 2004 \$'000 | 2003 \$'000 |
|---|----------------|----------------|
| Payable: | | |
| not later than one year | 8,312 | 8,579 |
| later than one year but not later than five years | 27,775 | 28,091 |
| later than five years | 14,213 | 22,581 |
| | 50,300 | 59,251 |

Expenditure commitments include input tax credits of \$4.476 million (\$5.373m – 2003) which are expected to be recoverable from the Australian Taxation Office.

There are no capital expenditure commitments.

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Note 22 Self-insurers and specialised insurers security deposits and bank guarantees

Under sections 213-215A of the *Workers Compensation Act 1987*, WorkCover administers security deposits and bank guarantees lodged by self-insurers and specialised insurers.

As of 30 June 2004, WorkCover held deposits and bank guarantees to the value of \$1,192 million (\$960 million – 2003). These deposits and guarantees are held in trust for the payment of all accrued, continuing, future and contingent liabilities of self-insurers and specialised insurers under the Act which are not otherwise satisfied.

Money deposited with WorkCover for this purpose is invested in authorised securities, which are issued or guaranteed by State or Commonwealth. The interest on such investments is paid directly to each self-insurer and specialised insurer.

A separate bank account for lodgement of cash deposits has been established and the balance of the account as at 30 June 2004 was \$1.317 million (\$0.08 million – 2003).

NOTE 23 Insurances

WorkCover is insured with the Treasury Managed Fund for the following risks:

Risk covered

Public liability
Property
Motor vehicles
Workers compensation
Group/personal/accidental/travel
Crime and computer crime
Errors and omissions
Industrial special risks.

NOTE 24 Funds

Funds for which WorkCover has direction, control and management responsibilities are:

(a) WorkCover Authority Fund

This fund is constituted under Section 34 of the *Workplace Injury Management and Workers Compensation Act 1998*. It is funded from contributions by insurers and self-insurers and it meets WorkCover's operating expenses as well as payments:

- to the Workers Compensation Commission responsible for the determination of workers compensation disputes
- under the Uninsured Liability and Indemnity Scheme to meet the cost of claims not initially paid by uninsured employers.

Funds are also received from the WorkCover Scheme Statutory Funds which are applied, in part, to support research into occupational health and safety, workers compensation and injury management issues through a WorkCover Grants Scheme.

(b) Insurers' Guarantee Fund

As a consequence of National Employers' Mutual General Insurance Association Limited being placed into provisional liquidation on 1 May 1990, the Insurers' Guarantee Fund was established. Contributions from insurers and distributions by the liquidators are applied to meet the claims costs and administrative expenses of the fund.

The fund also meets the cost of the run-off of remaining claims liabilities of the HIH Insurance Group, the Greatlands General Insurance Co Ltd, Bishopsgate Insurance Australia Ltd and Associated General Contractors Insurance Co Ltd.

(c) Bush Fire Fighters Compensation Fund

This fund is constituted under section 19 of the *Workers Compensation (Bush Fire, Emergency and Rescue Services) Act 1987*.

The fund is financed by an annual contribution from the NSW Rural Fire Service through the NSW Treasury and is applied to compensate voluntary bush fire fighters for personal injury and damage to their personal effects and equipment.

(d) Emergency and Rescue Workers Compensation Fund

This fund is constituted under section 31 of the *Workers Compensation (Bush Fire, Emergency and Rescue Services) Act 1987*.

The fund is financed through NSW Treasury by an appropriation from Parliament and is applied to compensate emergency service, lifesavers and rescue workers for personal injury.

(e) Premiums Adjustment Fund

The fund is constituted under Section 203 of the *Workers Compensation Act 1987*.

Generally, its purpose is to facilitate the pooling of workers compensation premiums and the movement of funds between insurers and WorkCover.

No transactions have occurred in the fund since its establishment in 1990.

(f) Terrorism Reinsurance Fund

Section 239AE of the *Workers Compensation Act 1987* provides for the establishment of a Terrorism Reinsurance Fund on the first occasion (if any) that a declaration is made under section 239AD of the Act.

The purpose of the fund is to meet the cost of workers compensation liabilities of an insurer and/or a self-insurer arising from an act of terrorism.

No declaration has been made under section 239AD and accordingly, the fund has not been established as at the reporting date.

Notes to and forming part of the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 25 Contingent liabilities and contingent assets

(a) Contingent liabilities

WorkCover is a party to proceedings in the Industrial Relations Commission of NSW concerning a gas explosion at Kogarah railway station in 1995. The matter involves WorkCover being liable for the defendants' costs should an appeal against the prosecution be successful. In that event, costs are estimated at \$5.7 million.

(b) Contingent assets

WorkCover funded the operations of the Compensation Court until its closure on 31 December 2003. Under section 35A of the *Workplace Injury Management and Workers Compensation Act 1998*, WorkCover is required to meet any ongoing costs of the Court such as continuing salaries of judges and staff.

At 30 June 2004, an excess of \$1 million was held in staff superannuation reserves and recognised as part of the Crown Entity. On 31 December 2004 WorkCover's funding of any staffing costs will cease, and its entitlement to the excess in reserves will be clarified. Accordingly, the excess in reserves of \$1 million is disclosed as a contingent asset.

NOTE 26 Conditions after reporting date

The *Workers Compensation Amendment (Insurance Reform) Act 2003* provides for the transfer of the assets and liabilities of the Uninsured Liability and Indemnity Scheme from the WorkCover Authority Fund to the Insurance Fund. The assets and liabilities of the Premiums Adjustment Fund also become assets and liabilities of the Insurance Fund.

At the date of reporting, the Act has not commenced. However, on commencement it will have the effect of transferring outstanding claims liabilities of the Uninsured Liability and Indemnity Scheme currently assessed at \$102 million from the WorkCover Authority Fund together with a comparable amount of funding assets, both of which are recognised in this financial report. There will be no effect on equity or net assets of the Fund reported at \$51.2 million as at 30 June 2004. Further, the Premiums Adjustment Fund is presently a dormant fund holding no assets and liabilities.

NOTE 27 Comparative statements of financial performance, financial position and cash flows

Comparative statement of financial performance for the year ended 30 June 2004

| | WorkCover Authority Fund | | Insurers' Guarantee Fund | | Bush Fire Fighters Compensation Fund | | Emergency & Rescue Workers Comp Fund | | TOTAL* | |
|--|-----------------------------|--------------|-----------------------------|-------------|---|-------------|---|-------------|--------------|--------------|
| | 2004 \$m | 2003 \$m | 2004 \$m | 2003 \$m | 2004 \$m | 2003 \$m | 2004 \$m | 2003 \$m | 2004 \$m | 2003 \$m |
| Revenues | | | | | | | | | | |
| Contributions | 162.6 | 184.2 | 24.1 | 5.6 | 2.6 | 3.1 | (1.7) | 3.7 | 187.6 | 196.6 |
| Investment revenue | 8.0 | 4.6 | 1.5 | 2.6 | – | – | – | – | 9.5 | 7.2 |
| Other revenues | 26.2 | 17.9 | – | – | – | – | – | – | 26.2 | 17.9 |
| Total revenues | 196.8 | 206.7 | 25.6 | 8.2 | 2.6 | 3.1 | (1.7) | 3.7 | 223.3 | 221.7 |
| Expenses | | | | | | | | | | |
| WorkCover operations | 151.0 | 151.3 | 1.6 | 1.9 | 0.2 | 0.2 | 0.2 | 0.2 | 153.0 | 153.6 |
| Grants | 64.5 | 40.4 | – | – | – | – | – | – | 64.5 | 40.4 |
| Cost of claims | (9.9) | 29.9 | 35.2 | 6.3 | 2.4 | 2.9 | (1.9) | 3.5 | 25.8 | 42.6 |
| Other | 6.4 | 6.1 | – | – | – | – | – | – | 6.4 | 6.1 |
| Total expenses | 212.0 | 227.7 | 36.8 | 8.2 | 2.6 | 3.1 | (1.7) | 3.7 | 249.7 | 242.7 |
| Operating surplus/(deficit) | (15.2) | (21.0) | (11.2) | – | – | – | – | – | (26.4) | (21.0) |
| Non-owner transaction changes in equity | 7.1 | 1.2 | 11.2 | – | – | – | – | – | 18.3 | 1.2 |
| Total changes in equity – other than those from transactions with owners as owners | (8.1) | (19.8) | – | – | – | – | – | – | (8.1) | (19.8) |

* Certain revenues and expenses have been adjusted to eliminate minor transactions between the funds.

Notes to and forming part of the

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 27 Comparative statements of financial performance, financial position and cash flows (continued)**Comparative statement of financial position** as at 30 June 2004

| | WorkCover Authority Fund | | Insurers' Guarantee Fund | | Bush Fire Fighters Compensation Fund | | Emergency & Rescue Workers Comp Fund | | TOTAL* | |
|--------------------------|-----------------------------|--------------|-----------------------------|--------------|---|-------------|---|-------------|--------------|--------------|
| | 2004 \$m | 2003 \$m | 2004 \$m | 2003 \$m | 2004 \$m | 2003 \$m | 2004 \$m | 2003 \$m | 2004 \$m | 2003 \$m |
| Assets | | | | | | | | | | |
| Receivables | 27.7 | 29.8 | 28.6 | 4.2 | 10.8 | 10.2 | 7.1 | 11.4 | 74.2 | 55.6 |
| Other financial assets | 113.0 | 116.0 | 105.2 | 101.8 | – | – | – | – | 218.2 | 217.8 |
| Other | 71.0 | 78.2 | 0.5 | 0.6 | 0.6 | 0.9 | 1.7 | 1.9 | 73.8 | 81.6 |
| Total assets | 211.7 | 224.0 | 134.3 | 106.6 | 11.4 | 11.1 | 8.8 | 13.3 | 366.2 | 355.0 |
| Liabilities | | | | | | | | | | |
| Outstanding claims | 102.1 | 119.8 | 133.8 | 106.3 | 11.4 | 11.1 | 8.8 | 13.3 | 256.1 | 250.5 |
| Other | 58.3 | 44.8 | 0.5 | 0.3 | – | – | – | – | 58.8 | 45.1 |
| Total liabilities | 160.4 | 164.6 | 134.3 | 106.6 | 11.4 | 11.1 | 8.8 | 13.3 | 314.9 | 295.6 |
| Equity | 51.3 | 59.4 | – | – | – | – | – | – | 51.3 | 59.4 |

* Certain assets and liabilities have been adjusted to eliminate minor transactions between the funds.

Comparative statement of cash flows for the year ended 30 June 2004

| | WorkCover Authority Fund | | Insurers' Guarantee Fund | | Bush Fire Fighters Compensation Fund | | Emergency & Rescue Workers Comp Fund | | TOTAL* | |
|---|-----------------------------|---------------|-----------------------------|-------------|---|-------------|---|-------------|-------------|--------------|
| | 2004 \$m | 2003 \$m | 2004 \$m | 2003 \$m | 2004 \$m | 2003 \$m | 2004 \$m | 2003 \$m | 2004 \$m | 2003 \$m |
| Operating activities | | | | | | | | | | |
| Inflows | | | | | | | | | | |
| Contributions | 153.3 | 144.7 | (0.2) | – | 2.0 | 2.0 | 2.5 | 2.0 | 157.6 | 148.7 |
| Investment revenue | 8.8 | 0.3 | 1.5 | 0.4 | – | – | – | – | 10.3 | 0.7 |
| Other | 56.4 | 36.4 | 0.2 | 0.2 | 0.1 | 0.7 | – | 0.2 | 56.7 | 37.5 |
| (Outflows) | | | | | | | | | | |
| WorkCover operations | (94.4) | (85.6) | – | (0.1) | (0.2) | (0.2) | (0.2) | (0.2) | (94.8) | (86.1) |
| Grants | (50.5) | (36.4) | – | – | – | – | – | – | (50.5) | (36.4) |
| Claims | (9.2) | (8.5) | (7.7) | (7.2) | (2.2) | (3.2) | (2.5) | (2.5) | (21.6) | (21.4) |
| Other | (62.8) | (54.9) | (1.7) | (1.9) | – | – | – | – | (64.5) | (56.8) |
| Net cash provided by/(used in) operating activities | 1.6 | (4.0) | (7.9) | (8.6) | (0.3) | (0.7) | (0.2) | (0.5) | (6.8) | (13.8) |
| Investing activities | (2.0) | (15.8) | 7.8 | 6.8 | – | – | – | – | 5.8 | (9.0) |
| Net (increase)/decrease cash | (0.4) | (19.8) | (0.1) | (1.8) | (0.3) | (0.7) | (0.2) | (0.5) | (1.0) | (22.8) |
| Cash at beginning of financial year | 19.2 | 39.1 | 0.6 | 2.4 | 0.9 | 1.6 | 1.9 | 2.4 | 22.7 | 45.5 |
| Cash at end of financial year | 18.8 | 19.3 | 0.5 | 0.6 | 0.6 | 0.9 | 1.7 | 1.9 | 21.7 | 22.7 |

* Certain items of cash inflows and outflows have been adjusted to eliminate minor transactions between the funds.

Notes to and forming part of the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 28 WorkCover Scheme Statutory Funds

The WorkCover Authority of New South Wales is responsible for the regulation of statutory funds constituted under Division 4 of Part 7 of the *Workers Compensation Act 1987*. These statutory funds are commonly known as the WorkCover Scheme Statutory Funds.

The relationship between the WorkCover Authority and the WorkCover Scheme Statutory Funds does not constitute 'control' within the meaning of Australian Accounting Standard AAS24 'Consolidated Financial Reports'. This has been confirmed in advice given by the Solicitor General.

Consequently, the financial statements of the WorkCover Scheme Statutory Funds have not been consolidated with the financial statements of the WorkCover Authority but are included separately as the Board is of the opinion that they are of vital interest to the Government, Parliament and stakeholders of the Scheme. This accounting treatment has been adopted consistently for the financial statements since the year ended 30 June 1996.

Statement of financial performance

for the year ended 30 June 2004

| | Note | 2004 \$'000 | 2003 \$'000 |
|---|------|------------------|------------------|
| Revenues | | | |
| Net earned premiums | 2 | 2,103,984 | 2,228,486 |
| Recoveries | 5 | 128,251 | 247,768 |
| Investment income | 3 | 692,852 | 81,417 |
| Other income | | 26,605 | 24,019 |
| Total revenues from ordinary activities | | 2,951,692 | 2,581,690 |
| Expenses | 4 | | |
| Claims incurred | 5 | 2,093,511 | 2,513,311 |
| Insurers' management fees | | 172,392 | 196,440 |
| Audit fees paid to auditors of insurers | | 980 | 800 |
| Bad debts written-off | | 17,435 | 31,032 |
| Doubtful debts provision | | 11,877 | (5,405) |
| Wage audit fees | | 12,739 | 9,344 |
| Debt collection fees | | 6,625 | 9,381 |
| Bank charges | | 718 | 826 |
| Other operating expenses | | 6,731 | 6,634 |
| Total expenses from ordinary activities | | 2,323,008 | 2,762,363 |
| Surplus/(deficit) from ordinary activities | | 628,684 | (180,673) |
| Total changes in equity – other than those resulting from transactions with owners as owners | | 628,684 | (180,673) |

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2004

| | Note | 2004 \$'000 | 2003 \$'000 |
|--------------------------------------|---------|--------------------|--------------------|
| Current assets | | | |
| Cash assets | | 50,663 | 24,312 |
| Recoveries receivable | | 93,531 | 89,940 |
| Other receivables | 6 | 317,059 | 304,917 |
| Other financial assets – investments | 7 | 365,795 | 283,018 |
| Total current assets | | 827,048 | 702,187 |
| Non-Current assets | | | |
| Recoveries receivable | | 340,998 | 332,098 |
| Other financial assets – investments | 7 | 5,077,392 | 4,638,503 |
| Total Non-Current assets | | 5,418,390 | 4,970,601 |
| Total assets | | 6,245,438 | 5,672,788 |
| Current liabilities | | | |
| Payables | 9 | 165,148 | 291,857 |
| Unearned premiums provision | | 412,783 | 403,522 |
| Outstanding claims | 1d & 10 | 1,523,916 | 1,957,638 |
| Total current liabilities | | 2,101,847 | 2,653,017 |
| Non-Current liabilities | | | |
| Outstanding claims | 1d & 10 | 6,496,696 | 6,001,560 |
| Total Non-Current liabilities | | 6,496,696 | 6,001,560 |
| Total liabilities | | 8,598,543 | 8,654,577 |
| Net liabilities | | (2,353,105) | (2,981,789) |
| Equity | | | |
| Accumulated deficit | 1a | (2,353,105) | (2,981,789) |

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2004

| | Note | 2004 \$'000 Inflows (Outflows) | 2003 \$'000 Inflows (Outflows) |
|--|------|---|---|
| Cash flows from operating activities | | | |
| Premiums received | | 2,496,101 | 2,654,726 |
| Statutory levies paid | | (177,980) | (167,648) |
| Claims paid | | (2,047,690) | (2,518,760) |
| Recoveries received | | 103,491 | 104,925 |
| Interest received | | 97,807 | 113,606 |
| Dividends received | | 154,729 | 160,398 |
| Other receipts | | 119,833 | 103,376 |
| Insurers' management fees | | (256,535) | (177,327) |
| Other payments | | (326,129) | (295,166) |
| Net cash provided by/(used in) operating activities | 12 | 163,627 | (21,870) |
| Cash flows from investing activities | | | |
| Payments for investment | | (4,007,313) | (3,813,626) |
| Proceeds from investments | | 3,951,623 | 3,930,375 |
| Net cash (used in)/provided by investing activities | | (55,690) | 116,749 |
| Net increase in cash held | | 107,937 | 94,879 |
| Cash at the beginning of the financial year | | 199,821 | 104,942 |
| Cash at the end of the financial year | 13 | 307,758 | 199,821 |

The accompanying notes form part of these financial statements.

Notes to and forming part of the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 28 WorkCover Scheme Statutory Funds (continued)

1. Summary of significant accounting policies

- (a) These financial statements have been prepared as a general purpose financial report having regard to Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and applicable industry practices.

These financial statements are prepared on the basis of historical cost and do not reflect changes in the value of money, except that investments (Note 7) are valued at net market values and outstanding claims and recoveries are included at inflated and discounted values. Income and expenditure have been brought to account on an accrual basis. The accounting policies adopted are consistent with those of the comparative reporting period.

The WorkCover Scheme had a surplus of \$629 million (2003: deficit of \$181 million) for the year. To address the accumulated deficit, the *Workers Compensation Amendment (Insurance Reform) Act 2003* provides for a new workers compensation insurance structure. McKinsey & Company has calculated that insurance operations under the new agency structure coupled with the savings of the 2001 reforms can eliminate the Scheme deficit in 5-10 years.

The *Workers Compensation Act 1987* provides for the funding of any overall deficit in the WorkCover Scheme by the payment of a contribution by employers as part of future premiums. Consequently, these financial statements have been prepared on a going concern basis.

- (b) The financial statements are based on audited returns lodged by licensed insurers and aggregate the accounts of the statutory funds established and maintained by licensed insurers under Division 4 of Part 7 of the *Workers Compensation Act 1987*. A list of insurers licensed to operate under the WorkCover Scheme Statutory Funds system during the year ended 30 June 2004 is given in Note 11.
- (c) The earned portion of premiums received and receivable, excluding unclosed business and taxes collected on behalf of third parties, is recognised as revenue. Premium is treated as earned from the date of attachment of risk. The pattern of recognition over the policy periods is based on time which is considered to approximate the pattern of risks underwritten. Unclosed business has not been included as revenue as the amount involved is not considered to be material.
- Licensed insurers provided information in their audited statements to identify, in respect of premiums written, the amount of unearned premiums which relate to the next financial year. The total of these amounts makes up the unearned premiums provision. Unearned premium is determined using the pro-rata method.
- (d) The outstanding claims (Note 10) and recoveries receivable are based on estimates provided by WorkCover's consulting actuary, PricewaterhouseCoopers Actuarial Pty Ltd.
- The outstanding claims are the amount which the consulting actuary has estimated as at 30 June 2004 as being the amount required to meet the cost of claims reported but not yet paid, claims incurred which are yet to be reported and the escalation in reported and reopened claims. This provision is based on actuarial central estimates and includes \$271 million (2003: \$269 million) for claims handling expenses.
- The liability for the outstanding claims is estimated as the inflated and discounted values of the expected future payments, reflecting the fact that these payments will be spread over future years. The expected future payments are estimated on the basis of the ultimate cost of settling claims (including claims administration expenses) which is affected by factors arising during the period to settlement.
- The majority of claims payments under the WorkCover Scheme benefit structure are linked to movements in award wages in New South Wales. Projected inflation factors take into account these and other relevant factors relating to future claims levels. The expected future payments are then discounted to a value at the reporting date using rates of interest which reflect the market-determined risk-adjusted rates of return on the underlying funds, consistent with Australian Accounting Standard AAS26 Financial Reporting of General Insurance Activities. Details of inflation and discount rates applied are included in Note 10.
- (e) Recoveries receivable on paid claims, reported claims not yet paid and claims incurred but not yet reported are recognised as revenue. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Recoveries receivable are estimated at the inflated and discounted values of the expected future receipts, calculated on the same basis as the liability for outstanding claims.
- (f) Investment revenue is brought to account on an accruals basis. Dividends on quoted shares are deemed to accrue when the relevant shareholding becomes ex-dividend. Differences between the net market values of investments at the reporting date and their net market values at the previous reporting date (or cost of acquisition, if acquired during the reporting period) are recognised as revenue in the statement of financial performance.
- (g) Rounding – all amounts are expressed to the nearest \$1,000.
- (h) Liability for taxation – A ruling has been obtained from the Australian Taxation Office which states that premiums received by licensed insurers and investment income of statutory funds are not assessable to licensed insurers in their capacity as such. The ruling also states that the WorkCover Authority holds a vested interest in the income of the statutory funds and as such the income is exempt from income tax in terms of section 23(d) of the *Income Tax Assessment Act*.

Notes to and forming part of the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 28 WorkCover Scheme Statutory Funds (continued)

- (i) For the purposes of the Statement of Cash Flows, cash includes cash on hand, bank overdrafts, money market deposits and bank and non-bank bills.

- (j) Adopting Australian Equivalents to International Financial Reporting Standards

i Management of transition

WorkCover will apply the Australian Equivalents to International Financial Reporting Standards (AIFRS) to the WorkCover Scheme from the reporting period beginning on or after 1 July 2005.

The adoption of AIFRS will be first reflected in the Scheme's financial statements for the year ending 30 June 2006. Entities complying with AIFRS for the first time must restate their comparative financial statements to reflect the application of AIFRS to that comparative period.

The transition to the new standards is being managed by allocating internal resources and engaging PricewaterhouseCoopers to analyse the standards to identify key areas regarding policies, procedures, systems and financial impacts affected by the transition. The analysis is ongoing as the standards develop.

WorkCover and PricewaterhouseCoopers to date have analysed most of the AIFRS and identified a number of accounting policy changes that will be required, although some decisions have not yet been made where choices of accounting policies are available. In addition, the actual impacts depend on the particular circumstances and conditions prevailing at the time of application of AIFRS. For these reasons, it is not yet possible or practical to reliably quantify the impact of the transition to AIFRS on the Scheme. However, based on work to date the following key impacts have been identified:

ii Key differences in accounting policies

(a) AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards requires retrospective application of the new AIFRS from 1 July 2004, with limited exemptions. Similarly, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the opening balance of accumulated funds. This differs from current Australian requirements, because such changes must be recognised in the current period through profit or loss, unless a new standard mandates otherwise.

(b) Outstanding claims

Under AASB 1023 'General Insurance Contracts', the Scheme will be required to maintain a risk margin in addition to its central estimate outstanding claims liability. The Scheme does not currently carry a risk margin in its outstanding claims liability. The WorkCover Board will be considering, as part of the transition to AIFRS, the extent to which a risk margin will be required for the Scheme. To the extent that the Board decides that a risk margin is required, a risk margin would

have the effect of increasing the outstanding claims liability, adjusted through the opening accumulated deficit.

WorkCover will be required to assess the adequacy of Scheme reserves for future claims and to recognise as an unexpired risk provision any deficiency in reserves which is not covered by the unearned premium provision. WorkCover will assess the impact of this change in accounting policy.

(c) Financial instruments

Under AASB 1023, all financial instruments backing insurance liabilities will be required to be measured at fair value with fair value movements through the statement of financial performance. Fair value does not include realisation costs, which is different from the current accounting policy of measuring financial instruments net of realisation costs. AASB 139 Financial Instrument Recognition and Measurement results in the recognition of financial instruments that were previously off balance sheet, including derivatives. These changes are not expected to materially impact the net result of the Scheme.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to AIFRS as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons, it is not yet possible to quantify the impact of the transition to AIFRS on the Scheme's financial position and reported results.

2. Surplus/(deficit) from ordinary activities

| | 2004 \$'000 | 2003 \$'000 |
|--|----------------|----------------|
| Premiums written | 2,281,536 | 2,440,442 |
| Less : statutory levies | | |
| WorkCover Authority fund | 117,796 | 141,659 |
| Dust diseases contributions | 50,495 | 52,275 |
| Less : increase in unearned premiums provision | 9,261 | 18,022 |
| Net earned premiums | 2,103,984 | 2,228,486 |
| Claims incurred | 2,093,511 | 2,513,311 |
| Recoveries revenue | 128,251 | 247,768 |
| Net claims incurred | 1,965,260 | 2,265,543 |
| Underwriting result | 138,724 | (37,057) |
| Investment income | 692,852 | 81,417 |
| Other income | 26,605 | 24,019 |
| Other operating expenses | 229,497 | 249,052 |
| Surplus/(deficit) from ordinary activities | 628,684 | (180,673) |

NOTE 28 WorkCover Scheme Statutory Funds (continued)**3. Investment income**

| | 2004 \$'000 | 2003 \$'000 |
|---|----------------|----------------|
| Dividends | 153,239 | 161,641 |
| Interest | 103,893 | 116,295 |
| Realised gain/(loss) on sale of investments | 17,190 | (45,323) |
| Unrealised gain/(loss) | 418,530 | (151,196) |
| Investment income | 692,852 | 81,417 |

4. Expenses

Expenses consist of claims incurred and expenses incurred by licensed insurers in administering the statutory funds including management fees paid to licensed insurers for premium administration, management of claims and investments, and audit fees paid to auditors of insurers. Audit fees charged by the Audit Office of NSW estimated at \$46,000 (2003: \$42,000) are paid by WorkCover directly and are not included in the statement of financial performance of the WorkCover Scheme Statutory Funds.

5. Net claims incurred

| Direct business | Current year \$m | 2004 Prior years \$m | Total \$m | Current year \$m | 2003 Prior years \$m | Total \$m |
|---|---------------------|----------------------------|--------------|---------------------|----------------------------|--------------|
| Gross claims incurred and related expenses – undiscounted | 3,242 | (458) | 2,784 | 2,921 | (382) | 2,539 |
| Reinsurance and other recoveries – undiscounted | (148) | (77) | (225) | (131) | (104) | (235) |
| Net claims incurred – undiscounted | 3,094 | (535) | 2,559 | 2,790 | (486) | 2,304 |
| Discount and discount movement | | | | | | |
| – gross claims incurred | (926) | 235 | (691) | (717) | 690 | (27) |
| – reinsurance and other recoveries | 28 | 69 | 97 | 12 | (24) | (12) |
| Net discount movement | (898) | 304 | (594) | (705) | 666 | (39) |
| Net claims incurred | 2,196 | (231) | 1,965 | 2,085 | 180 | 2,265 |

Explanation of material variances – prior years

The net decrease in the net claims incurred from prior years of \$231 million is essentially due to:

- (a) a decrease in the incurred costs as a result of a release in weekly, medical and permanent impairment costs offset by a strengthening in common law and legal costs
- (b) a decrease in the time to payment, offset by an increase in the yield curve, resulting in higher discount applied to the gross outstanding claims.

6. Other receivables

| | 2004 \$'000 | 2003 \$'000 |
|-------------------------------------|----------------|----------------|
| Current | | |
| Premiums receivable | 306,980 | 289,881 |
| Interest and dividends receivable | 20,671 | 16,075 |
| Trade debtors | 38,308 | 35,984 |
| | 365,959 | 341,940 |
| Less : Provision for doubtful debts | 48,900 | 37,023 |
| Total other receivables | 317,059 | 304,917 |

7. Other financial assets – investments

Licensed insurers are required under section 199(1) of the *Workers Compensation Act 1987* to keep the assets of the WorkCover Scheme Statutory Funds distinct and separate from all other assets of the licensed insurers.

| | 2004 \$'000 | 2003 \$'000 |
|---|----------------|----------------|
| (a) Current | | |
| Money market deposits | 116,801 | 117,923 |
| Bank and non-bank bills | 152,134 | 93,134 |
| Fixed interest securities | 96,860 | 71,961 |
| | 365,795 | 283,018 |
| (b) Non-Current | | |
| Fixed interest securities | 892,123 | 877,350 |
| Indexed securities | 765,404 | 773,379 |
| Australian equities | 1,517,619 | 1,249,359 |
| International equities | 1,403,194 | 1,242,812 |
| Australian property trusts | 505,528 | 502,278 |
| Exchange traded options | 67 | 64 |
| Exchange traded futures | 144 | (882) |
| | 5,084,079 | 4,644,360 |
| Less : Estimated costs of realisation | 6,687 | 5,857 |
| | 5,077,392 | 4,638,503 |
| Total other financial assets – investments | 5,443,187 | 4,921,521 |

Notes to and forming part of the

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 28 WorkCover Scheme Statutory Funds (continued)**8. Financial instruments****Terms, conditions and accounting policies**

The accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

| Recognised financial instruments | Statement of financial position notes | Accounting policies | Terms and conditions |
|----------------------------------|---------------------------------------|--|---|
| Financial assets | | | |
| Cash assets | | Cash assets are stated at net realisable values. | Cash assets are at call. |
| Receivables | 6 | Premiums receivable are recognised as nominal amounts due, less provisions for doubtful debts. There is a general provision for doubtful debts and a specific provision is raised for all debts owed by employers in receivership, liquidation or bankruptcy and any other debts in excess of \$100,000 where recovery is considered doubtful. | Employers whose basic tariff rate applied to estimated wages for the forthcoming year of cover results in a tariff premium exceeding \$3,000 may elect to pay the premium by three instalments. The full premium is payable by all other employers within one month of the issue of a premium demand by the licensed insurer. |
| Investments | 7 | Investments are valued at net market values at the reporting date. Derivative instruments are recognised at their date of acquisition and are marked to market. Since all permitted derivatives are traded on an organised exchange, market values may be readily verified to publicly available data sources. | |
| Financial liabilities | | | |
| Bank overdraft | 9 | Bank overdrafts are carried at the principal amount. | These are mainly unrepresented cheques. |
| Other creditors | 9 | Liabilities are recognised for amounts to be paid in the future for goods and services received. | Insurers' management fees and statutory levies are payable on dates specified. |

Interest rate risk

The Scheme has interest rate exposures from the holding of financial assets and liabilities in the normal course of business. The exposure to interest rate risk and the effective interest rates of financial assets and liabilities are summarised in the following tables:

2004

| | | Weighted average effective interest rate (%) | Floating interest rate \$'000 | Fixed interest rates maturing in | | | Non-interest bearing \$'000 | Total \$'000 |
|-----------------------|------|--|-------------------------------------|----------------------------------|-----------------------|------------------------|-----------------------------------|-----------------|
| | Note | | | 1 year or less \$'000 | 1 – 5 years \$'000 | Over 5 years \$'000 | | |
| Financial assets | | | | | | | | |
| Cash assets | | 5.0 | 50,663 | – | – | – | – | 50,663 |
| Other receivables | 6 | 15.4 | – | 40,768 | – | – | 276,291 | 317,059 |
| Investments | 7 | 5.0 | 170,224 | 216,828 | 728,206 | 906,292 | 3,421,637 | 5,443,187 |
| Financial liabilities | | | | | | | | |
| Bank overdraft | 9 | N/A | – | – | – | – | 11,840 | 11,840 |
| Other creditors | 9 | N/A | – | – | – | – | 153,308 | 153,308 |

Notes to and forming part of the

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 28 WorkCover Scheme Statutory Funds (continued)**2003**

| | | Floating interest rate | Fixed interest rates maturing in | | | Non-interest bearing | Total |
|--|------|---------------------------|----------------------------------|-----------------------|------------------------|-------------------------|-----------|
| | Note | \$'000 | 1 year or less \$'000 | 1 – 5 years \$'000 | Over 5 years \$'000 | \$'000 | \$'000 |
| Financial assets | | | | | | | |
| Cash assets | | 24,312 | – | – | – | – | 24,312 |
| Receivables | 6 | – | 43,881 | – | – | 261,036 | 304,917 |
| Investments | 7 | 150,012 | 179,364 | 525,761 | 1,058,529 | 3,007,855 | 4,921,521 |
| Weighted average effective interest rate (%) | | 4.6% | 6.5% | 4.5% | 3.9% | – | – |
| Financial liabilities | | | | | | | |
| Bank overdraft | 9 | – | – | – | – | 35,548 | 35,548 |
| Other creditors | 9 | – | – | – | – | 256,309 | 256,309 |

In accordance with market practice, financial instruments exposed to interest rate price risk are grouped by periods to maturity.

Investments

BNP Paribas Fund Services Australasia Pty Limited is the custodian of the statutory fund investments under a master custodian arrangement.

Market risk

WorkCover's master custodian continuously monitors physical and derivative positions and asset allocations to ensure investment managers operate within the set risk tolerance levels prescribed in WorkCover's Investment Objectives and Authorised Securities mandate. The authorised mandate places restrictions on the use of derivatives by not allowing speculation, gearing or uncovered positions in derivatives and limiting the types of securities and derivatives used to ensure market depth and liquidity are maintained at all times.

Credit risk

The credit risk on financial assets is generally the carrying amount, net of any provision for doubtful debt. The WorkCover Scheme Statutory Funds have no significant concentrations of credit risk. The investments in debt instruments (money market deposits, discount securities, fixed interest and indexed bonds) are made in accordance with WorkCover's Investment Objectives and Authorised Securities mandate. These investments must satisfy strict minimum credit rating requirements for each debt instrument. The source of all credit ratings is the Standard and Poors Australian Ratings Survey.

Net fair values

The financial assets and liabilities are carried at amounts that approximate net fair value.

Derivatives

Licensed insurers are permitted to deal in derivatives in accordance with specified rules. Derivatives may only be used as a hedging instrument or as a means of increasing exposure to a particular asset sector.

Licensed insurers may invest in derivatives as follows:

- (a) purchase or sale of futures on the Sydney Futures Exchange
- (b) purchase or sale of put or call options on the Australian Stock Exchange or the Sydney Futures Exchange
- (c) purchase of warrants over shares of companies listed on the Australian Stock Exchange, or sale of warrants already held.

Derivatives may only be based on the following underlying physicals:

- (a) 90-day Bank Bills
- (b) 3-year Treasury Bonds
- (c) 10-year Treasury Bonds
- (d) S&P/ASX 200 SPI
- (e) shares or units issued by a public company or unit trust which is included in the S&P/ASX 200 index.

The market value of derivatives held is shown in the table below. The market value represents the amount of unrealised gains and losses.

| | 2004 \$'000 | 2003 \$'000 |
|--|----------------|----------------|
| Australian bond futures | 5 | (275) |
| Australian bank accepted bill futures | – | 1 |
| Australian options on bank accepted bill futures | (1) | (3) |
| Australian share price index futures | 139 | (608) |
| Australian exchange traded options | 68 | 67 |
| | 211 | (818) |

Notes to and forming part of the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 28 WorkCover Scheme Statutory Funds (continued)

9. Payables

| | 2004 \$'000 | 2003 \$'000 |
|--------------------------|----------------|----------------|
| Bank overdraft | 11,840 | 35,548 |
| Management fees payable | 104,958 | 165,331 |
| Statutory levies payable | 19,364 | 28,442 |
| Other creditors | 28,986 | 62,536 |
| Total payables | 165,148 | 291,857 |

10. Outstanding claims

| | 2004 \$'000 | 2003 \$'000 |
|--|------------------|------------------|
| (a) Expected future gross claims payments (undiscounted) | 12,025,018 | 11,274,826 |
| Discount to present value | (4,004,406) | (3,315,628) |
| Liability for outstanding claims | 8,020,612 | 7,959,198 |
| Current | 1,523,916 | 1,957,638 |
| Non-Current | 6,496,696 | 6,001,560 |
| | 8,020,612 | 7,959,198 |
| (b) Expected future recoveries (undiscounted) | 571,938 | 462,233 |
| Discount to present value | (137,409) | (40,195) |
| | 434,529 | 422,038 |
| (c) Net outstanding claims | 7,586,083 | 7,537,160 |

The overall outstanding claims liability of the scheme statutory funds is calculated by the consulting actuaries using a range of recognised, aggregate actuarial methods, appropriate for the characteristics of the various types of claim liability under scrutiny. Based on the consulting actuaries assessment of the Scheme's exposure to asbestos claims, an explicit provision of \$75 million for such claims has been included in the overall outstanding claims liability. The consulting actuaries state in their certificate that there is inherent uncertainty in any estimate of outstanding claims liabilities. Whilst in their judgement they have employed techniques and assumptions that are appropriate, it should be recognised that future claim development is likely to deviate, perhaps materially, from their estimates. They state that this uncertainty is compounded by uncertainty surrounding the outcome of the various reforms made to the Scheme in recent years, in particular the 2001 reforms and more recently the closure of the Compensation Court from 31 December 2003. However, this uncertainty is reduced compared to this time last year and from the situation at the time the reforms were introduced, as the consequences of the reforms have started to emerge. This level of uncertainty will continue to decline with further claim development. Some critically important assumptions have been adjusted by the actuaries in line with the experience emerging from the reforms. Detailed monitoring of these assumptions is being undertaken to examine the appropriateness of these assumptions going forward.

(d) The following average inflation and discount rates were used in the measurement of outstanding claims:

| | 2004 % pa | 2003 % pa |
|--------------------------------------|--------------|--------------|
| For the first succeeding year | | |
| Inflation rate | 3.75 | 3.75 |
| Discount rate | 5.4 | 4.44 |
| For subsequent years | | |
| Inflation rate | 3.75 | 3.75 |
| Discount rate | 5.5 – 6.3 | 4.42 – 5.50 |

(e) The weighted average discounted expected term from the balance date to settlement of the outstanding claims is estimated to be 5.4 years (2003: 5.4 years).

11. Licensed insurers

The insurers licensed to operate under the WorkCover Scheme Statutory Funds system during the year ended 30 June 2004 were as follows:

- ▶ Allianz Australia Workers' Compensation (NSW) Limited
- ▶ CGU Workers Compensation (NSW) Limited
- ▶ Employers' Mutual Indemnity (Workers Compensation) Limited
- ▶ GIO Workers Compensation (NSW) Limited
- ▶ QBE Workers Compensation (NSW) Limited
- ▶ Vero Workers Compensation (NSW) Limited

During the year, Royal & Sun Alliance Workers Compensation (NSW) Limited changed its name to Vero Workers Compensation (NSW) Limited. CGU Workers Compensation (NSW) (No 1) Pty Limited, CGU Workers Compensation (NSW) (No 2) Pty Limited and Zurich Australian Workers Compensation Limited ceased to be licensed insurers during the comparative reporting period.

12. Reconciliation of net cash used in operating activities to surplus/(deficit) from ordinary activities

| | 2004 \$'000 | 2003 \$'000 |
|--|----------------|-----------------|
| Surplus/(deficit) from ordinary activities | 628,684 | (180,673) |
| Decrease/(increase) in operating assets | | |
| Premiums receivable | (17,099) | (1,630) |
| Recoveries receivable | (12,491) | (120,038) |
| Interest and dividends receivable | (4,596) | (3,932) |
| Trade debtors and prepayments | (1,478) | 2,005 |
| (Decrease)/increase in operating liabilities | | |
| Provision for doubtful debts | 11,877 | (5,405) |
| Management fees payable | (60,373) | 35,174 |
| Statutory levies payable | (9,078) | 11,564 |
| Other creditors and accruals | (6,774) | 3,326 |
| Provision for outstanding claims | 61,414 | 23,198 |
| Unearned premiums provision | 9,261 | 18,022 |
| Realised (gain)/loss on sale of investments | (17,190) | 45,323 |
| Unrealised (gain)/loss on investments | (418,530) | 151,196 |
| Net cash provided by/(used in) operating activities | 163,627 | (21,870) |

Notes to and forming part of the

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 28 WorkCover Scheme Statutory Funds (continued)**13. Reconciliation of cash**

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

| | 2004 \$'000 | 2003 \$'000 |
|-------------------------|----------------|----------------|
| Cash asset | 50,663 | 24,312 |
| Money market deposits | 116,801 | 117,923 |
| Bank and non-bank bills | 152,134 | 93,134 |
| Bank overdraft | (11,840) | (35,548) |
| | 307,758 | 199,821 |

14. Contingent liabilities

There are no known material contingent liabilities not already reflected in the financial statements.

15. Conditions after reporting date

The *Workers Compensation Amendment (Insurance Reform) Act 2003* provides for the closure of the statutory funds of licensed insurers and the transfer of the assets and liabilities of these statutory funds to a single Workers Compensation Insurance Fund managed by the nominal insurer.

At the date of reporting, the abovementioned Act has not commenced and accordingly the financial effect of these transfers have not been taken into account in the preparation of the WorkCover Scheme Financial Statements for 30 June 2004.

WorkCover, however, anticipates commencement of parts of the abovementioned Act, including the consolidation of the insurers statutory funds to a single Insurance Fund, to occur prior to the end of the next reporting period, 30 June 2005.

End of audited financial statements**BUDGET STATEMENT**

FOR THE YEAR ENDED 30 JUNE 2004

| | Budget 2003/04 \$m | Actual 2003/04 \$m | Budget 2004/05 \$m |
|-------------------------------------|--------------------------|--------------------------|--------------------------|
| Revenues | | | |
| Contributions | 167.0 | 187.5 | 170.6 |
| Investment revenue | 8.6 | 9.5 | 11.0 |
| Other revenue | 38.0 | 26.2 | 42.7 |
| TOTAL REVENUE | 213.6 | 223.2 | 224.3 |
| Expenses | | | |
| WorkCover Authority operations | 162.9 | 153.0 | 173.2 |
| Grants to other government agencies | 45.4 | 64.5 | 33.1 |
| New claims incurred | 31.2 | 25.8 | 29.6 |
| Other expenses | 2.1 | 6.4 | 2.3 |
| TOTAL EXPENSES | 241.6 | 249.7 | 238.2 |
| OPERATING DEFICIT | (28.0) | (26.5) | (13.9) |

2003/04

The 2003/04 budget targeted a deficiency of \$28 million to reduce excess reserves and the actual result was a deficit of \$26.5 million. A change in accounting policy during the year impacted the measurement of investment revenue. Further, grants to other government agencies included recognition of \$20.2 million in pension liabilities of the Compensation Court which closed on 31 December 2003.

2004/05

A deficit of \$13.9 million is budgeted for 2004/05. The level of net assets as at 30 June 2004 is considered to be more than adequate having regard to WorkCover's statutory levying powers and the nature of its major liabilities, outstanding compensation claims. Accordingly, a return of excess funds to contributing insurers is to occur through a budgeted deficit.

Appendices 2003/04

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APPENDIX 1

► LEGISLATION AND LEGAL CHANGE

Principal legislation administered

ACTS

Constitution of WorkCover

Workplace Injury Management and Workers Compensation Act 1998.

Occupational Health and Safety

Occupational Health and Safety Act 2000

Dangerous Goods Act 1975

Rural Workers Accommodation Act 1969

Road and Rail Transport (Dangerous Goods) Act 1997 (jointly with the Department of Environment and Conservation).

Workers Compensation

Workplace Injury Management and Workers Compensation Act 1998

Workers Compensation Act 1987

Workers Compensation (Brucellosis) Act 1979

Workers Compensation (Bush Fire, Emergency and Rescue Services) Act 1987

Workers Compensation (Dust Diseases) Act 1942

Workmen's Compensation (Lead Poisoning – Broken Hill) Act 1922

Associated General Contractors Insurance Company Limited Act 1980

Bishopsgate Insurance Australia Limited Act 1983

The Standard Insurance Company Limited and Certain Other Insurance Companies Act 1963.

Other

Sporting Injuries Insurance Act 1978.

REGULATIONS

Occupational Health and Safety Act 2000

Occupational Health and Safety Regulation 2001

Occupational Health and Safety (Clothing Factory Registration) Regulation 2001.

Dangerous Goods Act 1975

Dangerous Goods (General) Regulation 1999

Dangerous Goods (Gas Installations) Regulation 1998.

Workplace Injury Management and Workers Compensation Act 1998 and Workers Compensation Act 1987

Workers Compensation Regulation 2003

Workplace Injury Management and Workers Compensation Regulation 2002

Insurance Premiums Order 2004-2005

Workers Compensation Commission Rules 2003.

Workers Compensation (Bush Fire, Emergency and Rescue Services) Act 1987

Workers Compensation (Bush Fire, Emergency and Rescue Services) Regulation 2002.

Workers Compensation (Dust Diseases) Act 1942

Workers Compensation (Dust Diseases) Regulation 2003.

Sporting Injuries Insurance Act 1978

Sporting Injuries Insurance Regulation 1999

Sporting Injuries Insurance Rule 1997.

Changes to Acts

Workers Compensation Legislation Amendment Act 2003 No 29

This Act includes various miscellaneous changes to the *Workers Compensation Act 1987*, *Workplace Injury Management and Workers Compensation Act 1998* and *Workers Compensation (Dust Diseases) Act 1942*. It reinforces the powers of WorkCover inspectors to obtain information, documents and evidence, makes minor changes to the administration of the Workers Compensation Commission, and strengthens the provisions in the *Workers Compensation (Dust Diseases) Act 1942*.

Assented to 8 July 2003.

Workers Compensation Amendment (Insurance Reform) Act 2003 No 81

This Act amends the *Workers Compensation Act 1987* to reform the legislative framework for workers compensation insurance, support the implementation of the report by McKinsey & Company, 'Partnerships for Recovery: Caring for injured workers and restoring stability to workers compensation in NSW', and makes miscellaneous and consequential amendments to that Act and the *Workplace Injury Management and Workers Compensation Act 1998*. The changes provide for replacement of the current managed fund insurers with a statutory body, the nominal insurer. WorkCover will act as agent of the nominal insurer and appoint agents to perform claims management and premium collection on behalf of the nominal insurer.

Assented to 27 November 2003. Not yet in force.

Workers Compensation Legislation Amendment Act 2004 No 56

This Act amends the *Workers Compensation Act 1987*, *Workplace Injury Management and Workers Compensation Act 1998* and *Sporting Injuries Insurance Act 1978* to reverse an aspect of the decision of the Court of Appeal in *Orica Limited v CGU Insurance Limited* [2003] NSWCA 331 to ensure the relevant employer is indemnified under statutory workers compensation policies for common law claims, despite damage being suffered by the relevant worker many years after the initial injury was sustained. It ensures WorkCover can make guidelines on payment for both gratuitous and non-gratuitous domestic assistance, includes the Treasury Corporation among the entities that can provide guarantees to State Owned Corporations to enable compliance with provisions on securities for self-insurers, and provides presidential members of the Workers Compensation Commission with an additional power on appeal. It also establishes the Workers Compensation Insurance Fund Investment Board to determine the investment policies of the new Workers Compensation Insurance Fund, and provides that if a person unreasonably refuses medical treatment when making an application under the *Sporting Injuries Insurance Act 1978*, the medical panel or referee may assess that person's permanent injury on the assumption that the person's injury improved by such treatment.

Assented to 6 July 2004.

Legal Profession Legislation Amendment (Advertising) Act 2003

This Act amends section 142 of the *Workplace Injury Management and Workers Compensation Act 1998* to strengthen the power to make regulations regulating or prohibiting conduct that relates to marketing services provided by a lawyer or agent in connection with claims for compensation or claims for work injury damages.

Schedule 2 of the Act commenced on 19 December 2003.

Changes to Regulations

Occupational Health and Safety Amendment (Dangerous Goods) Act 2003 and Explosives Act 2003

This Act extends the operation of the *Occupational Health and Safety Act 2000* to the regulation of dangerous goods whether or not at places of work and allows regulations to be made under the *Occupational Health and Safety Act* that adopt the duty of care and performance-based approach to the storage and handling of dangerous goods as outlined in the National Occupational Health and Safety Commission's national standard. It repeals the *Dangerous Goods Act 1975* and the Dangerous Goods (General) Regulation 1999 and continues operation of the Dangerous Goods (Gas Installations) Regulation 1998 by deeming it a regulation under the *Gas Supply Act 1996*. The *Explosives Act 2003* continues the licensing regime for handling explosives and also allows regulation of the explosives precursors and other dangerous goods in the interests of public safety. The *Occupational Health and Safety Amendment (Dangerous Goods) Act 2003* and the *Explosives Act 2003* have not yet commenced because it is intended that they will not commence and the Dangerous Goods

Act and Dangerous Goods (General) Regulation will not be repealed until detailed supporting Regulations are developed. The new supporting Regulations are being developed in consultation with stakeholders.

Statute Law (Miscellaneous Provisions) Act (No 2) 2003 No 82

This Act makes minor amendments to Schedule 1 of the Occupational Health and Safety Regulation 2001 to correct a typographical error and Clause 188 of the Workers Compensation Regulation 2003 to correct incorrect cross references.

Assented to 27 November 2003.

REGULATION AMENDMENTS UNDER THE OCCUPATIONAL HEALTH & SAFETY ACT 2000

Occupational Health and Safety Amendment (Incident Notification) Regulation 2003

This amendment changes the Occupational Health and Safety Regulation 2001 to amend the list of workplace incidents that must be reported to WorkCover, require notice by electronic communication or by telephone, and makes clear that notice of workplace injury is not required if it has already been given under the *Workplace Injury Management and Workers Compensation Act 1998*. It removes provisions for employers to give notice that duplicate provisions of the *Occupational Health and Safety Act 2000*, alters the provision for keeping copies of incident notifications, and improves consistency with the terminology of the Act.

Commenced 1 September 2003.

Occupational Health and Safety Amendment (Accreditation and Certification) Regulation 2003

This Regulation amends the Occupational Health and Safety Regulation 2001 to allow WorkCover to accredit a person as an assessor for less than three years, refuse an application for accreditation as an assessor, and require a person who holds a certificate of competency to have his or her competency assessed.

Commenced 19 December 2003.

Occupational Health and Safety Amendment (Chrysotile Asbestos) Regulation 2003

This Regulation prohibits, with certain exceptions, the use of chrysotile asbestos, consistent with the National Model Regulations for the Control of Workplace Hazardous Substances of the National Occupational Health and Safety Commission. The exposure standard for chrysotile is also lowered in accordance with the Commission's recent changes to the National Exposure Standards for Atmospheric Contaminants.

Commenced 31 December 2003.

Occupational Health and Safety Amendment (Accreditation and Certification) Regulation 2004

This Regulation amends the Occupational Health and Safety Regulation 2001 to make provision for occupational health and safety induction training, limit the duration of a certificate of competency, and increase the penalties for false competency assessments.

Commenced 29 March 2004.

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Occupational Health and Safety Amendment (Work Experience Accreditation) Regulation 2004

This Regulation allows people previously exempt from occupational health and safety induction training under clause 221 of the Occupational Health and Safety Regulation 2001 to continue working in the construction industry and allows them until 30 September 2004 to obtain a certificate provided for by the 29 March 2004 amendments.

Commenced 28 May 2004.

REGULATION AMENDMENTS UNDER THE WORKERS COMPENSATION ACT 1987, WORKPLACE INJURY MANAGEMENT AND WORKERS COMPENSATION ACT 1998 AND WORKERS COMPENSATION (DUST DISEASES) ACT 1942

Workers Compensation (General) Amendment (Exemption) Regulation 2003

This Regulation allows exempt contracts by farmers for farm work from the operation of a new section 175A of the *Workers Compensation Act 1987* and provides for the transitional operation of new provisions relating to the definition of wages in the *Workers Compensation Act* so the new provisions do not apply before 4pm on 30 June 2003.

Commenced 30 June 2003.

Workers Compensation (General) Amendment (Injury Notification) Regulation 2003

This Regulation amends the Workers Compensation (General) Regulation to provide for the notification of workplace injury to a workers compensation insurer and WorkCover.

Commenced 1 September 2003.

Workers Compensation Regulation 2003

This Regulation replaces the Workers Compensation (General) Regulation 1995 and the Workers Compensation (Insurance Premiums) Regulation 1995 which are repealed under section 10 (2) of the *Subordinate Legislation Act 1989*, and the Workers Compensation Transitional Regulation 1997 which is repealed by the Regulation.

Commenced 1 September 2003.

Workers' Compensation (Dust Diseases) Regulation 2003

This Regulation replaces without any major changes in substance the provisions of the Workers' Compensation (Dust Diseases) Regulation 1998 which is repealed under section 10 (2) of the *Subordinate Legislation Act 1989*.

Commenced 1 September 2003.

Insurance Premiums Order 2003-2004 Amendment (Wages) Order 2003

This order amends the Insurance Premiums Order 2003-2004 to exclude from the amount of wages used to calculate a workers compensation insurance premium, a motor vehicle allowance, or accommodation allowance to the extent of an amount calculated at a rate fixed by an applicable industrial instrument or specified in the Order.

Commenced 12 September 2003.

Workers Compensation Amendment (Index Number) Regulation 2004

This Regulation updates the index number used for the indexation of benefits under the *Workers Compensation Act 1987*.

Commenced 5 March 2004.

Insurance Premiums Order 2003-2004 Amendment (Motor Vehicle Allowances) Order 2004

This Order fixes the manner in which motor vehicle allowances that may be excluded from the calculation of wages may be calculated.

Commenced 28 May 2004.

Insurance Premiums Order 2004-2005

This Order fixes the manner in which premiums of policies of insurance under the *Workers Compensation Act 1987* are calculated.

Commenced 30 June 2004.

REGULATION AMENDMENTS UNDER THE DANGEROUS GOODS ACT 1975

Dangerous Goods (General) Amendment (Display Fireworks) Regulation 2003

This Regulation amends the Dangerous Goods (General) Regulation 1999 to provide two types of display fireworks permits: a single occasion fireworks permit and a pyrotechnician's permit. It limits the power of permit holders to authorise non-permit holders to receive and use fireworks, requires the holder of a pyrotechnician's permit to notify WorkCover of an intention to receive or use fireworks at least seven days prior to receiving or using the fireworks, requires applicants for permits to demonstrate a level of training and/or competence that is recognised by WorkCover, and makes other consequential amendments.

Commenced 1 March 2004.

NEW AND AMENDING RULES UNDER THE SPORTING INJURIES INSURANCE ACT 1978

Sporting Injuries Insurance Amendment Rule 2003

This Rule sets out the activities that constitute an authorised activity of a school or of the Department of Tourism, Sport and Recreation, sets out the classes of persons to be treated as enrolled student participants of a school or enrolled participants of the department, and sets out requirements for the notification of a serious injury or death to the Sporting Injuries Committee, and the form for notifying such an injury or death.

Commenced 7 May 2004.

NEW AND AMENDING RULES AND ORDERS UNDER THE WORKERS COMPENSATION ACT 1987 AND THE WORKPLACE INJURY MANAGEMENT AND WORKERS COMPENSATION ACT 1998

Workers Compensation Commission Rules 2003

These Rules repeal the Interim Workers Compensation Commission Rules 2001 and make provision for matters in connection with the jurisdiction of the Workers Compensation Commission.

Commenced 1 July 2003.

Workers Compensation (Car Travel Allowance) Order 2003

This Order is made under section 64 of the *Workers Compensation Act 1987* and fixes the rate to calculate the cost of travel by private motor vehicle for the purposes of the inclusion of an amount for that travel in the compensation payable to an injured worker.

Commenced 1 September 2003.

Workers Compensation (Public Hospital Rates) Amendment Order 2003

Published in the Government Gazette 19 December 2003, page 11536.

Workers Compensation (Medical Practitioner Fees) Order 2004 No 1

Published in the Government Gazette 19 March 2004.

Workers Compensation (Physiotherapy Fees) Order 2004 No 1

Published in the Government Gazette 28 May 2004.

Codes of practice

The following codes are Approved Industry Codes of Practice under section 43 of the *Occupational Health and Safety Act 2000*.

Building industry

Codes of practice:

Tunnels under construction. Commenced 7 June 1991.

Electrical practices for construction work.
Commenced 1 February 1992.

Facade retention. Commenced 1 May 1992.

Mono-strand post-tensioning of concrete buildings.
Commenced 1 August 1993.

Safe work on roofs, Part 1, commercial and industrial buildings.
Commenced 1 November 1993.

Construction and testing of concrete pumps.
Commenced 1 March 1994.

Pumping concrete. Commenced 1 March 1994.

Overhead protective structures. Commenced 20 March 1995.

Safety line systems. Commenced 19 June 1995.

Safe work on roofs, Part 2, residential buildings.
Commenced 1 March 1997.

Cutting and drilling concrete and other masonry products.
Commenced 1 March 1997.

Amenities for construction. Commenced 1 March 1997.

Formwork. Commenced 22 June 1998.

Occupational health and safety induction training
for construction work. Commenced 1 April 1999.

Excavation work. Commenced 31 March 2000.

Low voltage electrical work. Commenced 1 January 2002.

Moving Plant on Construction Sites.
Commenced 16 January 2004.

Hazardous substances

Codes of practice:

Safe use of vinyl chloride. Commenced 1 November 1991.

Safe use of synthetic mineral fibres. Commenced 1 June 1993.

Safe handling and storage of enzymatic detergent powders and liquids. Commenced 4 April 1994.

Control of workplace hazardous substances.
Commenced 12 July 1996.

Preparation of material safety data sheets.
Commenced 12 July 1996.

Labelling of workplace substances. Commenced 12 July 1996.

Safe use and storage of chemicals (including pesticides and herbicides) in agriculture. Commenced 1 September 1998.

Safe use of pesticides (including herbicides) in non-agricultural workplaces. Commenced 1 September 1998.

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Workplaces

Codes of practice:

Compactors. Commenced 15 February 1991.

Manual handling. Commenced 1 September 1991.

Workplace injury and disease recording.

Commenced 1 November 1991.

Prevention of occupational overuse syndrome.

Commenced 2 March 1996.

Health care workers and other people at risk of the transmission of human immunodeficiency virus and other blood-borne pathogens in the workplace. Commenced 10 March 1996.

Noise management and protection of hearing at work.

Commenced 31 May 1997.

Occupational health and safety consultation.

Commenced 7 September 2001.

Risk assessment. Commenced 21 September 2001.

Workplace amenities. Commenced 21 September 2001.

Technical guidance (various Australian Standards).

Commenced 21 September 2001.

Working in hot and cold environments.

Commenced 21 September 2001.

Cash in transit. Commenced 9 March 2003.

Timber industry

Codes of practice:

Safe handling of timber preservatives and treated timber.

Commenced 1 November 1991.

Sawmilling industry. Commenced 1 July 1997.

Amenity tree industry. Commenced 8 August 1998.

Safety in forest harvesting operations.

Commenced 1 January 2003.

Rural industry

Code of practice:

Safety aspects in the design, manufacture and installation of on-farm silos and field bins. Commenced 1 August 1992.

APPENDIX 2

► CHIEF AND SENIOR EXECUTIVE PERFORMANCE STATEMENTS

| | |
|-----------------------------------|-------------------------------|
| Name | Jon Blackwell |
| Position and level | Chief Executive Officer |
| | SES Level 7 |
| Total remuneration package | \$278,502 |
| Performance pay | Nil |
| Period in position | 18 August 2003 – 30 June 2004 |

Jon Blackwell commenced with WorkCover on 18 August 2003 as Chief Executive Officer. Mr Blackwell has successfully led the implementation of the corporate planning objectives that were established prior to his commencement. The following corporate planning initiatives were developed and have been implemented in the 2003/04 year:

- commencement of the Scheme Design Project, based on the report, 'Partnerships for Recovery: Caring for injured workers and restoring financial stability to workers compensation in NSW'
- leading and supporting major initiatives related to implementation of the new Scheme arrangements
- establishment through legislation of the new framework for the WorkCover Scheme
- delivering a successful small business assistance strategy to build among these employers knowledge of occupational health and safety, injury management and workers compensation
- implementation of a new case management approach, as well as improvement in the provision of information to insurers on key performance indicators
- improved service delivery in country and regional NSW through achievement of major projects and programs, including the ForestSafe project, the Rollover Protective Structures on Tractors program and the National Falls from Heights initiative
- successful restructuring of operational areas of WorkCover, improving service delivery and focusing on emerging issues
- improved approval arrangements for information technology projects and introduction of new information technology architecture.

Initiatives and recommendations from the Safety Summit in July 2002 have been successfully implemented, in line with the three-year Government approved plan.

Mr Blackwell has provided high quality, strategic and timely advice to the Government, the Minister and the full range of Workcover's stakeholders, particularly in regard to the Scheme Design Project. These stakeholders included the WorkCover Board, the Workers Compensation and Workplace Occupational Health and Safety Council of NSW, as well as the national occupational health and safety and workers compensation bodies.

Rob Seljak, at the time Assistant General Manager, Occupational Health and Safety Division, acted in the role of Chief Executive Officer for the period 1 July 2003 until Mr Blackwell's commencement in August 2003 and ensured the effective commencement of the corporate plan priorities and objectives.

The Hon John Della Bosca MLC
Special Minister of State
Minister for Commerce
Minister for Industrial Relations
Assistant Treasurer
Minister for the Central Coast

| | |
|-----------------------------------|---|
| Name | Philip Reed |
| Position and level | General Manager, Corporate Governance Division |
| | SES Level 5 |
| Total remuneration package | \$190,551 |
| Performance pay | Nil |
| Period of position | 31 March 2004 – 30 June 2004 |

Philip Reed was appointed General Manager, Corporate Governance Division on 31 March 2004. This position had been upgraded in 2003/04 following the transfer of information technology and finance responsibilities to the role. Mr Reed originally commenced as Assistant General Manager, Corporate Governance Division on 18 December 2000 and was successful in being appointed to the upgraded position. Mr Reed is also responsible for WorkCover's human resources, legal, business risk management and site services and communication groups.

Mr Reed has led the division to achieve the following strategic initiatives:

- introduction of new information technology target architecture, including a transition action plan
- initiated new approval arrangements for information technology projects
- initiated a revised organisation-wide budgeting process for 2004/05
- repositioned the learning and development function to provide a greater whole-of-organisation focus
- finalised structures for Communications and Legal groups
- developed revised Business Risk Management and Site Services structure
- completed motor vehicle and purchasing reviews
- successfully implemented WorkCover's regional office fit-out program
- improved WorkCover's internal injury management and return-to-work programs.

Mr Reed has successfully liaised with stakeholders on various issues, including the successful implementation of the small business strategy.

Mr Reed is committed to the Government's shared corporate services strategy and the Corporate Governance Division is providing corporate services to three public sector organisations outside of WorkCover.

Jon Blackwell
Chief Executive Officer

| | |
|-----------------------------------|---|
| Name | Rob Seljak |
| Position and level | General Manager, Insurance and Scheme Design |
| | SES Level 5 |
| Total remuneration package | \$219,850 |
| Performance pay | Nil |
| Period in position | 6 February 2004 – 30 June 2004 |

Rob Seljak was appointed to the newly created position of General Manager, Insurance and Scheme Design, following a review of the needs of the Scheme Design Project and its future impact on the function of the Insurance Division.

Mr Seljak has strategically driven the Scheme Design Project, which is achieving timeframe requirements and the objectives approved by Cabinet.

Mr Seljak has pro-actively provided strategic and operational advice to the Chief Executive Officer on the Scheme Design Project and insurance related matters. He has led both the project and the division to achieve their objectives while ensuring resources were efficiently allocated.

Mr Seljak reports to the Chief Executive Officer and the Executive on aspects of operational performance and operational and financial risk areas. Mr Seljak led the following strategic initiatives:

- release of the report, 'Partnerships for Recovery: Caring for injured workers and restoring financial stability to workers compensation in NSW', and subsequent commencement of the Scheme Design Project
- establishment, through legislation, of the framework for the new arrangements for the WorkCover Scheme
- improved provision of information and reporting to insurers on key performance indicators
- implemented the new case management approach commencing January 2004
- improved health professional services, including roll out of the general practitioner education program and gazettal of guidelines and fees for professional services
- conducted successful pilot programs focusing on returning long-term claimants to improved health and work opportunities
- improved compliance monitoring techniques to detect under-insurance, non-insurance and fraud.

Jon Blackwell
Chief Executive Officer

Appendices

2003/04

| | |
|-----------------------------------|--|
| Name | John Watson |
| Position and level | General Manager, Occupational Health and Safety Division |
| | SES Level 5 |
| Total remuneration package | \$190,551 |
| Performance pay | Nil |
| Period in position | 1 April 2004 – 30 June 2004 |

John Watson acted in the role of General Manager, Occupational Health and Safety Division from 1 July 2003 and was appointed to the position on 1 April 2004. Mr Watson is responsible for implementation of the *Occupational Health and Safety Act 2000* and Regulation across workplaces, engaging stakeholders, and providing leadership to the community on broader occupational health issues.

Mr Watson significantly contributes to key state and national occupational health and safety forums, ensuring continued coordination of jurisdictional efforts through partnerships with interstate regulators. Mr Watson, through his leadership of the division, has developed and/or implemented the following strategic initiatives:

- implemented a business improvement program, realigning resources to increase capacity to address specific workplace hazards and focus on emerging issues
- continued commitment to improving the capacity to deliver services to country and regional NSW through the success of major projects and programs, including the National Falls from Heights initiative, the ForestSafe project, and the Rollover Protective Structures on Tractors program
- continued to lead the successful implementation of the 2002 Safety Summit recommendations
- contributed to the implementation of the Small Business Assistance Strategy to help small businesses improve their capacity in managing occupational health and safety, injury management and workers compensation.

Jon Blackwell
Chief Executive Officer

APPENDIX 3

► SIGNIFICANT INTER-DEPARTMENTAL COMMITTEES

National Occupational Health and Safety Commission
Chief Executive Officer: Jon Blackwell

Heads of Workers Compensation Authorities
Chief Executive Officer: Jon Blackwell

Heads of Workplace Safety Authorities
General Manager, OHS Division: John Watson

Treasury Managed Fund Board
Director, Strategy and Policy Group: Narelle Caldwell

Central Coast Regional Coordination Management Group Executive
Acting Director, Office of the Chief Executive: Murray McLachlan

APPENDIX 4

► SIGNIFICANT ORGANISATIONS WITH A DEPARTMENTAL REPRESENTATIVE

Dust Diseases Board

Jon Blackwell, Chief Executive Officer (Chairperson)

The Dust Diseases Board is a statutory authority established under the *Workers Compensation (Dust Diseases) Act 1942* to examine, hear and determine all matters and questions arising out of a claim for compensation by workers and their dependants when the worker suffers death or disability from dust diseases including asbestosis, silicosis and mesothelioma.

The Dust Diseases Board produces its own annual report.

Sporting Injuries Committee

Jon Blackwell, Chief Executive Officer (Chairperson)

Ian Eather, Senior Project Manager, Insurance (Alternate Chairperson)

The Sporting Injuries Committee is established under the *Sporting Injuries Act 1978* to manage and administer the insurance schemes that provide cover for registered sporting organisations, students engaged in organised school sport, and participants in NSW Department of Sport and Recreation activities. The Committee operates a grants scheme and a safety award scheme to improve levels of safety in sport in NSW.

The Sporting Injuries Committee produces its own annual report.

APPENDIX 5

► SIGNIFICANT DEPARTMENTAL COMMITTEES

WorkCover Executive

Jon Blackwell, Chief Executive Officer

Philip Reed, General Manager, Corporate Governance Division

Rob Seljak, General Manager, Insurance and Scheme Design

John Watson, General Manager, Occupational Health and Safety Division

Narelle Caldwell, Director, Strategy and Policy Group

Murray McLachlan, Acting Director, Office of the Chief Executive.

The Executive team is WorkCover's peak management decision-making group, responsible for ensuring that WorkCover operates as a single, united organisation. It leads:

- corporate strategy and policy development and implementation
- planning, budget and finance, risk management and human resource provision programs
- performance against corporate priorities and key performance indicators
- communication strategies
- business development and organisational improvement programs.

Project Approvals and Review Board

The Project Approvals and Review Board is the executive-level decision-making body that oversees and reviews information management and technology projects from conception to delivery. It approves the annual information management and technology (IM&T) budget and reviews and prioritises IM&T projects. It is also the forum for management of IM&T-related issues that need to be escalated to senior management level.

Philip Reed, General Manager, Corporate Governance Division

Rob Seljak, General Manager, Insurance and Scheme Design

John Watson, General Manager, Occupational Health and Safety Division

Narelle Caldwell, Director, Strategy and Policy Group

Geoff Fuggle, Director, Information Management Branch

Rob McNulty, Manager, Project Management Office, IMB.

Occupational health and safety committees

Committees operated in WorkCover in the following locations:

Gosford Head Office

Parramatta

Country South – Wollongong

Country North – Newcastle

TestSafe – Londonderry

Workers Compensation Commission of NSW – Sydney

Legal Branch and CBD South District Office

Other metropolitan offices have occupational health and safety representatives. The committees and representatives carry out regular occupational health and safety workplace inspections to eliminate health and safety risks and to create a safer working environment.

Regular meetings are held in line with regulatory requirements, with teleconferencing now being used by the two country teams to facilitate a more efficient system of consultation. Minutes are posted on the WorkCover Intranet.

APPENDIX 6

► SIGNIFICANT DEPARTMENTAL COMMITTEES ESTABLISHED IN 2003/04

- The WorkCover Executive Committee
- Projects Approval and Review Board.

APPENDIX 7

► SIGNIFICANT DEPARTMENTAL COMMITTEES ABOLISHED IN 2003/04

The WorkCover Executive Committee, established in 2003/04, replaced the following committees:

- Human Resources and Administration Executive Committee
- Performance and Budget Executive Committee
- Strategy and Policy Executive Committee.

The Projects Approval and Review Board replaced the Information Management and Technology Board.

APPENDIX 8

► FREEDOM OF INFORMATION

Freedom of Information statistics

A total of 662 applications for access to documents were processed in 2003/04 under the terms of the *Freedom of Information Act 1989*.

Three of these were non-personal and no requests were deferred. A total of 130 requests were granted in full and 236 refused. The latter included instances when no documents were located, fees not provided, or applications re-directed to other agencies. No Ministerial Certificates were issued, 29 formal consultations were conducted and no personal records were amended.

The range and nature of the requests were relatively constant and established procedures were appropriate for the effective assessment of the applications. Management continued to stress the importance of documenting reasons for decisions and the need to meet statutory deadlines.

Appendices

2003/04

Number of new requests

| FOI requests | Personal | | | Other | | | Total | | |
|--------------------------------|----------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2001/02 | 2002/03 | 2003/04 | 2001/02 | 2002/03 | 2003/04 | 2001/02 | 2002/03 | 2003/04 |
| New (including transferred in) | 894 | 663 | 666 | 100 | 37 | 3 | 994 | 700 | 669 |
| Brought forward | 137 | 27 | 33 | 18 | 0 | 0 | 155 | 27 | 33 |
| Total to be processed | 1,031 | 690 | 699 | 118 | 37 | 3 | 1,149 | 727 | 702 |
| Completed | 997 | 649 | 656 | 118 | 37 | 3 | 1,115 | 686 | 659 |
| Transferred out | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Withdrawn | 7 | 12 | 2 | 0 | 0 | 0 | 7 | 12 | 2 |
| Total processed | 1,004 | 661 | 659 | 118 | 37 | 3 | 1,122 | 698 | 662 |
| Unfinished | 27 | 29 | 40 | 0 | 0 | 0 | 27 | 29 | 40 |

What happened to completed requests

| Result of FOI request | Personal | Other |
|-----------------------|----------|-------|
| Granted in full | 130 | 0 |
| Granted in part | 293 | 0 |
| Refused | 233 | 3 |
| Deferred | 0 | 0 |
| Completed | 656 | 3 |

Ministerial Certificates – number issued during the period

No Ministerial Certificates were issued during 2003/04.

Formal consultations

| | Issued | Total |
|---|--------|-------|
| Number of requests requiring formal consultations | 21 | 29 |

Amendment of personal records

No requests were received.

Notation of personal records

No requests were received.

FOI requests granted in part or refused

| Basis of disallowing or restricting access | Personal | Other |
|--|------------|----------|
| Application incomplete/wrongly directed | 51 | 1 |
| Deposit not paid | 3 | 0 |
| Diversion of resources | 1 | 2 |
| Exempt | 283 | 0 |
| Otherwise available | 4 | 0 |
| Documents not held | 181 | 0 |
| Deemed refused – over 21 days | 3 | 0 |
| Released to medical practitioner | 0 | 0 |
| Totals | 526 | 3 |

Costs and fees of requests processed during period

| | Assessed costs | FOI fees received |
|------------------------|----------------|-------------------|
| All completed requests | \$ 330.00 | \$ 19,330.00 |

Discounts allowed

| Type of discount allowed | Personal | Other |
|--|----------|----------|
| Public interest | 0 | 0 |
| Financial hardship – pensioner/child | 6 | 0 |
| Financial hardship – non profit organisation | 0 | 0 |
| Totals | 6 | 0 |
| Significant correction of personal records | 0 | 0 |

Days to process

| Elapsed time | Personal | Other |
|---------------|------------|----------|
| 0-21 days | 548 | 1 |
| 22-35 days | 82 | 1 |
| Over 35 days | 26 | 1 |
| Totals | 656 | 3 |

Processing time

| Processing hours | Personal | Other |
|------------------|------------|----------|
| 0-10 hours | 561 | 1 |
| 11-20 hours | 81 | 1 |
| 21-40 hours | 13 | 1 |
| Over 40 hours | 1 | 0 |
| Totals | 656 | 3 |

Reviews and appeals

| | |
|---|---|
| Number of internal reviews finalised | 6 |
| Number of Ombudsman reviews finalised | 0 |
| Number of District Court (Administrative Decisions Tribunal) appeals finalised ¹ | 1 |

¹ One matter is currently outstanding at the Administrative Decisions Tribunal.

| Basis of internal review | Personal | | Other | |
|------------------------------|----------|----------|----------|----------|
| | Upheld | Varied | Upheld | Varied |
| Access refused | 0 | 0 | 0 | 0 |
| Access deferred | 0 | 0 | 0 | 0 |
| Exempt matter | 4 | 2 | 0 | 0 |
| Unreasonable charges | 0 | 0 | 0 | 0 |
| Charge unreasonably incurred | 0 | 0 | 0 | 0 |
| Amendment refused | 0 | 0 | 0 | 0 |
| Totals | 4 | 2 | 0 | 0 |

During 2003/04 Freedom of Information procedures had no significant impact on WorkCover's administration and no major FOI compliance issues or problems arose.

APPENDIX 9

CODE OF CONDUCT

There were no changes to the code of conduct during 2003/04. During the reporting year, WorkCover developed a number of fact sheets that summarised the main points in the WorkCover Code of Conduct:

- conflict of interest
- gifts, favours and hospitality – The Gifts and Benefits Register
- other employment – having a second job
- bribes.

A bulletin issued on 23 December 2003 drew the attention of all staff to these fact sheets and notified that they were expected to read and comply with the WorkCover Code of Conduct, which is available on the Intranet.

In addition, WorkCover established a Gifts and Benefits Register that requires all staff who accept a gift or benefit to register it with the Director, Human Resources Branch by providing relevant information, such as a description, who the gift is from and the circumstances surrounding receipt of the gift.

WorkCover is again reviewing its code of conduct to ensure it meets Government and community expectations and is developing a communications strategy to raise awareness among all staff of the need for strict compliance.

Copies of the code of conduct are issued with letters of offer to prospective employees. The code is discussed with new staff members on their first day of employment, and agreement for the code of conduct is gained. Copies of the code are available from the organisation.

APPENDIX 10

RESPONSE TO SIGNIFICANT MATTERS RAISED IN THE OUTGOING AUDIT REPORTS

During 2003/04, The Audit Office and Internal Audit Bureau conducted audits in accordance with client service and internal audit plans. Recommendations for improvement to operational and financial processes were made and positively responded to by management. No significant matters were raised by audit.

APPENDIX 11

ACCOUNT PAYMENT PERFORMANCE

Amounts outstanding to suppliers at the end of each quarter of 2003/04 were:

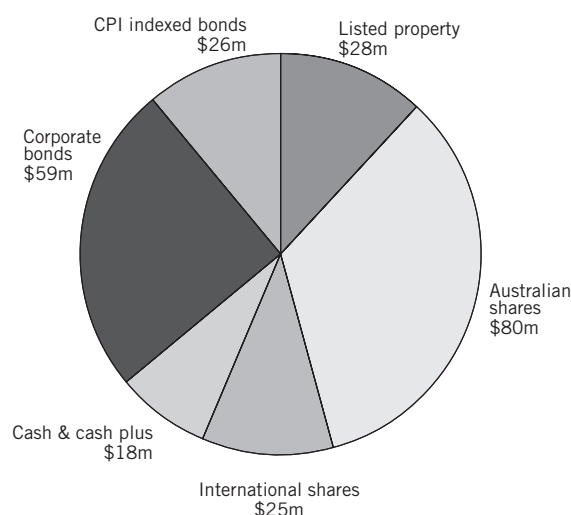
| 2003/04 | Sept Qtr | Dec Qtr | Mar Qtr | Jun Qtr |
|--|-------------------|-------------------|-------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| CURRENT | 286,026 | 331,775 | 234,839 | 799,042 |
| <30 days overdue | 870 | 1,019 | 2,983 | 13,459 |
| >30 days and <60 days overdue | 187 | 37,287 | 79 | 28 |
| >60 days and <90 days | 0 | 0 | 0 | 7,756 |
| 90 days and over | 39,919 | 51,419 | 75,391 | 35,621 |
| Total value of accounts paid on time | 20,700,560 | 17,175,615 | 14,505,153 | 15,146,836 |
| Percentage paid on time | 96% | 90% | 96% | 98% |
| Total value of accounts paid | 21,586,612 | 19,108,011 | 15,182,948 | 15,453,216 |

During 2003/04, WorkCover paid \$71.3 million in accounts of which \$67.5 million or 95% were paid on time, exceeding the performance target of a minimum of 90% paid on time.

APPENDIX 12

INVESTMENT MANAGEMENT PERFORMANCE

Investments (including funds in money market facilities) of WorkCover on 30 June 2004 totalled \$236 million (\$224 million – 2003). On 30 June 2004, funds were invested in the investment categories shown in the accompanying graph.

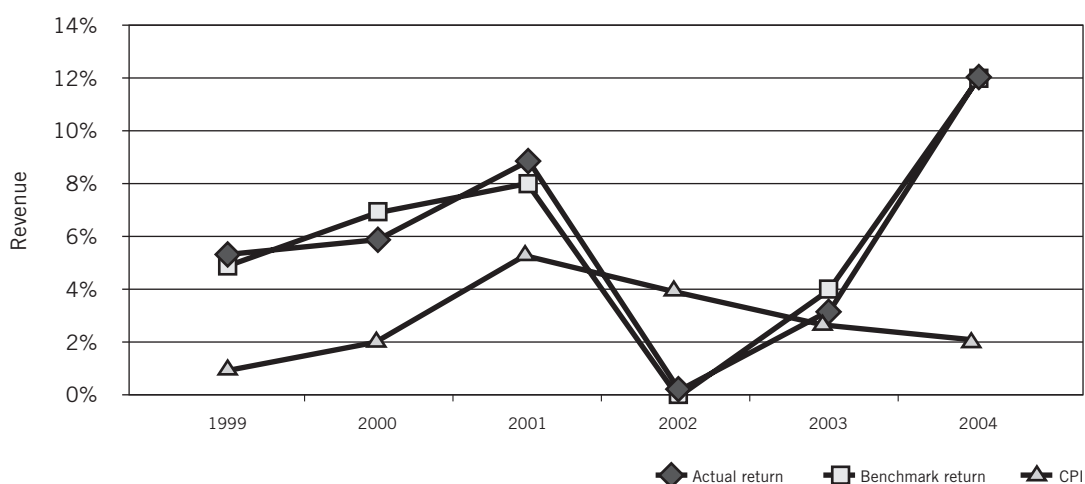


The total actual return of 12.61 per cent matched the benchmark 12.8 per cent and was well in excess of the Consumer Price Index (CPI) of 2.5 per cent.

Appendices

2003/04

Comparison of investment returns



Actual investment returns have matched the benchmark over the period and exceeded the Consumer Price Index for the total period.

APPENDIX 13

LIABILITY MANAGEMENT PERFORMANCE

| Reporting period | 2003/04 | 2002/03 | 2001/02 |
|-----------------------------|--------------|--------------|--------------|
| Workers Compensation | | | |
| No. of employees | 1,033 | 840 | 793 |
| No. of claims | 47 | 44 | 53 |
| No. of claims per employee | 0.045 | 0.052 | 0.067 |
| Total cost of claims | \$439,919.00 | \$133,221.00 | \$326,717.00 |
| Average claim cost | \$9,359.98 | \$3,027.75 | \$6,164.47 |
| Average cost per employee | \$425.87 | \$158.60 | \$412.00 |
| Motor vehicles | | | |
| Vehicles | 324 | 331 | 328 |
| Number of claims | 110 | 82 | 103 |
| No. of claims per vehicle | 0.34 | 0.25 | 0.31 |
| Total cost of claims | \$221,517.00 | \$167,676.56 | \$192,519.22 |
| Average cost per claim | \$2,013.79 | \$2,044.84 | \$1,869.11 |
| Average cost per vehicle | \$683.69 | \$506.57 | \$586.94 |

| Reporting period | 2003/04 | 2002/03 | 2001/02 |
|----------------------------|---------------|--------------|-------------|
| Property | | | |
| Number of claims | 7 | 20 | 14 |
| No. of claims per employee | 0.007 | 0.024 | 0.018 |
| Total cost of claims | \$524,527.00* | \$156,578.00 | \$57,709.00 |
| Average cost per claim | \$74,932.43 | \$7,829.00 | \$4,122.07 |
| Average cost per employee | \$507.77 | \$186.40 | \$72.77 |
| Liability | | | |
| Number of claims | Nil | Nil | Nil |
| Total cost of claims | Nil | Nil | Nil |
| Average claim | Nil | Nil | Nil |
| Miscellaneous | | | |
| Number of claims | Nil | Nil | Nil |
| Total cost of claims | Nil | Nil | Nil |
| Average claim | Nil | Nil | Nil |

* Note: The significant increase in the figure reported in the total cost of claims for property results from a large claim for damage caused by a severe hailstorm in October 2003 at WorkCover's TestSafe Australia facility, Londonderry NSW. The reserve value placed on this single claim by the Treasury Managed Fund was \$503,000.

The WorkCover Authority also has outstanding workers compensation claims liabilities that arise under the Uninsured Liability and Indemnity Scheme, the Insurers' Guarantee Fund, the Bush Fire Fighters and Emergency & Rescue Workers Compensation Funds. These liabilities are assessed by actuaries and for the last three years were:

| Year | Uninsured Liability & Indemnity Scheme \$m | Insurers' Guarantee Fund \$m | Bush Fire Fighters Compensation Fund \$m | Emergency & Rescue Workers Compensation Fund \$m |
|---------|---|---------------------------------|---|---|
| 2001/02 | 97.4 | 107.2 | 10.7 | 12.1 |
| 2002/03 | 119.8 | 106.3 | 11.1 | 13.3 |
| 2003/04 | 102.1 | 133.8 | 11.4 | 8.8 |

Funding of the largest liabilities is by insurers' contributions and details of all liabilities are reported in the financial statements each year. The WorkCover Authority does not have any borrowings.

APPENDIX 14

► MAJOR ASSETS/LAND – DISPOSALS AND ACQUISITIONS

| DISPOSALS | | 2003/04 \$'000 |
|----------------------------|---|-------------------|
| LOCATION | ITEM | |
| | Nil | Nil |
| ACQUISITIONS | | 2003/04 \$'000 |
| LOCATION | ITEM | |
| Sydney regional office | Leasehold improvements | 1,036 |
| Parramatta district office | Leasehold improvements | 1,776 |
| Gosford head office | Computer software developed – accessible management information computer database | 1,163 |
| Total | | 3,975 |

APPENDIX 15

► MAJOR ASSETS OTHER THAN LAND HOLDINGS

| ASSETS | 2004 \$'000 | 2003 \$'000 |
|------------------------------------|----------------|----------------|
| Buildings | 4,815 | 5,411 |
| Leasehold improvements | 17,814 | 15,341 |
| Office machines and equipment | 975 | 1,014 |
| Furniture and fittings | 302 | 345 |
| Computer hardware and software | 15,267 | 18,859 |
| Scientific and technical equipment | 1,662 | 1,497 |
| Total | 40,835 | 42,467 |

APPENDIX 16

► WORKS IN PROGRESS

| Major computer hardware & software projects | Total cost 30/6/2004 \$m | Cost overrun \$m | Estimated date of completion | Reason for significant delay | Asset/ work in progress |
|--|--------------------------------|------------------------|------------------------------------|--|-------------------------------|
| Workplace Services Management System | 3.9 | 0.1 | Completed | Additional business requirements identified | Work in progress |
| Licensing | 2.7 | 0.1 | Completed | | Asset |
| Accessible information data warehouse | 2.8 | 0.0 | January 2005 | Additional requirements resulting from the Scheme Design Project | Work in progress |
| Legacy systems consolidation and integration | 3.0 | 0.0 | Completed | | Asset |
| Electronic commerce | 2.6 | 0.0 | Completed | | Asset |
| Data centre upgrade | 2.3 | 0.0 | Completed | | Asset |
| Scheme Design Project | 3.2 | 0.0 | January 2005 | | Work in progress |
| Total | 20.5 | 0.2 | | | |

APPENDIX 17

► PRICE DETERMINATION METHOD

WorkCover is funded primarily from statutory contributions by licensed insurers and self-insurers, based on their premium income and deemed premiums respectively. The amount of contributions is determined annually by the WorkCover Board of Directors, based on estimates of the total amounts to be paid from the WorkCover Authority Fund, as well as those amounts that are set aside as provisions to meet expenditure in later years.

Appendices

2003/04

APPENDIX 18

► CONSULTANTS

Consultants equal to or more than \$30,000

| Consultant | Cost \$ | Purpose |
|----------------------------|----------------|---|
| Management | | |
| Trowbridge Consulting | 95,301 | Investigations and advice on case management program for insurers. |
| Delloitte Touche Tohmatsu | 45,375 | Review of debt collection processes. |
| Susan Jillian Beaver | 36,986 | Develop submission for standards for insurers in case management and assess insurer baseline for the implementation of the case management program. |
| Birks Engineering Services | 48,685 | Specialist advice and assessment for light endurance and motor efficiency centre rework. |
| William Dunn | 32,312 | Specialist advice and assessment of motor efficiency, high voltage sparking ignition and motor winding bars. |
| Total | 258,659 | |

Consultants less than \$30,000

During 2003/04, other consultancies were engaged in:

| Consultancy area | Cost \$ |
|----------------------------|----------------|
| Finance and accounting/tax | 42,145 |
| Information technology | 9,695 |
| Legal | 1,750 |
| Management services | 171,391 |
| Organisational review | 110,187 |
| Environmental | Nil |
| Training | 3,913 |
| Total | 339,081 |

APPENDIX 19

▶ OVERSEAS TRAVEL

| Person travelling | Date | Purpose | Cost \$ | Recovery \$ | Net cost \$ |
|--|----------------|---|---------------------|---------------------|---------------------|
| J Munro Director TestSafe Australia | October 2003 | Travel to UK, Hungary and Korea to attend the International Electrotechnical Commission for certification of Electrical Equipment for Explosive Atmospheres meetings, seminars and workshops. Assess Baseefa and Korea gas safety and make surveillance visits of laboratories. | 14,176 | 2,306 ¹ | 11,870 |
| U Singh, G Manojlovic and R Ashley – TestSafe | September 2003 | Carry out quality assessment and witness testing at WEG, motor manufacturer in Brazil, intending to export equipment to NSW. | 2,115 | 10,000 ¹ | -7,885 |
| M Abdelkrimi – TestSafe | Nov/Dec 2003 | Conduct quality assessment of Tait Electronics, Christchurch New Zealand on behalf of TestSafe client, Factory Mutual in the USA. | 1,385 | 1,600 ¹ | -215 |
| A Maira and U Singh – TestSafe | March 2004 | Conduct quality assessment of Compac Industries and Audio Communications, electrical manufacturer in Auckland, New Zealand, on behalf of TestSafe client, Factory Mutual in the USA. | 2,156 | 5,500 ¹ | -3,344 |
| G Manojlovic and U Singh – TestSafe | May 2004 | Carry out quality assessment of EIM (USA), Joy Mining Machinery (South Africa) and CCG (South Africa), manufacturers intending to export equipment to NSW. Also to witness testing of equipment at Reliance Electric (USA), bound for NSW. | 12,369 | 25,000 ¹ | -12,631 |
| M Abdelkrimi – TestSafe | May 2004 | Conduct quality assessment of Tait Electronics, Christchurch, New Zealand on behalf of TestSafe client, Factory Mutual in the USA. | 866 | 2,000 ¹ | -1,134 |
| G Jeffery – TestSafe | August 2004 | Conduct quality assessment of Tait Electronics, Christchurch, New Zealand on behalf of TestSafe client, Factory Mutual in the USA. | 998 | 3,150 ¹ | -2,152 |
| J Blackwell Chief Executive Officer | November 2003 | Travel within New Zealand to attend a meeting of Learning Set, a trans-Tasman professional networking group of senior executives to share experience and learnings, with the aim of improving service to the public. | 1,962 | Nil | 1,962 |
| R Seljak General Manager, Insurance and Scheme Design | January 2004 | Travel within Canada to meet and consult with the Workplace Safety and Insurance Board in Ontario, the Workers Compensation Board of British Columbia and the National Institute of Disability Management and Research. | 1,136 | Nil | 1,136 |
| Dr R Kenyon ² Medical Specialist | March/May 2004 | Travel to USA, Egypt, France and the Czech Republic to attend international conferences relevant to Dr Kenyon's work in the Occupational Medicine Unit. | 33,072 ² | Nil | 33,072 ² |
| Dr K Wooller ² Medical Specialist | March 2004 | Travel to Dubai to attend the 2nd Annual GCC Occupational Health Conference. | 7,522 ² | Nil | 7,522 ² |
| | May 2004 | Travel to Kansas City USA to attend the American Occupational Health Conference. | 6,127 ² | Nil | 6,127 ² |
| K Miki State Co-ordinator Occupational Health & Safety Division | April 2004 | Travel to Kyoto, Japan to address the Board of International Commission for Acoustics and attend the 18th International Congress on Acoustics. | 1,630 | Nil | 1,630 |
| M Heath Director, Human Resources | June 2004 | Travel to Wellington, New Zealand to participate in the Leading Public Sector Change program conducted by Australia and New Zealand School of Government. | 870 | Nil | 870 |
| Total | | | 86,384 | 49,556 | 36,828 |

¹ Represents fee for service testing work undertaken by officers of TestSafe Australia.

² WorkCover's Senior Medical Officers are employed under the Crown Employees (Medical Specialists, Various Agencies) Award. They are entitled to training, conference, education and study leave, which includes overseas travel.

Appendices 2003/04

APPENDIX 20

► CONTRACTING AND MARKETING TESTING

In all its procurement activities, WorkCover complies with all relevant Acts, Regulations and Guidelines that govern the procurement of goods and services, including the *Public Sector Employment and Management Act 2002*, the Public Sector (Goods and Services) Regulation and the NSW Government Procurement Policy and Guidelines.

Internal practices have been adopted to ensure WorkCover adheres to the financial thresholds determined from time to time by the State Contracts Control Board when seeking proposals for the supply of goods and services from the marketplace.

When the amount to be expended is anticipated to exceed the threshold for issuing a public request for tenders (ie. currently \$150,000), WorkCover engages the Department of Commerce through NSW State Procurement to manage the tender process.

APPENDIX 21

► EVENTS THAT HAVE A SIGNIFICANT EFFECT ON THE SUCCEEDING YEAR AFTER THE BALANCE DATE

The *Workers Compensation Amendment (Insurance Reform) Act 2003* provides for the transfer of the assets and liabilities of the Uninsured Liability and Indemnity Scheme from the WorkCover Authority Fund to the Insurance Fund. The assets and liabilities of the Premiums Adjustment Fund also become assets and liabilities of the Insurance Fund.

APPENDIX 22

► PRODUCTION NOTES

The WorkCover NSW Annual Report 2003/04 is a publicly available document and can be accessed on the WorkCover website www.workcover.nsw.gov.au or obtained through the WorkCover Publications Hotline 1300 799 003.

In accordance with statutory requirements, WorkCover notes that the estimated total external production cost for the 2003/04 Annual Report was \$55,000.

Production team

Project management by Workcover NSW – Communications Group, Strategy and Policy Group

Design and printing by Leo Burnett Sydney

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Cover photograph Getty Images

Licensed and

Self-insurers

as at 30 June 2004

LICENSED INSURERS

Allianz Australia Workers' Compensation (NSW) Limited
CGU Workers Compensation (NSW) Limited
Employers Mutual Indemnity (Workers Compensation) Limited
GIO Workers Compensation (NSW) Limited
QBE Workers Compensation (NSW) Limited
Vero Workers Compensation (NSW) Limited

SELF-INSURERS

Bankstown City Council
BOC Limited
Bonds Industries Pty Limited
Campbelltown City Council
Collex Pty Ltd
Commonwealth Steel Company Limited
Council of the City of Blacktown
Council of the City of Lake Macquarie
Council of the City of Newcastle
Council of the City of South Sydney*
Council of the City of Sydney
Council of the City of Wollongong
Delta Electricity
Effem Foods Pty Ltd
Electrolux Home Products Pty Ltd
EnergyAustralia
Eraring Energy
Fairfield City Council
Fletcher International Exports Pty Limited
Forestry Commission of New South Wales
Gosford City Council
GrainCorp Operations Limited
Hawkesbury City Council
Inghams Enterprises Pty Limited
Integral Energy Australia
Johnson & Johnson Pty Limited
Liverpool City Council
Mobil Oil Australia Pty Limited
National Australia Bank Limited
Pacific National (NSW) Pty Ltd
Prestige Property Services Pty Ltd
Qantas Airways Limited
Rail Corporation New South Wales
Rail Infrastructure Corporation
Rocla Pty Limited
Shoalhaven City Council
Star City Pty Limited
State Rail Authority of New South Wales
State Transit Authority of New South Wales
Sutherland Shire Council
3M Australia Pty Limited
Toll Pty Limited
Transfield Services (Australia) Pty Limited

TransGrid
Unilever Australia Limited
University of New South Wales
United Goninan Limited
University of Wollongong
Warringah Council
Westpac Banking Corporation
Wyong Shire Council

GROUP SELF-INSURERS

Australia and New Zealand Banking Group Limited
Brambles Australasia Limited
BHP Billiton Limited
BlueScope Steel Limited
Cadbury Schweppes Australia Limited
Coles Myer Limited
Commonwealth Bank of Australia
CSR Limited
Mayne Group Limited
McDonald's Australia Holdings Limited
Northern Co-operative Meat Company Limited
NSW Treasury Managed Fund
OneSteel Limited
Rinker Group Limited
Sydney Water Corporation
Woolworths Limited

SPECIALISED INSURERS

Catholic Church Insurances Limited
Coal Mines Insurance Pty Ltd
Guild Insurance Limited
New South Wales Thoroughbred Racing Board
North Insurances Pty Ltd
StateCover Mutual Limited

SPECIALISED DOMESTIC INSURERS

Allianz Australia Insurance Limited
Australian Unity General Insurance Limited
CGU Insurance Limited
Chubb Insurance Company of Australia Limited
Commonwealth Insurance Limited
EIG-Ansvar Limited
Elders Insurance Limited
GIO General Limited
Insurance Australia Limited
Lumley General Insurance Limited
Mercantile Mutual Insurance (Australia) Limited
NZI Insurance Australia Limited
QBE Insurance (Australia) Limited
Vero Insurance Limited
Westpac General Insurance Limited
Zurich Australian Insurance Limited

*Licence expired 30/6/2004, not renewed following merger with Council of the City of Sydney.

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