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To the Chair Lifetime Support Authority of South Australia

Qualified Opinion

I have audited the financial report of the Lifetime Support Authority of South Australia for the financial year ended 30 June 2024.

In my opinion, except for the effects of the matter described in the 'Basis for qualified opinion' section of my report, 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 2024, 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 2024
- a Statement of Financial Position as at 30 June 2024
- a Statement of Changes in Equity for the year ended 30 June 2024
- a Statement of Cash Flows for the year ended 30 June 2024
- 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 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 qualified opinion

The Lifetime Support Authority of South Australia was required by the Treasurer's Instructions (Accounting Policy Statements) to include disclosure reporting the value of procurement with South Australian and non-South Australian businesses for 2023-24.

This requirement uses a framework established by the Treasurer's Instructions (Accounting Policy Statements) and definitions in Treasurer's Instruction 18 *Procurement*.

The Lifetime Support Authority of South Australia included that disclosure in note 4.3 to the financial report.

My review of the processes used by the Lifetime Support Authority of South Australia found that it had not established an effective process to meet the requirements of the framework established for the procurement reporting under the Treasurer's Instructions.

As such I am not able to obtain sufficient appropriate audit evidence for the amounts disclosed in note 4.3.

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 qualified 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 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 that 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 2024.

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.

A handwritten signature in blue ink, appearing to read 'Andrew Blaskett', with a stylized flourish at the end.

Andrew Blaskett
Auditor-General

23 September 2024

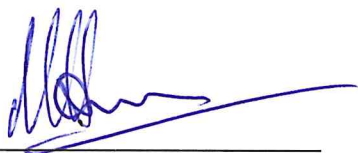
**Lifetime Support Authority of South Australia
(LSA)**

**Financial Statements
For the year ended
30 June 2024**

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
17 September 2024



Boris Petrovic
Director Corporate
17 September 2024



Andrew Culley
Chair
17 September 2024

Lifetime Support Authority of South Australia
Statement of Comprehensive Income
For the year ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
Income			
Revenues from LSS Fund levy	2.1	209 279	188 669
Investment revenues	2.2	105 526	104 145
Resources received free of charge	2.3	174	160
Other revenues		1 089	33
Total income		316 068	293 007
Expenses			
Duty on LSS Fund levy		20 739	18 697
Participant treatment, care and support expenses	4.1	176 164	381 268
Reinsurance		3 052	3 000
Employee related expenses	3.3	13 980	11 925
Service delivery and corporate expenses	4.2	4 846	3 639
Research Education Programs		2 169	1 847
Depreciation and amortisation	5.1, 5.3	1 078	1 022
Borrowing Costs	7.2	115	82
Other expenses	4.4	3 820	-
Total expenses		225 963	421 480
Net result		90 105	(128 473)
Total comprehensive result		90 105	(128 473)

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 2024

	Note	2024 \$'000	2023 \$'000
Current assets			
Cash and cash equivalents	6.1	5 121	3 981
Receivables	6.2	3 346	1 848
Total current assets		8 467	5 829
Non-current assets			
Financial assets at fair value	6.3	1 698 608	1 478 290
Property, plant and equipment	5.1	2 792	3 870
Intangible assets	5.3	-	3 820
Total non-current assets		1 701 400	1 485 980
Total assets		1 709 867	1 491 809
Current liabilities			
Payables	7.1	8 779	7 452
Employee related liabilities	3.4	1 300	1 324
Financial liabilities	7.2	485	453
Provisions	7.3	63 057	58 456
Total current liabilities		73 621	67 685
Non-current liabilities			
Employee related liabilities	3.4	1 657	1 534
Financial liabilities	7.2	2 298	2 783
Provisions	7.3	1 756 344	1 633 965
Total non-current liabilities		1 760 299	1 638 282
Total liabilities		1 833 920	1 705 967
Net liabilities		(124 053)	(214 158)
Equity			
Retained earnings		(124 053)	(214 158)
Total equity		(124 053)	(214 158)

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 2024

	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 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>(214 158)</u>	<u>(214 158)</u>
Net result for 2023-24	<u>90 105</u>	<u>90 105</u>
Total comprehensive result for 2023-24	<u>90 105</u>	<u>90 105</u>
Balance at 30 June 2024	<u><u>(124 053)</u></u>	<u><u>(124 053)</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 2024

	Note	2024 \$'000	2023 \$'000
Cash flows from operating activities			
Cash inflows			
LSS Fund levy		207 892	188 766
Interest received		192	81
GST recovered from the ATO		1 021	1 092
Other revenues		1 116	12
Cash generated from operating activities		210 221	189 951
Cash outflows			
Duty on LSS Fund levy		(20 739)	(18 697)
Participant treatment, care and support expenses		(50 531)	(41 453)
Reinsurance		(3 112)	(3 088)
Employee related expenses		(13 717)	(11 958)
Service delivery and corporate expenses		(3 245)	(2 325)
Research, education and programs		(2 169)	(1 847)
Interest paid		(115)	(82)
Cash used in operating activities		(93 628)	(79 450)
Net cash provided by operating activities	8.1	116 593	110 501
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		-	(32)
Purchase of intangibles		-	(2 984)
Purchase of investments		(115 000)	(106 000)
Cash used in investing activities		(115 000)	(109 016)
Net cash used in investing activities		(115 000)	(109 016)
Cash flows from financing activities			
Cash outflows			
Repayment of leases		(453)	(474)
Cash used in financing activities		(453)	(474)
Net cash used in financing activities		(453)	(474)
Net increase in cash and cash equivalents		1 140	1 011
Cash and cash equivalents at the beginning of the period		3 981	2 970
Cash and cash equivalents at the end of the period	6.1	5 121	3 981

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 2024

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 structured 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.

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 (ATO), the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- when receivables and payables 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 calculated in these accounts for the Income Tax Equivalent payment because 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 2024

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 2024, \$209.3m (2023: \$188.7m) 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 \$20.7m (2023: \$18.7m) 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 2024, the fair value of the investment was \$1 698.6m (2023: \$1 478.3m) as set out in note 6.3. The increase of \$220.3m (2023: \$210.1m) was comprised of funds invested of \$115.0m (2023: \$106.0m) and a return on investments of \$105.3m (2023: \$104.1m return on investments).
- Funding of \$6.8m (2023: \$7.3m) was provided to the Department for Health and Wellbeing to fund the costs of Lifetime Support Scheme participants receiving acute and non-acute services in Public Hospitals.
- 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 2024 was \$5.6m (2023: \$3.1m).

Lifetime Support Authority of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2024

2. Income

2.1. Revenues from LSS Fund Levy

	2024	2023
	\$'000	\$'000
Revenues from LSS Fund levy	209 279	188 669
Total revenues from LSS fund levy	209 279	188 669

The LSS Fund levy is recognised as earned on the date of receipt in the 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

	2024	2023
	\$'000	\$'000
Interest income	208	81
Net gain on financial assets designated at fair value through profit or loss	105 318	104 064
Total investment revenues/ (losses)	105 526	104 145

Refer to financial assets note 6.3 for further information.

2.3. Resources received free of charge

	2024	2023
	\$'000	\$'000
Services received free of charge - Shared Services SA	174	160
Total Resources received free of charge	174	160

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 to note 4.2.

Lifetime Support Authority of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2024

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*.

	2024	2023
	\$'000	\$'000
Compensation		
Short term benefits	1 078	1 058
Post-employment benefits	364	342
Termination benefits	184	-
Total compensation	1 626	1 400

Transactions with Key Management Personnel and other related parties

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

3.2. Board and committee members

Members during the 2024 financial year were:

LSA Board

Andrew Culley (Chair), appointed 7/12/2023
 Melinda Oleary (former Chair), term ended 7/4/2024
 Tim Binks, appointed 7/12/2023
 Kenneth Williams, term ended 7/10/2023
 George Potter, term ended 7/10/2023
 Kevin Cantley
 Linda Matthews
 David Russell
 Talia Begley
 Nicole Sykes, appointed 8/10/2023
 Sian Goodson, appointed 8/10/2023

Audit Committee

Melinda Oleary, term ended 7/4/2024
 Kevin Cantley (Chair)
 David Russell
 George Potter, term ended 7/10/2023
 Andrew Culley, appointed 16/2/2024
 Nicole Sykes, appointed 20/10/2023

Rules and Organisational Performance Committee

Melinda Oleary, term ended 7/4/2024
 Andrew Culley, appointed 16/2/2024
 George Potter, term ended 7/10/2023
 Linda Matthews (Chair)
 Talia Begley
 Sian Goodson, appointed 20/10/2023

Finance and Investment Committee

Tim Binks (Chair), appointed 16/2/2024
 Kenneth Williams (former Chair), term ended 7/10/2023
 Kevin Cantley
 David Russell
 Linda Matthews

Lifetime Support Authority of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2024

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:

	2024	2023
	No	No
\$0 - \$19 999	2	1
\$20 000 - \$39 999	5	1
\$40 000 - \$59 999	3	5
\$60 000 - \$79 999	1	-
\$80 000 - \$99 999	-	1
Total number of members	11	8

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received or receivable by members was \$365 000 (2023: \$349 000).

Amounts paid to a superannuation plan for board/committee members was \$41 000 (2023: \$37 000).

3.3. Employee related expenses

	2024	2023
	\$'000	\$'000
Salaries and wages	9 623	8 172
Employment on-costs - superannuation	1 470	1 144
Annual leave	985	884
Employment on-costs - Payroll Tax	616	474
Board and committee fees	365	348
Long service leave	431	374
Targeted voluntary separation packages	-	165
Skills and experience retention leave	42	37
Other employee related expenses	448	327
Total employee related expenses	13 980	11 925

Employment on-costs – superannuation

The LSA employees are employed under 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 charges represent 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, the Department of Treasury and Finance (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 2024

3.3. Employee related expenses (continued)

Employee remuneration

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

	2024	2023
	No	No
\$160 001 - \$166 000*	n/a	1
\$166 001 - \$186 000	2	2
\$206 001 - \$226 000	-	1
\$226 001 - \$246 000	2	1
\$386 001 - \$406 000	-	1
\$406 001 - \$426 000	1	-
Total number of employees	5	6

* This band has been included for the purpose of reporting comparative figures based on the executive base level remuneration rate for 2022-23.

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 \$1.22m (2023: \$1.34m).

Targeted Voluntary Separation Packages (TVSPs)

The number of employees who accepted a TVSP during the reporting period was nil (2023: 2).

	2024	2023
	\$'000	\$'000
<i>Amounts paid during the reporting period to separated employees:</i>		
TVSPs	-	165
Leave paid to those employees	-	95
Net cost to the LSA	-	260

Lifetime Support Authority of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2024

3.4. Employee related liabilities

	2024	2023
	\$'000	\$'000
<u>Current</u>		
Accrued salaries and wages	-	12
Annual leave	776	847
Long service leave	205	133
Skills and experience retention leave	37	33
Employment on-costs	282	299
Total current employee related liabilities	1 300	1 324
<u>Non-current</u>		
Long service leave	1 504	1 397
Employment on-costs	153	137
Total non-current employee related liabilities	1 657	1 534
Total employee related liabilities	2 957	2 858

Employee related liabilities are accrued as a result of services provided up to the reporting date that remain unpaid. Non-current employee related liabilities are measured at present value and current employee related liabilities are measured at nominal amounts.

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 that are 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.

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

The expected timing and amount of long service leave payments is determined through whole-of-government actuarial calculations, which are based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service.

The discount rate used in measuring the liability is reflective of the yield on long-term Commonwealth Government bonds. The yield on long-term Commonwealth Government bonds has increased from 2023 (4.0%) to 2024 (4.25%).

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.

The net financial effect of the changes to actuarial assumptions in the current financial year is an increase in the long service leave liability of \$87 000 and employee benefits expense of \$87 000. 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.

Lifetime Support Authority of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2024

3.4. Employee related liabilities (continued)

Following the actuarial assessment performed by DTF the salary inflation rate has increased from 2023 (2.5%) to 2024 (3.5%) for long service leave liability. This increase to the percentage has led to an overall increase in the reported long service leave for 2024.

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.

Employment on-costs

Employment on-costs include payroll tax and superannuation contributions which 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. 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 a consequence of long service leave liabilities.

As a result of an actuarial assessment performed by DTF, the proportion of long service leave estimated to be taken as leave has increased from 43% (2023) to 44% (2024). The average factor for the calculation of employer superannuation on-costs has increased from 11.1% (2023) to 11.5% (2024). These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is immaterial.

4. Expenses

4.1. Participant treatment, care and support expenses

	2024	2023
	\$'000	\$'000
Attendant care	29 094	22 130
Hospital	6 275	8 201
Rehabilitation	6 629	6 027
Equipment	3 677	2 623
Medical treatment services	1 722	937
Home and vehicle modifications	1 727	286
Other	229	256
	49 353	40 460

Movement in the provision for participant treatment, care and support costs
(refer note 7.3)

	126 811	340 808
Total participant treatment care and support expenses	176 164	381 268

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 are in line with criteria detailed in the LSS Rules, from the date of acceptance into the LSS. The costs reported represent the treatment, care and support expenses paid during 2023-24, 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 2023-24.

Lifetime Support Authority of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2024

4.2. Service delivery and corporate expenses

	2024	2023
	\$'000	\$'000
Information technology	1 278	1 114
Consultants	999	734
Contractors and other outsourced services	732	277
Service level agreement fees	683	658
Training and development	242	224
Accommodation and telecommunication	235	101
General administration and consumables	104	117
Minor works maintenance and equipment	71	29
Professional fees	58	86
Other expenses*	444	299
Total service delivery and corporate expenses	4 846	3 639

*Includes audit fees paid/payable to the Audit Office of South Australia relating to work performed under the *Public Finance and Audit Act 1987* of \$90 000 (2023: \$72 600). No other services were provided by the Audit Office of South Australia.

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 \$174 000 (2023: \$160 000) resources received free of charge. Refer note 2.3.

4.3. Expenditure – SA Business and Non-SA Business

The following table includes all expenditure in relation to contracts above \$55,000 (GST inclusive) resulting from a procurement as defined in Treasurer's Instructions 18 – Procurement (TI 18). Arrangements between public authorities and arrangements with other governments are not included.

Expenditure is inclusive of non-recoverable GST.

	2024	Proportion SA
	\$'000	and non-SA
		businesses
Total expenditure with South Australian businesses	26 813	87%
Total expenditure with non-South Australian businesses	3 832	13%
Total	30 645	100%

Classification as SA business or non-SA business is generally based on circumstances as at the time of entering into a contract. For contracts entered into before 20 February 2023, where sufficient evidence of an assessment made under previous procurement requirements is known to the LSA, this was used to determine classification. For contracts where such evidence of prior assessment is not available and for all other contracts, classification is based on the definition of an SA business provided in TI 18.

TI 18 defines a business as being South Australian where it operates in South Australia and more than 50% of the workforce delivering the contract resulting from the procurement on behalf of the business are South Australian residents.

The disclosure for expenditure with SA businesses reflects the total spent on contracts within the TI 18 definition and in some instances includes the cost of goods sourced from outside South Australia.

In many cases, the determination has been made on the basis of representations made by suppliers at a point in time which has not been subject to independent verification.

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4.4. Other expenses

Derecognition of intangible asset

In 2021, the LSA initiated the replacement of its core participant management system with a modern SaaS CRM platform. During the year, the LSA determined that the project implementation (configuration and customisation) costs incurred in the prior as well as current financial years since commencement of the implementation project did not meet the definition of an 'intangible asset' under AASB 138.

As a result, \$3 820m of project expenditure that was capitalised in prior years as 'Intangible assets – Work in progress' has been recognised as an expense instead in the current period.

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5. Non-financial assets

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

Reconciliation 2023-24

	Leasehold improvements \$'000	Plant and equipment \$'000	Right-of-use buildings \$'000	Total \$'000
Carrying amount at 1 July 2023	655	40	3 175	3 870
Depreciation and amortisation	(517)	(32)	(529)	(1 078)
Carrying amount at 30 June 2024	138	8	2 646	2 792

Gross carrying amount

Gross carrying amount	1 925	156	3 484	5 565
Accumulated depreciation	(1 787)	(148)	(838)	(2 773)
Carrying amount at 30 June 2024	138	8	2 646	2 792

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

Lifetime Support Authority of South Australia
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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. Details 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 2024.

Refer to note 5.2 for right-of-use assets leased by the LSA.

Review of accounting estimates

Asset 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
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 from its landlord DIT. Key aspects of the lease are as follows:

Lease floor	Lease Commencement	Initial lease term	Extension option
Part of level 1	1 July 2019	5 years	5 years
All of level 5	1 January 2020	4.5 years	5 years
All of level 6	1 July 2020	4 years	5 years

In December 2022 the LSA 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 2024.

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

Derecognition of work in progress is included in other expenses. Refer to note 4.4.

Reconciliation 2023-24

	Work in progress \$'000	Total \$'000
Carrying amount at 1 July 2023	3 820	3 820
Derecognition	(3 820)	(3 820)
Total as at 30 June 2024	-	-

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

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6. Financial assets

6.1. Cash and cash equivalents

	2024	2023
	\$'000	\$'000
Special deposit account		
Lifetime Support Authority Operating Account	5 121	3 981
Total cash and cash equivalents in the Statement of Financial Position	5 121	3 981
Total cash and cash equivalents in the Statement of Cash Flows	5 121	3 981

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

	2024	2023
	\$'000	\$'000
Current		
Accrued revenues	2 706	1 288
Receivables	19	93
GST input tax recoverable	153	59
Prepayments	468	408
Total current receivables	3 346	1 848
Total receivables	3 346	1 848

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 2024, but not yet received by the LSA.

The LSA has adopted the simplified impairment approach under AASB 9 and measured lifetime expected credit losses on all trade receivables using an allowance matrix as a practical expedient to measure the impairment allowance.

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

	2024	2023
	\$'000	\$'000
Funds SA LSA Strategy	1 698 608	1 478 290
Total financial assets at fair value	1 698 608	1 478 290

Categorisation of financial instruments and risk exposure information is referred to in 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

	2024	2023
	\$'000	\$'000
Current		
Accrued expenses	8 714	7 334
Contractual payables	58	118
Paid Parental Leave Scheme payable	7	-
Total current payables	8 779	7 452
Total payables	8 779	7 452

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.

Lifetime Support Authority of South Australia
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7.2. Financial liabilities

	2024	2023
	\$'000	\$'000
Current		
Lease liabilities	485	453
Total current financial liabilities	485	453
Non-current		
Lease liabilities	2 298	2 783
Total non-current financial liabilities	2 298	2 783
Total financial liabilities	2 783	3 236

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

	2024	2023
	\$'000	\$'000
Financial Liabilities		
1 to 3 years	1 791	1 748
3 to 5 years	1 270	1 239
5 to 10 years	-	643
Total financial liabilities (undiscounted)	3 061	3 630

The LSA measures financial liabilities at amortised cost. 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 \$115 000 (2023: \$82 000).

7.3. Provisions

	2024	2023
	\$'000	\$'000
Current		
Provision for participant treatment, care and support	62 880	58 343
Provision for non-resident insurers tax withheld	47	34
Provision for workers' compensation	130	79
Total current provisions	63 057	58 456
Non-current		
Provision for participant treatment, care and support	1 755 982	1 633 708
Provision for workers' compensation	362	257
Total non-current provisions	1 756 344	1 633 965
Total provisions	1 819 401	1 692 421

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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 2024, which is 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 the timing of future payments, due to various factors involved. The liability is impacted by agency claim experience relative to other agencies, average claim sizes and other economic and actuarial assumptions.

Maturity analysis of provision for participant treatment, care and support

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

	2024	2023
	\$'000	\$'000
Not later than one year	62 880	58 343
Later than one year but not later than five years	246 246	228 708
Later than five years but not later than ten years	296 556	266 179
Later than ten years	1 213 180	1 138 821
Total provisions	1 818 862	1 692 051

The LSA's provisions consist of liabilities for participant treatment, care and support expenses, which is 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.

	2024	2023
	\$'000	\$'000
Carrying amount at the beginning of the period	1 692 051	1 351 243
Less expected payments	(58 525)	(44 812)
Discount unwind	74 331	31 272
Provision for new participants	240 551	220 567
Impact of Scheme Experience	20 435	58 448
Changes in actuarial assumptions due to scheme experience	(102 032)	135 484
Changes in other actuarial assumptions	26 763	(3 056)
Impact of Actual v Expected Inflation	(13 838)	(2 219)
Changes in Economic Assumptions	(60 874)	(54 876)
Carrying amount at the end of the period	1 818 862	1 692 051

The following is a summary of the key reasons for movement in the provision for participant treatment, care and support during 2024:

- The reduction in provision for expected payments during 2024 was \$58.5 million (2023: \$44.8 million).
- Short term discount rates in 2024 were significantly higher than those in 2023, resulting in a materially higher discount unwind.
- New participants that became eligible for the Scheme during 2024, including Incurred but Not Reported (IBNR) claims has resulted in an increase in the provision of \$240.6 million (2023: 220.6 million).
- The actual scheme experience in 2024, 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 \$20.4 million (2023: \$58.4 million reduction).
- A review of actuarial assumptions based on scheme experience has resulted in a reduction in provision of \$102.0 million (2023: \$135.5 million).
- Other actuarial assumption changes in 2024 include expected increases in the future cost of care services resulting in an increase in provision of \$26.8 million (2023: \$3.1 million decrease due to other actuarial assumption changes).
- A review of actual inflation against expected inflation has decreased the provision during 2024 by \$13.8 million (2023: \$2.2 million).
- Changes to the assumed risk-free discount rates and inflation assumptions in 2024 have resulted in a decrease of \$60.9 million (2023: \$54.9 million) 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>2024</u>	<u>2023</u>
Weighted mean term	Years	Years
Uninflated, undiscounted	20.9	21.6
Inflated, discounted	19.6	19.7
	<u>2024</u>	<u>2023</u>
Equivalent single rate (all future years)	%	%
Inflation rate	4.16	3.87
Discount rate	4.69	4.42

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 2023-24, a single equivalent wages growth rate of 3.32% p.a. (2023: 3.24%) 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 (2023: 0.75%) for all services plus an additional 0.5% per annum (2023: 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 (2023: 0.25%) to allow for increased utilisation with an additional allowance of 0.74% per annum for the future cost of care services (2023: 1.20% per annum through to 2038).

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.

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

Sensitivity analysis for the valuation as at 30 June 2024

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 2024 Liability \$m	Effect on Liability \$m	Percentage Effect %
Central estimate of provisions	1 818.90	-	-
Different long term economic gap assumptions:			
a. One per cent per annum lower for all future years	2 219.90	401.10	22.1
b. One per cent per annum higher for all future years	1 524.90	(294.0)	(16.2)
Attendant Care Assumptions:			
a. Increase in Attendant Care Hourly Rates to match NDIS	1 898.00	79.20	4.4
b. Supported accommodation (SA) for life	1 847.30	28.40	1.6
Other Assumptions:			
a. Long term economic assumptions adopted	1 339.30	(479.5)	(26.4)

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8. Other disclosures

8.1. Cash flow

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.

	2024	2023
	\$'000	\$'000
<u>Reconciliation of net cash provided by operating activities to net result</u>		
Net cash provided by operating activities	116 593	110 501
<u>Add / (less) non-cash items</u>		
Depreciation and amortisation expense of non-current assets	(1 078)	(1 022)
Intangible asset derecognition	(3 820)	-
Gain/(losses) on financial assets designated at fair value through profit or loss	105 318	104 064
<u>Movement in assets and liabilities</u>		
(Decrease) / increase in receivables	1 498	(83)
Increase in payables	(1 326)	(1 093)
(Increase) / decrease in employee related liabilities	(100)	(55)
Increase in provisions	(126 980)	(340 785)
Net result	<u>90 105</u>	<u>(128 473)</u>

Total cash outflows for leases were \$568 000 (2023: \$556 000)

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9. Outlook

9.1. Unrecognised contractual commitments

Contractual commitments to acquire property, plant and equipment including operating, and outsourcing arrangements arising from contractual or statutory sources are disclosed at their nominal value.

Other contractual commitments

	2024	2023
	\$'000	\$'000
Within one year	3 569	4 034
Later than one year but no longer than five years	1 372	3 501
Total expenditure commitments	4 941	7 535

9.2. Contingent assets and liabilities

Contingent liabilities

The LSA is not aware of any contingent liabilities as at 30 June 2024.

Contingent assets

The LSA is not aware of any contingent assets as at 30 June 2024.

9.3. Impact of standards and statements not yet implemented

The LSA has assessed 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, by way of *AASB 2022-9 Amendments to Australia Accounting Standards – Insurance Contracts in the Public Sector*. This standard makes amendments to *AASB 17* to simplify reporting requirements for public sector entities. 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:

- assess whether a liability for remaining coverage is required 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 an allowance for an illiquidity premium on 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 2024, could increase to \$2 183.0 million or decrease to \$1 524.9. The increase in liability is made up of \$2 091.7 million for participant treatment, care and support (including participant management expenses), which includes a 15% risk adjustment, as well as \$91.3 million for the liability for remaining coverage, which includes a 20% risk adjustment. Should the LSA adopt a 1% illiquidity premium, the provision required would reduce from \$2 183.0 million to \$1 829.6 million.

The potential decrease in liability to \$1 524.9 allows for a 1% illiquidity premium, a nil risk margin and does not recognise a liability for remaining coverage.

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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 the 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 2024 were categorised as level 2 using the above fair value measurement hierarchy, which is unchanged from the 2022-23 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 exposure to market risk is 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 the 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 26.9% (2023: 27.8%) to -11.9% (2023: -11.8%), 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	
2024	2023	2024	2023	2024	2023
%	%	\$'000	\$'000	\$'000	\$'000
26.90	27.80	456 926	410 965	456 926	410 965
(11.90)	(11.80)	(202 134)	(174 438)	(202 134)	(174 438)

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 2024, the reported solvency ratio for the LSS is 93% (2023: 87%) and is within the Board's target range.