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To the Chair Lifetime Support Authority of South Australia

Opinion

I have audited the financial report of the Lifetime Support Authority of South Australia for the financial year ended 30 June 2023.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Lifetime Support Authority of South Australia as at 30 June 2023, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2023
- a Statement of Financial Position as at 30 June 2023
- a Statement of Changes in Equity for the year ended 30 June 2023
- a Statement of Cash Flows for the year ended 30 June 2023
- notes, comprising material accounting policy information and other explanatory information
- a Certificate from the Chair, the Chief Executive, and the Director Corporate.

Emphasis of matter

Without qualification to the opinion expressed above, attention is drawn to note 7.3 of the financial report. There is a significant uncertainty surrounding the estimate of the provision for participant treatment, care and support because of the long-term nature of the provision and limited participant experience to date.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Lifetime Support Authority of South Australia. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met.

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

Responsibilities of the Chief Executive and members of the Board for the financial report

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Chief Executive is responsible for assessing the entity's ability to continue as a going concern. The Chief Executive is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

The members of the Board are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 21(2) of the *Motor Vehicle Accident (Lifetime Support Scheme) Act 2013*, I have audited the financial report of the Lifetime Support Authority of South Australia for the financial year ended 30 June 2023.

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

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

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

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive and members of the Board about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson
Auditor-General

22 September 2023

**Lifetime Support Authority of South Australia
(LSA)**

**Financial Statements
For the year ended
30 June 2023**

Lifetime Support Authority of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2023

We certify that the:

- financial statements for the Lifetime Support Authority of South Australia (LSA):
 - are in accordance with the accounts and records of the LSA; and
 - comply with relevant Treasurer's Instructions; and
 - comply with relevant Australian Accounting Standards; and
 - present a true and fair view of the financial position of the LSA at the end of the financial year and the results of its operation and cash flows for the financial year.
- internal controls employed by the LSA for the financial year over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Rick Howe
Chief Executive
15 September 2023



Boris Petrovic
Director Corporate
15 September 2023



Melinda OLeary
Chair
15 September 2023

Lifetime Support Authority of South Australia
Statement of Comprehensive Income
For the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Income			
Revenues from LSS Fund levy	2.1	188 669	179 650
Investment revenues	2.2	104 145	-
Resources received free of charge	2.3	160	105
Other revenues		33	2
Total income		293 007	179 757
Expenses			
Duty on LSS Fund levy		18 697	17 814
Investment losses	2.2	-	17 724
Participant treatment, care and support expenses	4.1	381 268	187 657
Reinsurance		3 000	3 000
Employee benefits expenses	3.3	11 925	11 784
Service delivery and corporate expenses	4.2	3 639	3 515
Research Education Programs		1 847	876
Depreciation and amortisation	5.1, 5.3	1 022	1 079
Borrowing Costs	7.2	82	31
Other expenses		-	15
Total expenses		421 480	243 495
Net result		(128 473)	(63 738)
Total comprehensive result		(128 473)	(63 738)

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

Lifetime Support Authority of South Australia
Statement of Financial Position
as at 30 June 2023

	Note	2023 \$'000	2022 \$'000
Current assets			
Cash and cash equivalents	6.1	3 981	2 970
Receivables	6.2	1 848	1 931
Total current assets		5 829	4 901
Non-current assets			
Financial assets at fair value	6.3	1 478 290	1 268 226
Property, plant and equipment	5.1	3 870	2 108
Intangible assets	5.3	3 820	836
Total non-current assets		1 485 980	1 271 170
Total assets		1 491 809	1 276 071
Current liabilities			
Payables	7.1	7 751	6 511
Employee benefits	3.4	1 025	1 191
Financial liabilities	7.2	453	545
Provisions	7.3	58 456	44 376
Total current liabilities		67 685	52 623
Non-current liabilities			
Payables	7.1	137	128
Employee benefits	3.4	1 397	1 176
Financial liabilities	7.2	2 783	569
Provisions	7.3	1 633 965	1 307 260
Total non-current liabilities		1 638 282	1 309 133
Total liabilities		1 705 967	1 361 756
Net liabilities		(214 158)	(85 685)
Equity			
Retained earnings		(214 158)	(85 685)
Total equity		(214 158)	(85 685)

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

Lifetime Support Authority of South Australia
Statement of Changes in Equity
for the year ended 30 June 2023

	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2021	<u>(21 947)</u>	<u>(21 947)</u>
Net result for 2021-22	<u>(63 738)</u>	<u>(63 738)</u>
Total comprehensive result for 2021-22	<u>(63 738)</u>	<u>(63 738)</u>
Balance at 30 June 2022	<u>(85 685)</u>	<u>(85 685)</u>
Net result for 2022-23	<u>(128 473)</u>	<u>(128 473)</u>
Total comprehensive result for 2022-23	<u>(128 473)</u>	<u>(128 473)</u>
Balance at 30 June 2023	<u><u>(214 158)</u></u>	<u><u>(214 158)</u></u>

The accompanying notes form part of these financial statements. All changes in equity are attributable to the SA Government as owner.

Lifetime Support Authority of South Australia
Statement of Cash Flows
for the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Cash inflows			
LSS Fund levy		188 766	179 642
Interest received		81	-
GST recovered from the ATO		1 092	619
Other revenues		12	-
Cash generated from operating activities		189 951	180 261
Cash outflows			
Duty on LSS Fund levy		(18 697)	(17 718)
Participant treatment, care and support expenses		(41 453)	(32 458)
Reinsurance		(3 088)	(2 987)
Employee benefits expenses		(11 958)	(11 563)
Service delivery and corporate expenses		(2 325)	(3 560)
Research, education and programs		(1 847)	(1 091)
Interest paid		(82)	(31)
Other expenses		-	(18)
Cash used in operating activities		(79 450)	(69 426)
Net cash provided by operating activities	8.1	110 501	110 835
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(32)	(62)
Purchase of intangibles		(2 984)	(836)
Purchase of investments		(106 000)	(110 000)
Cash used in investing activities		(109 016)	(110 898)
Net cash used in investing activities		(109 016)	(110 898)
Cash flows from financing activities			
Cash outflows			
Repayment of leases		(474)	(515)
Cash used in financing activities		(474)	(515)
Net cash used in financing activities		(474)	(515)
Net increase / (decrease) in cash and cash equivalents		1 011	(578)
Cash and cash equivalents at the beginning of the period		2 970	3 548
Cash and cash equivalents at the end of the period	6.1	3 981	2 970

The accompanying notes form part of these financial statements.

Lifetime Support Authority of South Australia

Notes to and forming part of the financial statements

For the year ended 30 June 2023

1. About the Lifetime Support Authority of South Australia

The Lifetime Support Authority (the LSA) is a not-for-profit statutory authority of the State of South Australia. The LSA does not control any other entity and has no interest in unconsolidated structure entities.

The LSA was established on 1 July 2013 under section 7 of the *Motor Vehicle Accidents (Lifetime Support Scheme) Act 2013* (SA) (the Act).

The LSA is responsible for the administration of the Lifetime Support Scheme (LSS), which commenced on 1 July 2014.

1.1. Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards.

No Australian Accounting Standards have been early adopted other than AASB 2021-1 which was adopted from 1 July 2021.

The financial statements are prepared based on a 12-month reporting period and presented in Australian currency. All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000). Any transactions in foreign currency are translated into Australian dollars at the exchange rate at the date the transaction occurs. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

Assets and liabilities that are to be sold, consumed or realised as part of the normal 12-month operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Significant accounting policies are set out throughout the notes.

The LSA is liable for fringe benefits tax (FBT) and goods and services tax (GST).

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis, and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

No provision has been made in these accounts for Income Tax Equivalent payment as the LSA has not met the required conditions in this financial year.

Lifetime Support Authority of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2023

1.2. Objectives

The LSS provides necessary and reasonable treatment, care and support for people who suffer very serious injuries in motor vehicle accidents on South Australian roads, regardless of fault. People who sustain injuries including spinal cord injury, brain injury, amputations or equivalent, major burns or blindness, in accordance with the LSS Rules, qualify for support. The LSS is funded by the LSS Fund levy paid on motor vehicle registrations. The LSS is delivered in accordance with the LSS Rules, which are made by the Governor on the recommendation of the LSA.

The functions of the LSA under the Act are to:

- monitor the operation of the LSS.
- provide advice to the Minister about the administration, efficiency and effectiveness of the LSS.
- provide support and funding for programs that will provide high-quality services to participants in the LSS, and research and education in connection with services provided to participants in the LSS.
- disseminate information about the LSS.
- keep the LSS Rules under review.
- be responsible for the LSS Fund.

1.3. Significant transactions with government related entities

Significant transactions with the SA Government include:

- The LSA is funded by the LSS Fund levy, paid on motor vehicle registrations in South Australia. During 2023 \$188.7m (2022: \$179.7m) of LSS Fund levy was collected by the Department for Infrastructure and Transport (DIT) and remitted to the LSA (refer to Statement of Comprehensive Income).
- Duty on the LSS Fund levy of \$18.7m (2022: \$17.8m) was paid to Revenue SA (refer to Statement of Comprehensive Income).
- The LSA invests with Funds SA, the South Australian Government owned corporation, which invests and manages funds of approved authorities. As at 30 June 2023, the fair value of the investment was \$1 478.3m (2022: \$1 268.2m) as set out in note 6.3. The increase of \$210.1m (2022: \$92.3m) was comprised of funds invested of \$106m (2022: \$110.0m) and a return on investments of \$104.1m (2022: \$17.7m loss on investments).
- The LSA has a Memorandum of Administrative Agreement (MoAA) with the Department for Health and Wellbeing (DHW) in relation to the funding for Lifetime Support Scheme participants receiving acute and non-acute services in Public Hospitals. The cost incurred under this agreement in 2023 was \$7.3m (2022: \$4.5m).
- The LSA has a Memorandum of Administrative Agreement (MoAA) with the Department of Human Services (DHS) in relation to the provision of attendant care and supported accommodation for Lifetime Support Scheme participants. The cost incurred under this agreement in 2023 was \$3.1m (2022: \$0.8m).

Lifetime Support Authority of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2023

2. Income

2.1. Revenues from LSS Fund Levy

	2023	2022
	\$'000	\$'000
Revenues from LSS Fund levy	188 669	179 650
Total revenues from LSS fund levy	188 669	179 650

The LSS Fund levy is recognised as earned on the date of receipt in the Department for Infrastructure and Transport's (DIT) Transport Regulation User Management Processing System. The gross amount is inclusive of stamp duty payable to Revenue SA.

Cash waiting to be transferred from DIT to the LSA is recognised as a receivable.

2.2. Investment revenues/ (losses)

	2023	2022
	\$'000	\$'000
Interest income	81	-
Net gain/(loss) on financial assets designated at fair value through profit or loss	104 064	(17 724)
Total investment revenues/ (losses)	104 145	(17 724)

Refer to financial assets note 6.3 for further information.

2.3. Resources received free of charge

	2023	2022
	\$'000	\$'000
Services received free of charge - Shared Services SA	160	105
Total Resources received free of charge	160	105

Contribution of services are recognised only when a fair value can be determined reliably, and the services would be purchased if they had not been donated. The LSA receives Financial Accounting, Taxation, Payroll, Accounts Payable and Accounts Receivable services from Shared Services SA.

A corresponding expense is recognised in the financial statements refer note 4.2.

Lifetime Support Authority of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2023

3. Board, committees and employees

3.1. Key management personnel

Key management personnel of the LSA are the responsible Minister, the LSA Board, the Chief Executive and 3 members of the Executive Team who have responsibility for the strategic direction and management of the LSA.

The compensation disclosed in this note excludes salaries and other benefits received by the Treasurer as the responsible Minister. The responsible Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

	2023	2022
	\$'000	\$'000
Compensation		
Short term benefits	1 058	1 284
Post-employment benefits	342	207
Total compensation	1 400	1 491

Transactions with Key Management Personnel and other related parties

The LSA did not enter into any transactions with key management personnel or their close family during the reporting period.

3.2. Board and committee members

Members during the 2023 financial year were:

LSA Board

Melinda OLeary (Chair)
 Arabella Branson (term ended 7/10/2022)
 Kevin Cantley
 Linda Matthews
 George Potter
 David Russell
 Kenneth Williams
 Talia Begley (appointed 8/10/2022)

Rules and Organisational Performance Committee

Linda Matthews (Chair) (appointed Chair 8/10/2022)
 Arabella Branson (former Chair) (term ended 7/10/2022)
 Melinda OLeary
 George Potter
 Talia Begley (appointed 8/10/2022)

Audit Committee

Kevin Cantley (Chair)
 Melinda OLeary
 George Potter
 David Russell

Finance and Investment Committee

Kenneth Williams (Chair)
 Kevin Cantley
 Linda Matthews
 David Russell

Lifetime Support Authority of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2023

3.2 Board and committee members (continued)

Board and committee remuneration

The number of members whose remuneration received or receivable falls within the following bands:

	2023	2022
	No	No
\$0 - \$9 999	1	1
\$20 000 - \$39 999	1	3
\$40 000 - \$59 999	5	4
\$60 000 - \$79 999	-	1
\$80 000 - \$99 999	1	-
Total number of members	8	9

The total remuneration received or receivable by members was \$349 000 (2022: \$379 000). Remuneration of members reflects all costs of performing board/committee member duties includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax and any related fringe benefits tax paid.

Unless otherwise disclosed, transactions between members are on conditions no more favourable than those it is reasonable to expect the entity would have adopted if dealing with a related party at arm's length in the same circumstance.

3.3. Employee benefits expenses

	2023	2022
	\$'000	\$'000
Salaries and wages	8 172	7 885
Employment on-costs - superannuation	1 144	1 075
Annual leave	884	879
Employment on-costs - Payroll Tax	474	525
Board and committee fees	348	366
Long service leave	374	185
Targeted voluntary separation packages	165	195
Skills and experience retention leave	37	36
Other employee related expenses	327	638
Total employee benefits expenses	11 925	11 784

Employment on-costs – superannuation

The LSA employees are employed under either Part 7 of the *Public Sector Act 2009* or Section 18(1) of the *Motor Vehicle Accidents (Lifetime Support Scheme) Act 2013*.

The superannuation employment on-cost charge represents the LSA's contributions to superannuation plans in respect of current services of current employees. As the LSA is a controlled entity of the Crown, DTF centrally recognises the superannuation liability in the whole of government statements.

Lifetime Support Authority of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2023

3.3. Employee benefits expense (continued)

Employee remuneration

The number of employees whose remuneration received or receivable falls within the following bands:

	2023	2022
	No	No
\$160 001 - \$180 000	3	1
\$180 001 - \$200 000	-	3
\$200 001 - \$220 000	1	-
\$220 001 - \$240 000	1	-
\$280 001 - \$300 000	-	1
\$380 001 - \$400 000	1	1
Total number of employees	6	6

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflect all costs of employment including salaries and wages, payments in lieu of leave, termination payments, superannuation contributions, salary sacrifice benefits, fringe benefits and any related fringe benefits tax. The total remuneration received by those employees for the year was \$1.34m (2022: \$1.4m).

Targeted Voluntary Separation Packages (TVSPs)

The number of employees who accepted a TVSP during the reporting period was 2 (2022: 3).

	2023	2022
	\$'000	\$'000
Amounts paid during the reporting period to separated employees:		
TVSPs	165	195
Leave paid to those employees	95	55
Net cost to the LSA	260	250

3.4. Employee benefits liability

	2023	2022
	\$'000	\$'000
<u>Current</u>		
Accrued salaries and wages	12	121
Annual leave	847	822
Long service leave	133	220
Skills and experience retention leave	33	28
Total current employee benefits	1 025	1 191
<u>Non-current</u>		
Long service leave	1 397	1 176
Total non-current employee benefits	1 397	1 176
Total employee benefits	2 422	2 367

Employee benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Lifetime Support Authority of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2023

3.4 Employee benefits liability (continued)

Salaries and wages, annual leave, skills and experience retention leave (SERL) and sick leave

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date.

The annual leave liability and the SERL liability in full is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Long service leave liability – measurement

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability.

The actuarial assessment performed by the DTF has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has increased from 3.5 % (2022) to 4.0% (2023).

This increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability.

Following the actuarial assessment performed by DTF the salary inflation rate has increased from 2.5% (2022) to 3.5% (2023) for long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$52 700 and employee benefits expense of \$52 700. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

The current portion of long service leave taken reflects the LSA's past experience of long service leave which is expected to continue in future.

Lifetime Support Authority of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2023

4. Expenses

4.1. Participant treatment, care and support expenses

	2023	2022
	\$'000	\$'000
Attendant care	22 130	18 970
Hospital	8 201	4 683
Rehabilitation	6 027	5 705
Equipment	2 623	2 105
Medical treatment services	937	769
Home and vehicle modifications	286	458
Other	256	229
	40 460	32 919
Movement in the provision for participant treatment, care and support costs (refer note 7.3)	340 808	154 738
Total participant treatment care and support expenses	381 268	187 657

Participant treatment, care and support expenses

People very seriously injured in motor vehicle accidents from 1 July 2014 are accepted as participants of the LSS under the eligibility criteria provided in the LSS Rules. Participant treatment, care and support expenses relate to the necessary and reasonable benefits provided to participants, in connection with the motor vehicle injury and in line with criteria detailed in the LSS Rules, from date of acceptance into the LSS. The costs reported represent the treatment, care and support expenses paid during 2022-23, plus the movement in the provision consisting of the actuarially assessed liabilities associated with previously accepted participants as well as new participants entering into the scheme in 2022-23.

4.2. Service delivery and corporate expenses

	2023	2022
	\$'000	\$'000
Consultants	734	802
Information technology	1 114	1 001
Service level agreement fees	658	538
Accommodation and telecommunication	101	248
Contractors and other outsourced services	277	141
Training and development	224	214
Minor works maintenance and equipment	29	67
Professional fees	86	117
General administration and consumables	117	95
Other expenses*	299	292
Total service delivery and corporate expenses	3 639	3 515

*Includes audit fees paid/payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* of \$72 600 (2022: \$62 100). No other services were provided by the Auditor-General's Department.

Service delivery and corporate expenses generally represent day-to-day running costs incurred in the normal operations of the LSA. These items are recognised as an expense in the reporting period in which they are incurred.

Service level agreement fees includes \$160 000 (2022: \$105 000) resources received free of charge. Refer note 2.3.

Lifetime Support Authority of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2023

5. Non-financial assets

5.1. Property, plant and equipment owned and leased by the LSA

Reconciliation 2022-23

	Leasehold improvements \$'000	Plant and equipment \$'000	Work in Progress \$'000	Right-of-use buildings \$'000	Total \$'000
Carrying amount at 1 July 2022	1 111	73	-	924	2 108
Acquisitions	-	-	32	-	32
Capital transfers from work in progress	32	-	(32)	-	-
Depreciation and amortisation	(488)	(33)	-	(501)	(1 022)
Lease liability remeasurement	-	-	-	2 752	2 752
Carrying amount at 30 June 2023	655	40	-	3 175	3 870

Gross carrying amount					
Gross carrying amount	1 925	156	-	3 483	5 564
Accumulated depreciation	(1 270)	(116)	-	(308)	(1 694)
Carrying amount at 30 June 2023	655	40	-	3 175	3 870

Reconciliation 2021-22

	Leasehold improvements \$'000	Plant and equipment \$'000	Work in Progress \$'000	Right-of-use buildings \$'000	Total \$'000
Carrying amount at 1 July 2021	1 182	106	353	1 241	2 882
Acquisitions	-	-	62	-	62
Capital transfers from work in progress	415	-	(415)	-	-
Depreciation and amortisation	(486)	(33)	-	(538)	(1 057)
Transfers in/(out)	-	-	-	221	221
Carrying amount at 30 June 2022	1 111	73	-	924	2 108

Gross carrying amount					
Gross carrying amount	1 893	156	-	2 124	4 173
Accumulated depreciation	(782)	(83)	-	(1 200)	(2 065)
Carrying amount at 30 June 2022	1 111	73	-	924	2 108

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5.1 Property, plant and equipment owned and leased by the LSA (continued)

Acquisition and recognition

Property, plant and equipment owned by the LSA with a value equal to or in excess of \$10 000 is capitalised, otherwise it is expensed. Items of equipment purchased for participant treatment, care and support are expensed as incurred.

Property, plant and equipment is recorded at fair value. Detail about the LSA's approach to fair value is set out in note 10.1.

There were no indications of impairment for property, plant and equipment as at 30 June 2023.

For right-of-use assets leased by the LSA, refer to note 5.2.

Review of accounting estimates

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, on an annual basis. Changes in the expected life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

Depreciation

Depreciation/amortisation is calculated on a straight-line basis over the estimated useful life of the following class of assets:

Class of asset	Useful life (years)
Leasehold Improvements	Life of lease
Right-of-use buildings	Life of lease
Internally developed computer software	10 Years
Plant and equipment	3 - 5 Years

The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

5.2. Leased Property

Right-of-use assets leased by the LSA as lessee are measured at cost and there were no indications of impairment.

The LSA leases three floors for staff office accommodation in Wakefield House at 30 Wakefield Street Adelaide (part of level 1, all of level 5 and level 6) from its landlord the Department for Infrastructure and Transport. The initial lease terms commenced 1 July 2019 for part of level 1 for 5 years, 1 January 2020 for level 5 for 4.5 years and 1 July 2020 for level 6 for 4 years. The LSA in December 2022 opted to exercise all 5-year right of renewal extension options.

The resulting right-of-use assets have been reflected in these financial statements.

Short-term leases of 12 months or less and low value leases where the underlying asset value is less than \$15 000 are not recognised as right-of-use assets. The associated lease payments are recognised as an expense and are disclosed in note 4.2 under other expenses.

The lease liabilities and interest expenses related to the right-of-use assets are disclosed in note 7.2. The LSA's maturity analysis of the lease liabilities is disclosed in note 7.2. Depreciation is disclosed at note 5.1. Cash outflows related to leases are disclosed in note 8.1.

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5.3. Intangible assets

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to \$10 000. Capitalised software is amortised over 10 years.

There were no indications of impairment for intangible assets as at 30 June 2023.

Software relates to the customer management system database and consolidated reporting.

Reconciliation 2022-23

	Internally developed software \$'000	Work in progress \$'000	Total \$'000
Carrying amount at 1 July 2022	-	836	836
Acquisitions	-	2 984	2 984
Total as at 30 June 2023	-	3 820	3 820
Gross carrying amount			
Gross carrying amount	412	3 820	4 232
Accumulated amortisation	(412)	-	(412)
Carrying amount at 30 June 2023	-	3 820	3 820

Reconciliation 2021-22

	Internally developed software \$'000	Work in progress \$'000	Total \$'000
Carrying amount at 1 July 2021	37	10	47
Acquisitions	-	836	836
Amortisation	(22)	-	(22)
Disposals	(15)	(10)	(25)
Total as at 30 June 2022	-	836	836
Gross carrying amount			
Gross carrying amount	413	836	1 249
Accumulated amortisation	(413)	-	(413)
Carrying amount at 30 June 2022	-	836	836

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6. Financial assets

6.1. Cash and cash equivalents

	2023	2022
	\$'000	\$'000
Special deposit account		
Lifetime Support Authority Operating Account	3 981	2 970
Total cash and cash equivalents	3 981	2 970

Cash is measured at nominal amounts.

Special deposit accounts are established under section 8 of the *Public Finance and Audit Act 1987*. Special deposit accounts must be used in accordance with their approved purpose.

Special deposit accounts are interest bearing and earn a variable interest rate. The carrying amount of cash and cash equivalents represents fair value.

6.2. Receivables

	2023	2022
	\$'000	\$'000
Current		
Accrued revenues	1 288	1 383
Receivables	93	105
GST input tax recoverable	59	81
Prepayments	408	362
Total current receivables	1 848	1 931
Total receivables	1 848	1 931

Accrued revenue reflects the LSS Fund levy which is received by the LSA in arrears of collection by the Registrar of Motor Vehicles. The receivable represents the amount collected by the Registrar to 30 June 2023, but not yet received by the LSA.

It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

Lifetime Support Authority of South Australia
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6.3. Financial assets at fair value

	2023	2022
	\$'000	\$'000
Funds SA LSA Strategy	1 478 290	1 268 226
Total financial assets at fair value	1 478 290	1 268 226

Categorisation of financial instruments and risk exposure information – refer to note 10.2

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with net changes in fair value presented as investment revenue in the Statement of Comprehensive Income.

The LSA's financial assets consist of investments managed by Funds SA, the South Australian Government owned corporation which invests and manages funds of approved authorities. The LSA invests in Funds SA's untaxed funds.

7. Liabilities

7.1. Payables

	2023	2022
	\$'000	\$'000
Current		
Accrued expenses	7 398	6 166
Contractual payables	118	25
Employment on-costs	235	320
Total current payables	7 751	6 511
Non-current		
Employment on-costs	137	128
Total non-current payables	137	128
Total payables	7 888	6 639

Payables and accruals are recognised for all amounts owing but unpaid. Contractual payables are normally settled within 30 days from the date the invoice is received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

Employment on-costs

Employment on-costs include payroll tax and superannuation contributions and are settled when the respective employee benefits that they relate to are discharged. These on-cost primarily relate to the balance of leave owing to employees. Estimates as to the proportion of long service leave estimated to be taken as leave, rather than paid on termination, affects whether certain on-costs are recognised as consequence of long service leave liabilities.

As a result of an actuarial assessment performed by DTF, the portion of long service leave estimated to be taken as leave has increased from 42% (2022) to 43% (2023). The average factor for the calculation of employer superannuation on-costs has increased from 10.6% (2022) to 11.1% (2023) These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is immaterial.

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7.2. Financial liabilities

	2023	2022
	\$'000	\$'000
Current		
Lease liabilities	453	545
Total current financial liabilities	453	545
Non-current		
Lease liabilities	2 783	569
Total non-current financial liabilities	2 783	569
Total financial liabilities	3 236	1 114

A maturity analysis of financial liabilities based on undiscounted gross cash flow is reported in the table below:

	2023	2022
	\$'000	\$'000
Financial Liabilities		
1 to 3 years	1 748	1 133
3 to 5 years	1 239	-
5 to 10 years	643	-
Total financial liabilities (undiscounted)	3 630	1 133

Lease liabilities have been measured via discounting lease payments using either the interest rate implicit in the lease (where it is readily determined) or DTF's incremental borrowing rate. There were no defaults or breaches on any of the financial liabilities throughout the year. Borrowing costs associated with lease liability payments was \$82 000 (2022: \$31 000).

In December 2022, the LSA exercised its option to extend all its leases at 30 Wakefield Street. The resulting lease liabilities have been reflected in these financial statements.

7.3. Provisions

	2023	2022
	\$'000	\$'000
Current		
Provision for participant treatment, care and support	58 343	44 147
Provision for non-resident insurers tax withheld	34	47
Provision for workers' compensation	79	182
Total current provisions	58 456	44 376
Non-current		
Provision for participant treatment, care and support	1 633 708	1 307 096
Provision for workers' compensation	257	164
Total non-current provisions	1 633 965	1 307 260
Total provisions	1 692 421	1 351 636

Lifetime Support Authority of South Australia
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7.3. Provisions (continued)

Employee workers compensation

The LSA is an exempt employer under the *Return to Work Act 2014*. Under a scheme arrangement, the LSA is responsible for the management of workers rehabilitation and compensation and is directly responsible for meeting the cost of workers' compensation claims and the implementation and funding of preventative programs.

Accordingly, a liability has been reported to reflect unsettled workers compensation claims (statutory and additional compensation schemes). The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2023 provided by a consulting actuary engaged through the Office of the Commissioner of Public Sector Employment.

The LSA is responsible for the payment of workers compensation claims.

There is a significant degree of uncertainty associated with estimating future claim and expense payments and around the timing of future payments due to the variety of factors involved. The liability is impacted by agency claim experience relative to other agencies, average claim sizes and other economic and actuarial assumptions.

Provision for participant treatment, care and support	2023	2022
	\$'000	\$'000
Current		
Provision for participant treatment, care and support	58 343	44 147
Total current provisions	58 343	44 147
Non-current		
Provision for participant treatment, care and support	1 633 708	1 307 096
Total non-current provisions	1 633 708	1 307 096
Total provisions	1 692 051	1 351 243

A maturity analysis of the provision for participant treatment, care and support is reported in the table below:

	2023	2022
	\$'000	\$'000
Not later than one year	58 343	44 147
Later than one year but not later than five years	228 708	177 430
Later than five years but not later than ten years	266 179	199 248
Later than ten years	1 138 821	930 418
Total provisions	1 692 051	1 351 243

The LSA's provisions consist of liabilities for participant treatment, care and support expenses, valued by the LSS Actuary, Finity Consulting Pty Ltd, as at the end of the financial year.

The LSA's provisions are measured as the Net Central Estimate of the present value of the expected future payments for claims of the LSS incurred as at the date of valuation, including claims incurred but not yet reported, discounted for the time value of money, and takes into account the risks specific to the liability.

The LSA provides necessary and reasonable treatment, care and support for people who are seriously injured in motor vehicle accidents in South Australia. The provision for treatment, care and support is for all attendant care, supported accommodation, rehabilitation, hospital, specialised equipment and participant support costs for each participant whilst they remain in the LSS.

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7.3. Provisions (continued)

Movement in provision for participant treatment, care and support

Movements in the provision for participant treatment, care and support during the financial year are set out below.

	2023	2022
	\$'000	\$'000
Carrying amount at the beginning of the period	1 351 243	1 196 505
Less expected payments	(44 812)	(38 553)
Discount unwind	31 272	(150)
Provision for new participants	220 567	250 533
Impact of Scheme Experience	58 448	(28 445)
Changes in actuarial assumptions due to scheme experience	135 484	56 863
Changes in other actuarial assumptions	(3 056)	239 636
Impact of Actual v Expected Inflation	(2 219)	18 028
Changes in Economic Assumptions	(54 876)	(343 174)
Carrying amount at the end of the period	1 692 051	1 351 243

The following is a summary of the key reasons for movement in the provision for participant treatment, care and support during 2023:

- The reduction in provision for expected payments during 2023 was \$44.8 million (2022: \$38.6 million).
- Short term discount rates in 2023 were significantly higher than those in 2022, resulting in a materially higher discount unwind.
- New participants that became eligible for the Scheme during 2023, including Incurred but Not Reported (IBNR) claims has resulted in an increase in the provision of \$220.6 million (2022: 250.5 million).
- The actual scheme experience in 2023, which includes IBNR development, the severity of injuries and age distribution of new participants, varied to actuarial modelling resulting in an increase in provision of \$58.4 million (2022: \$28.4 million reduction).
- Expected increases in attendant care and carer wages were the primary driver of the \$135.5 million provision increase during 2023 (2022: \$56.9 million).
- A review of actuarial assumptions for 2023 has resulted in a reduction in provision of \$3.1 million (2022: \$239.6 million increase).
- A review of actual inflation against expected inflation has decreased the provision during 2023 by \$2.2 million (2022: increase of \$18.0 million).
- Changes to the assumed risk-free discount rates and inflation assumptions in 2023 have resulted in a decrease of \$54.9 million (2022: \$343.2 million increase) in the total provision for participant treatment, care and support.

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7.3 Provisions (continued)

Actuarial assumptions and methods

In determining the liability for participant treatment, care and support, each participant is valued on an individual level based on their injury, age and expected future care needs. The following assumptions were used in determining the liability:

	<u>2023</u>	<u>2022</u>
Weighted mean term	Years	Years
Uninflated, undiscounted	21.6	21.8
Inflated, discounted	19.7	21.0
	<u>2023</u>	<u>2022</u>
Equivalent single rate (all future years)	%	%
Inflation rate	3.87	3.78
Discount rate	4.42	3.92

Inflated mean term

The inflated mean term represents the dollar weighted average period to payment of claims and is unaffected by discounting. It provides an indication of the timeframe over which the LSA must manage and control the cost of these claims.

Discounted mean term

The discounted mean term is based on the inflated and discounted cash flows weighted by the period to payment.

Inflation

Wage inflation is adopted as the base for the inflation of projected future payments and is set by reference to long term economic indicators. In 2022-23, a single equivalent wages growth rate of 3.24% p.a. (2022: 3.03%) has been adopted.

Inflation also includes an allowance for superimposed inflation (that is, the growth in claims cost not explained by underlying inflation or other factors). This includes an allowance for:

- medical inflation costs to grow faster than underlying inflation of 0.75% per annum (2022: 0.75%) for all services plus an additional 0.5% per annum (2022: 0.5%) for medical services for participants with a brain injury;
- attendant care costs to grow faster than underlying inflation by 0.25% per annum to allow for increased utilisation with an additional allowance of 1.20% per annum through to 2028 due to market supply and demand for services (2022: 0.75%).

Discount rates

The discount rate reflects the risk-free rate, which is based on the expected yield on Commonwealth Government bonds over the duration of the liabilities.

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7.3. Provisions (continued)

Sensitivity analysis for the valuation as at 30 June 2023

The liability for participant treatment, care and support represents the Net Central Estimate and is based on an actuarial assessment in accordance with Actuarial Professional Standards PS 302. The table below shows sensitivities to some of the key actuarial assumptions used in the valuation. Significant uncertainty exists in the estimate due to the long-term nature of the liability, and the ultimate liability is subject to the outcomes of events yet to occur.

These include, but are not limited to, factors such as the improvement in the injury severity of participants, mortality assumptions, levels of future treatment, care and support provided to participants and uncertainty in discount rate assumptions.

	30 June 2023 Liability \$m	Effect on Liability \$m	Percentage Effect %
Central estimate of provisions	1 692.1		
Different long term economic gap assumptions:			
a. One per cent per annum lower for all future years	2 067.2	375.1	22.2
b. One per cent per annum higher for all future years	1 416.8	(275.3)	(16.3)
Attendant Care Assumptions:			
a. Increase in Attendant Care Hourly Rates to match NDIS	1 778.8	86.7	5.1
b. Supported accommodation (SA) for life	1 720.6	28.5	1.7
Other Assumptions:			
a. Long term economic assumptions adopted	1 276.2	(415.9)	(24.6)

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8. Other disclosures

8.1. Cash flow

	2023	2022
	\$'000	\$'000
<u>Reconciliation of cash and cash equivalents at the end of the reporting period</u>		
Cash and cash equivalents disclosed in the Statement of Financial Position	3 981	2 970
Balance as per the Statement of Cash Flows	3 981	2 970
<u>Reconciliation of net cash provided by operating activities to net result</u>		
Net cash provided by operating activities	110 501	110 835
<u>Add / (less) non-cash items</u>		
Depreciation and amortisation expense of non-current assets	(1 022)	(1 079)
Other expenses - write off	-	(24)
Gain/(losses) on financial assets designated at fair value through profit or loss	104 064	(17 724)
<u>Movement in assets and liabilities</u>		
(Decrease) / increase in receivables	(83)	41
Increase in payables	(1 093)	(920)
(Increase) / decrease in employee benefits	(55)	176
Increase in provisions	(340 785)	(155 043)
Net result	(128 473)	(63 738)

Total cash outflows for leases were \$556 000 (2022: \$546 000)

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9. Outlook

9.1. Unrecognised contractual commitments

Commitments including operating, capital and outsourcing arrangements arising from contractual or statutory sources are disclosed at their nominal value.

Other contractual commitments

	2023	2022
	\$'000	\$'000
Within one year	4 034	3 063
Later than one year but no longer than five years	3 501	605
Total expenditure commitments	7 535	3 668

9.2. Contingent assets and liabilities

Contingent liabilities

The LSA is not aware of any contingent liabilities as at 30 June 2023.

Contingent assets

A legal case has been held between a participant and a prescribed authority (as defined by the LSS Rules). If the decision made by the court is upheld the participant will be ineligible to remain in the Lifetime Support Scheme. The LSA may seek recovery of treatment, care and support costs spent to date on the participant from the prescribed authority. At the reporting date, this was estimated at approximately \$1 million.

9.3. Impact of standards and statements not yet effective

The LSA continues to assess the impact of the new and amended Australian Accounting Standards and Interpretations not yet implemented and changes to the Accounting Policy Statements issued by the Treasurer.

AASB 17 Insurance Contracts

The Australian Accounting Standards Board has expanded the scope of AASB 17 to include Government injury insurance schemes like the LSS. The LSA expects that it will have to comply with AASB 17 for the reporting period beginning 1 July 2026.

Assuming AASB 17 is implemented in its current form, the LSA would likely be required to:

- hold a liability for participants arising from future accidents that occur in the time period remaining on levies already collected.
- apply risk free economics to projected cash flows.
- consider adopting a risk margin above the central estimate of liabilities.

Under AASB 17, the LSA's liability for participant treatment care and support (including participant management expenses) as at 30 June 2023 could increase to \$2 038.1 million. This is made up of \$1 951.5 million for participant treatment, care and support (including participant management expenses) which includes a 15% risk adjustment, as well as \$86.6 million for unexpired levy liability which includes a 20% risk adjustment. Should the LSA adopt a 1% illiquidity premium, the provision required would reduce from \$2 038.1 million to \$1 705.8 million.

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9.4. Events after the reporting period

The LSA is not aware of any after balance date events.

10. Measurement and risk

10.1. Fair value

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Initial recognition

Non-current tangible assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

Revaluation

Revaluation of non-current assets other than right-of-use assets or a group of assets is only performed when the fair value at the time of acquisition is greater than \$1.5 million and estimated useful life exceeds three years.

Revaluation is undertaken on a regular cycle. If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Fair value hierarchy

The LSA classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurement, based on the data and assumptions used in the most recent revaluation:

Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.

Level 3: not traded in an active market and are derived from unobservable inputs.

The LSA's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

All non-financial assets are classified as Level 3 for fair value measurement, using significant unobservable inputs.

Plant and equipment

All items of plant and equipment owned by the LSA had a fair value at the time of acquisition less than \$1.5 million or had an estimated useful life less than three years. Plant and equipment has not been revalued in accordance with APS 116.D. The carrying value of these items are deemed to approximate fair value.

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10.2. Financial instruments

The LSA's financial instruments arise directly from the LSA's operations or are required to finance the LSA's operations. The LSA does not enter into or trade financial instruments, including derivative instruments, for speculative purposes.

The LSA's main risks arising from financial instruments are outlined below, together with its objectives, policies and processes for measuring and managing risk.

The Board has overall responsibility for the establishment and oversight of risk management and reviews and has approved policies for managing each of these risks. The LSA's *Investment Management Framework* describes the governance framework within which the LSA's investments are managed and monitored.

Fair value measurement

AASB 7 *Financial Instrument: Disclosures* requires disclosure of fair value measurement by level of the following fair value measurement hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset either directly (as prices) or indirectly (derived from prices)

Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

The LSA measures all financial instruments, other than the financial assets measured at fair value in note 6.3, at amortised cost.

All of the LSA's financial assets as at 30 June 2023 were categorised as level 2 using the above fair value measurement hierarchy, which is unchanged from the 2021-22 financial year.

Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in the respective financial asset / financial liability note.

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10.2. Financial instruments (continued)

Liquidity risk

Liquidity risk arises where the LSA is unable to meet its financial obligations as they fall due. The continued existence of the LSA is dependent on State Government policy for the LSA's administration and programs. The LSA settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The LSA's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Market risk

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The LSA's exposures to market risk are primarily associated with movement in the unit price of the investments with Funds SA. The LSA does not have direct exposure to foreign currency risk and its direct exposure to interest rate risk is insignificant based on a current assessment of risk.

Sensitivity disclosure analysis

A sensitivity analysis for a movement in the unit price of the investments with Funds SA is provided in the table below. The sensitivity analysis uses historically based volatility information collected over a 10-year period, quoted at two standard deviations (that is, 95% probability). The 95% confidence interval for one year represents the expected range of return outcomes from 27.8% (2022: 25.9%) to -11.8% (2022: -11.7%) for the LSA strategy over a one year period. The impact of these expected range of returns on profit and loss and equity is demonstrated in the table below.

Change in unit price		Impact on profit and loss		Impact on equity	
2023	2022	2023	2022	2023	2022
%	%	\$'000	\$'000	\$'000	\$'000
27.80	25.90	410 965	328 471	410 965	328 471
(11.80)	(11.70)	(174 438)	(148 382)	(174 438)	(148 382)

Capital management

To provide for a financially responsible and sustainable LSS over the long term, the LSA aims to maintain an appropriate capital balance to act as a buffer against uncertainties in the value of outstanding claims liabilities and investment returns. Detailed financial modelling suggests that the LSS's funding position will be at its most vulnerable to these uncertainties in the earlier years of the LSS.

The LSA has adopted for the LSS a target solvency ratio range of between 80-120%. As at 30 June 2023, the reported solvency ratio for the LSS is 87% (2022: 93%) and is within the Board's target range.