

# Annual Report 2004/2005

WorkCover. Watching out for you.



**IF YOU LIFT AT WORK,  
ASK ABOUT SAFETY.**

**TALK TO YOUR WORKERS ABOUT SAFETY - BE SAFE. NOT SORRY.**  
For more information call 13 10 50 or visit [www.workcover.nsw.gov.au](http://www.workcover.nsw.gov.au)



Letter to the

# Minister

30 November 2005

The Hon John Della Bosca MLC  
Special Minister of State  
Minister for Commerce  
Minister for Industrial Relations  
Minister for Ageing  
Minister for Disability Services  
Assistant Treasurer  
Vice President of the Executive Council

Parliament House  
Macquarie Street  
Sydney NSW 2000

Dear Minister

In accordance with the *Annual Reports (Statutory Bodies) Act 1984*, I have pleasure in submitting for your information and presentation to Parliament the Annual Report of WorkCover NSW for the financial year ended 30 June 2005.

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

Yours sincerely



Jon Blackwell  
**Chief Executive Officer**  
WorkCover NSW

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# WorkCover NSW

## VISION

Safe secure workplaces.

## MISSION

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

## WHO WE ARE

### 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 NSW 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 NSW:

- ▶ 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, Minister for Commerce.

### 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*, *Factories, Shops and Industries Act 1962*, *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 2004/05 annual report is structured against the 2004-07 WorkCover Corporate Plan. The information is presented under the plan's four key objectives and covers outcomes for the whole organisation, not individual divisions. The Financial Statements contain the audited financial statements for the year ended 30 June 2005.

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.

# FUTURE OUTLOOK

During 2004/05, WorkCover developed a corporate plan to guide the organisation from 2005 to 2008. The 2005/06 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
- ▶ 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 2005 to 2008 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

WorkCover has articulated its values on the new Corporate Plan as follows:

- ▶ **Commitment** – demonstrate WorkCover's values when interacting with others; champion and promote commitment to WorkCover's corporate directions and activities.
- ▶ **Accountability** – empower staff to be accountable as individuals and team members through delegating responsibility and encouraging a sense of ownership and recognising staff contributions.
- ▶ **Customer service** – seek out, listen to and exceed customer expectations; establish and monitor customer and stakeholder relationships and find appropriate solutions to current and emerging issues.
- ▶ **Integrity** – construct an environment of honesty, upholding principles which value constructive two-way communication, transparency and leadership by example.

## Objectives – what we deliver

WorkCover has maintained the objectives from the 2004–07 plan and strengthened the supporting outcome measures as follows:

### ▶ Injury and illness prevention

WorkCover's injury and illness prevention strategies will deliver:

- the lowest incidence rates in Australia
- an improvement in stakeholder perception of OHS interventions by June 2006
- develop appropriate and robust OHS regulation that supports an improvement in OHS outcomes in NSW workplaces.

### ▶ Scheme viability

WorkCover's Scheme viability strategies will:

- deliver a fully funded Scheme by 2008
- achieve a five per cent reduction in return to work continuance rates
- facilitate a smooth transition to the new workers compensation framework
- implement effective funds management of Scheme funds to outperform the 'Investment Benchmark'
- implement the new Premium Formula.

## Enablers – core competencies

WorkCover has maintained the enablers from the 2004–07 plan to ensure delivery of the WorkCover objectives. WorkCover's enablers and expected supporting performance outcomes are:

### ▶ Stakeholder engagement

WorkCover's stakeholder engagement strategies will:

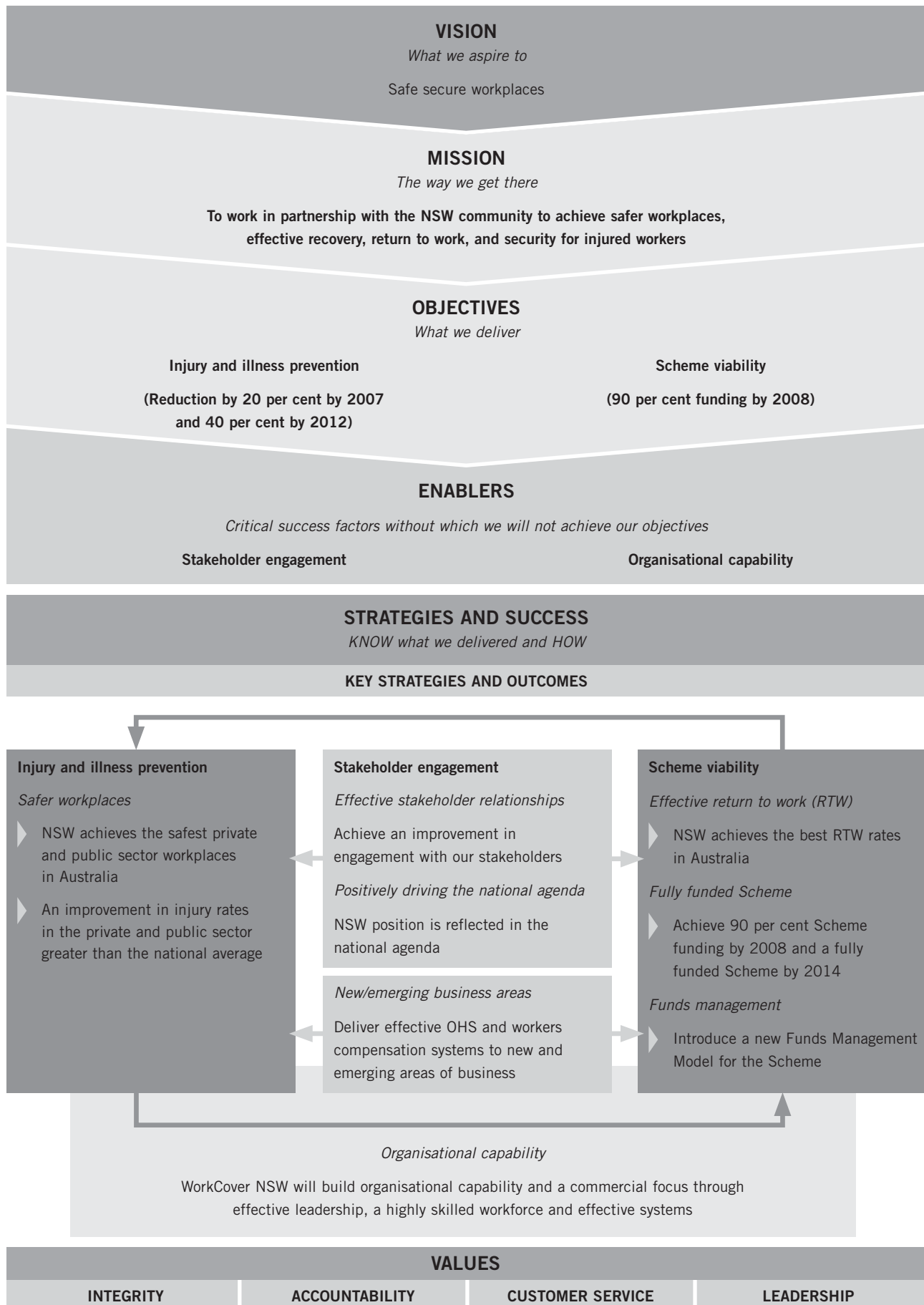
- deliver effective stakeholder engagement as measured through the development of a Stakeholder Index
- ensure 100 per cent of WorkCover's priorities identified by the Executive are translated into debate at the national level
- develop a consultative framework with small to medium enterprises to improve OHS and workers compensation issues
- identify new and emerging business areas through the establishment of an environmental monitoring system to identify and manage emerging issues.

### ▶ Organisational capability

WorkCover's organisational capability strategies will:

- build a motivated, appropriately skilled and resourced workforce through identification of and improvement in critical core competencies
- cultivate effective leadership through the development of a leadership program
- ensure effective systems and infrastructure to support the business.

# Corporate Plan 2004–07





# Chief Executive Officer's Report



I am pleased to introduce the annual report for 2004/05, which details performance towards achieving our vision of safe, secure workplaces for the people of NSW. In particular, it highlights WorkCover's continued progress in:

- ▶ reducing injury, illness and fatalities in the workplace
- ▶ improved injury management and return to work outcomes, and
- ▶ implementation of the new workers compensation arrangements.

Our commitment to engaging stakeholders in key decisions affecting occupational health and safety, and workers compensation issues has been integral to WorkCover's operations over the reporting period. This commitment helps enable us to reach balanced and lasting solutions. Our internal focus on building efficient and effective systems and developing staff capabilities to support service delivery has also been central to achieving these outcomes.

## Injury and illness prevention

WorkCover's intervention programs assist industry in improving occupational health and safety performance within the workplace. This year key intervention programs addressed the priority areas of manual handling, falls in the workplace, plant, and workers compensation and injury management.

We are on track to achieve, if not exceed, the targets set for reduction in injury, illness and fatality at the 2002 Safety Summit. Meeting the targets will contribute to the wellbeing of NSW workers and their families as well as produce major financial savings.

In June 2005, the Minister for Commerce announced a review of the *Occupational Health and Safety Act 2000*. WorkCover NSW has managed the public input to the review, which will determine whether the Act's objectives remain valid and if its provisions are appropriate to achieving the legislation's objectives.

## Scheme viability

Strong investment performance, improved return to work rates and a reduction in tail claim liabilities have resulted in a major improvement in the financial position of the WorkCover Scheme. Scheme actuaries PricewaterhouseCoopers have assessed the Scheme deficit at June 2005, adjusted to exclude claims handling expenses and risk margin, at \$1.396 billion, down

significantly from \$2.35 billion in June 2004 and continuing the trend that has seen the deficit steadily decrease over the last three years. The funding ratio, which measures the Scheme assets in relation to its liabilities, has increased from 73 per cent in June 2004 to 80.4 per cent in June 2005.

Implementation of the new Scheme arrangements commenced in 2004/05. These will produce multiple benefits, including:

- ▶ improved return to work outcomes for injured workers, through prompt and effective treatment and injury management
- ▶ fairer and more affordable premiums, while maintaining Scheme viability, and
- ▶ achievement of a fully funded scheme.

WorkCover NSW has carried out extensive consultation with key worker, union and employer groups on the transition to the new Scheme arrangements.

Effective from 1 July 2005, all Scheme assets became assets of the Workers Compensation Nominal Insurer and are now held in the single Workers Compensation Insurance Fund. WorkCover NSW acts as the Nominal Insurer. WorkCover's Investment Division, which commenced operating in September 2004, provides investment services that have ensured efficient and timely implementation of the newly determined asset allocation and completed the transition to the new funds management model. The new Workers Compensation Insurance Fund Investment Board, established in February 2005, determines the investment policies for the fund.

WorkCover NSW has completed a major review of the premium system, consulting extensively with industry on how to devise a fairer premium system for NSW employers. The reforms arising from the review, to be phased in over the next two years, will introduce financial incentives to promote earlier reporting of injuries and improved claims management.

## Stakeholder engagement

WorkCover NSW works in partnership with a wide range of stakeholders to achieve the Government's objectives for improved workplace safety, injury management and return to work, and workers compensation provision. As an organisation we have continued to improve our two-way communication with our stakeholders.

The Industry reference groups are one of the mechanisms by which we establish and maintain strong stakeholder relationships with industry. In consultation with employers, unions and other stakeholders, we have reviewed the groups' structure and operations to help ensure the IRGs continue to support our corporate objectives.

WorkCover's Business Assistance Unit was established as a key mechanism for stakeholder engagement. The unit works closely with industry groups, business/employer networks and government agencies to help small to medium sized enterprises to build their capacity to manage occupational health and safety and workers compensation issues. The unit has developed a range of information and education products for what is the fastest growing segment of the NSW economy.

WorkCover NSW is taking a lead role in promoting the NSW Taking Safety Seriously policy, an initiative to reduce the incidence, severity and cost of workplace injury and disease in the public sector.

As the largest occupational health and safety and workers compensation regulator in Australia, WorkCover NSW has been active in shaping the national agenda in these areas. In addition to chairing several national representative authorities, the organisation has undertaken joint campaigns with other jurisdictions, including interventions in the health and community services, construction and road transport sectors.

We are also establishing ourselves as a leader in occupational health and safety research through the WorkCover NSW Research Centre of Excellence, which opened its doors in September 2004. A partnership between WorkCover NSW with the University of Newcastle at its Ourimbah Campus on the Central Coast, the Centre will offer a range of masters and doctoral programs. WorkCover NSW will continue to support education and research projects through a \$15 million grants program over three years for registered employer and employee associations.

### **Organisational capability**

Staff development has been at the centre of our activities to build organisational capacity. An internal leadership development program, to operate during 2005/06, will assist the continued professional growth of our staff, along with our internal learning

program that identifies the core competencies required to meet WorkCover's needs now and into the future, and provides a training framework appropriate to meeting those needs.

In view of the magnitude of change associated with introduction of the new Scheme arrangements, WorkCover implemented an internal change management program during 2004/05. The program will ensure that the new Workers Compensation Division is equipped with the structure, tools and staff knowledge to operate effectively.

WorkCover NSW will also have the information systems needed to support the new Scheme arrangements with the completion during the year of the Corporate Data Repository and Business Intelligence projects under our strategic plan for information technology.

Disaster recovery and business continuity planning activities have been undertaken to ensure that core operations can continue in times of crisis.

### **Looking ahead**

2005/06 should prove another busy year for WorkCover NSW.

Challenges are certain to flow from the recommendations of the 2005 Safety Summit, which will set the agenda for improving occupational health and safety in NSW over the next few years.

The commencement of WorkCover as the Nominal Insurer will likewise bring challenges. Other Scheme initiatives, including the transition from the current insurers to the new arrangements of various agents providing a mix of services, will need to be carefully managed.

I am proud to be the CEO of WorkCover NSW. Our organisation has been through significant change in 2004/05, and WorkCover's staff has contributed greatly to the continued improvements in workplace safety, injury management and compensation in New South Wales. I thank them for that.

**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 employment fatalities reduced by 2 per cent in 2003/04 (latest data).
- ▶ Major workplace injuries reduced by 30 per cent from 44,654 in 1997/98 to 37,330 in 2003/04 (latest data).
- ▶ Achieved the lowest rate of injury in 17 years in 2003/04 (latest data).
- ▶ NSW on track to exceed the workplace fatality targeted reduction.
- ▶ The incidence of major workplace injury claims in 2003/04 (latest data) was 13.6 per 1,000 employees.
- ▶ Successfully ran the TargetSafe pilot with 10 large employers.
- ▶ Established the Manual Handling, Falls and Plant Priority Programs.
- ▶ Commenced the Workers Compensation and Injury Management Priority Program to facilitate a whole of organisation approach.
- ▶ Continued successful strategies to improve health and safety in rural and regional NSW.
- ▶ Led development of the regulation requiring road transport contractors to develop fatigue management plans.
- ▶ Implemented 2002 Safety Summit initiatives including Safe Design Seminar, Behind the Label Program etc.
- ▶ Completed reform of the regulatory regime for storage and handling of dangerous goods and explosives.

### WHAT NEXT?

- ▶ Achieve the lowest rates of workplace injury in Australia.
- ▶ Improve stakeholder perception of OHS interventions by June 2006.
- ▶ Develop robust OHS regulation supporting improvements in OHS outcomes in NSW workplaces.
- ▶ Continue OHS industry programs and initiatives.
- ▶ Coordinate the 2005 Safety Summit and implement agreed outcomes.
- ▶ Implement second phase of TargetSafe Project.

## SCHEME VIABILITY

### AIM

- ▶ Achieve a 90 per cent funding of the WorkCover Managed Fund (the Scheme) by 2008 through improvements in insurer performance, return to work outcomes and effective workers compensation legislation and compliance.

### PERFORMANCE

- ▶ Funding ratio increased from 73 per cent in June 2004 to 80.4 per cent in June 2005.
- ▶ Scheme deficit decreased by \$355 million in the 12 months to June 2005.
- ▶ Review of the premium system completed and reforms announced.
- ▶ Completed audits identified \$51.4 million in additional premiums.
- ▶ Refunded \$15.4 million to employers for over declaration of wages.
- ▶ The Scheme investments returned 15.2 per cent for the 12 months to 30 June 2005 and outperformed the reference portfolio return.
- ▶ All insurers and the Scheme outperformed the return achieved by peers.
- ▶ Investment Division established within WorkCover and a Workers Compensation Insurance Fund Investment Board was appointed.
- ▶ Education program for GPs extended.
- ▶ Intensive job placement programs piloted, with insurers assuming full management of programs with service providers.

### WHAT NEXT?

- ▶ Achieve a 5 per cent reduction in continuance rates for 13 and 26 weeks by June 2006.
- ▶ Achieve a fully funded Scheme by 2008.
- ▶ Outperform investment benchmark.
- ▶ Implement the new premium formula.
- ▶ Effective transition to new Scheme agent arrangements.
- ▶ Implement the new strategic asset allocation.



## 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

- ▶ Established the Business Assistance Unit, tailoring additional advice and information to the small and medium sized business sector.
- ▶ Chaired both the Heads of Workers' Compensation Authorities (HWCA) and the Heads of Workplace Safety Authorities (HWSA) committees.
- ▶ Formalised inter-agency cooperation with WorkSafe Victoria on compliance activities in the construction industry on the NSW/Victoria border.
- ▶ Convened 13 industry reference groups to identify emerging issues and develop answering strategies.
- ▶ Provided \$464,152 in grants to improve OHS, injury management and workers compensation outcomes.
- ▶ Opened the WorkCover NSW Research Centre of Excellence. The Centre aims to be a national leader in quality OHS and injury management research.
- ▶ Established the Asbestos and Demolition Unit within WorkCover with complimentary hotline and after-hours operations.
- ▶ Answered 227,967 telephone, email and over the counter enquiries and handled 5,316 cases through the Claims Assistance Service.

### WHAT NEXT?

- ▶ Continually enhance assistance services to small and medium-sized businesses.
- ▶ Continue to contribute to national OHS policy through membership of key committees.
- ▶ Develop and implement a best practice model for stakeholder engagement.
- ▶ Rollout of the \$5 million WorkCover Assist Program with a focus on commissioned research and education.
- ▶ Support Industry Reference Groups.

## ORGANISATIONAL CAPABILITY

### AIM

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

### PERFORMANCE

- ▶ Continued to improve WorkCover's capacity to provide effective leadership
- ▶ Developed critical incident support program for employees.
- ▶ Developed change management plan to support the new Workers Compensation Scheme.
- ▶ Reduced hours paid for lost time for injuries and illnesses from 6,767 hours in 2003/04 to 840 hours in 2004/05.
- ▶ Held 70 per cent more staff training sessions than the previous year.
- ▶ 29 inspectors gained new competencies/qualifications.
- ▶ Completed disaster recovery and business continuity planning activities.
- ▶ Implemented the WorkCover ICT Strategic Plan 04-07.
- ▶ Ensured that systems were consistent with the principles of social justice.

### WHAT NEXT?

- ▶ Review core competencies and develop appropriate strategies to ensure all organisational intelligence needs are met.
- ▶ Continue to improve IT infrastructure and information security management.
- ▶ Implement leadership program.
- ▶ Further improve WorkCover's internal occupational health and safety performance to be a benchmark for public and private sector agencies.
- ▶ Development of a comprehensive risk management strategy.

## 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 NSW 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 of Commerce
- ▶ the Chief Executive Officer controls and manages the affairs of WorkCover NSW 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 appointed on 1 June 2005 for a two year period.

### Office of the Chief Executive

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

### Internal Audit Unit

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

### Senior Management on 30 June 2005

#### Chief Executive Officer

Jon Blackwell BA, MA

#### General Manager, Workers Compensation Division

Rob Thomson BBus

#### General Manager, Corporate Services Division

Louise Scambler BA, DipEd, LittB, MA Hons, M Ed Admin Hons, MBus (Accounting & Finance), CPA

#### General Manager, Investment Division

Michael Block BCom, BA, MCom, Grad Dip Appl Fin & Inv  
Dip Law, Dip Fin Planning, FCPA, FFin

#### General Manager, Occupational Health & Safety Division

John Watson Assoc Dip OHS

#### Director, Office of the Chief Executive

Murray McLachlan BA, DipEd, GDTL, MPubPol

#### General Manager, Strategy & Policy Division

Vicki Telfer BSc, DipEd, MPA

### Directors' meetings

During 2004/05 the following meetings were held and attendances by directors were:

Board	Number eligible to attend	Number attended
J Blackwell	10	10
S Clark	6	6
G Keating	10	9
G McCarthy	10	9
K McKenzie	1	1
M Raftery	1	1
J Riordan	9	9
J Robertson	10	6
D Staunton	10	6
D Wright	10	9

Audit Committee	Number eligible to attend	Number attended
J Blackwell	4	4
S Clark	2	2
G Keating	4	4
G McCarthy	6	5
K McKenzie	1	0
J Riordan	4	4
J Robertson	4	2
D Staunton	4	4
D Wright	6	6

The structure of the Audit Committee was changed on 20 December 2004 from all members of the Board to three directors and an independent member.

## Members of the Board on 30 June 2005



### Greg McCarthy AAIL

Greg McCarthy was appointed as Chairperson on 1 June 2005.

Greg has worked in the field of Workers Compensation and Compulsory Third Party insurance as well as disability management for more than 30 years. This period includes working within the insurance industry at various levels for 25 years having spent five years as the National General Manager for a Workers Compensation and CTP insurer providing him with extensive experience in both privately underwritten and government schemes.

Until recently Greg has been involved in an injury management and rehabilitation business as shareholder and executive director of an organisation specialising in this activity. This business has since been sold and is now part of Konekt, Australia's largest rehabilitation and health management business.

Greg is a Senior Associate of the Australian and New Zealand Institute of Insurance and Finance and has a Management Certificate in Insurance.

Mr McCarthy is also Chairperson of the NSW Workers Compensation and Workplace Occupational Health and Safety Council and Chairperson of the NSW Government's reference group overseeing the review of the NSW occupational health and safety legislation.



### Joe Riordan AO

Joe Riordan's term as Chairperson concluded on 1 June 2005.

Chairperson and part-time director, Joe Riordan AO is a member of the Administrative Decisions Tribunal, Chairman 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. Mr Riordan was Chairperson of the WorkCover Board from 20 August 1997 until 1 June 2005. 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).



### Jon Blackwell BA, MA

Jon Blackwell commenced as Chief Executive Officer of WorkCover NSW on 18 August 2003. He is responsible for the operation of the

workplace safety, injury management, recovery and return to work, and workers compensation systems in New South Wales. In addition to his position as Chief Executive Officer of WorkCover NSW, Jon was a member of the Executive Committee of the National Occupational Health and Safety Commission and Convener 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. Prior to that, he held a variety of executive positions at health services in Victoria, Western Australia, South Australia and in New South Wales. Jon has a Bachelor of Arts in Social Administration and a Masters level certificate of qualification in social work.



### Sue Clark BA, LLB, LLM, MBA, Dip Financial Markets

Sue Clark has extensive experience in the insurance industry, including predecessor

companies to ING Australia and CGU Ltd/IAG Ltd, as well as the Government Insurance Office of NSW. Most recently she was chief executive officer of LawCover Pty Ltd, which is responsible for ensuring that the solicitors of NSW have access to professional indemnity insurance to meet the requirements of their practicing certificates. She has a BA/LLB, LLM, MBA and Diploma of Financial Markets, and is a member of the Law Society of NSW.

Sue was first appointed to the WorkCover Board on 1 November 2004.



### 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.



### Kate McKenzie BA, LLB

Kate McKenzie resigned from the Board on 4 August 2004.

Kate McKenzie was appointed to the Board on 23 April 2003. Previously, she was General Manager of WorkCover NSW from August 2000 to April 2003, and Director-General of the Department of Industrial Relations from January 2001 to April 2003. Prior to this, Ms McKenzie held 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.


**Dr Martin Raftery MB, BS, FRACSP**

Dr. Martin Raftery graduated from the University of New South Wales in 1979. He completed his residency in Sydney and undertook further postgraduate training in the United Kingdom. He spent six years in general practice and has been in full time sports medicine for the past five years.

Dr. Raftery is currently the team physician for the Australian Rugby Union (Wallabies), St George Rugby League Football Club and is the Medical Officer of New South Wales Touch Football Association. He is the Medical Director of the Sutherland Shire Netball Association.

He played rugby league for the Cronulla Sutherland first grade team 1974-1980, including the 1978 Grand Final. He toured New Zealand with a Sydney representative team in 1976.

Dr. Raftery works from the Hurstville Orthosports Clinic, and is appointed to the Hurstville Community Hospital.

Martin was first appointed to the WorkCover Board on 1 June 2005.


**John Robertson Grad Dip HR**

John Robertson has extensive experience in industrial relations since joining the Labor Council of NSW (now Unions 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 Unions NSW. Formerly, he held the position of Assistant Secretary of the then Labor 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 on 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**

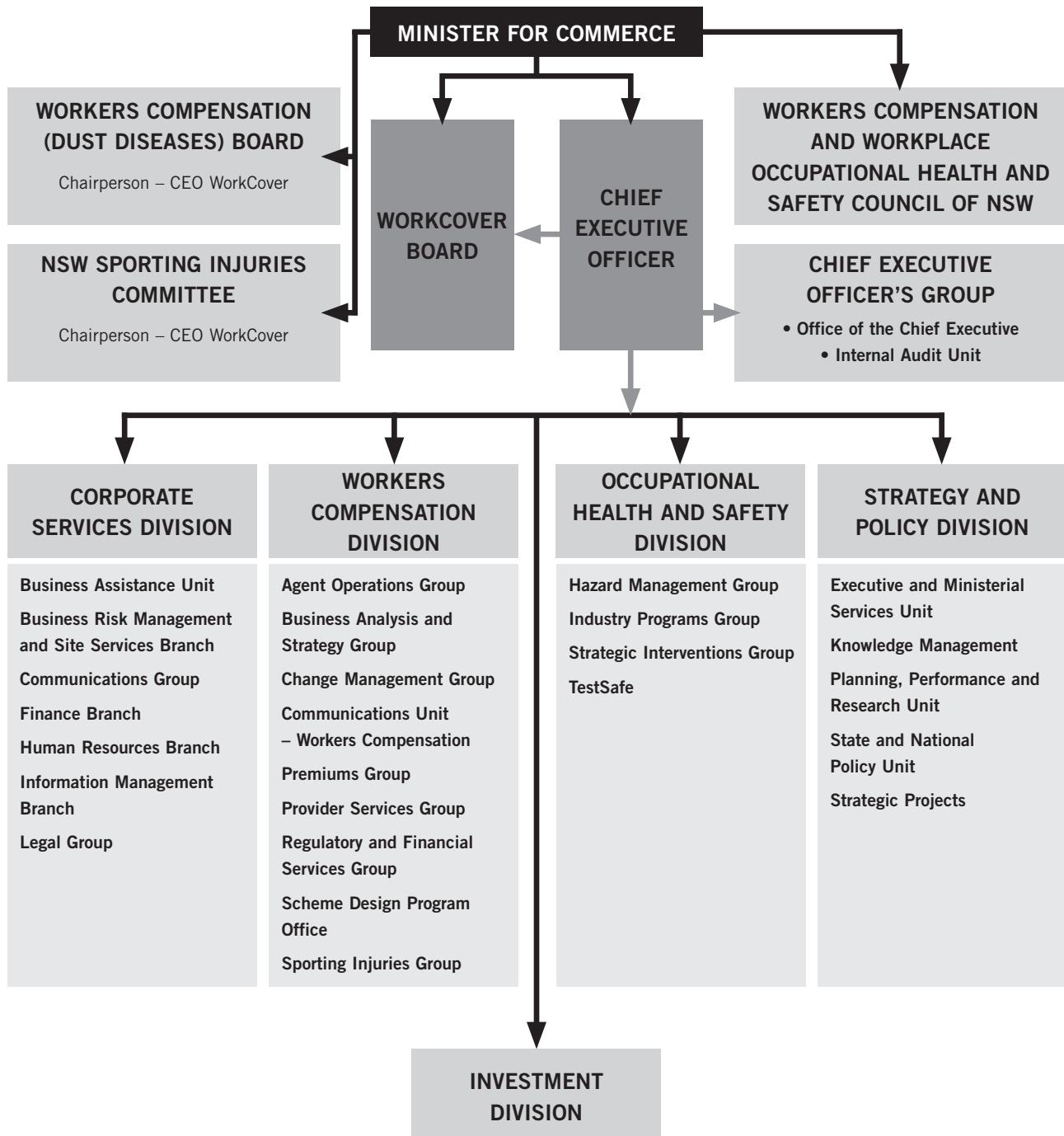
Donna Staunton is currently the Executive Director, Communications at CSIRO – the Commonwealth Scientific Industrial and Research Organisation. She was previously Principal of her own consulting business, Staunton Consultancy (2001-2004) and was on the Senior Management Teams of AMP Limited (1999–2001) and Philip Morris Group (1995-1999). 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. She 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 Chairman 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 2005





# Prevention

## PERFORMANCE AGAINST OBJECTIVES

AIM	PERFORMANCE	WHAT NEXT?
<ul style="list-style-type: none"> <li>Reduce injury and illness by 20 per cent by 2007 and 40 per cent by 2012. Reduce fatalities by 10 per cent by 2007 and 20 per cent by 2012.</li> </ul> <p>Achieve these results through targeted interventions, compliance activity and effective OHS legislation.</p>	<ul style="list-style-type: none"> <li>Compensable employment fatalities reduced by 3 per cent in 2003/04 (latest data).</li> <li>Major workplace injuries reduced by 16 per cent from 44,654 in 1996/97 to 37,330 in 2003/04.</li> <li>WorkCover is the most active workplace safety inspectorate in Australia.</li> </ul>	<ul style="list-style-type: none"> <li>Achieve the lowest rates of workplace injury in Australia.</li> <li>Improve stakeholder perception of OHS interventions by June 2006.</li> <li>Develop robust OHS regulation supporting improvements in OHS outcomes in NSW workplaces.</li> </ul>

## STRATEGIES

### IMPROVEMENT IN INJURY RATES

#### AIM

Reduce major injury claims by 40 per cent and fatalities by 20 per cent over 10 years.

#### PERFORMANCE

- Successfully ran the TargetSafe pilot with 10 large employers.
- Established the Manual Handling Priority Program to reduce injuries associated with manual handling risks.
- Established the Falls Priority Program to reduce falls related injuries.
- Established the Plant Priority Program to reduce injuries associated with hazardous plant.
- Continued successful strategies to improve health and safety in rural and regional NSW by conducting field days, rural campaigns such as the ShearSafe Program and Roll Over Protection Compliance Project.

#### WHAT NEXT?

- Facilitate review of the *Occupational Health and Safety Act 2000*.
- Roll out programs to regional NSW including the Power Take-Off Guard subsidy.
- Deliver Manual Handling Project.
- Further expand work of Business Assistance Unit.

### SAFER WORKPLACES

#### AIM

NSW achieves the safest private and public sector workplaces in Australia.

An improvement in injury rates in the private and public sector greater than the national average.

#### PERFORMANCE

- NSW on track to exceed the workplace fatality targeted reduction. The incidence of major workplace injury claims in 2003/04 (latest data) was 13.6 per 1,000 employees.
- Achieved the lowest rate of injuries in 17 years in 2003/04 (latest data available).
- Led development of the regulation requiring road transport contractors to develop fatigue management plans.
- Organised the NSW Safe Design Seminar.
- Concluded the Behind the Label Program to address exploitation in the clothing industry.
- Worked with the supermarket and motor vehicle repair industries on workplace redesign to eliminate manual handling hazards
- Completed reform of the regulatory regime for storage and handling of dangerous goods and explosives.

#### WHAT NEXT?

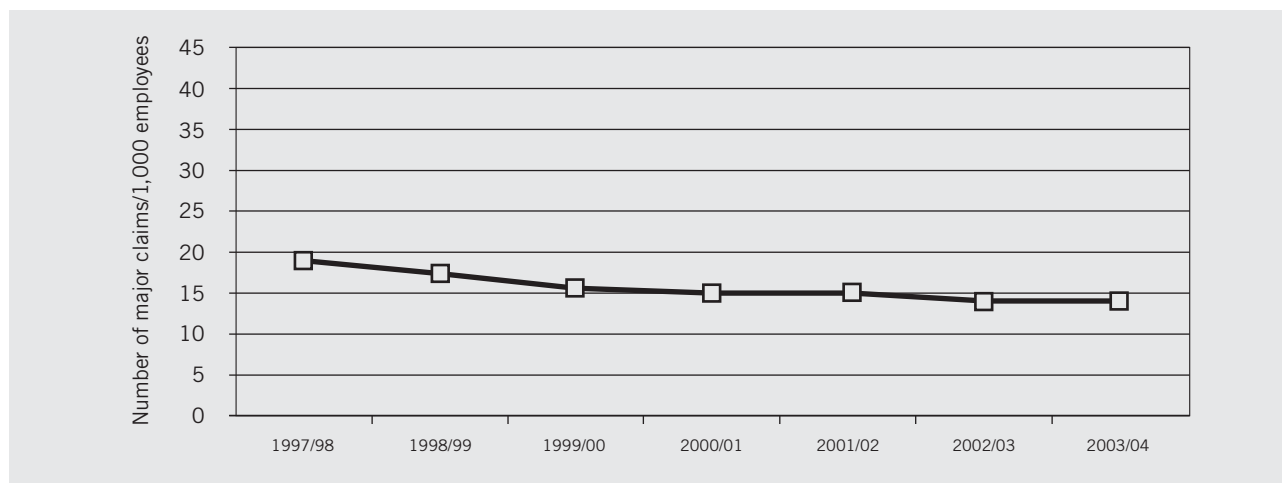
- Coordinate the 2005 Safety Summit and implement agreed outcomes.
- Continue to assist industry improve its OHS performance.
- Roll out the operations of the Business Assistance Unit.
- Identify and address high-need injured worker groups and communities and improve their return to work outcomes.
- A joint program will be undertaken with the clothing outworkers' sector to assist industry meet their OHS and workers compensation responsibilities.

WorkCover has undertaken a number of initiatives in 2004/05 to improve occupational health and safety and workers compensation in NSW.

### Major workplace injuries

WorkCover's effectiveness in reducing injury and illness in the workplace is primarily measured by the trend in the incidence rates of major injury claims, as plotted in the graph below which covers the period 1997/98 to 2003/04.

#### Trend in the incidence of major workplace injury claims in NSW



The incidence rate is defined as the number of major workplace injury claims per 1,000 employees. Major claims are those that result from injury causing death, permanent disability or temporary disability where five or more days have been paid for total incapacity. Workplace injuries are defined as those caused by incidents occurring at the workplace either during work or during a work break, where the worker is under the control of an employer.

Incidence rates have remained steady from 2002/03 to 2003/04 (latest data available) at 13.6. As the graph shows, however, incidence rates have reduced dramatically from 19.4 in 1997/98. This represents a 16 per cent reduction in the number of major workplace injury claims from 44,654 in 1996/97 to 37,330 in 2003/04, with the rate of injuries being the lowest in 17 years.

In 2003/04, there were 9,137 injuries causing permanent disability and 28,154 causing temporary disability. Males accounted for 76 per cent of permanent injuries and 68 per cent of temporary disability injuries.

While only 24 per cent of workplace injury cases involved permanent disabilities, such cases were responsible for 59 per cent of all workplace injury gross incurred costs. The most common types of permanent workplace injuries were sprains and strains at 61 per cent, followed by fractures at 17 per cent.

Eight per cent of temporary disability injuries involved lost time of six months or more. The most common types of injury in this group were sprains and strains at 76 per cent. With temporary disability injuries involving lost time of less than six months, the most common injuries were again sprains and strains at 64 per cent and open wounds at 11 per cent.

### 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 – road traffic incidents, commuting incidents, and incidents away from work during a recess period.

Incidence rates have reduced from 28.6 per 1,000 employees in 1994/95 to 18.7 in 2003/04 (latest data available).

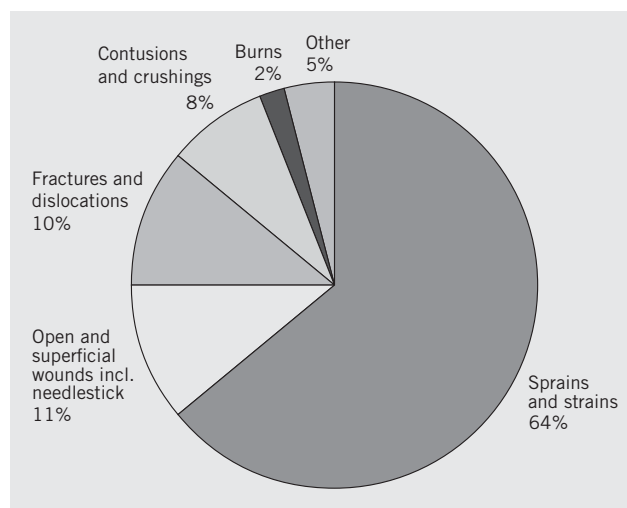
Of the 51,551 employment injuries in 2003/04, 28 per cent resulted in permanent disabilities. Approximately 65 per cent of employment injuries resulted in lost time of less than six months.

There were 132 compensable fatalities in 2003/04, slightly down from 136 in the previous year, but down by 25 per cent since 2001/02. Of the 132 fatalities, 39 occurred in the workplace, 27 from occupational disease, 25 resulting from road traffic accidents, 40 from commuting incidents, while travelling to or from the workplace, one fatality occurred while the worker was away from work during a recess.

A total of 35,031 injuries involved males, including 112 fatalities and 11,074 permanent disability injuries. Males accounted for 78 per cent of permanent disability injuries. Of the 16,520 injuries to females, 20 were fatal and 3,184 resulted in permanent disability.

Mental disorder claims continued to be the major cause of occupational disease, growing from 2,643 in 2001/02 to 3,246 in 2002/03, and remaining high at 3,226 in 2003/04. Mental disorder represented 33.6 per cent of all occupational diseases in 2003/04. The distribution in the nature of occupational diseases remained consistent with 2002/03, accounting for 18.6 per cent of all employment injuries.

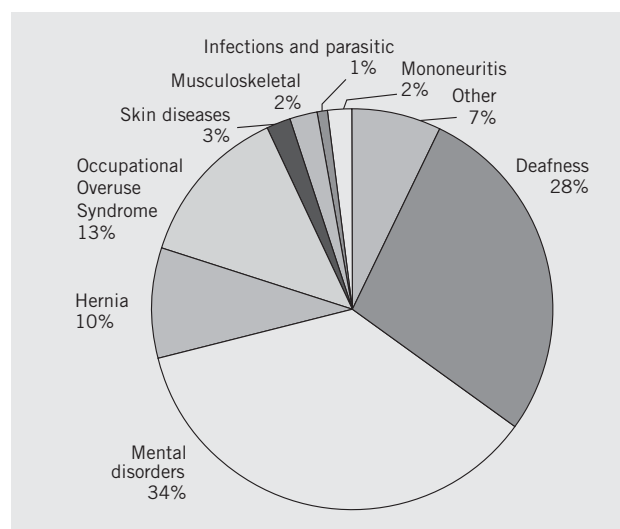
#### Major workplace injury types 2003/04



#### Nature of injury

	2003/04 Totals	2003/04 %	2002/03 %
Sprains and strains	23,695	64	64
Open and superficial wounds incl. needlestick	4,178	11	11
Fractures and dislocations	3,901	10	11
Contusions and crushings	2,967	8	8
Burns	639	2	2
Other	1,950	5	4
<b>Total</b>	<b>37,330</b>	<b>100%</b>	<b>100%</b>

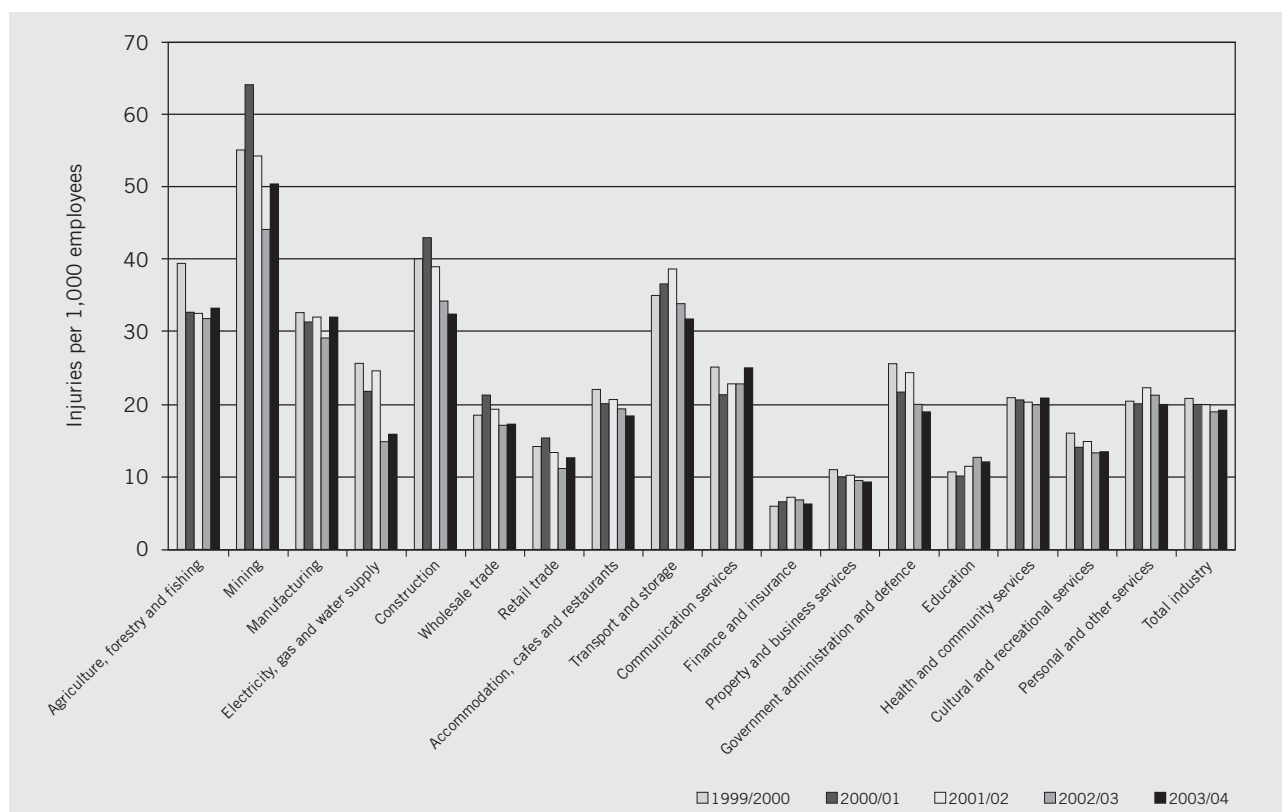
#### Occupational diseases 2003/04



#### Nature of disease

	2003/04 Totals	2003/04 % of occupational diseases	2003/04 % of all employment injuries	2002/03 % of occupational diseases
Mental disorders	3,226	34	6.3	36
Deafness	2,706	28	5.2	28
Occupational Overuse Syndrome	1,282	13	2.5	13
Hernia	932	10	1.8	9
Skin diseases	242	3	0.8	2
Musculoskeletal	237	2	2.9	2
Mononeuritis	201	2	0.4	2
Infections and parasitic	127	1	0.2	1
Other	652	7	-	7
<b>Total</b>	<b>9,604</b>	<b>100%</b>	<b>18.6%</b>	<b>100%</b>

## Incidence rates by industry



## Incidence rate (employment injuries)

Industry	2003/04	2002/03	2001/02	2000/01	1999/2000
Agriculture, forestry and fishing	33.7	32.5	32.9	32.9	39.2
Mining	50.3	43.5	54.2	63.8	55
Manufacturing	32.5	28.9	32.5	31.4	33.4
Electricity, gas and water supply	16.4	14.9	24.4	21.8	25.6
Construction	33.3	35.2	38.9	42.1	39.9
Wholesale trade	16.8	16.7	19.2	21.2	18.1
Retail trade	12.1	11	13.1	14.8	14.1
Accommodation, cafes and restaurants	18.4	19.5	20.8	20	22.7
Transport and storage	31.1	33.9	37.6	36.4	35
Communication services	14.7	12.9	12.9	11.6	14.6
Finance and insurance	6.3	6.5	6.6	6.5	5.9
Property and business services	9.4	9.5	10	9.7	11.1
Government administration and defence	18.8	19.9	24.7	21.8	25.8
Education	12.4	12.9	11.9	9.9	10.3
Health and community services	20.9	19.7	20.1	20.3	20.8
Cultural and recreational services	14.2	14	15.5	14.7	16.5
Personal and other services	20	22.1	23.3	20.1	20.7
Total industry	18.7	18.5	20.3	20.3	21.3

## Safer workplaces

WorkCover undertakes a number of activities to reduce the incidence of injury and illness in the workplace. These include targeted use of resources in the development of OHS programs;

compliance and enforcement activity; development of OHS legislation and regulation; research into OHS and injury management practices and education and advisory services.

## Targeted use of resources

### Targeted initiatives

To support the corporate goal of injury and illness prevention, WorkCover created four priority programs that coordinate activity and promote a more focused approach to intervention. The programs are in the areas of:

- ▶ manual handling
- ▶ falls
- ▶ plant
- ▶ workers compensation and injury management.

### Manual handling

Manual handling (or body stressing) injuries and illness are among the most common work injuries suffered by NSW workers, accounting for approximately 36 per cent of all Workers Compensation Scheme claims. According to figures for 2003/04, the majority of claims by industry are from the manufacturing, health and community services, retail trade and construction industries.

WorkCover's Manual Handling Priority Program covers all body stressing injuries and illnesses caused by lifting, lowering, pushing, pulling, repetitive actions and awkward or sustained postures. Its primary goal is to reduce injury incidence and costs by assisting industry to improve their management of manual handling risks.

To date, the program has gathered business intelligence by analysing workers compensation claims data and completing a review of the relevant national and international literature. Industry sectors and occupations with a high risk of manual handling injury have been identified for targeted interventions. Work has commenced on interventions to address industry 'blackspots'.

Additionally, the program has identified service delivery opportunities to assist industry in managing manual handling risks and facilitated WorkCover's contribution to the review of the National Standard and Code of Practice for Manual Handling.

### Falls

Poor management of falls risks in the workplace continues to result in serious injuries. This Falls Priority Program includes both falls from heights and falls from the same level.

The Program complements current work to build a more comprehensive understanding of falls risks and the barriers to implementing control measures. It also complements our ongoing contribution to national initiatives on falls from heights in the construction and trucking industries and other compliance activity that addresses falls on the same level.

The goal of the program is to assist in the overall reduction of injuries. To achieve this, WorkCover targets high risk sectors and improves its capability to assist industry in systematically managing risks. The Falls Priority Program entails:

- ▶ An assessment of workplace needs – particularly in relation to employer understanding of risks and perceptions of barriers to implementing controls.
- ▶ Interventions with identifiable benefits that are cost-effective.
- ▶ Information exchange within WorkCover and the establishment of a central WorkCover database on falls.
- ▶ The development of a consistent approach by WorkCover staff to falls safety issues.
- ▶ Evaluation of the success of various intervention types in addressing falls risks and the sharing of information across WorkCover.

Following interventions undertaken by WorkCover and Industry, the most recent available data from 2003/04 indicates a sharp reduction in falls from heights across all industries since 2001/02 as follows:

- ▶ The number of falls from heights claims fell by 16 per cent (from 3,611 to 3,023).
- ▶ The average costs per claim fell by 10 percent or nearly \$3,000, to \$25,036.
- ▶ The total weeks lost from falls from heights claims fell by 29 per cent (from 24,722 to 17,454).

### Plant

WorkCover and the National Occupational Health and Safety Commission have identified plant as a key priority.

The Plant Priority Program provides a framework for improving interventions that assist industry prevent injuries arising from plant and poor work systems.

The project includes:

- ▶ *Plant Safety Verification Project* – WorkCover teams are currently completing 80 workplace visits to verify registered items of plant and identify items that should be registered and are not.
- ▶ *Laundry and Dry Cleaning Project* – this project is currently underway and aims to ensure laundries comply with their obligation to register their pressure vessels/boilers where required.
- ▶ *SafeHire Project* – the project involved workplace visits to a range of hire companies by inspectors using a compliance checklist. Follow up visits to a random selection of these businesses were conducted to assess the effectiveness of the intervention.
- ▶ *Amusement Device Intervention Strategy* – a current project that attempts to improve industry safety levels through a more consistent approach by WorkCover to compliance and enforcement activity; increased stakeholder consultation and awareness-raising and improved evaluation of intervention.



### Amusement devices

Targeting plant safety at the 2005 Royal Easter Show, the successful Amusement Device Intervention Strategy involved briefing sessions for approximately 70 carnival operators and staff engaged by the Royal Agricultural Society.

Inspectors committed to a daily presence at the Show, reviewing pre-ride set-ups with carnival operators of 54 amusement devices, incidents that may have occurred in the previous 24-hour period, and liaising with the target group. Two fines and eight OHS improvement notices were issued.

Inspectors from Queensland observed the roll out of the strategy, which WorkCover will continue next financial year.

### Workers compensation and injury management

WorkCover's inspectors also undertake a number of activities to improve employer compliance with workers compensation and injury management. As part of their daily work, inspectors check that employers have policies that cover their workers and have return to work policies in place.

#### New stop work order

Section 163B of the *Workers Compensation and Injury Management Act 1998* is scheduled to commence in 2005/06. This section will enable authorised WorkCover officers to issue a stop work order to an employer where there is a reasonable suspicion that the latter does not have a workers compensation policy. An employer has five working days to provide a certificate of currency to comply with this order. If the employer does not provide the certificate within the time, work must cease until such a certificate is provided.

On advice to the Minister's Office from the Advisory Council, WorkCover has drafted operational procedures for the amended legislation, under which an order will only be issued after an employer has failed to supply a certificate. The draft procedures will be tested and reviewed in targeted pilot projects.

Other WorkCover interventions are detailed below.

### TargetSafe

The NSW Government made a commitment in its third term of office to introduce an intensive case management program for 100 businesses that have higher risks of seriously injuring their workers. WorkCover's TargetSafe program gives effect to this commitment.

To ensure success in the methodology utilised in the program, WorkCover undertook a pilot phase. The pilot (TargetSafe 1) commenced in March 2004 with the assessment of 10 organisations. All organisations then received direct assistance to improve their OHS and injury management/workers compensation practices.

Building on the insights from the pilot, WorkCover is assisting an additional 90 employers in high-risk industries to apply a practical approach to improving workplace safety.

### TargetSafe 2

In the new financial year, TargetSafe 2 – Managing for safety, will provide interactive workshops and case management for employers in the structural steel fabricating, sheet metal product manufacturing, waste disposal, and furniture delivery and removal sectors. Workshop participants will develop a basic safety action plan that they will implement with telephone and face-to-face support from WorkCover. On completion of TargetSafe 2, WorkCover will conduct a full evaluation to ensure the outcomes are reported and incorporated into future intervention activities.

### Rural and regional programs

WorkCover has implemented a range of successful strategies to improve health and safety in regional NSW and in sectors of the rural industry operating in the Greater Sydney metropolitan area.

In 2004/05, WorkCover continued its long tradition of attendance at regional field days, providing wide-ranging advice to farmers, equipment providers and community members. Safe riding demonstrations for four-wheeled motorbikes (known as all terrain vehicles or ATVs) were a new feature. WorkCover staff also made presentations at regional conferences and meetings.

With the aim of further reducing the level of occupational injury and illness in the shearing industry, WorkCover built on the success of the ShearSafety Program in 2004/05 with the Shearing Sheds Improvement Project. This project was developed in response to the ongoing high injury rates and calls by the industry for continued assistance to reduce premium rates. This project allowed 218 woolgrowers to upgrade their shearing workplaces with total assistance in the form of rebates of \$134,000. Works funded included the installation of electrical safety switches and emergency stop buttons, roof and wall ventilators, shed lighting, and access stair upgrades.

There were two major rural compliance campaigns. The first targeted roll-over protective structures and power take-off guards on tractors. The ROPS Compliance Project was extended because more than half (70 per cent) of deaths on farms involve mobile farm machinery and the addition of a ROPS clearly assists in reducing the risks from tractor rollover. The second, which focused in the greater metropolitan area, concerned tree lopping operations, which saw WorkCover visit 33 tree lopping operations.

The success of programs such as ROPS is evident in the most recent available data from 2003/04, which indicates a significant reduction in tractor related serious injuries:

- ▶ A greater than 20 per cent reduction in the number of serious injuries (down from 103 to 80).
- ▶ A 36 per cent reduction in the total time lost in weeks away from work (from 562 weeks to 355 weeks).
- ▶ A \$1 million reduction in the total cost of claims for tractor related incidents from \$3.2 million in 2001/02 to under \$2.2 million in 2003/04.

Under the Forest Safe program, WorkCover inspectors from regional offices visited a cross section of workplaces in the forest harvesting industry including private forests, crown land, log transportation and log yard sawmills.

Workers compensation data from the year before the release of the Code of Practice and associated awareness initiative compared to the most recent available data from 2003/04, indicates a sharp reduction in serious injuries in the industry:

- ▶ A 45 per cent reduction in the number of serious injuries.
- ▶ A 61 per cent reduction in the total time lost in weeks away from work (from 829 weeks to 321 weeks).
- ▶ A reduction from an average of 11.4 weeks away from work per serious injury to 7.5 weeks.
- ▶ A reduction in the average cost of claim from over \$30,000 in 2001/02 to under \$19,000 in 2003/04.

### Motor vehicle repair industry

WorkCover will continue to work in close partnership with motor vehicle repair industry (MVRI) representatives to educate industry and improve the management of OHS issues.

A program targeting the motor vehicle repair industry aimed to gauge and secure OHS compliance was undertaken. The emphasis was on manual handling and hazardous substances.

Field visits by inspectors to repair sites facilitated the distribution of information kits to industry. WorkCover inspectors identified hazardous substance management as a major area of concern. A total of 220 improvement notices were issued, and, of these, 81 related to hazardous substances.

### Workplace safety summit

#### Background and progress to date

In July 2002, the Workplace Safety Summit brought together senior representatives from unions, employer associations, businesses and government in a wide range of industries. These representatives, charged with finding practical ways to reduce the number of serious workplace injuries and fatalities in NSW, made 132 recommendations.

In November 2002, the NSW Minister for Commerce launched the Government's formal response to the summit, including a package of initiatives to achieve the agreed targets of 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. Since then, the NSW Government and industry partners have worked together to ensure that the summit commitments to improve safety become a reality.

NSW is currently on track to exceed the workplace injury and fatality reduction targets. In 2003-04, NSW workplace fatalities dropped to the lowest level since the commencement of the current Workers Compensation Scheme in 1987. Between 2001/02 and 2003/04, workplace fatalities reduced by 40 per cent, and the rate of injuries has decreased to the lowest in 17 years.

The progress achieved to date equates to real savings in the human and economic cost of work-related injury. In 2002, it was estimated that achieving the targets would mean that, in 2012 alone, 16,000 fewer families would have a family member seriously injured or killed at work. The associated savings for the NSW economy were estimated at \$960 million.

#### Summit initiatives

Details on some of the summit initiatives undertaken in 2004-05 follow.

#### Road freight

*The Occupational Health and Safety Amendment (Long Distance Truck Driver Fatigue) Regulation 2005* was the direct result of the government undertaking to amend OHS legislation to cover road transport contractors and their employees on the road.

Developed following extensive consultation with industry stakeholders, the Regulation will come into effect on 1 March 2006. It will require employers, head carriers, large consignors and consignees to assess the risk of harm from fatigue through fatigue management plans for their drivers and self-employed carriers. The new Regulation will also enable WorkCover to investigate whether trip schedules, driver rosters, inadequate training for drivers on fatigue issues, or loading schedules have contributed to incidents in the sector.

#### Safe design

Summit delegates recognised that the design of workplaces and equipment influences the health and safety of workers. The Safe Design Advisory Group was subsequently convened to advise on the implementation of all relevant recommendations from the 2002 Workplace Safety Summit.

The NSW Safe Design Seminar was held in Parramatta in June 2005. Approximately 90 senior representatives of the design profession, employers, unions, academia and government attended. The seminar provided an excellent opportunity for design experts and decision makers to share information about design solutions and to recommend initiatives for encouraging the systematic identification and control of design hazards. Seminar outcomes were communicated to the Safe Design Advisory Group and will inform its deliberations.

### Clothing industry outworkers

In response to a summit recommendation, WorkCover is working with the Office of Industrial Relations (OIR) to address manual handling and noise exposure issues in the clothing industry.

WorkCover is participating in 'Better Health Outcomes for Clothing Outworkers', a joint initiative with OIR and South-West Area Health Service with an aim to improving health and safety for clothing outworkers (particularly those from Vietnamese and Khmer backgrounds) in the Fairfield area. A project officer had been appointed by the Fairfield Multicultural Health Service (FMHS) to administer the project and a health and safety questionnaire has been developed as a key part of the project. A target of 40 surveys was reached by the end of April 2005. FMHS is currently compiling the report.

Additionally, WorkCover in liaison with OIR, has initiated a joint compliance program to assess the current level of compliance within the clothing outworker industry and to devise strategies and solutions. A joint intervention program will be undertaken within the clothing outworker sector in August 2005, to assist industry to meet its responsibilities under the provisions of the OHS Act, Regulation and Workers Compensation/Injury Management legislation and focus industry attention on the legislative requirement to obtain 'Clothing Factory Registration' under the *OHS (Clothing Factory Registration) Regulation 2001*.

### Behind the Label

The Behind the Label program was initially funded for three years from 2001/02.

The program, which involved WorkCover, OIR and the Department of Education and Training, was extended to provide further training for outworkers but concluded on 30 June 2005. There were four key elements:

- ▶ Compliance activities directed at clothing manufacturers and suppliers, resulting in recovery of over \$182,000 in unpaid wages and entitlements.
- ▶ A comprehensive training program that reached over 1,000 clothing industry workers.
- ▶ In conjunction with community organisations, education of workers and employers on their rights and responsibilities.
- ▶ Establishment of the Ethical Clothing Industry Council comprising key industry organisations of employers and workers to advise the NSW Government of industry action to address exploitation.

The Ethical Clothing Trades Extended Responsibility Scheme recommended by the Council will commence in July 2005. The scheme requires that NSW clothing retailers report twice yearly to the OIR regarding their suppliers' names, their addresses, the date of the supply agreement and whether outworkers are engaged. Alternatively, retailers can satisfy the scheme requirements by signing the voluntary retailer code with the Textile Clothing and Footwear Union.

WorkCover has also run programs to give practical advice to small and medium sized retailers on how to improve workplace safety on manual handling and other OHS issues.

### 2005 Safety Summit

The NSW Government will convene a 2005 Safety Summit to review progress on implementation of recommendations from the initial summit. The 2005 Safety Summit in Orange in August 2005 will also provide an opportunity to develop evidence-based, industry specific strategies to target safety black spots.

The latest available statistics show workplace fatalities and injury rates in NSW at their lowest level in 17 years. The 2005 NSW Workplace Safety Summit will ensure this good work continues and that we remain focused on getting people home safely at the end of the working day.

### Effective OHS compliance and regulation

#### Compliance

WorkCover works closely with the NSW community to assist employers and employees reduce the incidence of injury and illness, providing safety and workers compensation advice and support to industry.

WorkCover's visits to the workplace directly contribute to continual reduction in the incidence of injuries and illness.

In 2004/05, these visits resulted in the issue of 1,652 infringement notices, 1,421 prohibition notices and 18,213 improvement notices for non-compliance with occupational health and safety regulations.

WorkCover concluded a total of 384 successful occupational health and safety prosecutions resulting in \$11.5 million in penalties.

There were 587 occupational health and safety summonses laid, of which 24 were unsuccessful.

At 30 June 2005, WorkCover had 514 occupational health and safety prosecutions before the courts. This does not include matters before the coroner or under investigation.

WorkCover provides advice and support through seminars, presentations, workshops and publications, as well as maintaining current information on its website. In 2004/05, the introduction of the Business Assistance Unit has furthered this advisory and educative role, with an emphasis on small-medium enterprises.

## Licensing

2004/05 was a challenging year for WorkCover's licensing function, beginning with a major restructure and the creation of a number of new positions to ensure a more robust approach to licensing.

WorkCover also identified that a small number of staff had been producing fraudulent national certificates of competency and referred the matter to the Independent Commission Against Corruption (ICAC), which held a public inquiry into the matters raised.

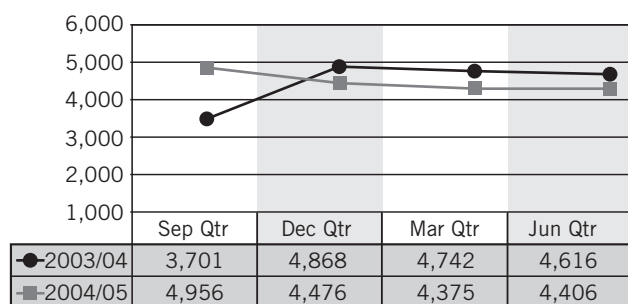
Well before the ICAC inquiry, WorkCover was progressively rolling out significant changes to the licensing system. Enhancements included not only the addition of security and probity features to the WorkCover Licensing System, but also a raft of changes to the procedures for processing licence applications.

From early 2005, a two-person checking system has been implemented for processing each application. In addition, WorkCover has introduced new IT security levels and documented processing procedures. Staff training in probity and fraud and corruption prevention is ongoing as is training in processing procedures.

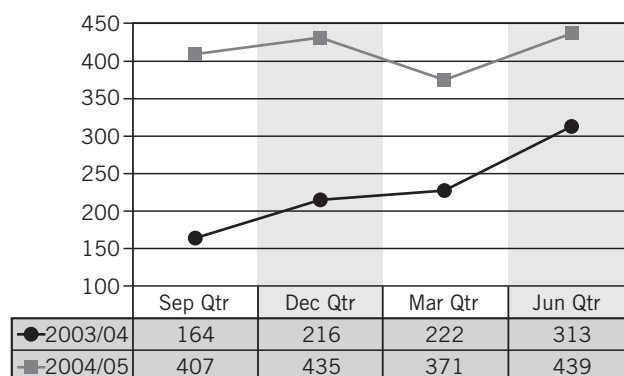
An upgrade of the computer system that supports the issue of national certificates of competencies will both enforce the new two-person processing regime and produce regular management reports highlighting any processing trends or unusual applications.

Major probity enhancements for the accreditation and renewal of the third party providers were also introduced. All assessors and trainers are now required to provide proof of identity documentation, submit to a police check and undergo testing on ethical behaviour and OHS issues.

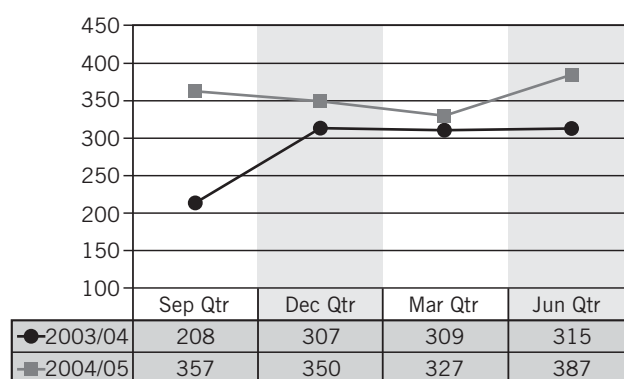
### Number of improvement notices issued



### Number of infringement notices issued



### Number of prohibition notices issued



## REGULATION AND LEGISLATION

### Occupational Health and Safety Act 2000 review

In June 2005, the Minister for Commerce announced a review of the *Occupational Health and Safety Act 2000* to determine whether the Act's objectives remain valid and whether the provisions are appropriate for securing those objectives.

The Minister convened an OHS Act Reference Group comprising two peak employer representatives, two peak union representatives and an independent chair to oversee the review process.

The members of the OHS Act Reference Group are:

- ▶ chair: Greg McCarthy, Chairperson of the WorkCover NSW Board and WC and WOHS Council
- ▶ employer representatives: Greg Pattison, General Manager Workplace Solutions, Australian Business Limited and Mark Goodsell, Director, NSW Australian Industry Group
- ▶ employee representatives: Mark Lennon, Assistant Secretary, Unions NSW and Mary Yaager, OHS and Worker's Compensation Coordinator, Unions NSW.

WorkCover is undertaking a range of public consultation and communication activities during the review including:

- ▶ Release of a discussion paper and a call for public submissions.
- ▶ Placement of media advertisements calling for public submissions.
- ▶ Dissemination of information through stakeholder information networks and public information sessions throughout NSW.
- ▶ Organisation of issue-based consultative workshops with industry across metropolitan and regional NSW.
- ▶ Preparation of a final report on the review to be tabled in Parliament and to be made available on the WorkCover website.

#### **New legislation on dangerous goods and explosives**

In 2003, WorkCover conducted the first comprehensive review of the NSW regulatory framework for dangerous goods since 1975. Following the review, Parliament passed the *Occupational Health and Safety (Dangerous Goods) Amendment Act* and the *Explosives Act*. Requirements for explosives were separated from those for other dangerous goods in recognition of the particularly high risks associated with explosives and the potential for misuse.

In 2004/05, WorkCover was instrumental in the development of and public negotiation on the regulatory package required prior to the commencement of the two Acts. Work included:

- ▶ Development of a code of practice to support the operation of the new dangerous goods regulations.
- ▶ Preparation of a regulatory statement for the proposed explosives regulation.
- ▶ Release of public consultation drafts of the regulatory proposals for dangerous goods and explosives.
- ▶ Conduct of a public awareness campaign to ensure that the community and industry had the opportunity to comment on the above proposals.

Following commencement of the Acts on 1 September 2005, WorkCover will publicise the new requirements with a 12 month phase-in period.

WorkCover has also instructed the Parliamentary Counsel to prepare a public consultation draft amendment to the *Occupational Health and Safety Regulation 2001* that includes specific requirements for the control of major hazard facilities such as oil refineries and large chemical operations. It is anticipated that the draft will be available for public comment in early 2006.



# Viability

PERFORMANCE AGAINST OBJECTIVES		
<b>AIM</b> <ul style="list-style-type: none"> <li>▶ Achieve the performance target of 90 per cent funding of the NSW WorkCover Managed Fund (the Scheme) by June 2008.</li> </ul>	<b>PERFORMANCE</b> <ul style="list-style-type: none"> <li>▶ Funding ratio increased from 73 per cent in June 2004 to 80.4 per cent in June 2005.</li> </ul>	<b>WHAT NEXT?</b> <ul style="list-style-type: none"> <li>▶ Achieve a 5 per cent reduction in continuance rates for 13 and 26 weeks by June 2006.</li> <li>▶ Achieve a fully funded Scheme by 2008 (amended from 2004-07 Corporate Plan).</li> <li>▶ Outperform the investment benchmark.</li> </ul>
STRATEGIES		
<b>EFFECTIVE RETURN TO WORK</b> <b>AIM</b> <p>Achieve the best return to work rates in Australia.</p>	<b>A FULLY FUNDED SCHEME</b> <b>AIM</b> <p>Achieve a fully funded Scheme by 2014.</p>	<b>FUNDS MANAGEMENT</b> <b>AIM</b> <p>Introduce a new funds management model.</p>
<b>PERFORMANCE</b> <ul style="list-style-type: none"> <li>▶ Improved average duration for return to work for front-end claims over the previous year.</li> <li>▶ Education program for GPs extended.</li> <li>▶ Case management principles to be published to assist insurers.</li> <li>▶ Treating practitioner initiatives included, providing workers with immediate access to surgeons and associated professional services.</li> <li>▶ All approved injury management consultants attend mediation and negotiations skills refresher training.</li> <li>▶ Intensive job placement programs piloted, with insurers assuming full management of programs with service providers.</li> </ul>	<b>PERFORMANCE</b> <ul style="list-style-type: none"> <li>▶ Funding ratio increased to 80.4 per cent.</li> <li>▶ Scheme deficit decreased by \$355 million in the 12 months to June 2005.</li> <li>▶ Implementation of McKinsey report recommendations commenced.</li> <li>▶ Review of the premium system completed and reforms announced.</li> <li>▶ Completed audits identified \$51.4 million in additional premiums. Returned \$15.4 million to employers for over declaration of wages.</li> </ul>	<b>PERFORMANCE</b> <ul style="list-style-type: none"> <li>▶ A series of internal structural changes made to support the improvements to the funds management model.</li> <li>▶ The Scheme returned 15.2 per cent for the 12 months to 30 June 2005 and outperformed the reference portfolio return.</li> <li>▶ All insurers and the Scheme outperformed the return achieved by peers.</li> <li>▶ Investment Division established within WorkCover and a Workers Compensations Insurance Fund Investment Board was appointed.</li> </ul>
<b>WHAT NEXT?</b> <ul style="list-style-type: none"> <li>▶ Continue to improve RTW and tail claim outcomes for injured workers through financial incentives to providers.</li> <li>▶ Insurers develop their own job placement programs, based on the model developed by the pilot.</li> <li>▶ Undertake Central Coast return to work demonstration project.</li> <li>▶ Continue GP Education Program.</li> </ul>	<b>WHAT NEXT?</b> <ul style="list-style-type: none"> <li>▶ Implement the new premium formula across NSW workplaces.</li> <li>▶ Transition to new Scheme agent arrangements.</li> <li>▶ Implementation of the Scheme Design Project.</li> </ul>	<b>WHAT NEXT?</b> <ul style="list-style-type: none"> <li>▶ All Scheme assets will become assets of the Workers Compensation Nominal Insurer.</li> <li>▶ Implement the new strategic asset allocation.</li> <li>▶ Complete transition of assets to the new funds management model.</li> </ul>

## EFFECTIVE RETURN TO WORK

Injury management is about ensuring the prompt, safe and lasting return to work of an injured worker. The process involves the cooperation of the employer, injured worker, insurer, treating doctor and all treating practitioners.

### Education program for general practitioners

In 2003/04 financial year, WorkCover ran a successful education program to advise general practitioners (GPs) about managing patients on workers compensation due to acute lower back pain. Phase 2 of the program to be undertaken from 2004-2006 includes a plan to offer educational visits to an additional 1,200 GPs and further education for the 2,700 GPs involved in the earlier program. Education for the latter group will focus on treatment of chronic soft tissue injury and resources for improved management within the WorkCover Scheme.

The program is unique on two counts: GPs have reviewed all educational material to ensure its acceptability to the medical profession and both deliver all courses and undertake the educational visits.

### Case management

All managed fund insurers must develop coordinated programs to integrate both injury and claims management, using a dedicated case manager to oversee each significant injury claim throughout its duration.

WorkCover developed the Case Management Standards 2004 for insurers and, in July 2004 and February 2005, assessed industry performance against the standards.

Assessment confirmed that managed fund insurers had successfully implemented the required approach but also identified several opportunities for improvement including:

- ▶ better initial screening of claims for risk of delayed return to work
- ▶ on-going screening of cases for the development of new risks factors and review of the effectiveness of services provided
- ▶ development and review of workers' case management plans
- ▶ improved arrangements for file hand-over between case managers
- ▶ finalisation of claims when the injured worker no longer requires services.

The case management requirements are being published as Case Management Principles for the benefit of the workers compensation industry. They also form the basis of claims management in the contract arrangements for Scheme agents.

### Treating practitioner initiatives

Under arrangements finalised for the Workers Compensation Scheme, workers have immediate access to eminent surgeons who provide professional services and advise the treating GP and the insurer on how to reach the best patient outcome.

WorkCover developed and promoted the move to requiring transactional data from treatment providers that will give future

Scheme agents and WorkCover better information about service costs and outcomes. The requirements will come into force in the new financial year.

All approved injury management consultants were asked to attend mediation and negotiation skills refresher training to assist them in resolving difficulties with nominated treating doctors. The course was well received.

## TARGETED REMUNERATION FOR INSURERS

One of the means by which WorkCover encourages insurers to manage longer-term claims is through targeted remuneration. Strategies employed promote improved health outcomes for workers and return to work rates. In 2004/05 this strategy resulted in:

- ▶ reduced average delay in reporting from 12 days in 2003/04 to 10 days
- ▶ an improvement in the average duration for return to work for front end claims over the previous year of 0.69 day for 0-26 weeks, 1.48 days for 27-52 weeks and 2.33 days for 53-78 weeks
- ▶ significant improvement in emerging tail claims (claims over one year old), promoting improved health outcomes for injured workers resulting in 2,838 fewer claims in the system
- ▶ continued improvement in long tail claims (claims over two years old) with a reduction of 1,569 weekly benefit claims.

A reduction in long tail claims means that injured workers return to meaningful employment.

### Intensive job placement programs

The other means by which WorkCover influenced insurers and providers to improve management of longer-term claims was through the pilot Intensive Job Placement programs. The cognitive behavioural style programs, held over 16 weeks at Sydney metropolitan and Newcastle locations, are showing good results. Of the 200 workers placed, 76 per cent were still employed after 13 weeks and, of that total, 94 per cent were employed at 26 weeks.

Insurers have assumed the full management of the programs with service providers and are negotiating service agreements with providers, where appropriate, for ongoing programs.

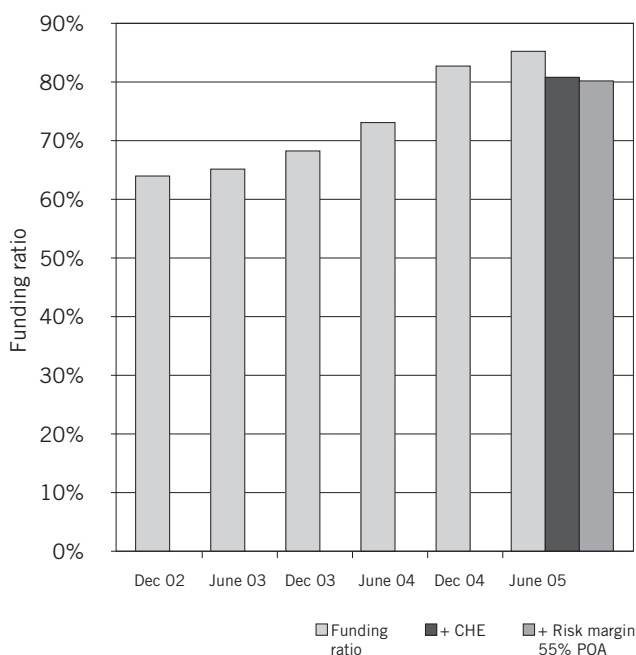
## A FULLY FUNDED SCHEME

The ability of the NSW WorkCover Managed Fund to fund outstanding claims liabilities is crucial to its ongoing success. Consequently, WorkCover's 2004-07 Corporate Plan set a target of a 90 per cent funded Scheme by June 2008.

Every six months the Scheme actuaries, PricewaterhouseCoopers, provide the NSW Government with a report on the Scheme's performance. The valuation includes an estimate of the Scheme's liability funding ratio projections. The 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 Scheme has returned another strong underwriting surplus as the result of a continued focus on better claims management and a strong investment return, increasing the funding ratio to 80.4 per cent as at 30 June 2005.

#### Funding ratio



Note: The graph above left shows the funding ratio for June 2005 using the same liability assumptions as in previous periods (85%), including the revised claims handling experience (CHE) (81.1%), and including the risk margin (80.4%).  
Explanations of the CHE and risk margin are detailed below.

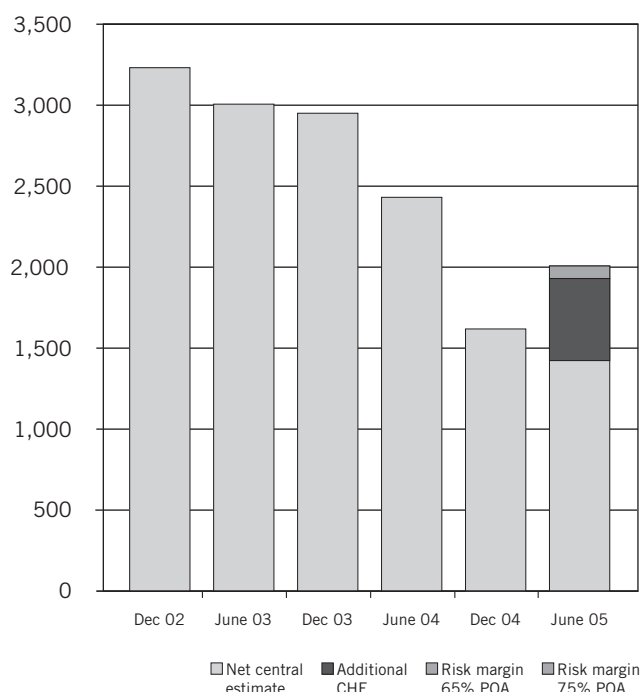
The Scheme deficit decreased by \$355 million from \$2,353 million in June 2004 to \$1,998 million in June 2005.

However, despite continued improvement in the overall financial position of the Scheme, the most recent valuation has been influenced by increasing the claims handling expense amount in line with changes in insurer remuneration arrangements of the scheme together with the adoption of a risk margin.

The changes relating to claims handling expenses comply with existing accounting standards, and are outside the control of the Government and WorkCover. The WorkCover Board has decided to adopt a risk margin based on a probability of adequacy of 55 per cent, equating to a risk margin of \$89 million included in the net liability for outstanding claims.

A one off increase in claims handling expense percentage from 3.5 per cent to 9.5 per cent of the gross outstanding claims has increased the Scheme liability by \$513.2 million, while the risk margin has also increased the liability by \$89 million. These increases are represented in the graph above right, which shows the adjusted deficit, excluding the claims handling and risk margin impact, is down to \$1.396 billion, continuing the trend that has seen the deficit steadily decrease over the last three years.

#### WorkCover Managed Fund deficit (\$m)



Since the Government introduced its reforms in 2001, the Scheme deficit has been reduced from \$3.230 billion in December 2002 to \$1.998 billion in June 2005. This represents a saving of over \$1.232 billion, even taking into account the one-off change in calculations.

Were it not for the one-off changes incurred at this valuation, this saving would have increased to \$1.834 billion.

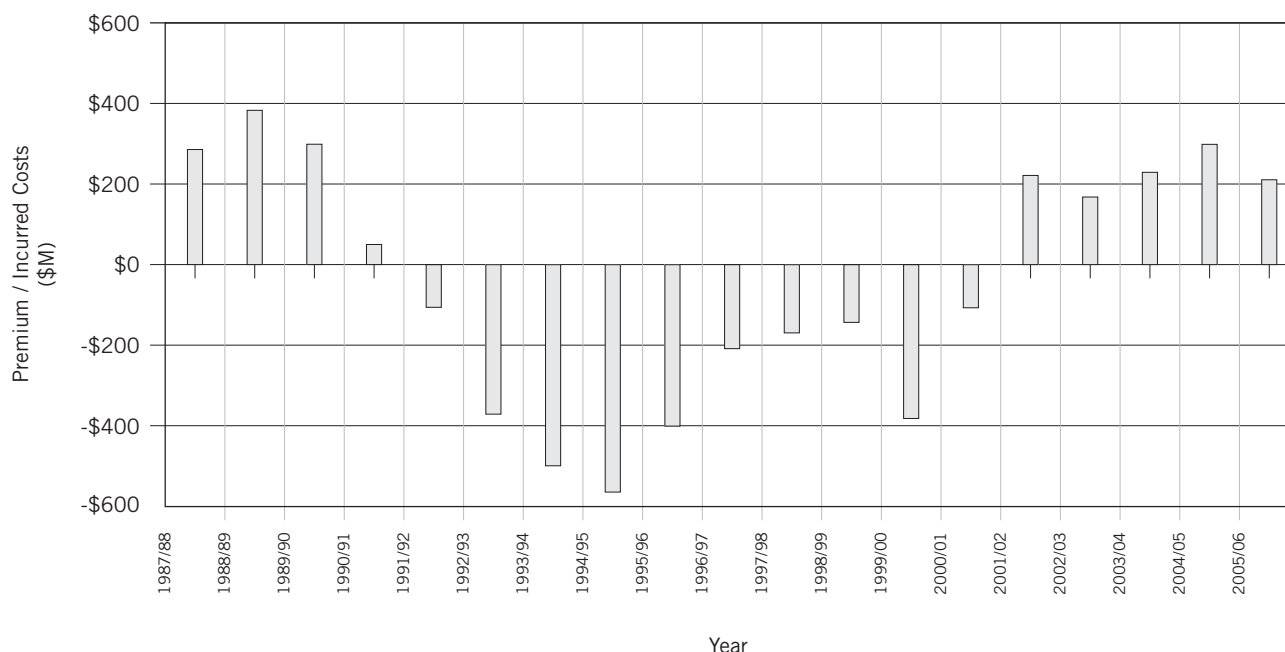
At December 2004, the deficit was \$1,655 million, with a funding ratio of 82.8 per cent. Changes in the deficit (based on a no-risk margin) since December 2004 are a result of:

- ▶ underwriting surplus
- ▶ higher than expected returns on investments
- ▶ change in inflation and discount assumptions
- ▶ change in claim handling expense assumption
- ▶ one per cent risk margin.

In respect to premiums, the graph over page shows the variance between the breakeven premium rate and premium collected for the 2004/05 policy renewal year of 2.37 per cent is lower than the estimated collected premium rate of 2.65 per cent. The target collection premium rate for the 2005/06 policy renewal year is 2.57 per cent.

The collection rate has remained stable since 1997/98. The graph on page 25 shows that the Scheme has paid for itself since 2001/02.

### Scheme Funding Comparison



### SCHEME DESIGN

The NSW Government has endorsed the most comprehensive reform of the managed fund component of the Scheme since its inception in 1987. The reforms derive from a review of the Scheme's operations commissioned from McKinsey & Company. Their 2003 report, *Partnerships for Recovery: Caring for injured workers and restoring the financial stability to workers compensation in NSW*, contained over 50 recommendations including:

- ▶ 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 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 through greater powers to manage agent activities.
- ▶ Introducing contract arrangements between WorkCover and agents that will enable the appointment of better performing businesses.

WorkCover subsequently established the Scheme Design Project to put the McKinsey report recommendations into operation.

The objectives of the new Scheme arrangements are:

- ▶ to assist employers make workplaces safe and promote the health, safety and welfare of workers
- ▶ to ensure workers receive prompt and effective treatment and injury management to improve return to work outcomes
- ▶ to ensure premiums are fair and affordable while maintaining the financial viability of the Scheme
- ▶ to achieve a fully funded Scheme.

The new arrangements will create a more efficient and transparent Scheme for employers and offer better value for the premiums paid. Agents will also benefit through the creation of a market in which incentives for effective claims and injury management will allow high performers to thrive.

#### Consultation

Throughout the project, WorkCover has consulted with insurers as well as key worker and employer groups. Interested parties have been able to register their interest via the WorkCover website and receive regular updates, including all discussion papers – 10 of which were released in 2004/05.

#### Nominal Insurer

*The Workers Compensation Amendment (Insurance Reform) Act 2003* (the 2003 Act) provides for a Nominal Insurer – the single insurer and the sole legal entity responsible for the Scheme. WorkCover will act for and exercise the powers of the Nominal Insurer and manage contracts on its behalf from 1 July 2005.

The Nominal Insurer will replace the six insurance companies previously licensed to issue NSW workers compensation policies and administer claims. WorkCover will be responsible for overseeing the Nominal Insurer arrangements.

#### Scheme agents

Existing workers compensation insurers, as well as new organisations, tendered for an agency agreement with the Nominal Insurer to manage claims and policy services on its behalf. Agents will be awarded contracts based on their demonstrated capability, capacity and performance in policy and claims management. WorkCover will regularly monitor their ability to meet performance and service standards.

### Workers Compensation Investment Fund

Fundamental to the new Scheme arrangements was the consolidation of funds into a single Workers Compensation Insurance Fund.

## REVIEW OF THE PREMIUM SYSTEM

Annual premiums for all employers covered by the Scheme are calculated on the basis of the total wages paid by the employer in accordance with the industry premium rates and published premium formulae. Industry premium rates are set at a level that reflects the historical cost of claims for each industry sector.

In June 2004, the NSW Government announced a comprehensive review of the premium system, including financial incentives, to promote earlier injury reporting and improved claims management. One of the primary objectives was to ensure that reform implementation would not change the level of premiums collected for the Scheme.

Following extensive consultation on a wide range of options and consideration of industry feedback, the Minister for Commerce announced the final reforms in June 2005. The reforms, to be phased in over two years, are as follows.

### Commencing 30 June 2005

- ▶ An increase in the premium threshold before employers are experience rated from greater than \$3,000 to greater than \$10,000.
- ▶ The staged closure of the Premium Discount Scheme.
- ▶ Employers will be eligible for retrospective adjustments to their premiums to exclude the costs of fraudulent claims successfully prosecuted after 1 January 2000, and costs of claims where the claimant has been found by the Compensation Court or the Workers Compensation Commission (WCC) not to be a 'worker'.

### Commencing 31 December 2005

- ▶ Amendment of the threshold for applying experience adjustments to premiums using a two-tiered approach, which will apply to those employers with wages greater than \$300,000 and a basic tariff premium greater than \$10,000.
- ▶ Assessment of employers for the experience adjustment threshold at the start of the policy year, and again at the end of the policy year, to prevent premium avoidance by under-estimation of wages at the commencement of the policy year.
- ▶ Introduction of a new, fairer experience premium formula.
- ▶ Application of new caps to maximum premiums to provide greater protection to small and medium-sized employers.
- ▶ A change in claims excess payment from \$500 to the equivalent of one week of the injured worker's weekly compensation.
- ▶ Discontinuation of the option for employers to buy out the claims excess through a surcharge on their premium. The claims excess will be waived for employers if the injury is notified within five days of the employer becoming aware of the injury.

- ▶ Implementation of changes to premium forms by Scheme agents to clearly outline how employers' premiums are calculated and the impact that claims have had on a business premium.

### Commencing 30 June 2006

- ▶ Grouping of all related employers with combined wages over \$600,000 for premium assessment purposes.

### Commencing 30 June 2007

- ▶ Introduction of penalties for the late reporting of claims as a further incentive to promote the prompt reporting of injuries by medium and large-sized employers.
- ▶ Introduction of the option for employers to pay their premiums in full or in four or 12 instalments.

### Commencing 31 December 2007

- ▶ Replacement of manual claims estimations with a statistical case estimation model.

## EFFECTIVE REGULATION AND COMPLIANCE

To protect workers and their employers in the event of a workplace-related injury or disease, all NSW employers must participate in the Workers Compensation Scheme which provides injured workers with weekly payments to cover loss of earning capacity, and pays medical and vocational rehabilitation expenses.

The major compliance function undertaken by WorkCover in relation to workers compensation is detection of fraud by employers, employees and service providers.

Compliance action undertaken in 2004/05 included:

- ▶ Approximately 8,500 audits were initiated.
- ▶ Identification of additional premiums of \$51.4 million from 15,635 completed audits, exceeding the target amount of \$25 million.
- ▶ Returning \$15.4 million to employers for over declaration of wages bringing the net additional premium identified to \$36 million.
- ▶ Approximately 115 alleged instances of non-insurance were investigated and as a result a total of \$1,602,988 in certificates were issued for double avoided premium penalties.
- ▶ 99 penalty notices were issued for non-insurance and non-production of wage records for a total of \$56,750.
- ▶ WorkCover received 375 referrals alleging fraudulent activity. All referrals were investigated. There were 42 charges laid and 29 charges are pending in fraud/compliance matters as at 30 June 2005.

The return from wages audits was approximately double the cost of the audits, an excellent result, with \$36 million in additional premiums identified.

In 2005/06, debt collection activities of insurers for wage audit adjustment and late payment fees will be more tightly controlled and monitored.

In 2004/05, WorkCover participated in a number of field-based compliance investigation projects with the occupational health and safety industry teams.



These projects targeted construction, with the first project in July 2004 focusing on the asbestos removal and demolition industry. While wage audits initiated as a result of this project are currently underway, preliminary results have indicated a high level of non-compliance of employers with their obligations.

Other projects involving the construction team identified compliance issues with mobile plant and equipment operators on construction sites. WorkCover will continue to participate in ongoing projects aimed at the detection of non-insurance and under-insurance and the investigation and detection of any potentially fraudulent activity in other targeted industries.

## CLAIMS PAYMENTS

Total claims-related payments are made up of total compensation payments and total non-compensation payments. 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. The table below gives a detailed breakdown of payments for the 2000/01 to 2003/04 periods.

### Breakdown of claims-related payments

	2003/04		2002/03		2001/02		2000/01	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
<b>COMPENSATION PAYMENTS</b>								
Ambulance services	10,917	0.4	9,757	0.3	8,395	0.2	7,166	0.2
Medical treatment	345,278	12.3	284,573	8.8	277,054	7.8	232,692	7.9
Hospital treatment	73,767	2.6	59,059	1.8	60,620	1.7	60,990	2.1
Rehabilitation treatment	122,616	4.4	111,258	3.4	88,096	2.5	74,258	2.5
Physiotherapy and chiropractic treatment	68,781	2.5	61,387	1.9	66,189	1.9	63,069	2.1
Damage to artificial limbs and clothing	5,574	0.2	4,388	0.1	3,636	0.1	3,328	0.1
Death payments	25,371	0.9	25,743	0.8	20,643	0.6	22,964	0.8
Permanent injury	261,315	9.3	265,531	8.2	156,373	4.4	135,930	4.6
Pain and suffering	111,817	4.0	113,644	3.5	57,753	1.6	51,068	1.7
Redemptions (commutations)	28,887	1.0	26,771	0.8	812,501	23.0	665,565	22.6
Partial incapacity (weekly benefit)	365,995	13.0	306,090	9.4	257,042	7.3	236,758	8.1
Total incapacity (weekly benefit)	459,877	16.4	433,428	13.3	423,582	12.0	416,987	14.2
<b>Total compensation payments</b>	<b>1,880,195</b>	<b>67.0</b>	<b>1,701,629</b>	<b>52.4</b>	<b>2,231,884</b>	<b>63.1</b>	<b>1,970,775</b>	<b>66.9</b>
<b>NON-COMPENSATION PAYMENTS</b>								
Transport and maintenance	15,895	0.6	14,966	0.5	15,802	0.4	15,312	0.5
Damages and common law	431,830	15.4	1,013,830	31.2	704,657	19.9	460,308	15.6
Investigation expenses	117,561	4.2	137,986	4.2	173,112	4.9	150,152	5.1
Interpreter services	2,419	0.1	2,277	0.1	2,234	0.1	1,624	0.1
Legal costs	357,798	12.8	379,300	11.7	408,399	11.5	347,938	11.8
<b>Total non-compensation payments</b>	<b>925,503</b>	<b>33.0</b>	<b>1,548,359</b>	<b>47.6</b>	<b>1,304,204</b>	<b>36.9</b>	<b>975,334</b>	<b>33.1</b>
<b>Total payments</b>	<b>2,805,698</b>	<b>100</b>	<b>3,249,988</b>	<b>100</b>	<b>3,536,088</b>	<b>100</b>	<b>2,946,109</b>	<b>100</b>

Total non-compensation payments reduced from \$1.5 billion in 2002/03 to \$0.9 billion in 2003/04 (latest available data), a decrease of 40 per cent. This result was largely due to a decrease in work injury damages from \$1,013.8 million in 2002/03 to \$431.8 million in 2003/04, as a result of the 2001 reforms.

The increases in statutory payments in 2002/03 for permanent injury, pain and suffering, and weekly payments were maintained in 2003/04. These increases were offset by a reduction in commutations in 2002/03, which also translated into 2003/04, and were a consequence of the 2001 workers compensation reforms. Total commutations in 2003/04 were \$28.9 million.

The major contributor to compensation payments was weekly benefits for both partial and total incapacity, representing 13 per cent and 16 per cent of total payments respectively. The largest increase in compensation payments was in medical treatment, which rose from \$284.6 million in 2002/03 to \$345.3 million in 2003/04, an increase of over 21 per cent.

## FUNDS MANAGEMENT

### Monitoring

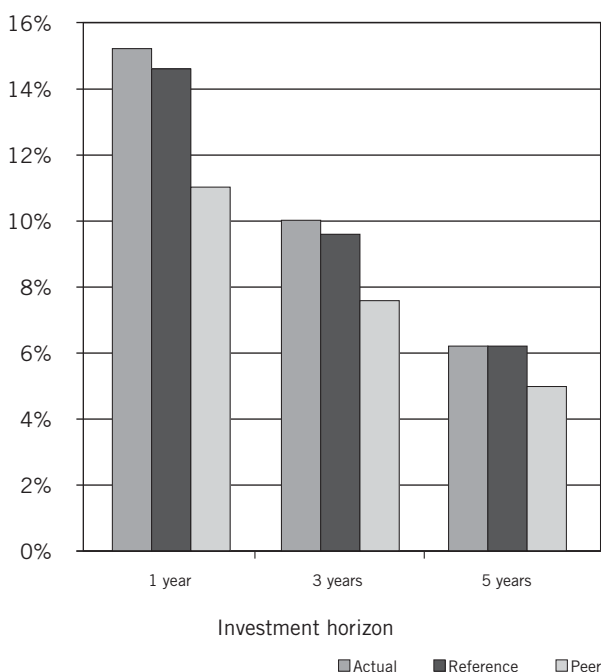
The annualised actual rate of return of the Scheme investment portfolio (\$7,224.7 million at 30 June 2005) is compared to a reference portfolio benchmark and a peer group comparative benchmark. Comparisons are made over investment horizons of one, three and five years.

### Target

WorkCover's Board determines the strategic asset allocation (that is, the reference portfolio or SAA) based on the advice of an independent asset consultant. The latest change in the reference portfolio originated from a review of investment strategy in February 2002.

Outperformance of the reference portfolio by fund managers is also an important consideration for the Scheme. Outperformance of the benchmark, that is when actual Scheme investment returns outperform the reference portfolio returns over various investment horizons, can be attributed to either superior asset allocation or sector performance by individual asset managers. A peer group comparative average return is used as a performance indicator to assess the performance of the Scheme's fund managers relative to the performance of other industry fund managers.

### Investment performance – rate of return to 30 June 2005



The Scheme returned 15.2 per cent for the one-year period to 30 June 2005, outperforming the reference portfolio return by 0.6 per cent. Four out of six insurers and the entire Scheme outperformed the reference portfolio. All insurers and the Scheme outperformed the return of 10.9 per cent achieved by peers.

The Scheme returned 10.1 per cent per annum for the three years to June 2005, outperforming the reference portfolio return by 0.3 per cent.

Over the five years to June 2005, the Scheme returned 7.4 per cent per annum, outperforming the reference portfolio return of 7.3 per cent by 0.1 per cent. All insurers strongly outperformed their peer group over three-year and five-year periods.

### Organisational changes

The McKinsey report, *Partnerships for Recovery*, recommended that, to improve the asset management model, increase investment returns and improve accountability, WorkCover should:

- ▶ outsource funds management to specialist investment managers for each asset class within the strategic asset allocation
- ▶ appoint one asset consultant to assist in this process
- ▶ with advice from the asset consultant, select investment managers for each asset class.

In order to implement the recommendations, WorkCover established a project team to provide initial direction. The project team identified that significant changes were required both to the Scheme's investment model and to WorkCover's organisational structure.

The structural changes subsequently introduced were, in chronological order:

- ▶ establishment of the Investment Division within WorkCover
- ▶ following a formal tender process, appointment of Watson Wyatt Worldwide as the asset consultant to the Workers Compensation Insurance Fund (WCIF)
- ▶ appointment of an independent governance and strategy board, the Workers Compensation Insurance Fund Investment Board, to determine the investment policies of the WCIF and report to the Minister for Commerce on investment performance. The chairman is David Spruell
- ▶ appointment of a Transition Manager to align the fund to the new strategic asset allocation and assist with the movement of assets to the newly appointed specialist managers
- ▶ selection of specialist investment managers for Australian and Overseas equities, Australian and Overseas fixed interest and inflation bonds, Australian and Overseas listed property and Australian unlisted property.

Effective 1 July 2005, all scheme assets will become assets of the Workers Compensation Nominal Insurer held in the Workers Compensation Insurance Fund.

In the new financial year, Investment Division staff will focus on the efficient and timely implementation of the newly determined strategic asset allocation and complete the transition of all assets to the new funds management model.

# Engagement

## PERFORMANCE AGAINST OBJECTIVES

### AIM

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

### PERFORMANCE

- ▶ Established the Business Assistance Unit, tailoring additional advice and information to the small and medium sized business sector.
- ▶ Chaired both the Heads of Workers' Compensation Authorities (HWCA) and the Heads of Workplace Safety Authorities (HWSA) committees.

### WHAT NEXT?

- ▶ Continually enhance assistance services to small and medium-sized businesses.
- ▶ Continue to contribute to national OHS policy through membership of key committees.

## STRATEGIES

### EFFECTIVE STAKEHOLDER RELATIONSHIPS

#### AIM

- ▶ Achieve an improvement in engagement with our stakeholders.

### POSITIVELY DRIVING THE NATIONAL AGENDA

#### AIM

- ▶ NSW position is reflected in the National Agenda.

### NEW/EMERGING BUSINESS AREAS

#### AIM

- ▶ Deliver effective OHS and workers compensation systems to new and emerging areas of business.

### PERFORMANCE

- ▶ Convened 13 industry reference groups to identify emerging issues and develop answering strategies.
- ▶ Established the Business Assistance Unit to develop and deliver programs to help small to medium-sized businesses to manage their OHS and workers compensation responsibilities, including 73 educational workshops for 1,445 participants.
- ▶ Worked closely with industry and employer groups and other government agencies.
- ▶ Conducted joint projects with government agencies, unions and peak organisations including ACROD and the NSW Nurses Association.
- ▶ Answered 227,967 telephone, email and over-the counter enquiries and handled 5,316 cases through the Claims Assistance Service.

### PERFORMANCE

- ▶ Chaired the Heads of Workers' Compensation Authorities and Heads of Workplace Authorities committees.
- ▶ Acted as the lead agency for the National OHS Road Transport Coordination Group.
- ▶ Made significant input to the National Standard for Construction Work.
- ▶ Formalised inter-agency cooperation with WorkSafe Victoria on compliance activities in the construction industry on the NSW/Victoria border.
- ▶ Participating in a national manual handling compliance campaign in the health and community services industry.

### PERFORMANCE

- ▶ Established the Asbestos and Demolition Unit within WorkCover with complementary hotline and after-hours operations.
- ▶ Opened the WorkCover NSW Research Centre of Excellence. The Centre aims to be a national leader in quality OHS and injury management research.
- ▶ Completion of 4,000 sample tests in the Thornleigh Laboratory.
- ▶ 23 complex workplace investigations were carried out by professional engineers and scientists.

### WHAT NEXT?

- ▶ Develop and implement a best practice model for stakeholder engagement.
- ▶ Coordinate seminars and workshops to assist small to medium-sized enterprises improve OHS and WC outcomes.

### WHAT NEXT?

- ▶ Contribute to determination of the national agenda and reduce barriers between the states.
- ▶ Facilitate a program in manual handling in the HACS industry, following on from the national Design 4 campaign.

### WHAT NEXT?

- ▶ Strategic direction for research.
- ▶ Rollout of the \$5 million WorkCover Assist Program with a focus on commissioned research and education.

To regulate workplaces effectively, WorkCover maintains a high public profile and supports relationships with stakeholders across NSW, including employers and workers and their peak representatives.

### Effective stakeholder relationships

WorkCover is committed to ensuring the NSW community and industry have opportunities for input to the development of policies and strategies relating to occupational health and safety, injury management and workers compensation performance within NSW.

The strategies to improve stakeholder relationships include:

- ▶ industry reference groups
- ▶ WorkCover's Business Assistance Unit.

#### Industry reference groups

Convened by WorkCover, the industry reference groups were first established in 1999 and comprise:

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

The groups, currently numbering 13, use their first-hand knowledge of the workplace to identify emerging issues and develop strategies relevant to particular industries.

This year a review of the structure and operating processes of the industry reference groups commenced with a view to optimising the groups' contribution to preventing death, injury and illness in the workplace. WorkCover will use the review results to establish both terms of reference for the groups and a planning framework for setting priorities, identifying initiatives and ensuring the most productive use of resources.

The review began with meetings with all industry reference groups at which two questions were posed: *What group projects have worked well?* and *What additional activities would benefit their industry?* WorkCover then systematically gathered input from employers, unions and other stakeholders through the release of a series of papers – each of which took into account comment on the preceding paper, and further face-to-face consultation with the industry reference groups.

In tandem with the review, WorkCover will develop a broad communication strategy for the industry reference groups designed to improve communication with industry.

### Business Assistance Unit

#### Background

WorkCover launched the Business Assistance Strategy in February 2003, in line with the recommendations of the 2002 Workplace Safety Summit, to help small businesses build their capacity to manage occupational health and safety, workers compensation and injury management under the new legislation. Features of the strategy include statewide information seminars and safety workshops; how-to guides (notably the Small Business Safety Checklists); an advertising campaign; free on-site consultations; and sector-specific programs.

A review of the Small Business Assistance Strategy in 2004 established that many small and medium-sized businesses (SMEs) would welcome additional advice and information. The Business Assistance Unit was subsequently set up to develop and deliver specialist programs and products to help SMEs build their capacity to manage their OHS and workers compensation. So far the Unit has:

- ▶ developed and delivered workshops, one-on-one advice and other forms of assistance to employers
- ▶ facilitated the development of practical tools and information to enable SMEs to better understand and manage health and safety, injury management and return to work issues
- ▶ provided information for SMEs through an e-newsletter, website, telephone assistance and one-on-one advice.

#### Partnerships and consultation

The Unit works closely with industry groups, business/employer networks and government agencies to ensure, as far as possible, a coordinated approach to advancing improvements in occupational health and safety and injury management. Partners to date have included the NSW Department of State and Regional Development, NSW Office of Industrial Relations, NSW Office of Fair Trading, Australian Office of Small Business, Small Business Answers Network, and chambers of commerce.

The Unit is developing a consultative framework to engage with SMEs. The Central Coast Small Business Advisory Group, the first consultative body established, had met five times as at 30 June 2005.

In order to keep abreast of all initiatives targeting SMEs, the Unit consults widely with government agencies through forums such as the Government Business Enterprise Network.

### Safety promotion and education

Keeping positive safety messages to the industry forefront is a major consideration for the Unit.

The Unit runs educational workshops in metropolitan and regional centres tailored to the needs of small and medium-sized business operators. As at 30 June 2005, it had conducted a total of 73 workshops involving 1,445 participants and run a further five workshops on request. Topics included introduction to OHS and workers compensation, working safely with heavy moving plant, and health and safety for hairdressers. Evaluations indicate that the workshops have successfully achieved their stated objectives.

### Information initiatives

The newly established page for SMEs on the WorkCover website includes relevant publications and resources as well as a calendar of workshops and events. When updating is completed, the site will boast additional tools and material such as specific web pages.

In order to reach more small business owners and operators, the Unit takes part in relevant expos, events and activities. In June 2004, the Unit participated in the Hairdressers Expo 2005 at which more than 1,000 people received information packs from a joint information stand between WorkCover and the NSW Office of Industrial Relations.

Presentations were used to promote the Unit's services to a range of business groups including 300 Korean business owners and all industry reference groups. Additionally, the Unit joined forces with the Australian Taxation Office and Australian Department of Industrial Relations in presentations to chambers of commerce around NSW.

### Customer service

The WorkCover Assistance Service provides information and assistance to workers, industry and the community on workplace health and safety, injury management and the workers compensation system. Additionally, the Service offers information and assistance to injured workers and employers about claims for workers compensation, particularly resolution of potential disputes.

In 2004/05, telephone, email and counter contacts totaled 227,967, an increase of eight per cent over 2003/04. The increase continues the 2002/03 trend and is attributed largely to WorkCover's successful media campaigns and reform program.

The Claims Assistance Service commenced operation in January 2002. In 2004/05, it handled 5,316 cases, achieving a resolution rate of almost 79 per cent. The most common causes of employee referral were:

- ▶ benefits delayed or not paid
- ▶ claims declined
- ▶ difficulties in obtaining information from insurers
- ▶ difficulties with employers, commonly not passing on monies

- ▶ problems with return to work
- ▶ difficulties in making a notification to the insurer.

Employer referrals include:

- ▶ The employer supports the injured worker's claim but feels the Agent is not proactively managing the claim.
- ▶ Employer confirming Agent adherence to legislation in provisional liability claims.
- ▶ The claim has been accepted, however, the Agent is always late in passing on the benefits to the employer.

### Joint initiatives

WorkCover undertakes joint initiatives with the NSW community, government agencies and private industry to improve OHS and workers compensation outcomes. Current initiatives are as follows.

### Disability services

WorkCover and ACROD Limited (formally the Australian Council for Rehabilitation of the Disabled) have co-funded a project officer to work in the disability services sector. The aim is to assist the sector, which provides essential services to people with a disability, in meeting obligations under OHS legislation. A working party comprising representatives from ACROD NSW, the NSW Department of Ageing, Disability and Home Care, and WorkCover is leading the 12-month project.

### Community nursing

Together with the NSW Nurses' Association, WorkCover is engaged in a project to reduce the incidence of injury and illness to community nurses, with a major emphasis on improving the management of violence/security risks affecting community nurses in rural NSW.

Community nurse focus groups will be held in Dubbo in November 2005 and in the Tweed, Lismore and Grafton regions in December 2005 while further input on appropriate injury prevention strategies will be sought through telephone interviews. The NSW Nurses' Association will promote the project outcomes following project completion in January 2005.

### Public sector agencies

In 2003, WorkCover took on responsibility for the NSW Government initiative to reduce the incidence, severity and cost of workplace injury and disease in government agencies, and to promote a systematic approach to OHS.

The most recent phase of the initiative concluded in June 2005 with full OHS and injury management audits of 11 agencies.

WorkCover is now preparing a report to the NSW Cabinet on the initiative, which has been highly successful across the participating agencies.

WorkCover is continuing consultation with NSW public sector agencies to identify further strategies to promote the NSW Taking Safety Seriously policy, and to support the Government's commitment to implementing the recommendations of the Workplace Relations Ministers' Council on safety leadership in

public sector workplaces and to meeting the national targets for the reduction of workplace illness and injury.

#### **Advertising campaign**

In 2004/05 WorkCover NSW commenced its 'Be Safe. Not Sorry' advertising campaign. This campaign aimed to send a 'wake up call' to workers and employers to stop them from taking safety for granted and to reduce the number of incidents and injuries in the workplace.

The campaign targeted workers and employers of small to medium-sized businesses with messages and images in or close to their workplaces that make them think – 'that could be me – I've said or done that'.

The campaign focused on radio and outdoor as its primary means of delivery. Bus shelters, train posters and TAFE cafeteria posters were used as well as portaloo's on construction sites. Radio spots were also purchased to cover all shifts – from 2am to drive time and in between.

The results of the campaign were excellent with a 300 per cent lift in efficiency in unaided recall and 65 per cent reduction in spend to deliver it. Eight out of 10 workers and their employers rated the campaign very/quite effective. Post campaign, 89 per cent of workers and 85 per cent of bosses said they would change their behaviour and their work safety attitudes – the highest shift in 10 years.

#### **WorkCover NSW Safe Work Awards 2004**

The WorkCover NSW Safe Work Awards were introduced in 2004 to promote and recognise high standards of occupational health and safety in NSW workplaces.

The Awards aim to encourage public and private workplaces to develop and implement initiatives that help to achieve a safer work environment. They also aim to share learnings so that initiatives and innovation can be adopted into widespread practical application in workplaces around New South Wales. The judging panel for the Awards includes senior representatives from WorkCover NSW, trade unions, employer groups and specialist OHS advisory bodies. In the inaugural year over 80 entries were received.

In 2004, the previous Premium Discount Scheme (PDS) Awards were incorporated into the new awards program. The winners and finalists for 2004 were:

#### **Best solution to an identified workplace health and safety issue**

##### **Winner**

Rojen Roofing

##### **Finalists**

BlueScope Steel Limited  
Police Association of NSW  
Royal Institute for Deaf and Blind Children  
West Wallsend Colliery

#### **Best solution to a workplace manual handling hazard**

##### **Winner**

Duren Transport

##### **Finalists**

Concord Repatriation General Hospital  
Northern Rivers Area Health Service  
OneSteel Market Mills  
Zoological Parks Board of New South Wales

#### **Best workplace health and safety management program**

##### **Winner**

Mission Australia

##### **Finalists**

Catholic Schools Office  
SewerFix Pumping Stations Program

#### **Best training program (two award recipients)**

##### **Winners**

Bovis Lend Lease Pty Ltd  
State Transit Authority

##### **Finalists**

Department of Community Services Helpline and Health Services Australia  
Sydney Children's Hospital  
Tempo Services Limited

#### **Best workplace health and safety initiative in small business**

##### **Winner**

All Type Plastics

#### **Workplace Safety Champion – Medium/Large business**

##### **Winner**

Stephen Winner – RailCorp

##### **Finalists**

Duncan Hislop – OneSteel Market Mills  
Scott O'Connor – OneSteel Market Mills  
Alan Hammoud – RailCorp

#### **Premium Discount Scheme: Outstanding Achievement – Small to medium employer**

##### **Winner**

Continental Ace Pty Ltd

##### **Finalist**

Hardi Nursing Home Management Pty Ltd  
(Wyoming Nursing Home)

#### **Premium Discount Scheme: Outstanding Achievement – Large employer**

##### **Winner**

Weyerhaeuser Australia Pty Ltd

##### **Finalist**

Baptist Community Services – NSW & ACT



The Awards ceremony was held on 14 October 2004 in conjunction with the Sydney Safety Show and Conference, of which WorkCover was the principal sponsor.

Over 300 people attended the ceremony including the Minister for Commerce, the Hon John Della Bosca MLC, WorkCover NSW Chief Executive Officer Jon Blackwell, representatives and guests of WorkCover NSW, and the winners and finalists for each category.

### **Publications**

WorkCover publishes a variety of printed material to assist workers and employers to meet their responsibilities for workplace safety, injury management and workers compensation. Publications include guides, fact sheets, codes of practice, forms, posters and general information.

Many publications are distributed free of charge and an increasing number are available for download from the WorkCover website. To meet demand, as well as taking advantage of new publishing technology, WorkCover is making information available in formats such as CD ROM.

WorkCover produces a number of new publications each year, many of which are developed in conjunction with industry and through the industry reference groups. Examples include the *Farm Safety Guide* and *Safe Working at Heights Pocket Guide*.

A list of all WorkCover publications available in 2004/05 appears on page 92 of this report.

### **Positively driving the national agenda**

NSW is the largest OHS and WC jurisdiction in Australia. As such, the organisation is committed to playing a lead role in assisting the national arena and maintains strong links the national authorities.

WorkCover currently chairs both the Heads of Workers' Compensation Authorities (HWCA) and Heads of Workplace Safety Authorities (HWSA) committees.

The HWCA is a group comprising the chief executives (or their representatives) of the peak bodies responsible for the regulation of workers compensation in Australia and New Zealand. The committee meets four times each year to discuss matters concerning the administration of workers compensation and injury management.

The HWSA provides a forum for discussion of matters of interest to agencies responsible for the administration of occupational health and safety in Australia and New Zealand. The committee members are senior officers from each jurisdiction in Australia and New Zealand.

WorkCover is the lead agency for the National OHS Road Transport Coordination Group, an initiative of the HWSA. WorkCover NSW has also taken the lead in developing the proposed national intervention campaign for agriculture.

### **National campaigns**

WorkCover has undertaken a range of activities relating to the national agenda for three industry sectors in 2004/05.

#### **Health and community services**

The national manual handling compliance campaign in the health and community services industry, Design 4 Health, is an initiative of the Heads of Workplace Authorities.

The second stage of the campaign, which was conducted in July 2004, revolved around dissemination of information through a variety of media including a CD ROM, a dedicated website, media releases and industry newsletters. Following this, a further 58 facilities were audited.

The results for NSW showed a high level of compliance with national manual handling standards, especially in the handling of patients/residents in hospitals and nursing homes. However, whilst dramatic improvements in the standard and provision of equipment were noted, shortcomings were identified in particular areas, especially wheeled equipment. This will be the subject of a follow-on project in late 2005.

#### **Construction**

WorkCover plays an active role in developing a national approach to OHS management in the construction industry, having significant input into the newly declared National Standard for Construction Work and continuing involvement with the proposed codes of practice associated with the standard.

In light of the many construction projects in progress on the NSW/Victorian border, WorkCover initiated meetings with the Victorian WorkCover Authority to put inter-agency cooperation on a more formal footing. WorkCover and WorkSafe Victoria inspectors now undertake joint visits in line with a memorandum of understanding that formalises what had been unofficial practice for some time.

#### **Road transport**

Led by WorkCover, the National OHS Road Transport Coordination Group developed the national strategy, Falls from Heights in the Heavy Vehicle Sector. The strategy has two elements: information advisory programs, followed by compliance programs.

Programs under the strategy have focused on car carriers, tankers, dry bulk haulage (pneumatic) and livestock transport. All programs except the last have been completed.

Each jurisdiction has carried out advisory programs and will follow these up with the release of a range of publications to assist industry.

### **New and emerging business areas**

#### **Grants to non-government organisations**

WorkCover provides grants through the WorkCover Assist Program to improve OHS, injury management and workers compensation outcomes in NSW. For more detail see Appendix 23.

### WorkCover Assist Program

On June 15, WorkCover advertised for tenders for another year of the WorkCover Assist Program, extending the \$5 million per annum program into its fourth year. Due to the previous success of the three-year program, it has been extended to provide funding to registered trade unions and employer associations to develop and implement effective, relevant and practical industry specific education and information programs. The program will assist workplaces to implement and comply with the *Occupational Health and Safety Act 2000* and the workers compensation legislation.

In 2005/06, \$5 million will be allocated to the WorkCover Assist Program. \$1 million of the funding will be allocated to applied research WorkCover Assist program, \$750,000 to commissioned education projects and the remaining \$3.25 million will be allocated in accordance of the traditional WorkCover Assist model.

The Applied Research Projects will be proposed by eligible organisations and their research partners, and if approved will be managed under the auspices of the WorkCover NSW Research Centre of Excellence.

Commissioned Education Projects grants will be allocated in five key areas:

- ▶ small business essentials for OHS and workers compensation
- ▶ education and training initiatives for NESB groups
- ▶ education programs for registered accountants (to assist accountants provide OHS and workers compensation advice to clients)
- ▶ OHS training for union delegates
- ▶ return to work initiatives.

### Research

The WorkCover NSW Research Centre of Excellence opened in September 2004. Its key objective is to be the national leader in quality OHS and injury management research. Based at the University of Newcastle's Ourimbah Campus, the Centre was established with funding of around \$1.5 million over five years. Professor Mike Capra is the Centre's Director.

The Centre is an initiative between WorkCover and the University of Newcastle. It will train OHS professionals in research methods by offering a range of masters and doctoral programs. The Centre will also help in targeting and testing the effectiveness of WorkCover's strategies and, through consultation, will identify and prioritise emerging issues.

### Scheme arrangements

The transition to the new Scheme arrangements has necessitated close consultation by WorkCover with key worker, union and employer groups, insurers and service providers.

Effective from 1 July 2005, all Scheme assets will become assets of the Workers Compensation Nominal Insurer held in the Workers Compensation Insurance Fund.

### Asbestos

WorkCover has established the Asbestos and Demolition Unit to focus exclusively on this sector of the construction industry. The Unit runs an asbestos hotline and undertakes compliance and other activities after-hours as necessary.

In addition, WorkCover is reviewing the framework for asbestos and demolition licences and permits in conjunction with industry and the relevant trade unions.

A review of a TAFE course relating to asbestos and demolition has resulted in curriculum changes to better address emerging issues regarding the removal of material containing asbestos.

### Testing facilities

WorkCover maintains two state-of-the-art testing facilities: TestSafe Australia, located at Londonderry in Western Sydney, and Thornleigh Laboratory Services Unit. Both are 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, assessment and certification services in the fields of electrical, electronic and mechanical equipment, fire and explosions, and personal protective equipment. Much of this equipment, after testing and assessment, is destined for use in hazardous areas of workplaces.

TestSafe's professional engineers and scientists also undertake specialist investigations on a fee-for-service basis for both WorkCover and other government safety agencies. During 2004/05 this involved 23 complex workplace investigations, many involving fatalities, and included five major fires and explosions.

The site also maintains a chain-of-custody storage for bulk items relating to coronial inquiries and investigations before the Industrial Relations Commission.

TestSafe earned revenues in excess of \$4 million in 2004/05 from more than 1,000 NSW and Australian clients. Its cost recovery rate after abnormal expenses was 77 per cent.

Thornleigh Laboratory Services Unit tests samples for a wide range of chemical hazards occurring in workplaces. Its clients rely on the accuracy of testing results in formulating their illness and injury preventive strategies. During the last three years, its financial cost recovery has steadily climbed to an impressive 74 per cent from 31 per cent in 2001/02 with in excess of 14,000 tests completed in 2004/05.

# Capability

## PERFORMANCE AGAINST OBJECTIVES

### AIM

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

### PERFORMANCE

- ▶ Continued to improve WorkCover's capacity to provide effective leadership.
- ▶ Developed critical incident support program for employees.
- ▶ Developed change management plan to support the new Workers Compensation Scheme.

### WHAT NEXT?

- ▶ Review core competencies and develop appropriate strategies to ensure all organisational intelligence needs are met.
- ▶ Continued to improve IT infrastructure and information security management.

## STRATEGIES

### EFFECTIVE LEADERSHIP

#### AIM

- ▶ Continue to provide effective leadership.

### HIGHLY SKILLED WORKFORCE

#### AIM

- ▶ Continue to build a highly skilled workforce.

### EFFECTIVE SYSTEMS

#### AIM

- ▶ Continue to develop effective systems and infrastructure.

### PERFORMANCE

- ▶ Developed an internal leadership program.
- ▶ Sponsored two staff for the Public Sector Management Program.
- ▶ Reduced hours paid for lost time for injuries and illnesses from 6,767 hours in 2003/04 to 840 hours in 2004/05.
- ▶ WorkCover's deposit premium is five per cent below the industry benchmark due to improved workers compensation performance.

### PERFORMANCE

- ▶ Conducted 189 internal training programs.
- ▶ Commenced a change management project to support the implementation of the New Workers Compensation Scheme.
- ▶ Twenty-nine inspectors gained new competencies/qualifications.

### PERFORMANCE

- ▶ Completed disaster recovery and business continuity planning activities.
- ▶ Implemented the WorkCover ICT Strategic Plan 04-07.  
Phases for 04/05 including:
  - implementation of the corporate data repository infrastructure
  - implementation of IT security and infrastructure improvements
- ▶ Ensured that systems were consistent with the principles of social justice.

### WHAT NEXT?

- ▶ Implement leadership program.
- ▶ Further improve WorkCover's internal occupational health and safety performance to be a benchmark for public and private sector agencies.

### WHAT NEXT?

- ▶ Develop divisional learning plans.
- ▶ Implement learning and development program to give staff the skills needed to manage the new Workers Compensation Scheme.

### WHAT NEXT?

- ▶ Completion of the Scheme related ICT projects including corporate data repository and corporate business intelligence/reporting.
- ▶ Completion of consolidated and upgraded IT environments (operating systems and e-mail).
- ▶ Development of a comprehensive risk management strategy.

## Effective leadership

### Leadership program

The 2004-2007 Corporate Plan provided WorkCover with the challenge of developing a corporate leadership program aligned with the specific corporate value of 'Leadership'. The aim is to implement a holistic approach to leadership within the organisation whereby the senior executives will enhance strategic leadership throughout the organisation.

The program will commence in 2005 and comprise the following elements:

- ▶ Leadership Capability Framework
- ▶ assessment of target groups against Leadership Capability Framework
- ▶ development of individual and group development plans
- ▶ implementation of learning activities using blended learning methodologies.

It is anticipated that the Corporate Leadership Program will lead to a more commercially focused organisation, which is adaptable, flexible and operates as a progressive modern public sector organisation.

As part of the leadership program, WorkCover sponsored two staff to undertake the Public Sector Management Program in 2004/05.

## Occupational health and safety performance

During 2004/05, WorkCover has consulted extensively with staff on the revision and further development of health, safety and risk management policies and procedures. The outcomes included new policies and guidelines on managing workplace violence, bullying and personal safety, and on safe driving. The Healthy Work – Healthy Life strategy was also developed.

WorkCover has trained OHS committees operating in Gosford Head Office, Country North, Country South, CBD South, Parramatta, the Workers Compensation Commission and TestSafe offices. The committees carry out regular OHS inspections and review incident and hazard reports.

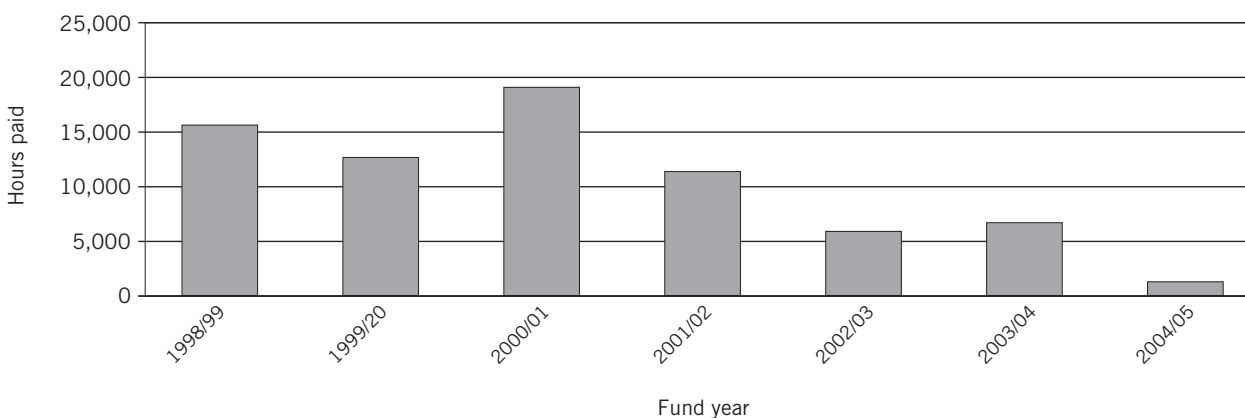
2004/05 saw the development of a more consultative framework and the implementation of an improved online system for notifying hazards in the workplace. The hazard reporting system is available to all staff.

WorkCover has more trained first aid officers than required under the Occupational Health and Safety Regulation 2001.

There was a significant reduction in the time lost through workplace injury/illness in 2004/05, as shown in the chart below, due to the consistent emphasis on early reporting and proactive return to work planning. WorkCover's generally improved workers compensation performance has been reflected in the experience factor applied to the TMF renewal premium for 2005/06.

WorkCover's deposit premium is below the industry benchmark premium by five per cent despite an increase in the number of employees covered.

Time lost on claims lodged by fund year



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

	2004/05	2003/04	2002/03	2001/02	2000/01
Number of CES/SES positions	17*	16	15	13	11
Number of positions filled by women	6	4	3	4	3
Positions at or above SES level 5	6	5	3	3	3

\*5 vacant

Note: Two of the positions held in 2004/05 were temporary due to transition to the new Workers Compensation Division.

### Value of recreation and long service leave at 30 June

	2005 \$'000	2004 \$'000	2003 \$'000	2002 \$'000
<b>CURRENT</b>				
Recreation leave	7,466	6,178	6,238	6,509
Extended leave	5,013	3,888	4,033	3,698
	12,479	10,066	10,271	10,207
<b>NON-CURRENT</b>				
Extended leave	14,686	12,167	9,354	10,511
<b>Total</b>	<b>27,165</b>	<b>22,233</b>	<b>19,625</b>	<b>20,718</b>

## Highly skilled workforce

### Learning and development

During the reporting year, WorkCover's comprehensive Learning and Development Program was underpinned by individual staff plans that link skills development to the achievement of corporate goals. There were 189 internal staff training programs attracting 2,223 participants. A total of 2,841 participants completed both internal and external training. Training fell into two broad categories – general, for example project management, modern business writing and people management, and specific, for example managing personal risk, changes to dangerous goods legislation and manual handling.

Taking advantage of WorkCover's Registered Training Organisation status, 16 inspectors gained salary progression directly linked to their accreditation in several defined competencies, while 13 new inspectors graduated with the internally delivered Diploma of Government (Workplace Inspection).

All new starters attended the revised two-day induction and orientation program and completed the Essential Workplace Training Course to ensure that they have the operational skills and knowledge of WorkCover's legislative framework to effectively perform their duties.

A major milestone during the latter part of 2004/05 was the evolution of WorkCover's Learning Services Unit from having a training focus to the provision of internal learning services. Divisional learning plans will be developed and will focus on the growth and capability of the WorkCover team to meet both ongoing and emerging business challenges.

### Employee Assistance Program

Davidson Trahaire Corpsych continued to provide the Employee Assistance Program, which offers confidential counseling for employees and their families. Ten per cent of staff used the service over the year. Refresher sessions on the service were held for all staff in 2004/05 and supervisors were reminded of the value of the ManagerAssist option whereby they can seek advice about managing staffing issues.

### Critical Incident Support Program

WorkCover established the program to help employees manage the effects of critical incident stress and to provide appropriate assistance after exposure to traumatic incidents. Following an incident, such as an officer attending the scene of a work-related fatality, the external service provider contacts the staff members involved to offer trauma debriefing and later monitors their well-being. The program was activated on 24 occasions in 2004/05.

## Human resource statistics

Category	2004/05	2003/04	2002/03	2001/02	2000/01
Administration and clerical	694 <sup>1</sup>	657	591	551	483
Associates/Ministerial	1	3	4	n/a	n/a
Departmental professional officers	23	21	20	24	20
Engineers	15	15	14	16	14
General division	2	2	1	1	3
Legal officers	31	22	15	22	15
Librarians	2	2	3	2	3
Lift specialists	1	2	4	10	11
Medical staff	2	2	3	3	3
Safety inspectors	277 <sup>2</sup>	274	270	269	267
Senior management (senior executive service and senior officers)	45 <sup>3</sup>	38	38	24	18
Statutory and other officers	4	2			
Technical officers	16	16	17	20	18
<b>Total</b>	<b>1,113</b>	<b>1,056</b>	<b>981</b>	<b>943</b>	<b>856</b>

### Notes

1. The increases in 2004/05 are largely for temporary projects such as 43 positions for the Scheme Design Project.

2. As at 30 June 2005 there were 24 vacancies in the inspectorate group.

3. There are 11 temporary positions for the WorkCover Scheme Design Project in this category.

## Effective systems

### Information technology

In 2004/05, WorkCover NSW continued the implementation of projects aligned with the WorkCover ICT Strategic Plan 2004-07. In particular, major phases of the Corporate Data Repository and Business Intelligence projects were completed and implemented in order to support the new Scheme arrangements. Further activities in information technology (IT) infrastructure and security improvements were also achieved. Other achievements over the year included:

- ▶ disaster recovery and business continuity planning activities
- ▶ completion of the integration of the IT governance methodologies and WorkCover's project management approach
- ▶ implementation of improved change management procedures in line with Information Technology Infrastructure Library (ITIL) standards
- ▶ implementation of improved licensing and wage audit systems
- ▶ upgrades to WorkCover's financial systems
- ▶ implementation of improved IT service desk systems and procedures
- ▶ implementation of regular customer service feedback surveys achieving above target satisfaction levels
- ▶ improved reporting for projects and service level management.

In the new financial year, WorkCover will continue to improve its IT services delivery by such means as:

- ▶ continued deployment of components of the WorkCover ICT Strategic Plan 2004-07, including the completion of the Scheme environments
- ▶ completion of the infrastructure improvement program including; the deployment of Windows operating system upgrade to XP, deployment of an upgraded messaging environment (Exchange 2003), implementation of the consolidated server environments and the commissioning of a secondary data repository site
- ▶ continued improvement of the core elements of IT service delivery through the ITIL set of standards including configuration management and capacity planning
- ▶ continued automation and standardisation of user access and security profile management
- ▶ improved user business portals for access to WorkCover systems and data.

### Risk management

WorkCover is actively responding to the risks identified in the risk assessment undertaken by the Internal Audit Bureau. A risk management strategy will be developed with an integrated approach to managing identified risks across all aspects of WorkCover's business.

### Information security management

All NSW public sector agencies are required to move towards certification to Australian Standard AS7799 *Information Security Management*. In response to this requirement, WorkCover has established an information security management project and is



implementing controls to manage risks associated with the IT infrastructure. Independent certification body Lloyd's Register Quality Assurance and their auditors will assess WorkCover's readiness for certification in September 2005.

#### **Records management**

WorkCover made good progress on improving the management of the records collection in 2004/05. New box transfers of records to the repository in 2004/05 increased by 58 per cent over the previous year and 175,972 new records were created in 2004/05, making a total of 975,694 registered records. Records collection priorities were also aligned to focus on the destruction of records that were no longer of value, as well as improving the integrity and accuracy of the information in the collection.

In 2005/06, we plan to further improve corporate recordkeeping by introducing new governance, upgrading software and re-emphasising our focus on customer service by working with business units to identify their needs and improve their recordkeeping processes.

#### **Fraud and corruption risk assessments**

The WorkCover Fraud and Corruption Control Plan identified the need for fraud risk assessments across the organisation. In June 2005, a pilot fraud and corruption risk assessment was completed in the Occupational Health and Safety Division's Licensing Team. The assessments aim to identify the vulnerability to corruption of functions and activities within the Licensing Team, to highlight those areas most at risk, and to suggest appropriate measures to mitigate corruption risk. Similar assessments will be rolled out across WorkCover.

#### **Internal audit**

The Director of Internal Audit and Corruption Prevention was appointed in July 2004 to establish an internal audit unit. The unit's primary function is to identify and evaluate WorkCover's significant exposures to risk, and contribute to the improvement of risk management and control systems. The unit reports directly to the Chief Executive Officer and is accountable to the WorkCover Audit Committee.

Among significant achievements during 2004/05 were:

- ▶ Restructuring of the WorkCover Board's Audit Committee in accordance with the Institute of Internal Auditors Best Practice Guide. Under its charter, the committee is responsible for overseeing the introduction of risk management and fostering an ethical culture.
- ▶ Development of a risk-based model for audit planning and completion of nine audit reviews including audits of the Scheme Design Project, accounts payable, recruitment and asset management.

- ▶ Conduct of corruption prevention initiatives such as redrafting the code of conduct, holding corruption and fraud awareness training, and completing a pilot fraud risk assessment in the Licensing Team.
- ▶ In collaboration with corporate management, development of an effective business continuity plan.

The 2005/06, Internal Audit Program will focus on fraud and corruption control and the roll out of enterprise risk management.

#### **Business continuity plan**

WorkCover has developed a comprehensive business continuity plan that details the methodology and procedures to recover all business processes/functions critical to WorkCover's continued operations. The plan incorporates the strategies, personnel requirements, procedures and resources needed to respond to any short or long-term business interruption.

WorkCover will identify any gaps in the plan through ongoing scenario testing.

#### **Capability Development Project**

WorkCover's Occupational Health and Safety Division has undertaken a project to increase its capability to effectively and efficiently address workers compensation and injury management issues by improving skills, processes and products within the Division.

The Workers Compensation and Injury Management Priority Project Management Committee has developed a project plan that will better skill and resource assistance given to employers to comply with workers compensation and injury management legislation.

#### **Energy performance and waste reduction**

##### **Corporate commitment**

WorkCover is committed to saving energy and supports the principles of energy management. During 2004-05, WorkCover's owned or leased sites have purchased six per cent of their electricity from renewable sources on the contestable market, using the NSW State Contracts Control Board electricity contracts. The purchase of electricity on these contracts has minimised costs and achieved a reduction in greenhouse gas emissions.

## Annual energy consumption and costs of fuels

Fuel	Total energy consumed GJ			Annual cost \$			CO <sub>2</sub> emissions tonnes			Energy % change in the last year
	2004/05	2003/04	2002/03	2004/05	2003/04	2002/03	2004/05	2003/04	2002/03	
Electricity (black coal)	19,684	17,920	17,376	494,281	442,334	323,164	5,228	4,760	4,549	+9.8%
Electricity (green power)	1,084	854	627	38,057	25,719	19,195	0	0	0	+26.9%
Natural gas	879	680	n/a	10,936	8,139	n/a	35	35	n/a	29.3
LPG	279	184	177	4,508	2,561	5,943	17	11	19	+51%
Diesel	146	87	57	3,483	1,825	155	10	6	1	+67.8%
Petrol	40,024	41,491	41,067	1,045,427	963,801	1,043,213	2,642	2,738	2,704	-3.5%
<b>TOTAL</b>	<b>61,896</b>	<b>61,216</b>	<b>59,304</b>	<b>1,594,773</b>	<b>1,444,379</b>	<b>1,391,670</b>	<b>7,932</b>	<b>7,550</b>	<b>7,273</b>	<b>n/a</b>

Between 2003/04 and 2004/05, there has been an 11 per cent increase in electricity consumption and a four per cent decrease in vehicle fuels. Green power consumption increased by 27 per cent during this period as a result of more WorkCover sites with NSW State Contracts Control Board electricity contracts. Overall energy consumption increased by only one per cent.

WorkCover participated in the NSW Government's Australian Green Building Rating (AGBR) scheme. An independent assessor certified three WorkCover sites in 2004/05, awarding ratings as follows:

- ▶ 92-100 Donnison Street, Gosford (head office) – 4 Star
- ▶ 128 Marsden Street, Parramatta – 4 Star
- ▶ 60-70 Elizabeth Street, Sydney – 2 Star

In addition to the external certification detailed above, WorkCover has used the Australian Green Building Rating (AGBR) assessment tool to determine the greenhouse performance of other premises statewide. The AGBR tool was used by WorkCover and identified the following results statewide:

- ▶ Nine offices achieved an AGBR rating of 3.5 Stars or higher. Seven of these were rated at 4 Stars or higher.
- ▶ 11 offices were rated below 3 Stars.
- ▶ The remaining nine offices could not be rated.

This information will be used in the development of a range of strategies to reduce energy consumption and improve greenhouse gas performance.

WorkCover is committed to identifying opportunities to minimise adverse impacts on the environment. During 2004/05, a detailed environmental management plan has been developed that encompasses a range of environmental initiatives including energy management, waste management and recycling.

The Environmental Management Plan includes a variety of action plans that will progressively be put into operation during 2005/06. This will be the first time that WorkCover has adopted an integrated approach to environmental management.

## Promoting social justice in NSW workplaces

As a corporate citizen and employer, WorkCover is committed to providing equitable access to all its services and actively promotes social justice. Important initiatives in 2004/05 included:

- ▶ implementing WorkCover's 2003-2006 Social Justice Plan and Policy Statement
- ▶ continuing the integration of social justice into WorkCover's planning and project management framework
- ▶ 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 social justice strategies and consultation processes in the new Business Assistance Unit statewide workshops, for example, by holding tailored workshops for different cultural groups
- ▶ providing targeted rural programs and initiatives, for example, the Remote Community Nurse Project to examine the OHS issues associated with services to remote rural communities.

## Ethnic Affairs Priority Statement

WorkCover's planning, development and delivery of services is sensitive to the cultural, ethnic and religious needs of NSW society. The 2003-2006 Ethnic Affairs Priority Statement (EAPS) supports the principles of multiculturalism and outlines strategies to achieve equitable access to services.

The main initiatives in 2004/05 included:

- ▶ Implementing the 2003-2006 Ethnic Affairs Priority Statement and improving knowledge management and the collation of cultural diversity data.
- ▶ Reviewing industry reference group operations to enhance WorkCover's ability to target industry risks and employment injuries, and to incorporate EAPS and broader social justice strategies into service delivery.
- ▶ Developing the Interpreters Policy and a service charter to assist participants in Commission proceedings to understand how and when interpreters will be used by the Commission.

- ▶ Developing a DVD/video and information brochure in 11 community languages, with website access, to assist injured workers from diverse backgrounds to better understand and participate in the Workers Compensation Commission's dispute resolution process.
- ▶ Disseminating information regarding the new NSW WorkCover Scheme arrangements to diverse stakeholders, including through educational seminars to the Asian community.
- ▶ Introducing (ethnicity) data collation obligations for Scheme Design agents to assist data analysis and inform planning and project development.
- ▶ Sponsoring Youth Week activities in conjunction with Office of Children and Young People, including Spectrum, a conference for culturally and linguistically diverse youth, which aimed to give youth a forum to voice workplace issues.

Many of these initiatives will be continued and enhanced in 2005/06 including:

- ▶ Promoting the Client Diversity Profile as an integral resource.
- ▶ Implementing a WorkCover Assist commissioned project to provide grants for non-English speaking worker education initiatives.
- ▶ Continuing the Business Assistance Unit statewide workshop program, with targeted participation from indigenous, cultural and linguistically diverse and special needs clients.
- ▶ Continuing OHS service initiatives to assist employers improve OHS outcomes for multicultural workers.
- ▶ Developing further evidence-based education and information programs for young people based on workplace issues identified in Youth Week 2005, including cultural and linguistically diverse youth.
- ▶ Continue to include multicultural communication strategies with specific targets in the regional and ethnic media.

#### **Disability Action Plan**

WorkCover's Disability Action Plan aims to meet the needs of service users, both as clients and workers. The main initiatives in 2004/05 included:

- ▶ Improving access to WorkCover buildings and facilities through a capital works program for all WorkCover sites, and the adaptation of Workers Compensation Commission services and facilities to meet the special needs of clients.
- ▶ Enhancing staff access to emergency information and ongoing training, and reflecting the needs of people with a disability in emergency plans and training programs.
- ▶ Promoting positive community attitudes by sponsoring five Paralympic athletes injured in the workplace to help promote workplace safety.
- ▶ Delivering presentations to promote awareness of OHS issues for people with a disability and assist employers to better manage employment issues for people with a disability.

- ▶ Redesigning the Internet site to meet international standards, resulting in greater access for visually impaired clients and staff.
- ▶ Promoting key social justice events such as International Day for People with a DisAbility.
- ▶ Implementing information initiatives such as the Client-related Violence Project that specifically targeted the non-government sector providing residential aged care for clients with disabilities.

#### **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 to improve women's employment and increase their workplace participation. Key initiatives in 2004/05 included:

- ▶ Developing the Sex Industry Partnership Program to collaboratively establish an industry partnership plan, communication protocols and information briefings/meetings to deal with industry issues and improve access to information and assistance for female workers.
- ▶ Commissioning research into work-related stress in the health and community services industries.
- ▶ Continuing to operate the violence working party of non-government organisations in the health and community services industry.
- ▶ Continuing the non-government organisation community services industry initiative to improve health and safety in the workplace.

These initiatives will be progressed in 2005/06.

#### **Equal employment opportunity (EEO) management**

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

The 2005 workforce profile indicates that the proportion of women employed at WorkCover increased to 51 per cent with the highest proportion, 34 per cent, employed at the salary level \$58,254 to \$75,331. Women occupy 49 per cent of management and administration positions.

The proportion of Aboriginal and Torres Strait Islander staff increased to one per cent. However, this is still below the public sector benchmark of two per cent. The proportion of staff from racial, ethnic or ethno-religious minority groups was 20 per cent, the same as in 2003/04. Of this group, 17 per cent were staff whose first language was not English.

The proportion of staff with a disability was seven per cent, the same as in 2003/04. Of those with a disability, three per cent required workplace adjustment.

### Trends in the representation of equal employment opportunity groups on 30 June 2005

EEO group	Benchmark or target %	Percentage of total staff <sup>1</sup>				
		2005	2004	2003	2002	2001
Women	50	51.0	49.0	47	46	45.0
Aboriginal people and Torres Strait Islanders	2	1.1	1.0	0.9	0.7	0.6
People whose first language was not English	19	17.0	16.0	17.0	19.0	15.0
People with a disability	12	7.0	7.0	8.0	8.0	6.0
People with a disability requiring work-related adjustment	7	2.8	2.6	2.5	2.4	1.9

<sup>1</sup> Excludes casual staff.

### Trends in the distribution of equal employment opportunity (EEO) groups on 30 June 2005

EEO group	Benchmark or target	Distribution index <sup>1</sup>				
		2005	2004	2003	2002	2001
Women	100	88	89	88	88	86
Aboriginal people and Torres Strait Islanders	100	n/a	n/a	n/a	n/a	n/a
People whose first language was not English	100	97	97	95	93	95
People with a disability	100	105	103	95	93	95
People with a disability requiring work-related adjustment	100	103	101	102	104	104

<sup>1</sup> 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 2004/05 by:

- ▶ Implementing the 2003-2006 EEO Management Plan that aligns with WorkCover's Corporate People Plan.
- ▶ Implementing an occupational health and safety strategic plan, employee assistance program, and critical incident support program.
- ▶ Integrating change management initiatives within the restructure of the new WorkCover Scheme Design Project.
- ▶ Recruiting an Aboriginal Liaison Officer to assist in the implementation of WorkCover's Aboriginal and Torres Strait Islander Employment and Development Strategy.
- ▶ Resourcing and promoting WorkCover's Aboriginal and Torres Strait Islander Staff Network to provide support and encouragement to Aboriginal staff, and to advise management on the concerns and aspirations of Aboriginal staff.
- ▶ Promoting and implementing a policy development template, guidelines, and a policy review process that incorporate EEO criteria.
- ▶ Implementing a flexible work practices agreement template to support work/life responsibilities.
- ▶ Implementing affirmative action initiatives, such as the Inspector Recruitment Program, support strategies for female inspectors, the Springboard Program for female staff, and an Aboriginal and Torres Strait Islander Employment Strategy.

Many of these initiatives will be continued in 2005/06 when WorkCover will:

- ▶ Enhance workforce planning capabilities through additional resources and strategic directions.
- ▶ Integrate equity and diversity indicators within a broader organisational staff climate survey.
- ▶ Make a commitment to the Dignity and Respect in the Workplace Charter, and its successful implementation across the NSW public sector.
- ▶ Resource and promote WorkCover's Aboriginal and Torres Strait Islander Staff Network.

#### Spokeswomen's Program

In 2004/05, WorkCover Spokeswomen conducted a number of successful initiatives. The program outcomes are linked with broader human resources and social justice initiatives. Key achievements included:

- ▶ Implementing the Springboard Program, linked with short-term placements and internal traineeship opportunities, to broaden the career opportunities and experiences of female staff.
- ▶ Delivering an online learning program to enhance development opportunities for remote and regional staff.
- ▶ Implementing a support strategy for female inspectors.

**Aboriginal and Torres Strait Islander development strategies**

WorkCover aims to build the capacity of Aboriginal employers, workers and communities by delivering culturally appropriate information and services, and by capturing a profile of Aboriginal staff and skills. Key initiatives in 2004/05 included:

- ▶ Implementing the 2003-2006 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 Aboriginal forums with other key agencies on workplace relations and employee rights and responsibilities.
- ▶ Utilising Australian Bureau of Statistics data to inform an Aboriginal client profile and demography as part of WorkCover's Client Diversity Profile.
- ▶ Participating in the Central Coast Aboriginal Interagency Network.
- ▶ Raising cultural awareness through activities linked to NAIDOC week, for example, holding a NAIDOC staff session and entering a corporate team in the inaugural 2005 Kikupa Cup Touch Football Competition.

## Financial Statements

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## Overview of WorkCover NSW Financial

# Performance

The WorkCover Authority 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 2004/05 and a comparative year are below:

	2004/05 Actual \$m	2003/04 Actual \$m
<b>OPERATING RESULT</b>		
Revenues	242.8	223.2
Expenses	218.5	249.8
<b>Operating Deficit</b>	<b>24.3</b>	26.5
<b>FINANCIAL POSITION</b>		
Short-term solvency	162%	139%
Long-term solvency	129%	116%
Total assets	422	366
Total liabilities	327	315
<b>Equity</b>	<b>95</b>	51

### Operating result

(Statement of financial performance)

The operating result for 2004/05 was a surplus of \$24.3m. The result is featured by:

- ▶ a \$7.7 million increase in both contribution revenue and investment revenue
- ▶ the recognition of \$20.4 million in 2003/04 in liabilities related to the Compensation Court judges' pension entitlements that is absent in 2004/05.

Overall, WorkCover's equity has decreased to \$95 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 2004/05, cash flows from operating inflow activities amounted to a \$51.5 million (cash inflow).

### Financial position

(Statement of financial position)

Overall, WorkCover's financial position is sound.

Short-term solvency is adequate with current assets representing 162 per cent (2004: 139 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 129 per cent of liabilities (2004: 116 per cent). Outstanding workers compensation claims are the main liabilities and they have been actuarially assessed at \$261 million (2004: \$256 million). Further, WorkCover's total superannuation liability is \$121 million and is substantially funded by superannuation reserve accounts totalling \$119 million (98 per cent) and WorkCover's equity funding for the remainder of \$2m (2 per cent).

## Overview of the WorkCover Scheme Statutory Funds Financial

# Performance

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 of licensed insurers 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.

	2004/05 Actual \$m	2003/04 Actual \$m
<b>Operating result</b>		
Net earned premiums	2,703	2,104
Expected investment credit	330	248
Other income	37	27
Claims incurred (excluding external factors)	(1,726)	(2,326)
Operating expenses	(426)	(229)
<b>Surplus/(deficit) from underwriting operations</b>	<b>918</b>	<b>(176)</b>
<b>Impact on result from external factors</b>		
Difference between actual and long-term expected returns	595	444
Change in inflation assumptions and discount rates	(556)	361
Increase in claims handling expenses from 3.5% to 9.5% of gross outstanding claims liability	(513)	–
Risk margin	(89)	–
<b>Surplus from ordinary activities</b>	<b>355</b>	<b>629</b>
<b>Financial position</b>		
Total assets	8,187	6,245
Total liabilities	10,185	8,598
Accumulated deficit	(1,998)	(2,353)

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 seven half years as set out in their actuarial report on the Scheme dated 5 October 2005.

### Underwriting operations

The Scheme achieved a surplus from underwriting operations of \$918 million for the year.

### Surplus from ordinary activities

The surplus from ordinary activities of the WorkCover Scheme Statutory Funds for the year ended 30 June 2005 was \$355 million. As highlighted in the table the result can be attributed to premium growth and strong investment returns, an improvement in claims management and experience offset by changes in inflation assumptions and discount rates and an increase in claims handling expenses.

Claims handling expenses have been increased by an additional \$513 million in line with changes in the circumstances and insurer remuneration arrangements of the Scheme. The WorkCover Board has decided to adopt a risk margin based on a probability of adequacy of 55 per cent, equating to a risk margin of \$89 million. These two changes comply with existing accounting standards and have reduced the surplus from ordinary activities by \$602 million.

### Accumulated deficit

The Scheme deficit has reduced substantially to \$1.998 million at 30 June 2005 (2004: \$2.353 million). The funding ratio of the Scheme has improved to 80 per cent since June 2004 (73 per cent).

The actuarial report on the Scheme prepared by PricewaterhouseCoopers dated 5 October 2005 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.

On 1 July 2005 the WorkCover Scheme statutory funds of licensed insurers were closed and the assets and liabilities of the funds were transferred to, and became the assets and liabilities of the Workers Compensation Insurance Fund. Consequently these are the last financial statements of the WorkCover Scheme Statutory Funds in its present form.

# Statements

for the year ended 30 June 2005

## 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 2005 and transactions for the year then ended
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.



**Greg McCarthy**  
Chairperson



**Jon Blackwell**  
Chief Executive Officer

11 November 2005



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 2005 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 the Authority 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  
Acting Assistant Auditor-General

SYDNEY  
22 November 2005



**WORKCOVER AUTHORITY OF NSW**  
**Actuarial Certificate**  
**Outstanding claims liabilities at 30 June 2005**

**PricewaterhouseCoopers  
Actuarial Pty Ltd**  
ACN. 003 562 696

201 Sussex St  
GPO Box 2650  
SYDNEY NSW 1171  
DX 77 Sydney  
Australia  
Telephone +61 2 8266 0000  
Facsimile +61 2 8266 9999

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 2005, 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.

**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 Board of the WorkCover Authority has made a decision to adopt a risk margin for the WorkCover Scheme Statutory Funds based on a probability of adequacy of 55%. This equates to a risk margin of 1% of the net liability for outstanding claims being included in the WorkCover Scheme Statutory Funds claims liability.

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





The gross outstanding claims liability for the WorkCover Scheme Statutory Funds also includes an allowance for expenses of \$813 million to meet the cost of management of claims outstanding (including claims incurred but yet to be reported) as at 30 June 2005.

The allowance for claim handling expenses included in the WorkCover Scheme Statutory Funds liability has been increased from 3.5% to 9.5% of the gross outstanding claims liability based on the results of an expense analysis.

#### Valuation Results

##### *WorkCover Scheme Statutory Funds*

The estimated liability for the WorkCover Scheme Statutory Funds as at 30 June 2005, net of recoveries, is \$8,986 million. This amount is made up as follows:

<b>Table 1 - WorkCover Scheme Statutory Funds Outstanding Claims Liability at 30 June 2005</b>	
	\$m
Gross Outstanding Claims	9,460
Less Anticipated Recoveries	(474)
<b>Net Outstanding Claims</b>	<b>8,986</b>

The WorkCover Authority has provided \$8,986 million in the Financial Statements of the WorkCover Scheme Statutory Funds as at 30 June 2005.

##### *Other Funds*

The estimated outstanding claims liability at 30 June 2005 for the Other Funds, net of recoveries is set out in Table 2.

<b>Table 2 Outstanding Claims Liability at 30 June 2005 - Other Funds</b>	
	\$m
ULIS	104.4
ERWCF	8.9
BFFCF	13.1
NEM	104.7
Bishopgate	10.6
AGCI	6.2
Greatlands	0.3
HIH	12.5
<b>Total</b>	<b>260.7</b>

It is our understanding that the WorkCover Authority has provided \$260.7 million in the Financial Statements of the above Funds as at 30 June 2005 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 5 October 2005 and for the Other Funds in 3 separate reports dated 4 July 2005.

### 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  
21 October 2005

Michael Playford  
Fellow of the Institute of Actuaries of Australia  
21 October 2005

# Statement of FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$'000	2004 \$'000
<b>REVENUES</b>			
Contributions	2(e) & 3	195,180	187,526
Fees and charges	4	8,615	7,837
Investment revenue	5	17,265	9,526
Other revenue	6	21,722	18,385
<b>TOTAL REVENUES FROM ORDINARY ACTIVITIES</b>		<b>242,782</b>	<b>223,274</b>
<b>EXPENSES</b>			
<b>WorkCover Authority operations</b>			
Salaries and employee payments	7	85,821	75,033
Superannuation		2,949	3,172
Office accommodation		12,054	14,025
Depreciation	14(d)	10,159	10,027
Other operating expenses	8	47,183	50,775
		<b>158,166</b>	<b>153,032</b>
<b>WorkCover Scheme services</b>			
Grants	9	36,750	64,507
Net claims incurred	10	18,411	25,780
Other expenses		5,133	6,425
		<b>60,294</b>	<b>96,712</b>
<b>TOTAL EXPENSES FROM ORDINARY ACTIVITIES</b>		<b>218,460</b>	<b>249,744</b>
<b>Operating surplus/(deficiency) from ordinary activities</b>		<b>24,322</b>	<b>(26,470)</b>
<b>Non-owner transaction changes in equity</b>			
Net increase/(decrease) in asset revaluation reserve	18	(834)	756
Net increase in financial investment revaluation reserve	18	20,742	17,576
<b>TOTAL CHANGES IN EQUITY – other than those resulting from transactions with owners as owners</b>		<b>44,230</b>	<b>(8,138)</b>

The accompanying notes form part of these financial statements.

# Statement of FINANCIAL POSITION

AS AT 30 JUNE 2005

	Note	2005 \$'000	2004 \$'000
<b>CURRENT ASSETS</b>			
Cash assets	20	34,203	21,677
Receivables	11	32,785	28,988
Other financial assets	12	13,000	13,104
<b>TOTAL CURRENT ASSETS</b>		<b>79,988</b>	<b>63,769</b>
<b>NON-CURRENT ASSETS</b>			
Receivables	11	35,416	45,134
Other financial assets	12	254,555	205,131
Property, plant and equipment	14	52,034	52,120
<b>TOTAL NON-CURRENT ASSETS</b>		<b>342,005</b>	<b>302,385</b>
<b>TOTAL ASSETS</b>		<b>421,993</b>	<b>366,154</b>
<b>CURRENT LIABILITIES</b>			
Payables	15	16,028	12,152
Provisions	17	12,873	10,794
Outstanding claims	16	20,410	22,863
<b>TOTAL CURRENT LIABILITIES</b>		<b>49,311</b>	<b>45,809</b>
<b>NON-CURRENT LIABILITIES</b>			
Payables	15	1,774	1,469
Provisions	17	35,173	34,367
Outstanding claims	16	240,242	233,246
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>277,189</b>	<b>269,082</b>
<b>TOTAL LIABILITIES</b>		<b>326,500</b>	<b>314,891</b>
<b>NET ASSETS</b>		<b>95,493</b>	<b>51,263</b>
<b>EQUITY</b>			
Asset revaluation reserve	14 & 18	11,090	11,924
Financial investment revaluation reserve	18	38,318	17,576
Retained surplus	2(g) & 18	46,085	21,763
		<b>95,493</b>	<b>51,263</b>

The accompanying notes form part of these financial statements.

# Statement of CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2005

		2005 \$'000 Inflows (Outflows)	2004 \$'000 Inflows (Outflows)
	Note		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Contributions		180,765	157,615
Investment revenue		14,238	10,357
Recoveries		2,769	1,477
Transfer from statutory funds		29,785	15,368
GST refund from ATO		9,090	9,761
Other receipts		28,249	30,089
Salaries and employee payments		(90,725)	(78,084)
Office accommodation		(14,291)	(16,700)
Grants paid		(39,043)	(50,503)
Compensation claims paid		(16,630)	(21,657)
GST payment to ATO		(655)	(903)
Other payments		(52,044)	(63,655)
<b>NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES</b>	19	<b>51,508</b>	<b>(6,835)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(12,542)	(10,403)
Proceeds on sale of property, plant and equipment		6	(52)
Purchase of investments		(50,404)	–
Redemption of investments		23,958	16,277
<b>NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES</b>		<b>(38,982)</b>	<b>5,822</b>
Net increase/(decrease) in cash held		12,526	(1,013)
Cash at the beginning of the financial year		21,677	22,690
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	20	<b>34,203</b>	<b>21,677</b>

The accompanying notes form part of these financial statements.

## Notes to and forming part of the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

### 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* and Regulation 2000.
- v Amounts shown in these financial statements have been rounded to the nearest thousand dollars.

# Notes to and forming part of the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

## 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
Mechanical equipment	20.0
Office machines and equipment	20.0
Computer software	14.3 – 33.0
Computer hardware	20.0 – 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 2005

## 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 increased by the amount of the operating surplus for the year, \$24.3m, to \$46.1m (\$21.8m – 2004).

### (h) Extension of time

The Treasurer granted WorkCover an extension of time to 30 September 2005 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) Impact of Adopting Australian Equivalents to International Financial Reporting Standards

WorkCover will apply the Australian equivalents to International Financial Reporting Standards (AIFRS) from 2005-06.

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.

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 have been taken to manage the transition to the new standards:

- ▶ An internal committee of financial accounting personnel has oversighted the transition.
- ▶ The following phases identified in 2003/04 have been completed:
  - preliminary identification of likely impacts
  - final assessment of Australian equivalent standards
  - liaison on impacts with The Audit Office
  - preparation of opening statement of financial position as at 1 July 2004.

WorkCover has determined the key areas where changes in accounting policies are likely to impact the financial report. Some of these impacts arise because AIFRS requirements are different from existing AASB requirements (AGAAP). Other impacts are likely to arise from options in AIFRS. To ensure consistency at the whole of government level, NSW Treasury has advised agencies of options it is likely to mandate for the NSW Public Sector. The impacts disclosed below reflect Treasury's likely mandates (referred to as 'indicative mandates').

Shown below are management's best estimates as at the date of preparing the 30 June 2005 financial report of the estimated financial impacts of AIFRS on WorkCover's equity and profit/loss. Workcover does not anticipate any material impacts on its cash flows. The actual effects of the transition may differ from the estimated figures below because of pending changes to the AIFRS, including the UIG Interpretations and/or emerging accepted practice in their interpretation and application. WorkCover's accounting policies may also be affected by a proposed standard to harmonise accounting standards with Government Finance Statistics (GFS). However, the impact is uncertain because it depends on when this standard is finalised and whether it can be adopted in 2005/06.

#### (a) Reconciliation of key aggregates

##### Reconciliation of equity under existing Standards (AGAAP) to equity under AIFRS.

	Notes	30 June 2005** \$000	1 July 2004* \$000
<b>Total equity under AGAAP</b>		<b>95,493</b>	<b>51,263</b>
Defined benefit superannuation adjustment for change in discount rates	1	(36,470)	(18,903)
Recognition of restoration costs	2	0	176
Effect of discounting long term leave	3	1,163	1,526
<b>Total equity under AIFRS</b>		<b>60,186</b>	<b>34,062</b>

\* adjustments as at date of transition

\*\* cumulative adjustments as at date of transition plus year ended 30 June 2005

##### Reconciliation of surplus/(deficit) under AGAAP to surplus/(deficit) under AIFRS.

	Notes	\$000
Year ended 30 June 2005		
<b>Surplus under AGAAP</b>		<b>24,322</b>
Defined benefit superannuation	1	(17,567)
Recognition of restoration costs	2	(176)
Long term leave	3	(363)
<b>Surplus under AIFRS</b>		<b>6,216</b>



# Notes to and forming part of the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

## NOTE 2 Summary of significant accounting policies (continued)

### Notes to tables on previous page

1. AASB 119 Employee Benefits requires the defined benefit superannuation obligation to be discounted using the government bond rate as at each reporting date, rather than the long-term expected rate of return on plan assets. This will increase the defined benefit liability and change the quantum of the superannuation expense.
2. AASB 116 Property, Plant and Equipment requires the cost and fair value of property, plant and equipment to be increased to include the estimated restoration costs, where restoration provisions are recognised under AASB 137 Provisions, Contingent Liabilities and Contingent Assets. These restoration costs must be depreciated and the unwinding of the restoration provision must be recognised as a finance expense. This treatment is not required under AGAAP.
3. AASB 119 requires present value measurement for all long-term employee benefits where they are materially different to the nominal value. WorkCover's current policy is to recognise long-term leave using the present value method based on remuneration rates at year end which are adjusted by factors developed by the NSW Treasury.

An assessment of the present value method under AASB 119 shows that the result is not materially different from the nominal value of the leave and accordingly WorkCover will measure these benefits at nominal value, thereby decreasing the employee benefits liability and changing the quantum of the annual leave expense.

### (b) Financial Instruments

In accordance with NSW Treasury's indicative mandates, WorkCover will apply the exemption provided in AASB 1 First-time Adoption of Australian Equivalents to International Financial Report Standards to not apply the requirements of AASB 132 Financial Instruments: Presentation and Disclosures and AASB 139 Financial Instruments: Recognition and Measurement for the financial year ended 30 June 2005. These Standards will apply from 1 July 2005. None of the information provided above includes any impacts for financial instruments. However, when these Standards are applied, they are likely to impact on retained earnings (on first adoption) and the amount and volatility of profit/loss. Further, the impact of these Standards will in part depend on whether the fair value option can or will be mandated consistent with Government Finance Statistics.

### (c) Grant recognition for not-for-profit entities

WorkCover will apply the requirements in AASB 1004 Contributions regarding contributions of assets (including grants) and forgiveness of liabilities. There are no differences in the recognition requirements between the new AASB 1004 and the current AASB 1004. However, the new AASB 1004 may be amended by proposals in Exposure Draft (ED) 125 Financial Reporting by Local Governments. If the ED 125 approach is applied, revenue and/or expense recognition will not occur until either WorkCover supplies the related goods and services (where grants are in-substance agreements for the provision of goods and services) or until conditions are satisfied. ED 125 may therefore delay revenue recognition compared with AASB 1004, where grants are recognised when controlled. However, at this stage, the timing and dollar impact of these amendments is uncertain.

### (j) 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.

### (k) Workers Compensation Commission

The Workers Compensation Commission was established on 1 January 2002 by the *Workers Compensation Legislation Amendment Act 2001*. The WorkCover Authority is to provide for the Commission:

- a. facilities (including registry facilities); and
- b. any additional staff that may be necessary.

The Commission replaced the Workers Compensation Resolution Service which was the administrative responsibility of the Department of Industrial Relations, and the Compensation Court which was the administrative responsibility of the Attorney General's Department.

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 until 30 June 2005.

# Notes to and forming part of the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

## NOTE 3 Contributions

Contributions to the various funds were:

	2005 \$'000	2004 \$'000
<b>WorkCover Authority Fund</b>		
Insurers	182,681	140,121
WorkCover Scheme Statutory Funds		
Management and administration expenses	23,231	22,541
WorkCover Grants Scheme	–	(62)
	205,912	162,600
<b>Insurers' Guarantee Fund</b>	(16,470)	24,065
<b>Bush Fire Fighters Compensation Fund</b>	3,644	2,618
<b>Emergency &amp; Rescue Workers Compensation Fund</b>	2,094	(1,757)
	195,180	187,526

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 2005 was 4.0 per cent (4.1 per cent – 2004) of insurers' premium income and self-insurers' deemed premiums.

## NOTE 4 Fees and charges

	2005 \$'000	2004 \$'000
TestSafe Australia testing fees	2,966	2,576
Certificates of competency	1,491	1,967
Testing and boiler inspection	900	822
Registration of plant	880	1,003
Biological monitoring	534	409
Demolition and pest control licences	517	357
Construction induction training	496	41
Consultancy and training	123	168
Accreditation fees	80	113
Other	628	381
	8,615	7,837

## NOTE 5 Investment revenue

	2005 \$'000	2004 \$'000
<b>Interest on call and term deposits</b>	407	270
<b>Movement in market values</b>		
– realised	13,831	10,087
– unrealised	3,027	(831)
	17,265	9,526

## NOTE 6 Other revenue

	2005 \$'000	2004 \$'000
Distribution from liquidator – IGF	7,273	–
OHS prosecutions fines	5,315	6,012
Professional costs recoveries	3,052	2,112
Workers compensation s.156 recoveries	1,564	6,603
Infringement notices	1,115	1,116
Motor vehicle and overtime recoveries	674	650
Legal aid and interpreter scheme recoveries	32	244
Proceeds from sale of property, plant and equipment	3	(56)
Other	2,694	1,704
	21,722	18,385

## NOTE 7 Salaries and employee payments

	2005 \$'000	2004 \$'000
Salaries and allowances	69,147	62,412
Annual leave	5,417	3,575
Long service leave	4,773	3,585
Payroll tax	4,700	4,082
Workers compensation insurance	759	650
Fringe benefits tax	697	519
Payments to Board members	328	210
	85,821	75,033

Payments to Board members are made in accordance with Premier's Guidelines and SOORT determination and cover the WorkCover Board and the Workers Compensation Insurance Fund Investment Board that was established during 2004-05.

## NOTE 8 Other operating expenses

Other operating expenses of \$47.2m (\$50.8m – 2004) contain items of expenditure which are required to be disclosed by the *Public Finance and Audit Act 1983*. Those items are:

	2005 \$'000	2004 \$'000
Consultancy fees	2,476	598
Audit fees		
External audit – audit of the financial report – WorkCover Authority	201	192
External audit – audit of the financial report – WorkCover Scheme	48	46
Internal audit	152	138
Provision for doubtful debts	421	3,594
Bad debts	18	8
Loss on sale of assets	–	28
Property, plant and equipment written off	544	7,962

# Notes to and forming part of the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

## NOTE 9 Grants

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

	2005 \$'000	2004 \$'000
Workers Compensation Commission (Note 2(k))	31,216	23,303
Compensation Court of NSW (Note 2(k))	5,534	41,204
	<b>36,750</b>	64,507

## NOTE 10 Net claims incurred

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

	Claims paid 2005 \$'000	Movement in claims liabilities 2005 \$'000	Net claims incurred 2005 \$'000	2004 \$'000
WorkCover Authority Fund – Uninsured Scheme	5,811	2,309	8,120	(9,900)
Insurers' Guarantee Fund	4,425	506	4,931	35,187
Bush Fire Fighters Compensation Fund	1,740	1,715	3,455	2,437
Emergency & Rescue Workers Compensation Fund	1,892	13	1,905	(1,944)
	<b>13,868</b>	<b>4,543</b>	<b>18,411</b>	25,780

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	2005 Prior years \$'000	Total \$'000	Current year \$'000	2004 Prior years \$'000	Total \$'000
Gross claims incurred and related expenses – undiscounted	28,604	(27,426)	1,178	29,164	144,373	173,537
Reinsurance and other recoveries – undiscounted	(3,163)	1,613	(1,550)	(3,288)	(10,791)	(14,079)
Net claims incurred – undiscounted	25,441	(25,813)	(372)	25,876	133,582	159,458
Discount and discount movement						
– gross claims incurred	(11,268)	30,542	19,274	(12,479)	(133,649)	(146,128)
– reinsurance and other recoveries	1,450	(1,941)	(491)	1,737	10,713	12,450
Net discount movement	(9,818)	28,601	18,783	(10,742)	(122,936)	(133,678)
Net claims incurred	15,623	2,788	18,411	15,134	10,646	25,780

### Net claims incurred – prior years

Undiscounted net claims incurred has decreased due to a significant reduction in case estimates at the current valuation, especially amongst claims incurred prior to 30 June 2000 in the Uninsured Scheme and better than expected experience in the Insurers' Guarantee Fund.

This decrease has been partially offset by a decrease in the discount rate of around 1 per cent compared to the last valuation.

# Notes to and forming part of the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

**NOTE 11 Receivables**

	2005 \$'000	2004 \$'000
<b>Current</b>		
Receivables	38,119	34,037
Prepaid superannuation (Note 17)	–	417
Prepayments	370	591
Other	–	606
	<b>38,489</b>	<b>35,651</b>
Less provision for doubtful debts	(5,704)	(6,663)
	<b>32,785</b>	<b>28,988</b>
<b>Non-current</b>		
Receivables	30,501	45,134
Repaid superannuation (Note 17)	4,915	–
	<b>35,416</b>	<b>45,134</b>
	<b>68,201</b>	<b>74,122</b>

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.

Receivables also include amounts payable to WorkCover from the State Debt Recovery Office for OHS prosecution fines and professional costs that can be reliably measured and meet the asset recognition criteria of probable future economic benefits.

**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*.

	2005 \$'000	2004 \$'000
UBS Asset Management (Australia) Limited	95,728	37,278
Colonial First State Investments Limited	72,132	54,348
AMP Henderson Global Investors	37,973	32,445
Citigroup Asset Management Australia Limited	31,211	26,120
State Street Global Advisors Australia Limited	30,511	24,882
Merrill Lynch Investment Managers Limited	–	43,017
BT Funds Management Limited	–	145
	<b>267,555</b>	<b>218,235</b>
<b>Current</b>	<b>13,000</b>	<b>13,104</b>
<b>Non-current</b>	<b>254,555</b>	<b>205,131</b>
	<b>267,555</b>	<b>218,235</b>

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
<b>Financial assets</b>			
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 bank cash rate averaged 4.2 per cent during the year. (2004: 4.1 per cent)
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.
<b>Financial liabilities</b>			
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.			

# Notes to and forming part of the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

## 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 risk 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 2005 \$'000	Market value 2004 \$'000
<b>Financial assets</b>		
Investments in Australian shares	95,728	80,296
Investments in Australian listed property trusts	34,487	28,034
Investments in International shares – hedged	15,637	10,776
Investments in International shares – unhedged	14,874	14,105
<b>TOTAL FINANCIAL ASSETS EXPOSED TO MARKET RISK</b>	<b>160,726</b>	<b>133,211</b>
Cash	34,203	21,677
Receivables	62,916	73,114
Other investments	106,829	85,024
<b>TOTAL FINANCIAL ASSETS NOT EXPOSED TO MARKET RISK</b>	<b>203,948</b>	<b>179,815</b>
<b>TOTAL FINANCIAL ASSETS</b>	<b>364,674</b>	<b>313,026</b>
<b>Financial liabilities</b>		
Trade creditors and accruals	17,802	13,621
<b>TOTAL FINANCIAL LIABILITIES NOT EXPOSED TO MARKET RISK</b>	<b>17,802</b>	<b>13,621</b>

### 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 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
	2005 %	2005 \$'000	2005 \$'000	2005 \$'000
<b>Financial assets</b>				
Cash at bank	4.2	14,392	–	14,392
Receivables	N/A	–	62,916	62,916
Investment in Cash Plus facilities	5.5	19,811	–	19,811
Investment in Australian Bonds	5.9	75,618	–	75,618
Other investments	N/A	191,937	–	191,937
<b>TOTAL FINANCIAL ASSETS</b>		301,758	62,916	364,674
<b>Financial liabilities</b>				
Trade creditors and accruals	N/A	–	17,802	17,802
<b>TOTAL FINANCIAL LIABILITIES</b>		–	17,802	17,802

# Notes to and forming part of the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

## 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
	2004 %	2004 \$'000	2004 \$'000	2004 \$'000
<b>Financial assets</b>				
Cash at bank	4.1	3,872	–	<b>3,872</b>
Cash in money market facility	5.0	145	–	<b>145</b>
Receivables	N/A	–	73,114	<b>73,114</b>
Investment in Cash Plus facilities	5.2	17,805	–	<b>17,805</b>
Investment in Australian Bonds	4.4	58,759	–	<b>58,759</b>
Other investments	N/A	–	159,331	<b>159,331</b>
<b>Total financial assets</b>		<b>80,581</b>	<b>232,445</b>	<b>313,026</b>
<b>Financial liabilities</b>				
Trade creditors and accruals	N/A	–	13,621	<b>13,621</b>
<b>Total financial liabilities</b>		<b>–</b>	<b>13,621</b>	<b>13,621</b>

### 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 2005 was \$3.3m (\$2.5m – 2004), which represents 1.2 per cent of total investments (1.04 per cent – 2004). 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 2005

**NOTE 14** Property, plant and equipment

	Note	2005 \$'000	2004 \$'000
<b>Land and buildings</b>			
Freehold land			
At fair value	(a)	6,600	6,600
Total freehold land	(c)	6,600	6,600
Buildings			
At fair value		3,688	5,873
Accumulated depreciation		–	(1,058)
Total buildings		3,688	4,815
Total land and buildings		10,288	11,415
<b>Leasehold improvements</b>			
At fair value		25,933	23,370
Accumulated amortisation		(8,279)	(5,556)
Total leasehold improvements		17,654	17,814
<b>Office machines and equipment</b>			
At fair value		1,363	2,546
Accumulated depreciation		(1,057)	(1,571)
Total office machines and equipment		306	975
<b>Furniture and fittings</b>			
At fair value		510	478
Accumulated depreciation		(239)	(176)
Total furniture and fittings		271	302
<b>Computer hardware and software</b>			
At fair value		15,009	15,417
Accumulated depreciation		(9,995)	(10,223)
Total computer hardware and software		5,014	5,194
<b>Computer software development</b>			
At fair value	(b)	20,190	19,062
Accumulated depreciation		(11,800)	(8,989)
Total computer software development		8,390	10,073
<b>Scientific and technical equipment</b>			
At fair value	(a)	1,931	5,599
Accumulated depreciation		(126)	(4,206)
Total scientific and technical equipment		1,805	1,393
<b>Mechanical equipment</b>			
At fair value		950	919
Accumulated depreciation		(694)	(650)
Total mechanical equipment		256	269
<b>Capital works in progress</b>			
At fair value		8,050	4,685
Total capital works in progress		8,050	4,685
Total property, plant and equipment		52,034	52,120

(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, freehold land and scientific and technical equipment were revalued in 2005. Freehold land, buildings and scientific and technical equipment were revalued on the basis of net fair value.

The independent valuations as at 30 June 2005 were carried out by:

**Buildings**

Mr B. Morcom, B.Bus (Land ECO AAPI) – State Valuation Office

**Scientific and technical equipment**

Mr V.G. Burke, AAPI, AIMM – Herron Todd White

(b) Computer software development was revalued as at 30 June 2005. This directors' valuation was based on the assessment of net fair value and resulted in no change for this asset class.

(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 2005

## NOTE 14 Property, plant and equipment (continued)

(d) Movements during financial year:

Class of asset	Balance as at 1/7/2004	Additions	Disposals	Depreciation w/back on disposal	Net revaluation movements	Recoverable amount w/downs	Depreciation expense	Balance as at 30/6/2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Freehold land	6,600	–	–	–	–	–	–	6,600
Buildings	4,815	192	(2)	–	(1,135)	–	(182)	3,688
Leasehold improvements	17,814	3,153	(590)	585	–	–	(3,308)	17,654
Office machines and equipment	975	114	(1,297)	837	–	–	(323)	306
Furniture and fittings	302	32	–	–	–	–	(63)	271
Computer hardware and software	5,194	2,938	(3,719)	3,416	–	–	(2,815)	5,014
Computer software development	10,073	1,931	(803)	799	–	–	(3,610)	8,390
Scientific and technical equipment	1,393	362	(558)	541	431	–	(364)	1,805
Mechanical equipment	269	30	–	(1)	–	–	(42)	256
Capital WIP	4,685	8,401	(5,036) <sup>(b)</sup>	–	–	–	–	8,050
<b>Total property, plant and equipment</b>	<b>52,120</b>	<b>17,153</b>	<b>(12,005)</b>	<b>6,177</b>	<b>(704)</b>	<b>–</b>	<b>(10,707)<sup>(a)</sup></b>	<b>52,034</b>

(a) includes WCC depreciation expense of \$548,000.

(b) includes transfers to completed assets.

## NOTE 15 Payables

	2005 \$'000	2004 \$'000
<b>Current</b>		
Creditors	11,792	8,049
Accrued salaries, wages and oncosts	4,236	4,103
	<b>16,028</b>	12,152
<b>Non-current</b>		
Accrued salaries, wages and oncosts	1,774	1,469
	<b>1,774</b>	1,469
	<b>17,802</b>	13,621

## NOTE 16 Outstanding claims

	2005 \$'000	2004 \$'000
Expected future claims payments	467,416	586,829
Claims handling expenses	93,282	79,650
Discount to present value	(300,046)	(410,370)
Liability for outstanding claims	<b>260,652</b>	256,109
Current	20,410	22,863
Non-current	<b>240,242</b>	233,246
	<b>260,652</b>	256,109

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

	2005 Years	2004 Years
WorkCover Authority Fund		
(Uninsured Scheme)	13.4	11.0
Bush Fire Fighters Compensation Fund	7.3	6.3
Emergency & Rescue Workers Compensation Fund	5.6	5.4
Insurers' Guarantee Fund	10.7	10.5

(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:

	2005 %	2004 %
Inflation rate	3.75	3.75
Discount rate	5.37	5.31

(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:

	2005 %	2004 %
Inflation rate	3.75	3.75
Discount rate	5.11 – 5.23	5.40 – 6.36

# Notes to and forming part of the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

## 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:

	2005 \$'000	2004 \$'000
WorkCover Authority Fund		
– Uninsured Scheme	104,372	102,063
Bush Fire Fighters Compensation Fund	13,086	11,371
Emergency & Rescue Workers Compensation Fund	8,871	8,858
Insurers' Guarantee Fund comprising:		
– NEM Insurance Co	104,729	101,655
– HHH Insurance Co Ltd	12,502	17,118
– Bishopsgate Aust Insurance Co Ltd	10,633	9,778
– AGCI Co Ltd	6,209	4,879
– Greatlands Insurance Co Ltd	250	387
	134,323	133,817
<b>Total outstanding claims</b>	<b>260,652</b>	<b>256,109</b>

## NOTE 17 Provisions

	2005 \$'000	2004 \$'000
<b>Current</b>		
Lease restoration	–	176
Employee benefits		
Compensation Court Judges Pensions	1,695	1,600
Compensated absences	11,178	9,018
	12,873	10,794
<b>Non-current</b>		
Employee benefits		
Compensated absences	12,912	10,698
Compensation Court Judges Pensions	15,615	17,216
Superannuation	6,646	6,453
	35,173	34,367
<b>Total provisions</b>	<b>48,046</b>	<b>45,161</b>
<b>Aggregate employee benefits and related oncosts</b>		
Provision – current	12,873	10,618
Provision – non-current	35,173	34,367
Accrued salaries, wages and oncosts	6,010	5,572
	54,056	50,557

## 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 2005 are as follows:

	Assessed liability	Reserve account	Net Asset/ (Liability)
	2005 \$'000	2005 \$'000	2005 \$'000
State Superannuation Scheme	93,613	98,412	4,799
State Authorities Superannuation Scheme	20,193	15,387	(4,806)
State Authorities Non-Contributory Superannuation Scheme	7,537	5,813	(1,724)
	121,343	119,612	(1,731)

The 30 June 2005 assessment of liability was calculated by Pillar Administration actuary, Mercer, where the key assumptions adopted by the actuary were:

	2005 %
Rate of investment return	7.0
Rate of general salary increase	4.0
Rate of increase in CPI	2.5

## Future contributions

As at 30 June 2005, 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 \$6.5m 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 per cent of such employees' salaries for the year (9.0 per cent – 2004). Payments for staff covered by the scheme totalled \$3.6m (\$3.4m – 2004). 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 2005

## NOTE 18 Changes in equity

	Retained surplus		Asset revaluation reserve		Total equity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Balance at the beginning of the financial year	21,763	48,231	29,500	11,168	51,263	59,399
<b>Changes in equity – transactions with owners as owners</b>						
Increase in net assets from administrative restructuring	–	–	–	–	–	–
<b>Total changes in equity – other than transactions with owners as owners</b>						
Surplus/(deficit) for the year	24,322	(26,470)	–	–	24,322	(26,470)
Increment/(decrement) on revaluation of:						
Financial Investments	–	–	20,742	17,576	20,742	17,576
Land and building	–	–	(1,135)	595	(1,135)	595
Plant and equipment	–	–	–	28	–	28
Motor vehicles	–	–	(130)*	–	(130)	–
Scientific and technical equipment	–	–	431	133	431	133
<b>Balance at the end of the financial year</b>	<b>46,085</b>	<b>21,763</b>	<b>49,408</b>	<b>29,500</b>	<b>95,493</b>	<b>51,263</b>

### Asset revaluation reserve

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

\* Disposal of asset.

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

	2005 \$'000	2004 \$'000
<b>Operating surplus/(deficiency) from ordinary activities</b>	<b>24,322</b>	<b>(26,470)</b>
Depreciation/asset writeback	11,251	19,155
Loss or gain on sale of asset	(76)	85
Unrealised investment income	(3,027)	831
Provisions		
Outstanding claims	4,543	5,657
Superannuation	(193)	(3,449)
Lease restoration	(176)	(700)
Doubtful debts	(960)	3,594
Compensated absences	4,375	2,786
Judges pensions	(1,506)	18,816
Decrease/(increase) in debtors & prepayments	6,053	(17,801)
Increase/(decrease) in creditors	6,902	(9,339)
<b>Net cash provided by/(used in) operating activities</b>	<b>51,508</b>	<b>(6,835)</b>

## 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.

	2005 \$'000	2004 \$'000
Cash assets	34,203	21,677
	<b>34,203</b>	<b>21,677</b>

## NOTE 21 Expenditure commitments

### Lease commitments

	2005 \$'000	2004 \$'000
Payable:		
not later than one year	8,597	8,312
later than one year but not later than five years	28,163	27,775
later than five years	4,840	14,213
	<b>41,600</b>	<b>50,300</b>

Expenditure commitments include input tax credits of \$3.779m (\$4.476m – 2004) which are expected to be recoverable from the Australian Taxation Office.

There are no capital expenditure commitments.

## 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 2005, WorkCover held deposits and bank guarantees to the value of \$1.205m (\$1.192m – 2004). 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.

# Notes to and forming part of the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

## Note 22 Self-insurers and specialised insurers security deposits and bank guarantees (continued)

A separate bank account for lodgement of cash deposits has been established and the balance of the account as at 30 June 2005 was \$4.074m (\$1.317m – 2004).

## 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; and
- 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 HII 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 Re-insurance 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.

## NOTE 25 Contingent liabilities and contingent assets

### (a) Contingent liabilities

WorkCover funded the operations of the Compensation Court until its closure on 31 December 2003. Under Section 35A of the *Workplace Inquiry 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.

WorkCover's liability for the continued funding of these ongoing costs is currently being addressed. Costs invoiced for the period 1 January 2005 to 30 June 2005 for which WorkCover has not recognised any expense is approximately \$450,000.

WorkCover is a party to proceedings in the Industrial Relations Commission of NSW in Court Session concerning a gas explosion at Kogarah railway station in 1995. The matter involved WorkCover being liable for the defendant's costs should an appeal against the prosecution be successful. In that event, costs are estimated at \$2.5 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 Inquiry 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.

# Notes to and forming part of the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

## NOTE 25 Contingent liabilities and contingent assets (continued)

At 30 June 2005, an excess of \$1.5 million was held in staff superannuation reserves and recognised as part of the Crown Entity. WorkCover's liability for the continued funding of any staffing costs is currently being addressed, and its entitlement to the excess in reserves will be clarified thereafter. Accordingly, the excess in reserves of \$1.5m is disclosed as a contingent asset.

## NOTE 26 Conditions after reporting date

### Funding of District Court in respect of the residual jurisdiction of the Compensation Court

The *Statute Law (Miscellaneous Provisions) Bill 2005* was assented to on 1 July 2005. Amendments to the *Coal Industry Act 2001*, *Sporting Injuries Act 1978*, *Workers Compensation Act 1987*, *Workers Compensation (Bush Fire, Emergency and Rescue Services) Act 1987*, *Workers Compensation (Dust Diseases) Act 1942* and *Workplace Injury Management and Workers Compensation Act 1998* commenced on that day so that the funding of the District Court in so far as it deals with matters that were previously within the jurisdiction of the Compensation Court are to be funded by the relevant agencies and organisations that are users and stakeholders. The key amendment is to Section 35A of the *Work Injury Management and Workers Compensation Act 1998* to limit WorkCover's funding for the District Court to that incurred on or before 30 June 2005.

### WorkCover Scheme Statutory Funds

The *Workers Compensation Amendment (Insurance Reform) Act 2003* was proclaimed with effect from 18 February 2005. This Act created two new entities, the Nominal Insurer and the Workers

Compensation Insurance Fund. The Nominal Insurer operates as a licensed insurer in place of the Scheme licensed insurers and the Workers Compensation Insurance Fund will replace the statutory funds of licensed insurers.

A Workers Insurance Fund Investment Board was also established by legislation to determine investment policies and to report to the Minister on the investment performance of the Insurance Fund.

Effective operation of the Nominal Insurer and the Insurance Fund did not commence until 1 July 2005.

On 1 July 2005, the statutory funds of licensed insurers were closed and the assets and liabilities of the funds were transferred to, and become the assets and liabilities of, the Workers Compensation Insurance Fund. The Workers Compensation Insurance Fund is managed by the Nominal Insurer.

The financial effect of these transfers has not been recognised in the WorkCover Scheme Statutory Funds Financial Statements for the year ended 30 June 2005 as they occurred after 30 June 2005.

On 1 July 2005 the licences of the insurers were cancelled. However, these insurers act as temporary agents for the Nominal Insurer as provided by the clause 3 (1)(g) of Part 19A of Schedule 6 to the 1987 Act during the transition to the new contractual arrangements for the scheme agents.

A financial report consolidating the new entities will be prepared for the year ended 30 June 2006. The consolidated report will not be included as part of the WorkCover Authority's financial report.

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

### Comparative statement of financial performance for the year ended 30 June 2005

	WorkCover Authority Fund		Insurers' Guarantee Fund		Bush Fire Fighters Compensation Fund		Emergency & Rescue Workers Comp Fund		TOTAL*	
	2005 \$m	2004 \$m	2005 \$m	2004 \$m	2005 \$m	2004 \$m	2005 \$m	2004 \$m	2005 \$m	2004 \$m
<b>Revenues</b>										
Contributions	206.0	162.6	(16.5)	24.1	3.6	2.6	2.1	(1.7)	195.2	187.6
Investment revenue	14.1	8.0	3.2	1.5	–	–	–	–	17.3	9.5
Other revenues	23.0	26.2	7.3	–	–	–	–	–	30.3	26.2
<b>Total revenues</b>	<b>243.1</b>	<b>196.8</b>	<b>(6.0)</b>	<b>25.6</b>	<b>3.6</b>	<b>2.6</b>	<b>2.1</b>	<b>(1.7)</b>	<b>242.8</b>	<b>223.3</b>
<b>Expenses</b>										
WorkCover operations	155.8	151.0	2.4	1.6	–	0.2	–	0.2	158.2	153.0
Grants	36.8	64.5	–	–	–	–	–	–	36.8	64.5
Cost of claims	8.2	(9.9)	4.9	35.2	3.4	2.4	1.9	(1.9)	18.4	25.8
Other	4.7	6.4	–	–	0.2	–	0.2	–	5.1	6.4
<b>Total expenses</b>	<b>205.5</b>	<b>212.0</b>	<b>7.3</b>	<b>36.8</b>	<b>3.6</b>	<b>2.6</b>	<b>2.1</b>	<b>1.7</b>	<b>218.5</b>	<b>249.7</b>
Operating surplus/(deficit)	37.6	(15.2)	(13.3)	(11.2)	0.0	0.0	0.0	0.0	24.3	(26.4)
Non-owner transaction changes in equity	6.6	7.1	13.3	11.2	–	–	–	–	19.9	18.3
Total changes in equity – other than those from transactions with owners as owners	44.2	(8.1)	0.0	0.0	0.0	0.0	0.0	0.0	44.2	(8.1)

\* 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 2005

**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*	
	2005 \$m	2004 \$m	2005 \$m	2004 \$m	2005 \$m	2004 \$m	2005 \$m	2004 \$m	2005 \$m	2004 \$m
<b>Assets</b>										
Receivables	37.6	27.7	12.0	28.6	11.3	10.8	7.3	7.1	68.2	74.2
Other financial assets	154.8	113.0	112.8	105.2	–	–	–	–	267.6	218.2
Other	70.9	71.0	9.9	0.5	2.2	0.6	3.2	1.7	86.2	73.8
<b>Total assets</b>	<b>263.3</b>	<b>211.7</b>	<b>134.7</b>	<b>134.3</b>	<b>13.5</b>	<b>11.4</b>	<b>10.5</b>	<b>8.8</b>	<b>422.0</b>	<b>366.2</b>
<b>Liabilities</b>										
Outstanding claims	104.4	102.1	134.3	133.8	13.1	11.4	8.9	8.8	260.7	256.1
Other	63.4	58.3	0.4	0.5	0.4	–	1.6	–	65.8	58.8
<b>Total liabilities</b>	<b>167.8</b>	<b>160.4</b>	<b>134.7</b>	<b>134.3</b>	<b>13.5</b>	<b>11.4</b>	<b>10.5</b>	<b>8.8</b>	<b>326.5</b>	<b>314.9</b>
Equity	95.5	51.3	0.0	0.0	0.0	0.0	0.0	0.0	95.5	51.3

\* 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*	
	2005 \$m	2004 \$m	2005 \$m	2004 \$m	2005 \$m	2004 \$m	2005 \$m	2004 \$m	2005 \$m	2004 \$m
<b>Operating activities</b>										
Inflows										
Contributions	173.7	153.3	0.1	(0.2)	3.5	2.0	3.5	2.5	180.8	157.6
Investment revenue	13.3	8.8	0.5	1.5	0.4	–	–	–	14.2	10.3
Other	62.4	56.4	7.4	0.2	–	0.1	0.1	–	69.9	56.7
(Outflows)										
WorkCover operations	(105.0)	(94.4)	–	–	–	(0.2)	–	(0.2)	(105.0)	(94.8)
Grants	(39.1)	(50.5)	–	–	–	–	–	–	(39.1)	(50.5)
Claims	(8.2)	(9.2)	(4.4)	(7.7)	(2.1)	(2.2)	(1.9)	(2.5)	(16.6)	(21.6)
Other	(50.5)	(62.8)	(1.8)	(1.7)	(0.2)	–	(0.2)	–	(52.7)	(64.5)
Net cash provided by/(used in) operating activities	46.6	1.6	1.8	(7.9)	1.6	(0.3)	1.5	(0.2)	51.5	(6.8)
<b>Investing activities</b>	<b>(46.5)</b>	<b>(2.0)</b>	<b>7.5</b>	<b>7.8</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(39.0)</b>	<b>5.8</b>
Net (increase)/decrease cash	0.1	(0.4)	9.3	(0.1)	1.6	(0.3)	1.5	(0.2)	12.5	(1.0)
Cash at beginning of financial year	18.8	19.2	0.5	0.6	0.6	0.9	1.7	1.9	21.7	22.7
Cash at end of financial year	18.9	18.8	9.8	0.5	2.2	0.6	3.2	1.7	34.2	21.7

\* 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 2005

## 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 2005

	Note	2005 \$'000	2004 \$'000
<b>Revenues</b>			
Net earned premiums	2	2,703,347	2,103,984
Recoveries	5	156,026	128,251
Investment income	3	925,133	692,852
Other income		37,404	26,605
<b>Total revenues from ordinary activities</b>		<b>3,821,910</b>	<b>2,951,692</b>
<b>Expenses</b>	4		
Claims incurred	5	3,040,439	2,093,511
Insurers' management fees		331,538	172,392
Audit fees paid to auditors of insurers		965	980
Bad debts written-off		30,250	17,435
Doubtful debts provision		25,509	11,877
Wage audit fees		19,200	12,739
Debt collection fees		10,116	6,625
Bank charges		850	718
Other operating expenses		8,038	6,731
<b>Total expenses from ordinary activities</b>		<b>3,466,905</b>	<b>2,323,008</b>
<b>Surplus from ordinary activities</b>		<b>355,005</b>	<b>628,684</b>
<b>Total changes in equity – other than those resulting from transactions with owners as owners</b>		<b>355,005</b>	<b>628,684</b>

The accompanying notes form part of these financial statements.

### Statement of financial position as at 30 June 2005

	Note	2005 \$'000	2004 \$'000
<b>Current assets</b>			
Cash assets		156,963	50,663
Recoveries receivable		110,035	93,531
Other receivables	6	428,197	317,059
Other financial assets – investments	7	509,089	365,795
<b>Total current assets</b>		<b>1,204,284</b>	<b>827,048</b>
<b>Non-current assets</b>			
Recoveries receivable		364,365	340,998
Other financial assets – investments	7	6,617,818	5,077,392
<b>Total non-current assets</b>		<b>6,982,183</b>	<b>5,418,390</b>
<b>Total assets</b>		<b>8,186,467</b>	<b>6,245,438</b>
<b>Current liabilities</b>			
Payables	9	283,993	165,148
Unearned premiums provision		440,439	412,783
Outstanding claims	1d & 10	1,705,583	1,523,916
<b>Total current liabilities</b>		<b>2,430,015</b>	<b>2,101,847</b>
<b>Non-current liabilities</b>			
Outstanding claims	1d & 10	7,754,552	6,496,696
<b>Total non-current liabilities</b>		<b>7,754,552</b>	<b>6,496,696</b>
<b>Total liabilities</b>		<b>10,184,567</b>	<b>8,598,543</b>
<b>Net liabilities</b>		<b>(1,998,100)</b>	<b>(2,353,105)</b>
<b>Equity</b>			
Accumulated deficit	1a	(1,998,100)	(2,353,105)

The accompanying notes form part of these financial statements.

### Statement of cash flows for the year ended 30 June 2005

	Note	2005 \$'000 Inflows (Outflows)	2004 \$'000 Inflows (Outflows)
<b>Cash flows from operating activities</b>			
Premiums received		3,182,105	2,496,101
Statutory levies paid		(203,237)	(177,980)
Claims paid		(1,608,936)	(2,047,690)
Recoveries received		104,725	103,491
Interest received		127,510	97,807
Dividends received		198,778	154,729
Other receipts		97,412	119,833
Insurers' management fees		(261,156)	(256,535)
Other payments		(374,868)	(326,129)
<b>Net cash provided by operating activities</b>	12	<b>1,262,333</b>	<b>163,627</b>
<b>Cash flows from investing activities</b>			
Payments for investment		(5,400,451)	(4,007,313)
Proceeds from investments		4,379,254	3,951,623
<b>Net cash (used in) investing activities</b>		<b>(1,021,197)</b>	<b>(55,690)</b>
<b>Net increase in cash held</b>		<b>241,136</b>	<b>107,937</b>
Cash at the beginning of the financial year		307,758	199,821
<b>Cash at the end of the financial year</b>	13	<b>548,894</b>	<b>307,758</b>

The accompanying notes form part of these financial statements.

# Notes to and forming part of the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

## 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 \$355m (2004: surplus of \$629m) for the year. To address the accumulated deficit, the *Workers Compensation Amendment (Insurance Reform) Act 2003* provides for a new workers compensation insurance structure which, coupled with the savings of the 2001 reforms, is expected to eliminate the Scheme deficit in five to eight 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 2005 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 2005 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. 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 handling expenses) which is affected by factors arising during the period to settlement. The provision includes \$813m (2004: \$271m) for claims handling expenses and a risk margin of \$89m (see Note 10). The increase in claims handling expenses reflects changes in the level of remuneration paid to insurers and changes in the Scheme benefit structure.

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*.
- (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

# Notes to and forming part of the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

## NOTE 28 WorkCover Scheme Statutory Funds (continued)

WorkCover will apply the Australian equivalents to International Financial Reporting Standards (IFRS) to the WorkCover Scheme Statutory Funds from the reporting period beginning on 1 July 2005. These Australian equivalents to IFRS are referred to hereafter as AEIFRS.

### Transition management

The transition to AEIFRS is being managed by allocating internal resources and engaging PricewaterhouseCoopers Actuarial Pty Ltd to analyse the Standards to identify key areas regarding policies, procedures, systems and financial impacts affected by the transition. To date the project is achieving its scheduled milestones and WorkCover is expected to be in a position to comply with the requirements of AEIFRS in the WorkCover Scheme Statutory Fund's financial statements for the financial year ended 30 June 2006.

WorkCover has determined the key areas where changes in accounting policies are likely to impact the financial report.

The rules for first time adoption of AEIFRS are set out in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* (AASB 1). Some of these impacts arise because AEIFRS requirements are different from existing AASB requirements (AGAAP). Other impacts are likely to arise from cases where choices of accounting policies are available, including elective exemptions under AASB 1. These choices have been analysed to determine the most appropriate accounting policy for WorkCover.

Entities complying with AEIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AEIFRS to that comparative period. Most adjustments required on transition to AEIFRS will be made retrospectively against opening retained earnings as at 1 July 2004. AASB 1 provides an election whereby the requirements of AASB 132 *Financial Instruments: Disclosure and Presentation* (AASB 132), AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139) and AASB 1023 *General Insurance Contracts* (AASB 1023) are not required to be applied in the first comparative year under AEIFRS. Under this election, first time adoption of these standards can be delayed until 1 July 2005.

### Impact of transition to AEIFRS

The impact of transition to AEIFRS disclosed below, including the selection and application of AEIFRS accounting policies, is based on AEIFRS standards that management expect to be in place when preparing the first complete AEIFRS financial report. The disclosures below are based on WorkCover electing not to apply the requirements of AASB 132, AASB 139 and AASB 1023 until 1 July 2005.

WorkCover does not anticipate any material impacts on its cash flows.

The actual effects of the transition may differ from those set out below because of pending changes to AEIFRS, including the UIG Interpretations and/or emerging accepted practice in their interpretation and application. For example, amended or

additional standards or interpretations may be issued by the AASB and IASB. Therefore, until WorkCover prepares its first full AEIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

The significant changes in accounting policies and the associated transitional arrangements and elections expected to be made under AASB 1 are set out below.

### (i) Outstanding claims

Under AEIFRS, WorkCover will be required to assess the adequacy of the unearned premium provision to cover future claims and to recognise an unexpired risk provision for any deficiency in the provision. This assessment is not required under AGAAP.

### (ii) Financial instruments

Under AASB 1023, financial instruments backing insurance liabilities will be measured at fair value with fair value movements taken through the statement of financial performance.

Fair value does not include realisation costs and AASB 139 states that the current bid price is usually the appropriate price to be used in measuring the fair value of actively traded financial assets. This differs from the current accounting policy of measuring financial instruments at net market value using the last sale price net of disposal costs.

The changes in accounting policies described above are not expected to have a material impact on the Scheme's net asset position at 30 June 2005 and the surplus for the year ended 30 June 2005 given that WorkCover will not apply the requirements of AASB 132, AASB 139 and AASB 1023 until 1 July 2005.

## 2. Surplus from ordinary activities

	2005 \$'000	2004 \$'000
Premiums written	2,943,543	2,281,536
Less : statutory levies		
WorkCover Authority fund	158,150	117,796
Dust diseases contributions	54,390	50,495
Less : increase in unearned premiums provision	27,656	9,261
Net earned premiums	2,703,347	2,103,984
Claims incurred	3,040,439	2,093,511
Recoveries revenue	156,026	128,251
Net claims incurred	2,884,413	1,965,260
Underwriting result	(181,066)	138,724
Investment income	925,133	692,852
Other income	37,404	26,605
Other operating expenses	426,466	229,497
Surplus from ordinary activities	355,005	628,684

# Notes to and forming part of the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

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

	2005 \$'000	2004 \$'000
Dividends	205,054	153,239
Interest	130,857	103,893
Realised gain on sale of investments	203,072	17,190
Unrealised gain	386,150	418,530
Investment income	925,133	692,852

**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 \$48,000 (2004: \$46,000) 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	2005 Prior years \$m	Total \$m	Current year \$m	2004 Prior years \$m	Total \$m
Gross claims incurred and related expenses – undiscounted	3,336	140	3,476	3,242	(458)	2,784
Reinsurance and other recoveries – undiscounted	(155)	30	(125)	(148)	(77)	(225)
<b>Net claims incurred – undiscounted</b>	<b>3,181</b>	<b>170</b>	<b>3,351</b>	<b>3,094</b>	<b>(535)</b>	<b>2,559</b>
Discount and discount movement						
– gross claims incurred	(917)	481	(436)	(926)	235	(691)
– reinsurance and other recoveries	27	(58)	(31)	28	69	97
<b>Net discount movement</b>	<b>(890)</b>	<b>423</b>	<b>(467)</b>	<b>(898)</b>	<b>304</b>	<b>(594)</b>
<b>Net claims incurred</b>	<b>2,291</b>	<b>593</b>	<b>2,884</b>	<b>2,196</b>	<b>(231)</b>	<b>1,965</b>

**Explanation of material variances – prior years**

The net increase in the net claims incurred from prior years of \$593m is essentially due to an increase in claims handling expenses, a decrease in the time to payment and a decrease in the yield curve resulting in a lower discount applied to the gross outstanding claims.

**6. Other receivables**

	2005 \$'000	2004 \$'000
<b>Current</b>		
Premiums receivable	362,933	306,980
Interest and dividends receivable	30,294	20,671
Trade debtors	109,379	38,308
	502,606	365,959
Less : Provision for doubtful debts	74,409	48,900
<b>Total other receivables</b>	<b>428,197</b>	<b>317,059</b>

**7. Other financial assets – investments**

Licensed insurers were 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.

	2005 \$'000	2004 \$'000
<b>(a) Current</b>		
Money market deposits	203,925	116,801
Bank and non-bank bills	199,115	152,134
Fixed interest securities	106,049	96,860
	509,089	365,795
<b>(b) Non-current</b>		
Fixed interest securities	1,316,241	892,123
Indexed securities	907,782	765,404
Australian equities	1,958,525	1,517,619
International equities	1,734,562	1,403,194
Australian property trusts	709,737	505,528
Exchange traded options	(34)	67
Exchange traded futures	252	144
	6,627,065	5,084,079
Less : Estimated costs of realisation	9,247	6,687
	6,617,818	5,077,392
<b>Total other financial assets – investments</b>	<b>7,126,907</b>	<b>5,443,187</b>

# Notes to and forming part of the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

## 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
<b>Financial assets</b>			
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.	
<b>Financial liabilities</b>			
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:

#### 2005

		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		5.4	156,963	–	–	–	–	156,963
Other receivables	6	15.4	–	47,241	–	–	380,956	428,197
Investments	7	4.5	283,002	340,319	875,320	1,234,470	4,393,796	7,126,907
Financial liabilities								
Bank overdraft	9	N/A	–	–	–	–	11,109	11,109
Other creditors	9	N/A	–	–	–	–	272,884	272,884



# Notes to and forming part of the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

## NOTE 28 WorkCover Scheme Statutory Funds (continued)

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

In accordance with market practice, financial instruments exposed to interest rate price risk have been 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 that the 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 & Poor's 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:

- purchase or sale of futures on the Sydney Futures Exchange
- purchase or sale of put or call options on the Australian Stock Exchange or the Sydney Futures Exchange
- 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:

- 90-day bank bills
- 3-year Treasury bonds
- 10-year Treasury bonds
- S&P/ASX 200 SPI
- 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.

	2005 \$'000	2004 \$'000
Australian bond futures	146	5
Australian bank accepted bill futures	(4)	–
Australian options on bank accepted bill futures	–	(1)
Australian share price index futures	110	139
Australian exchange traded options	(34)	68
	218	211

# Notes to and forming part of the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

## NOTE 28 WorkCover Scheme Statutory Funds (continued)

### 9. Payables

	2005 \$'000	2004 \$'000
Bank overdraft	11,109	11,840
Management fees payable	199,641	104,958
Statutory levies payable	29,324	19,364
Other creditors	43,919	28,986
<b>Total payables</b>	<b>283,993</b>	<b>165,148</b>

### 10. Outstanding claims

	2005 \$'000	2004 \$'000
(a) Expected future gross claims payments (undiscounted)	13,900,319	12,025,018
Discount to present value	(4,440,184)	(4,004,406)
<b>Liability for outstanding claims</b>	<b>9,460,135</b>	<b>8,020,612</b>
Current	1,705,583	1,523,916
Non-current	7,754,552	6,496,696
	<b>9,460,135</b>	<b>8,020,612</b>
(b) Expected future recoveries (undiscounted)	580,572	571,938
Discount to present value	(106,172)	(137,409)
	<b>474,400</b>	<b>434,529</b>
<b>(c) Net outstanding claims</b>	<b>8,985,735</b>	<b>7,586,083</b>

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. 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 handling expenses) which is affected by factors arising during the period to settlement.

The provision for claims handling expenses is calculated as a percentage of the gross outstanding claims central estimate to recognise the ultimate expense of managing outstanding claims until they are finalised and closed. In the preceding year, the percentage for claims handling expenses was 3.5 per cent; this has increased to 9.5 per cent in the current year. The increase reflects changes in the level of remuneration paid to insurers and changes in the Scheme benefit structure. The financial impact of this change in the current year is a \$513m increase in outstanding claims and a corresponding increase in claims incurred.

The WorkCover Board decided to adopt a risk margin for the scheme as at 30 June 2005 based on a probability of adequacy of 55 per cent. In arriving at this decision, the Board took into account the special circumstances of the Scheme such as the legislative provisions to set and retrospectively adjust premiums, employers required to fund deficits as part of future premiums and the reducing level of uncertainty in actuarial assessment of

outstanding claims liability. The financial impact of including a risk margin in the current year is an \$89m increase in net outstanding claims and a corresponding increase in net claims incurred.

Based on the consulting actuaries assessment of the Scheme's exposure to asbestos claims, an explicit provision of \$94 million (2004: \$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:

	2005 % pa	2004 % pa
<b>For the first succeeding year</b>		
Inflation rate	3.75	3.75
Discount rate	5.32	5.4
<b>For subsequent years</b>		
Inflation rate	3.75	3.75
Discount rate	5.08 – 5.21	5.5 – 6.3

(e) The weighted average discounted expected term from the balance date to settlement of the outstanding claims is estimated to be 6.1 years (2004: 5.4 years).

### 11. Licensed insurers

The insurers licensed to operate under the WorkCover Scheme Statutory Funds system during the year ended 30 June 2005 were as follows:

Insurer	Market share by policy %	Market share by premiums %
Allianz	15.85	23.48
CGU	24.49	23.06
EMI	5.43	8.23
GIO	28.84	18.61
QBE	23.76	21.89
VERO	1.60	4.71

# Notes to and forming part of the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

**NOTE 28 WorkCover Scheme Statutory Funds (continued)****12. Reconciliation of net cash used in operating activities to surplus from ordinary activities**

	2005 \$'000	2004 \$'000
Surplus/(deficit) from ordinary activities	355,005	628,684
Decrease/(increase) in operating assets		
Premiums receivable	(55,953)	(17,099)
Recoveries receivable	(39,871)	(12,491)
Interest and dividends receivable	(9,623)	(4,596)
Trade debtors and prepayments	(27)	(1,478)
(Decrease)/increase in operating liabilities		
Provision for doubtful debts	25,509	11,877
Management fees payable	94,683	(60,373)
Statutory levies payable	9,960	(9,078)
Other creditors and accruals	4,693	(6,774)
Provision for outstanding claims	1,439,523	61,414
Unearned premiums provision	27,656	9,261
Realised (gain)/loss on sale of investments	(203,072)	(17,190)
Unrealised (gain)/loss on investments	(386,150)	(418,530)
<b>Net cash provided by operating activities</b>	<b>1,262,333</b>	<b>163,627</b>

**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:

	2005 \$'000	2004 \$'000
Cash asset	156,963	50,663
Money market deposits	203,925	116,801
Bank and non-bank bills	199,115	152,134
Bank overdraft	(11,109)	(11,840)
	<b>548,894</b>	<b>307,758</b>

**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 establishment of a Workers Compensation Insurance Fund.

On 1 July 2005 the statutory funds of licensed insurers listed in note 11 were closed and the assets and liabilities of the funds were transferred to, and became the assets and liabilities of, the Workers Compensation Insurance Fund. The Workers Compensation Insurance Fund is managed by the Nominal Insurer.

The financial effect of these transfers have not been recognised in the WorkCover Scheme Statutory Funds Financial Statements for the year ended 30 June 2005 as they occurred after 30 June 2005.

On 1 July 2005 the licences of the insurers listed in Note 11 were cancelled. However these insurers act as temporary agents for the Nominal Insurer as provided by clause 3 (1) (g) of Part 19A of Schedule 6 to the 1987 Act during the transition to the new contractual arrangements for scheme agents.

**End of audited financial statements****BUDGET STATEMENT**

FOR THE YEAR ENDED 30 JUNE 2005

	Budget 2004/05 \$m	Actual 2004/05 \$m	Budget 2005/06 \$m
<b>Revenues</b>			
Contributions	170.6	195.2	205.8
Investment revenue	11.0	17.3	11.6
Other revenue	42.7	30.3	36.8
<b>TOTAL REVENUE</b>	<b>224.3</b>	<b>242.8</b>	<b>254.2</b>
<b>Expenses</b>			
WorkCover Authority operations	173.2	158.2	192.0
Grants to other government agencies	33.1	36.8	34.4
New claims incurred	29.6	18.4	29.3
Other expenses	2.3	5.1	11.0
<b>TOTAL EXPENSES</b>	<b>238.2</b>	<b>218.5</b>	<b>266.7</b>
<b>OPERATING DEFICIT</b>	<b>(13.9)</b>	<b>24.3</b>	<b>(12.5)</b>

**2004/05**

The 2004/05 budget targeted a deficiency of \$13.9 million to reduce excess reserves and the actual result was a surplus of \$24.3 million. Contributions from insurers well above budget is a result of an increase in premiums written.

**2005/06**

A deficit of \$12.5 million is budgeted for 2005/06. The level of net assets as at 30 June 2005 is considered to be more than adequate having regard to WorkCover's statute 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.

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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 2005-2006

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 2004

Sporting Injuries Insurance Rule 1997.

#### Changes to Acts

##### **Workers Compensation Legislation Amendment Act 2004 No 56**

This Act amends the *Workers Compensation Act 1987*, the *Workplace Injury Management and Workers Compensation Act 1998*, the *Sporting Injuries Insurance Act 1978* and the *Workers Compensation Amendment (Insurance Reform) Act 2003* to make further provision for funds investment, insurance policies, appeals, self-insurers and assessment of sporting injuries.

The Act was assented to on 6 July 2004. The provisions relating to compensation for domestic assistance, security for self-insurer obligations, appeals against decisions of arbitrators and sporting injuries compensation commenced on 7 July 2004. The remaining provisions, relating to the Workers Compensation Insurance Fund Investment Board, commenced on 16 February 2005.

##### **Workers Compensation and Other Legislation Amendment Act 2004 No 111**

This Act made a number of miscellaneous amendments to legislation dealing with workers compensation and occupational health and safety. In particular, this Act:

- amends the time for instituting summary criminal proceedings under the *Occupational Health and Safety Act 2000* where an employer or an occupier of a place has a duty to report an incident
- permits WorkCover to issue stop work orders to uninsured employers
- provides for the payment of funeral expenses for work related deaths
- provides for the appointment of Acting Deputy Presidents of the Workers Compensation Commission of New South Wales

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2004/05

- makes changes to the method of appointment of approved medical specialists
- permits the Workers Compensation and Workplace Occupational Health and Safety Council to establish committees
- provides that WorkCover may issue guidelines that specify the professional or other requirements for a medical practitioner to be permitted to assess the degree of permanent impairment of an injured worker.

The Act commenced on assent on 15 December 2004 except in relation to stop work orders, which have not yet commenced.

## **Occupational Health and Safety Amendment (Workplace Deaths) Act 2005 No 34**

This Act amends the *Occupational Health and Safety Act 2000* by introducing a new offence for a person who owes a duty under Part 2 of the Act and who engages in reckless conduct that causes death at a workplace and amends the *Criminal Appeal Act 1912* to provide for appeals in connection with a conviction for such an offence to the Court of Criminal Appeal.

The Act commenced on assent on 15 June 2005.

## **Rural Workers Accommodation Amendment Act 2005 No 37**

This Act amends the *Rural Workers Accommodation Act 1969* to provide for a rural workers accommodation regulatory regime that is consistent with the regulatory regime of the *Occupational Health and Safety Act 2000* (OHS Act). The Act also makes consequential amendments to the OHS Act to provide that the *Rural Workers Accommodation Act 1969* is no longer 'associated occupational health and safety legislation' for the purposes of the OHS Act. The amendment makes the legislation less prescriptive and provides for a code of practice.

The Act was assented to on 15 June 2005 but is not yet in force, pending finalisation of the code of practice.

## **New Regulations**

### **Sporting Injuries Insurance Regulation 2004 No 604**

This Regulation remade, without any change in substance, the provisions of the Sporting Injuries Insurance Regulation 1999, which was repealed on 1 September 2004 by Section 10(2) of the *Subordinate Legislation Act 1989*. The regulation contains provisions relating to interest rates chargeable under Section 11A(6)(b) of the *Sporting Injuries Insurance Act 1978* (the Act), the funeral expenses payable under section 27(1) and compensation payable under Table A in Schedule 1 of the Act.

The regulation commenced on 1 September 2004.

## **Changes to Regulations**

### **Regulation amendments made under the Occupational Health and Safety Act 2000**

#### **Occupational Health and Safety Amendment (Electrical Work) Regulation 2004 No 573**

This regulation amends the Occupational Health and Safety Regulation 2001 to clarify and strengthen safety requirements

for undertaking electrical work, or conducting tests, on electrical installations.

In particular, the Regulation:

- updates the definition of 'electrical installation' to reflect changes in AS/NZS 3000:2000, Electrical Installations (the Australian/NZ Wiring Rules)
- makes clear that where work is being done on an electrical installation, the part of the installation that is being worked on must be isolated from the electricity supply, rather than the whole installation
- expands and clarifies the precautions that must be observed before work can be done on parts of an electrical installation that are energised
- expands the precautions that must be observed when conducting tests on an electrical installation
- updates a reference to a repealed Regulation.

The Regulation commenced on 20 August 2004.

#### **Occupational Health and Safety Amendment (Transitional Regulation) 2004 No 843**

This Regulation amends the Occupational Health and Safety Regulation 2001 to confirm that WorkCover may suspend or cancel the accreditation of a person who is accredited to provide OHS induction training, under clause 217A(3), in respect of matters that occurred before, on or after the commencement of that provision.

The Regulation commenced on 17 December 2004.

#### **Occupational Health and Safety Amendment (Long Distance Truck Driver Fatigue) Regulation 2005 No 221**

This Regulation amends the Occupational Health and Safety Regulation 2001 by imposing obligations on an employer whose employee drives a heavy truck that transports freight long distance to require the employer to assess the risk of harm from fatigue to the driver's health and safety and to take steps to eliminate or control that risk. A similar obligation is placed on head carriers and certain consignors and consignees of freight, including their agents and persons acting on their behalf, who enter into a contract with a self-employed carrier for the transportation of freight long distance by means of a heavy truck. Such persons are required to prepare driver fatigue management plans.

The Regulation also requires certain consignors and consignees of freight not to enter a contract with a carrier for the transport of freight long distance unless they are satisfied that the delivery timetables are reasonable and each driver is covered by a driver fatigue management plan.

This amendment is not yet in force, and will commence on 1 March 2006.



#### **Occupational Health and Safety Amendment (Penalty Notices) Regulation 2005 No 205**

This Regulation amends the Occupational Health and Safety Regulation 2001 to permit a penalty notice to be served on a person for the offence of failing to register a clothing factory under clause 5 of the Occupational Health and Safety (Clothing Factory Registration) Regulation 2001.

The Regulation commenced on 3 June 2005.

#### **Occupational Health and Safety Amendment (Self-Erecting Tower Cranes) Regulation 2005 No 34**

This Regulation amends the Occupational Health and Safety Regulation 2001 to provide that the operation and use of a self-erecting tower crane is a distinct type of work for which a certificate of competency or other recognised qualification is required.

The Regulation commenced on 11 February 2005.

#### **REGULATION AMENDMENTS MADE UNDER THE WORKERS COMPENSATION ACT 1987, WORKPLACE INJURY MANAGEMENT AND WORKERS COMPENSATION ACT 1998 AND WORKERS' COMPENSATION (DUST DISEASES) ACT 1942**

##### **Workers Compensation Amendment (Medical Reports) Regulation 2004 No 623**

This Regulation amends the Workers Compensation Regulation 2003 to limit the medical reports that may be disclosed to approved medical specialists in connection with a claim.

The Regulation commenced on 3 September 2004.

##### **Workers Compensation Amendment (Advertising) Regulation 2005 No 223**

This Regulation amends the Workers Compensation Regulation 2003 to impose restrictions on advertising by persons other than lawyers and agents. Additionally, the Regulation makes a number of changes to the requirements on lawyers and agents by providing an exemption for advertising of services provided by community legal centres in connection with discrimination, and deeming advertising to be placed by or on behalf of a lawyer or agent in certain circumstances. The definition of 'lawyer' is also expanded to include multi-disciplinary partnerships.

The Regulation commenced on 1 July 2005.

##### **Workers Compensation Amendment (Latest Index Number) Regulation 2004**

This Regulation amends the Workers Compensation Regulation 2003 by updating the index number used for the purposes of indexing benefits under the *Workers Compensation Act 1987* from 1 October 2004.

##### **Workers Compensation Amendment (Index Number) Regulation 2005**

This Regulation amends the Workers Compensation Regulation 2003 by updating the index number used for the purposes of indexing benefits under the *Workers Compensation Act 1987* from 1 April 2005.

#### **Workers Compensation Amendment (Insurance Premiums) Regulation 2005 No 261B**

This Regulation amends the Workers Compensation Regulation 2003 to provide for the purposes of calculating insurance premiums under the Act, that a 'category A employer' is an employer whose annual basic tariff premium would exceed \$10,000 rather than \$3,000 and is entitled to a rebate for an overpayment of an insurance premium in certain circumstances, including fraudulent claims or a determination that the person was not a worker. The Regulation also provides for the staged closure of the Premium Discount Scheme and consequential amendments from the amendment of the definition of category A employer. The changes result from the premium review undertaken in 2004/05.

The Regulation commenced on 30 June 2005.

#### **NEW AND AMENDING RULES, ORDERS AND GUIDELINES UNDER THE WORKERS COMPENSATION ACT 1987 AND THE WORKPLACE INJURY MANAGEMENT AND WORKERS COMPENSATION ACT 1998**

##### **Insurance Premiums Order 2005 – 2006**

The order commenced on 30 June 2005.

##### **Insurance Premium Order 2005 – 2006 Amendment Order 2005**

The order commenced on 30 June 2005.

##### **Workers Compensation (Orthopaedic Surgeons Fees) Order 2004**

The order commenced on 31 December 2004.

##### **Workers Compensation (Medical Practitioners Fees) Order 2005 No 1**

The order commenced on 1 January 2005.

##### **Workers Compensation (Medical Practitioners Fees) Order 2005 No 1 (Amendment No 1)**

The order commenced on 18 March 2005.

##### **Workers Compensation (Public Hospitals Rates) Order 2004 No 1**

The order commenced on 16 July 2004.

##### **Workers Compensation (Public Hospital Rates) Order 2004 No 1 (Amendment No 1 2005)**

The order commenced on 18 March 2005.

##### **Workers Compensation (Surgeons Fees) Order 2005**

The order commenced on 18 March 2005.

##### **Workplace Injury Management and Workers Compensation (Medical Examinations and Reports) Order 2005**

The order commenced on 18 March 2005.

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## Workplace Injury Management and Workers Compensation (Injury Management Consultants) Order 2005

The order commenced on 6 May 2005.

## WorkCover Guidelines for the Provision of Domestic Assistance

The guidelines commenced on 22 October 2004.

## Guideline on Market Rate of Remuneration for Assessment of Trust Distributions as Wages

The guideline commenced on 4 February 2005.

## Guidelines on Independent Medical Examinations and Reports

The guidelines commenced on 18 March 2005.

## APPENDIX 2

### ► CHIEF AND SENIOR EXECUTIVE PERFORMANCE STATEMENTS – SES 5 AND ABOVE

<b>Name</b>	Jon Blackwell BA, MA
<b>Position and level</b>	Chief Executive Officer
	SES Level 7
<b>Total remuneration package</b>	\$289,642
<b>Performance pay</b>	Nil
<b>Period in position</b>	18 August 2003 – 30 June 2005

#### Highlights

- Managed the implementation of government policy, commitments and priorities for improved workplace safety, injury management including rehabilitation and return to work, and workers compensation provision.
- Implemented programs that contributed to a decline in workplace fatalities and the occurrence of injuries and illnesses in workplaces.
- Continued development of the agency's provision of information, education and advice to employers and workers ensuring maximum reach of information through cost-effective and efficient systems.
- Implemented major improvements to WorkCover Scheme arrangements in NSW, including focussing on improved durable return to work outcomes.
- Developed new arrangements for the management and investment of the Workers Compensation Insurance Fund.

**Hon John Della Bosca MLC**  
**Minister for Commerce**

<b>Name</b>	John Watson Assoc Dip OHS
<b>Position and level</b>	General Manager, Occupational Health and Safety Division
	SES Level 5
<b>Total remuneration package</b>	\$213,401*
<b>Performance pay</b>	Nil
<b>Period in position</b>	1 July 2004 – 30 June 2005

\*From 1 July 2004 – 30 September 2004 total remuneration package was \$190,151.

#### Highlights

- Improved health and safety outcomes through the TargetSafe 100 initiative, which targeted resources towards high-risk industries, high-risk employers and high-risk workplaces.
- Worked in partnership with industry to achieve outcomes from the 2002 Safety Summit.
- Developed and implemented a new dangerous goods/major hazard facilities legislative reform program.
- Drove OHS improvements through the OHS improvement framework, including the timely investigation of complaints, workplace injuries, illnesses and workers compensation matters, targeted interventions, and improved licensing framework and systems.
- Implemented strategies to increase the proactive focus and service delivery of the WorkCover NSW Inspectorate to support improvements in health and safety outcomes across NSW.
- Promoted career opportunities for employees through the Performance Development Review system, internal rotation opportunities, and active participation in social justice programs including chair of the WorkCover Aboriginal and Torres Strait Islander Network.

**Jon Blackwell**  
**Chief Executive Officer**

<b>Name</b>	Rob Seljak BA, LLB, M Bus
<b>Position and level</b>	General Manager, Insurance and Scheme Design
	SES Level 5
<b>Period in position</b>	6 February 2004 – 29 April 2005

Rob Seljak was General Manager of the Insurance and Scheme Design function until his resignation on 29 April 2005. He actively engaged with stakeholders and represented WorkCover NSW in a number of forums. Mr Seljak successfully led the development of major strategic initiatives, including the reviews of the Workers Compensation Scheme Design and the premium formula, and the raising of the profile of workers compensation matters in New South Wales.

**Jon Blackwell**  
**Chief Executive Officer**

<b>Name</b>	Louise Scambler BA Dip Ed Litt B MA Hons M Ed Admin Hons M Bus (Accounting & Finance) CPA
<b>Position and level</b>	General Manager, Corporate Services Division
	SES Level 5
<b>Total remuneration package</b>	\$213,400
<b>Performance pay</b>	Nil
<b>Period in position</b>	10 January 2005 – 30 June 2005

**Highlights**

- Developed the Business Assistance Unit, the objective of which is to provide practical advice and education regarding OHS, workers compensation and injury management to small to medium businesses.
- Developed and implemented a Business Continuity Plan for WorkCover NSW.
- Coordinated the highly successful 'Be Safe. Not Sorry' advertising campaign and communication initiatives to directly support major business initiatives.
- Managed workers compensation claims for WorkCover NSW, with a consistent emphasis on early reporting and proactive return to work action, resulting in reduced time lost from workers compensation claims.
- Enhanced and developed IT systems including improvements to in-house administrative systems, the WorkCover Licensing System, and the IT systems underpinning the functions of the new Workers Compensation Division, ensuring more effective relevance to, and use by, customers.
- Completed the revised draft of the *Occupational Health and Safety Amendment (Workplace Deaths) Bill 2005*, which was passed through the NSW Parliament in the Budget Session.

**Jon Blackwell**  
**Chief Executive Officer**

<b>Name</b>	Michael Block B Com, BA, M Com, Grad Dip Applied Finance and Investment, Dip Financial Planning, ASIA, FCPA
<b>Position and level</b>	General Manager, Investment Division
	SES Level 5
<b>Total remuneration package</b>	\$219,850
<b>Performance pay</b>	Nil
<b>Period in position</b>	20 September 2004 – 30 June 2005

**Highlights**

- Appointment of Watson Wyatt as Asset Consultant for the Workers Compensation Insurance Fund (WCIF) in November 2004.
- Selection of new sector-specialist fund managers for Australian equities, international equities and domestic property.
- Appointment of Westpac as the primary transactional banker to the WCIF and the successful transition to a new cash management model and new Scheme banking arrangements using Westpac on 1 July 2005.
- Selection and appointment of a Transition Manager to safeguard the Scheme's assets during transition.
- Implementation of the new Strategic Asset Allocation that was set by the Investment Board in April 2005.
- Selection and appointment of professional investment staff to provide expertise to the Division in achieving its goals and supporting the Investment Board and WorkCover in achieving their goals.

**Jon Blackwell**  
**Chief Executive Officer**

<b>Name</b>	Rob Thomson B Bus
<b>Position and level</b>	General Manager, Insurance and Scheme Design
	SES Level 5
<b>Total remuneration package</b>	\$213,401
<b>Performance pay</b>	Nil
<b>Period in position</b>	29 April 2005 – 30 June 2005

**Highlights**

- Implemented legislation establishing the new arrangements for the WorkCover Scheme.
- Delivered key performance indicators for insurers.
- Established a more appropriate premium review system for the Scheme.

# Appendices 2004/05

- Improved health professional services, including roll out of the general practitioner education program and gazettal of guidelines and fees for a range of service providers.
- Returned long-term claimants to work through successful programs that focused on improved health and work opportunities.
- Continued to improve compliance monitoring techniques detecting under-insurance, non-insurance and fraud issues.

## Jon Blackwell Chief Executive Officer

<b>Name</b>	Philip Reed B Sc (Hons)
<b>Position and level</b>	General Manager, Corporate Governance Division
	SES Level 5
<b>Period of position</b>	31 March 2004 – 5 November 2004

Philip Reed was General Manager, Corporate Governance Division until his resignation on 5 November 2004. He successfully led the Division in a number of strategic initiatives including WorkCover's legislative program, prosecutions activity, advertising strategy, improvements to finance and budgeting processes, and IT system improvement and development.

## 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

*Central Coast Regional Coordination Management Group Executive*  
Director, Office of the Chief Executive: Murray McLachlan

*Industrial Relations Taskforce*  
General Manager, Strategy and Policy Division: Vicki Telfer

*Treasury Managed Fund Advisory Board*  
General Manager, Strategy and Policy Division: Vicki Telfer

## 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 a 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, former Senior Project Manager, Insurance (alternate chairperson)

The Sporting Injuries Committee is an organisation established under the *Sporting Injuries Act 1978* that manages and administers the insurance schemes that provide cover for registered sporting organisations, students engaged in organised school sport, and participants in NSW Department of Tourism, 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

Louise Scambler, General Manager, Corporate Services Division

Vicki Telfer, General Manager, Strategy and Policy Division

Rob Thomson, General Manager, Insurance and Scheme Design

John Watson, General Manager, Occupational Health and Safety Division

Michael Block, General Manager, Investment Division

Murray McLachlan, 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 (PARB) is the executive decision making body responsible for overseeing and reviewing all WorkCover IT-related projects from conception to successful delivery and maintenance. The PARB is accountable for the recommended approval of IT-related projects budget funding to the Executive, IT-related projects review and prioritising of all IT-related projects. The PARB is responsible for timely decision processes and directions affecting escalated IT-related project issues and prioritisation. The PARB is responsible to report to the Executive the progress and status of major IT projects on a quarterly basis.

The PARB members are:

General Manager – Corporate Services Division (Chair) – Louise Scambler

General Manager – Workers Compensation Division – Rob Thomson

General Manager – OH&S Division – John Watson

General Manager – Strategy & Policy Division – Vicki Telfer

Director, IMB – Information Management Branch – Geoff Fuggle

### The PARB Secretariat is:

Manager, IMB Project Management Office - Rob McNulty

Additional people may attend as guests in order to provide clarification.

## 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 2004/05

No significant departmental committees were established in 2004/05.

## APPENDIX 7

### ► SIGNIFICANT DEPARTMENTAL COMMITTEES ABOLISHED IN 2004/05

No significant committees were abolished in 2004/05.

## APPENDIX 8

### ► FREEDOM OF INFORMATION

#### Freedom of Information statistics (2004/05)

A total of 775 applications for access to documents were processed under the terms of the *Freedom of Information Act*.

A total of four of these were non-personal. A total of two requests were deferred. A total of 143 requests were granted in full and 266 refused. The latter included instances where no documents were located, fees not provided or applications re-directed to other agencies. No Ministerial Certificates were issued, 67 formal consultations were conducted and no personal records were amended.

The range and nature of the requests received were relatively constant and established procedures were appropriate for the effective assessment of the applications. Management continued to stress the importance of documenting the reasons for decisions and the need to meet statutory deadlines.

# Appendices 2004/05

## Number of new requests

FOI requests	Personal			Other			Total		
	2002/03	2003/04	2004/05	2002/03	2003/04	2004/05	2002/03	2003/04	2004/05
New (including transferred in)	663	666	774	37	3	4	700	669	778
Brought forward	27	33	36	0	0	0	27	33	36
Total to be processed	690	699	810	37	3	4	727	702	814
Completed	649	656	768	37	3	4	686	659	772
Transferred out	0	1	1	0	0	0	0	1	1
Withdrawn	12	2	2	0	0	0	12	2	2
Total processed	661	659	771	37	3	4	698	662	775
Unfinished	29	40	38	0	0	0	29	40	38

## What happened to completed requests

Result of FOI request	Personal	Other
Granted in full	143	1
Granted in part	357	3
Refused	266	0
Deferred	2	0
Completed	768	4

## Ministerial Certificates – number issued during the period

No Ministerial Certificates were issued during 2004/05.

## Formal consultations

	Issued	Total
Number of requests requiring formal consultations	52	67

## Amendment of personal records

No requests were received.

## Notation of personal records

	Total
Number of requests for notation	1

## FOI requests granted in part or refused

Basis of disallowing or restricting access	Personal	Other
Application incomplete/wrongly directed	102	0
Deposit not paid	3	0
Diversion of resources	2	0
Exempt	366	3
Otherwise available	4	0
Documents not held	145	0
Deemed refused – over 21 days	4	0
Released to medical practitioner	0	0
<b>Totals</b>	<b>626</b>	<b>3</b>

## Costs and fees of requests processed during period

	Assessed costs	FOI fees received
All completed requests	\$ 70.00	\$ 20,539.00

## Discounts allowed

Type of discount allowed	Personal	Other
Public interest	0	0
Financial hardship – pensioner/child	4	0
Financial hardship – non-profit organisation	0	0
<b>Totals</b>	<b>4</b>	<b>0</b>
Significant correction of personal records	0	0

## Days to process

Elapsed time	Personal	Other
0-21 days	637	2
22-35 days	101	2
Over 35 days	30	0
<b>Totals</b>	<b>768</b>	<b>4</b>

## Processing time

Processing hours	Personal	Other
0-10 hours	668	3
11-20 hours	85	0
21-40 hours	9	1
Over 40 hours	6	0
<b>Totals</b>	<b>768</b>	<b>4</b>

## Reviews and appeals

Number of internal reviews finalised	9
Number of Ombudsman reviews finalised	2
Number of District Court (Administrative Decisions Tribunal) appeals finalised	0



Basis of internal review	Personal		Other	
	Upheld	Varied	Upheld	Varied
Access refused	5	1	0	0
Access deferred	0	0	0	0
Exempt matter	0	3	0	0
Unreasonable charges	0	0	0	0
Charge unreasonably incurred	0	0	0	0
Withdrawn	0	1	0	0
<b>Totals</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>

During 2004/05 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 minor changes to the code of conduct during 2004/05. These changes involved amendments to the document to reflect the titles of senior positions such as changing the title of General Manager to Chief Executive Officer.

WorkCover is reviewing its code of conduct to ensure it meets government and community expectations and is developing a communications strategy to raise staff awareness 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 REPORT

During the year, the Audit Office and Internal Audit Bureau conducted audits in accordance with client service and internal audit plans. WorkCover's management responded positively to the recommendations made for improvement to operational and financial processes. No significant matters were raised by audit.

## APPENDIX 11

### ► ACCOUNT PAYMENT PERFORMANCE

Amounts outstanding to suppliers at the end of each quarter of the year were:

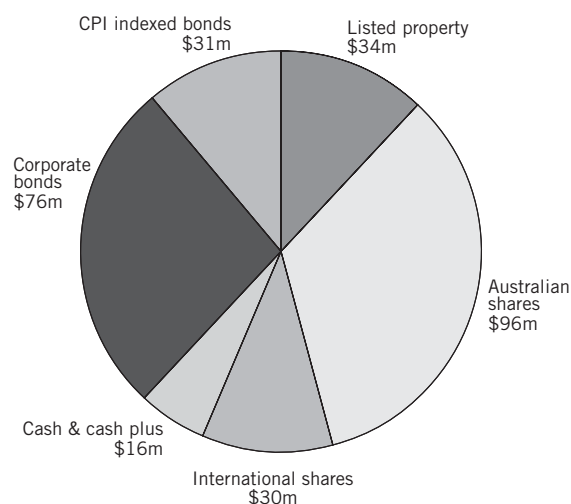
2004/05	Sept Qtr	Dec Qtr	Mar Qtr	Jun Qtr
	\$	\$	\$	\$
<b>CURRENT</b>	1,321,014	342,404	316,593	798,995
<30 days overdue	-7,324	10,066	-18	-2,102
>30 days and <60 days overdue	0	455	1,972	-40
>60 days and <90 days	0	0	0	44,478
90 days and over	38,204	-2,363	-5,342	-3,075
Total value of accounts paid on time	14,217,335	12,411,407	12,465,691	17,599,203
Percentage paid on time	94%	92%	92%	93%
<b>Total value of accounts paid</b>	<b>15,182,401</b>	<b>13,518,707</b>	<b>13,628,320</b>	<b>19,002,995</b>

During 2004/05, WorkCover paid \$61.3 million in accounts of which \$56.7 million or 93 per cent were paid on time. The performance target is a minimum of 90 per cent of accounts paid on time.

## APPENDIX 12

### ► INVESTMENT MANAGEMENT PERFORMANCE

Investments (including funds in money market facilities) of the WorkCover Authority as at 30 June 2005 totalled \$283.0 million (\$236.0 million in 2004). On 30 June 2005, funds were invested in the following investment categories:

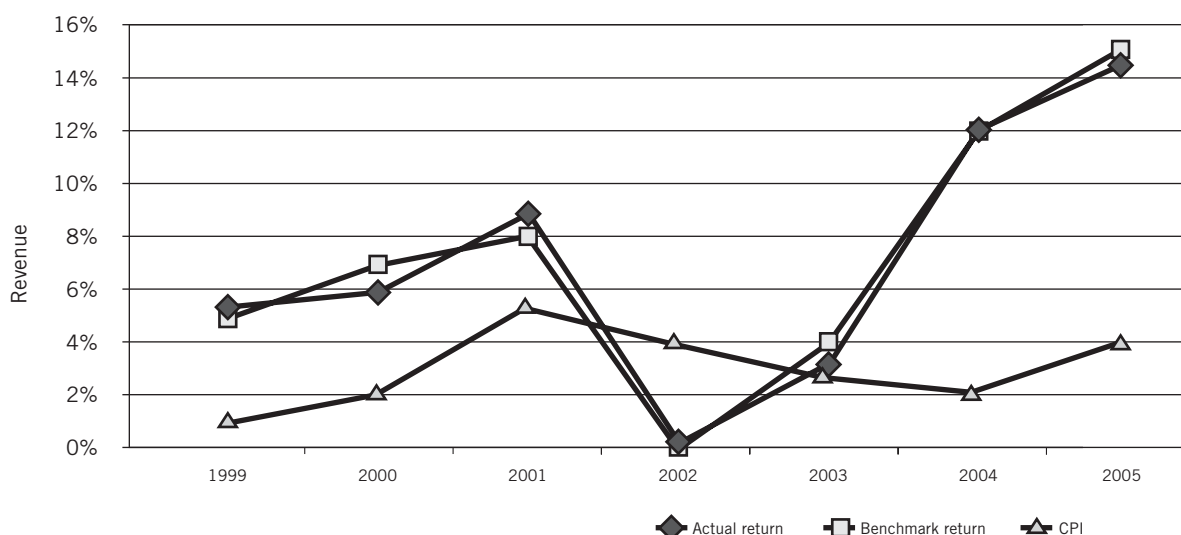


The total actual return of 14.5 per cent matched the benchmark return of 14.9 per cent and was well in excess of the CPI of 4.0 per cent.

Actual investment returns have matched the benchmark over the period and exceeded the CPI for the total period.

# Appendices 2004/05

## Comparison of investment returns



## APPENDIX 13

### LIABILITY MANAGEMENT PERFORMANCE

Reporting period	2004/05	2003/04	2002/03
<b>Workers Compensation</b>			
No. of employees	1,113	1,033	840
No. of claims	39	47	44
No. of claims per employee	0.035	0.045	0.052
Total cost of claims	\$482,421.00	\$439,919.00	\$133,221.00
Average claim cost	\$12,369.77	\$9,359.98	\$3,027.75
Average cost per employee	\$433.44	\$425.87	\$158.60
<b>Motor vehicles</b>			
Vehicles	311	324	331
Number of claims	115	110	82
No. of claims per vehicle	0.37	0.34	0.25
Total cost of claims	\$291,681.27	\$221,517.00	\$167,676.56
Average cost per claim	\$2,536.36	\$2,013.79	\$2,044.84
Average cost per vehicle	\$937.88	\$683.69	\$506.57

Reporting period	2004/05	2003/04	2002/03
<b>Property</b>			
Number of claims	6	7	20
No. of claims per employee	0.005	0.007	0.024
Total cost of claims	\$30,606.00	\$524,527.00	\$156,578.00
Average cost per claim	\$5,101.00	\$74,932.43	\$7,829.00
Average cost per employee	\$27.50	\$507.77	\$186.40
<b>Liability</b>			
Number of claims	Nil	Nil	Nil
Total cost of claims	Nil	Nil	Nil
Average claim	Nil	Nil	Nil
<b>Miscellaneous</b>			
Number of claims	Nil	Nil	Nil
Total cost of claims	Nil	Nil	Nil
Average claim	Nil	Nil	Nil

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
2002/03	119.8	106.3	11.1	13.3
2003/04	102.1	133.8	11.4	8.8
2004/05	104.4	13.1	8.9	134.3

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		2004/05 \$'000	2003/04 \$'000
LOCATION	ITEM		
	Nil	Nil	Nil
ACQUISITIONS		2004/05 \$'000	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	2004/05 \$'000	2003/04 \$'000	2002/03 Fair value \$'000
Buildings	3,688	4,815	6,252
Leasehold improvements	17,654	17,814	18,140
Office machines and equipment	306	975	2,651
Furniture and fittings	271	302	463
Computer hardware and software	13,404	15,267	30,912
Scientific, technical and mechanical equipment	2,061	1,662	6,311
Total	37,384	40,835	64,729

## APPENDIX 16

## ► WORKS IN PROGRESS

Major computer and hardware and software projects	Total cost 30/6/2005 \$m	Cost overrun \$m	Estimated date of completion	Reason for significant delay	Asset/ work in progress
Workplace services management system	4.0	0.2	Completed		Asset
Accessible information data warehouse	2.9	0.0	October 2005	Additional requirements resulting from Scheme Design Project	Work in progress
Scheme Design Project	7.3	0.2	October 2005		Work in progress
Total	14.2	0.4			

## APPENDIX 17

## ► PRICE DETERMINATION METHOD

WorkCover is primarily funded 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 of the amounts to be paid from the WorkCover Authority Fund as well as those amounts that are to be set aside as provisions to meet expenditure in later years.

# Appendices

2004/05

## APPENDIX 18

### ► CONSULTANTS

#### Consultants equal to or more than \$30,000

Consultant	Cost \$	Purpose
<b>Management</b>		
Frontier Economics Pty Ltd	749,598	Advise on remuneration arrangements for the new Scheme Design.
Watson Wyatt Australia Pty Ltd	232,945	Provide asset consultancy services.
The Cullen Group T/As Sara Cullen & Associates	182,360	Provide advice and assistance in the development of service level agreements.
Ernst & Young	134,700	Provide taxation advice for the WorkCover reform process.
GHD Pty Ltd T/As Gutteridge Haskins & Davey Flack & Kurtz Aust	93,103	Provide geotechnical consulting services for OHS investigation.
Chant West Financial Services Pty Ltd	81,000	Assist with the engagement of the asset consultant and advise on the tender and engagement.
Cristina Cifuentes	69,702	Provide funds management consultancy and advice to the Steering Committee for WorkCover Scheme Design.
William Dunn	62,325	Provide training/mentoring for less experienced engineers.
Birks Engineering Service	55,230	Assist with engineering documentation.
PricewaterhouseCoopers	51,898	Conduct review of and provide recommendations on Uninsured Liability Indemnity Scheme.
Deloitte Touche Tohmatsu	50,000	Review accounting manual pursuant to the Accounting Regulation under the <i>Workers Compensation Act 1987</i> . The consultancy is to develop a financial reporting and governance model for the new Workers' Compensation Insurance Fund.
Davidson Trahair Corppsych Pty Ltd	45,225	Provide advice and recommendations regarding the establishment of the counselling service. The counselling service is for families of workers who die as a result of injuries sustained in workplace accidents.
Independent Project Services Pty Ltd	44,388	Provide probity advice for the Scheme Design Project.
Recordkeeping Innovation Pty Ltd	41,273	Provide specialist advice on record retention of new agents.
Crosstech Pty Ltd	38,650	Consult on the Change Management Strategy.
Bateup Actuarial & Consulting Services Pty Ltd	32,651	Conduct independent review of Agent Remuneration Model.
PricewaterhouseCoopers	31,509	Conduct Finance Branch performance improvement review.
<b>Total</b>	<b>1,996,555</b>	

#### Consultants less than \$30,000

During 2004/05, other consultancies were engaged in the following areas:

Consultancy area	Cost \$
Finance and accounting/tax	37,375
Information technology	10,923
Management services	249,303
Organisational review	155,103
Training	27,010
<b>Total</b>	<b>479,713</b>

## APPENDIX 19

### ► OVERSEAS TRAVEL

Person travelling	Date	Purpose	Cost \$	Recovery \$	Net cost \$
Garry Jeffery	29 August - 30 August 2004	Carry out Factory Mutual audit in Christchurch New Zealand	997.69	3,150.00 <sup>1</sup>	-2,152.31
Dr Robert Kenyon <sup>2</sup>	30 August - 21 September 2004	To attend the Medichem XXXII (2004) International Congress in Paris, France and the 24th International Symposium on Halogenated Environmental Organic Pollutants and POPs in Berlin, Germany.	12,578.78	Nil	12,578.78
Greg O'Donnell	September 2004	To attend the 6th International Symposium on Biological Monitoring in Occupational and Environmental Health in Germany	4,154.42	Nil	4,154.42
Ajay Maira	26 September - 16 October 2004	To attend International Audit Committee meetings in Germany, USA & Canada. Costs reimbursed	8,284.64	22,362.76	-14,078.12
Garry Jeffery	17 October - 18 October 2004	Carry out Factory Mutual audit in Christchurch New Zealand	1,023.84	3,150.00 <sup>1</sup>	-2,126.16
Jon Blackwell	November - December 2004	To undertake study/research in workers compensation developments and workplace safety programs in the European Union, USA and Canada	11,665.27	Nil	11,665.27
Greg McCarthy	November - December 2004	To undertake study/research in workers compensation developments and workplace safety programs in the European Union, USA and Canada	11,911.52	Nil	11,911.52
Garry Jeffery	13 December - 14 December 2004	Carry out Factory Mutual audit in Christchurch New Zealand	995.38	3,150.00 <sup>1</sup>	-2,154.62
Gordana Manojlovic and James Bes	21 January - 31 January 2005	Assessment - WEG Industries	852.96	10,200.00 <sup>1</sup>	-9,347.04
Peter Harley	30 January - 16 February 2005	World Health Organisation Geneva. Australian representative on the International Working Party for the ILO. (Conference costs were fully recovered from the ILO with the exception of work expenses in London.)	3,994.31	3,773.88	220.43
Ajay Maira	31 January - 5 February 2005	Standard Development Meeting, Florida USA	4,660.25	5,942.99	-1,282.74
Garry Jeffery and Ajay Maira	9 March - 11 March 2005	Carry out audits in Auckland and Christchurch New Zealand	2,005.47	10,500.00 <sup>1</sup>	-8,494.53
Dr Robert Kenyon <sup>2</sup>	29 April - 14 May 2005	To attend the American College of Occupational & Environmental Medicine in the USA and The Royal Australasian College of Physicians Annual Scientific meeting in New Zealand.	14,022.32	Nil	14,022.32
<b>Total</b>			<b>83,913.19</b>	<b>62,229.63</b>	<b>21,683.56</b>

<sup>1</sup> Represents fee for service testing work undertaken by officers of TestSafe Australia.

<sup>2</sup> 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.

## APPENDIX 20

### ► CONTRACTING AND MARKET TESTING

WorkCover's contracting and market testing activities are carried out to conform with the NSW Procurement Guidelines and related legislation. Every effort is made to ensure that, when planning procurement activities, strategies being developed are compliant with appropriate delegations and adopt methodologies that provide maximum opportunity for open and effective competition in the market place.

Internal processes have been developed to enhance procurement activities and contribute to best value for money outcomes in support of WorkCover's service delivery.

# Appendices 2004/05

## 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.

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 affect 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 or liabilities

## APPENDIX 22

### ► PUBLICATIONS

The publications available in 2004-05 were as follows:

- Advanced return to work trainers kit
- Advice and assistance for small to medium businesses
- Application for WorkCover Construction Induction Certificate CI1
- April 2004 benefits guide
- Assessment of repetitive manual tasks of cleaners
- Assessors accreditation manual package 1
- Assessors accreditation manual package 2
- Assessors accreditation manual package 3
- Assessors accreditation manual package 4
- Bandsaws – guide and checklist
- Case management assessment
- Change of mailing address ACC20
- Change of mailing address ACC21
- Chiropractors guide to WorkCover NSW
- Choosing an asbestos consultant
- Client diversity profile
- Code of Conduct – Accredited Assessors
- Code of Practice – Chemicals
- Code of Practice – Design of bulk solids containers
- Code of Practice – Hazardous facilities
- Code of Practice – Hazardous substances
- Code of Practice – Safe work on roofs part 2 - residential
- Code of Practice – Safety aspects in the design of bulk solids containers including silos, field bins and chaser bins
- Code of Practice – Sawmilling
- Code of Practice – Storage and handling of dangerous goods
- Code of Practice – Use of bulk solids containers
- Construction Safety Information Session – flyer
- Course in OHS manual handling
- Crim Trac
- Dangerous goods general leaflet
- Due diligence
- Evaluation guidance paper
- Evidence-based guide
- Explosives Regulatory Impact Statement
- Fact sheet – Motor vehicle repair industry and asbestos
- Fact sheet – Motor vehicle repair industry and hazardous substances
- Fact sheet – Motor vehicle repair industry and manual handling
- Fact sheet – Motor vehicle repair industry and plant
- Fact sheet – Motor vehicle repair industry and slips, trips and falls
- Fact sheet 10 – Trusts guide
- Farm safety starter kit
- Fireworks display application form
- Guide to explosives regulation
- Guide to OHS amendment (dangerous goods) regulation
- Guidelines for employers return to work
- Hazpak
- Health and safety in the office
- Holiday at home brochure
- Housekeepers risk assessment tool
- Incentives to adopt risk management approach in small to medium businesses
- Injured workers – what you need to know
- Injury management kit
- IRG issues paper
- JobCover brochure
- JobCover placement program
- Long haul trucking consultation paper



- Manual handling for nurses
- Manual handling for nurses – training package
- Notification of training course ACC01
- OHS complaints and issues handling procedures
- OHS Taxi resolution protocols
- Plant design PD3
- Premium Discount Scheme sponsor guidelines
- Record of training ACC02
- Record of training ACC03
- Retraining of injured workers
- Safe hire self-assessment tool
- Self-erecting tower cranes – assessor manual
- Self-erecting tower cranes – learners guide
- Self-erecting tower cranes – trainer's edition
- Statistical bulletin 2001-02
- Statistical bulletin 2002-03
- Taxi protocol
- Variation of training course ACC16
- Variation of training course ACC17
- Workplace Injury Management and Workers Compensation Order 2005.

## APPENDIX 23

### ► GRANTS TO NON-GOVERNMENT ORGANISATIONS

The list below details the non-government organisations that received WorkCover grants in 2004/05.

Organisation	Type	\$ Grant
Building Trades Group of Unions Drug and Alcohol Committee	Non-government organisation	252,942
Council of Social Services of NSW	Non-government organisation	100,000
Fairfield Multicultural Health Services	Non-government organisation	79,860
Shearing Contractors Association of Australia	Employer association	31,350
<b>Total</b>		<b>464,152</b>

#### **Building Trades Group of Unions Drug and Alcohol Committee**

WorkCover is providing two years funding to support the Building Trades Group Drug and Alcohol Committee Apprentice Training Program (the Apprentice Training Program), providing young workers in the building and construction industry with drug and alcohol safety education via the provision of a two-hour training course.

#### **NSW Council of Social Services**

NSW Council of Social Service (NCOSS) was granted an assistance package from WorkCover NSW, to assist NGOs in New South Wales to better understand and meet their occupational health and safety, workers compensation and injury management responsibilities.

Funding was allocated to NCOSS primarily to resource a suitable project officer to develop the assistance NGOs required

#### **Fairfield Multicultural Health Service**

An educational program is being developed and will be delivered by Khmer and Vietnamese speaking educators to increase clothing outworkers' awareness of occupational health and safety issues and improve their capacity to participate in risk management at the workplace.

#### **Shearing Contractors Association of Australia**

WorkCover provided funding to the Shearing Contractors Association of Australia (SCAA) to develop and deliver a practical educational package to significantly reduce human injury and its associated costs to the employer and the broader community. This important initiative also aims to enlighten woolgrowers, who are generally the work place providers, of their obligation to provide a safe work place for workers.

## APPENDIX 24

### ► PRODUCTION NOTES

The WorkCover NSW Annual Report 2004/05 is a publicly available document and can be accessed on the WorkCover website [www.workcover.nsw.gov.au](http://www.workcover.nsw.gov.au) or obtained by phoning 13 10 50.

In accordance with statutory requirements, WorkCover notes that the estimated total external production cost for the 2004/05 Annual Report was \$60,000.

#### **Production Team**

**Project Management** by WorkCover NSW – Communications Group, Strategy and Policy Division

**Design and printing** by Leo Burnett Sydney

**Copywriting** by Julie Harders, Communication Solutions

**Cover photograph** by Andreas Smetana

# Appendices 2004/05

## APPENDIX 25

### ► LICENSED AND SELF-INSURERS

#### 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  
 Workers Compensation Nominal Insurer

#### 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 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  
 Rocla Pty Limited  
 Shoalhaven City Council  
 Star City Pty Limited  
 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  
 United Goninan Limited  
 University of New South Wales  
 University of Wollongong  
 Warringah Council  
 Westpac Banking Corporation  
 Wyong Shire Council

#### GROUP SELF-INSURERS

Australia and New Zealand Banking Group Limited  
 BHP Billiton Limited  
 Bluescope Steel Limited  
 Brambles Australasia 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  
 Rail Infrastructure Corporation  
 Rinker Group Limited  
 State Rail Authority of New South Wales  
 Sydney Water Corporation  
 Woolworths Limited

#### SPECIALISED INSURERS

Catholic Church Insurances Limited  
 Coal Mines Insurance Pty Ltd  
 Guild Insurance Limited  
 North Insurances Pty Ltd  
 Racing NSW  
 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

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