ACT Government

Annual Report 2022–23

Chief Minister, Treasury and Economic Development Directorate

Volume 2.2

The Chief Minister, Treasury and Economic Development Directorate acknowledges the Ngunnawal people as traditional custodians of the ACT and recognise any other people or families with connection to the lands of the ACT and region.

We respect the Aboriginal and Torres Strait Islander people, particularly our Aboriginal staff, and their continuing culture and contribution they make to the Canberra region and the life of our city.

Contact for this report

General enquiries about this report should be directed to:

CMTEDD Corporate

Phone: 02 6207 5868

Email: CMTEDDCorporate@act.gov.au

Freedom of Information

Freedom of information requests can be made by emailing: CMTEDDFOI@act.gov.au or through CMTEDD's Freedom of Information webpage https://www.cmtedd.act.gov.au/functions/foi

Accessibility

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IBSN: 978-0-642-60762-1

Information about the directorate and an electronic version of this annual report can be found on the website: http://www.cmtedd.act.gov.au/functions/publications.

Summary of volumes

The 2022-23 CMTEDD Annual Report has two volumes.

Volume 1

Contains all transmittal certificates and organisational overview and performance reporting for CMTEDD and all public sector bodies required to have their annual report annexed to the CMTEDD Annual Report. Each entity's reporting includes, where relevant:

- organisational overview
- performance analysis
- scrutiny
- risk management
- internal audit
- fraud prevention
- freedom of information
- community engagement and support
- Aboriginal and Torres Strait Islander reporting
- work health and safety
- human resources management
- ecological sustainability development
- reporting by exception and annual report requirements for specific reporting entities

Volume 1 includes the following entities:

- ACT Architects Board
- ACT Construction Occupations
- ACT Executive
- ACT Government Procurement Board
- Default Insurance Fund
- Director of Territory Records
- Environment Protection Authority
- Lifetime Care and Support Fund
- Motor Accident Injuries Commission
- Office of the Nominal Defendant of the ACT
- Public Sector Workers Compensation Fund

Volume 2

Part 2.1

Contains all financial management reporting sections for:

- Chief Minister, Treasury and Economic Development Directorate
- Territory Banking Account
- Superannuation Provision Account

Each entity's financial management reporting includes, where relevant:

- financial management analysis (management discussion and analysis)
- financial statements
- capital works
- asset management
- government contracting
- statement of performance

Part 2.2

Contains all financial management reporting sections (where relevant, as per the above) for:

- ACT Executive
- Default Insurance Fund
- Lifetime Care and Support Fund
- Motor Accident Injuries Commission
- Office of the Nominal Defendant of the ACT
- Public Sector Workers Compensation Fund

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Office of the Nominal Defendant of the ACT

Public Sector Workers Compensation Fund

ACT Executive

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for the Year Ended 30 June 2023

General Overview

The ACT Executive consists of the Chief Minister and other Ministers appointed by the Chief Minister, and is responsible for governing the Territory and executing and maintaining enactments and laws applicable to the Territory.

The ACT Executive Unit makes payments to Ministers and their staff and provides administration services to support the operations of the ACT Executive.

Financial Performance

Net Cost of Services

Net cost of services provides the best assessment of performance as it reports the full cost and composition of resources consumed in conducting the ACT Executive's operations. The net cost of services is calculated as total expenditure minus own source revenue. It represents the impact the ACT Executive has on the Territory's overall financial resources.

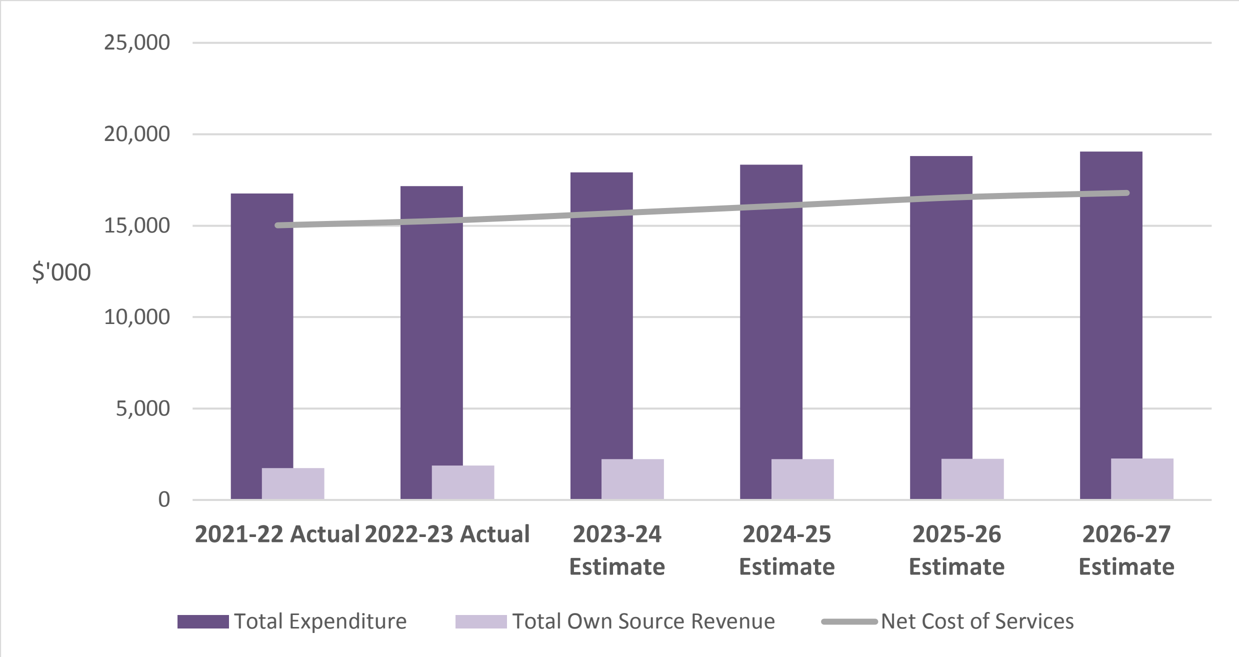
Net cost of services for 2022-23 of **$15.289 million** was **$0.174 million** higher than the original 2022-23 Budget, and **$0.268 million** higher than the 2021-22 result of **$15.021 million**. This primarily reflects the impact of salary increases and the first-time recognition of termination payments for certain ACT Executive staff which were not allowed for in the original 2022-23 Budget.

The activities of the ACT Executive are expected to remain consistent over the forward estimates. The growth in net cost of services set out in Table 1 and Figure 1 over that period primarily reflect expected increases in remuneration costs over that period.

Table 1: Net Cost of Services

	Actual 2021-22 $'000	Original Budget 2022-23 $'000	Actual 2022-23 $'000	Forward Estimate 2023-24 $'000	Forward Estimate 2024-25 $'000	Forward Estimate 2025-26 $'000	Forward Estimate 2026-27 $'000
Total Own Source Revenue	1 743	1 858	1 884	2 226	2 240	2 253	2 265
Total Expenditure	16 764	16 973	17 173	17 913	18 344	18 802	19 057
Net Cost of Services	**(15 021)**	**(15 115)**	**(15 289)**	**(15 687)**	**(16 104)**	**(16 549)**	**(16 792)**

Figure 1: Net Cost of Services, Including Future Trends



Operating Result

The ACT Executive's Operating Result as set out in the Financial Statements builds on the Net Cost of Services result by recognising additional income received for the purposes of the Payment of Expenses on behalf of the Territory. Table 2 provides a summary of the Operating result.

Table 2: Operating Result

	Actual 2023 $'000	Original Budget 2023 $'000	Actual 2022 $'000	Budget to Actual Variance $'000	Actual to Actual Variance $'000
Total Income	16 516	16 844	15 694	(328)	822
Total Expenditure	17 173	16 973	16 764	200	409
Operating Result	**(657)**	**(129)**	**(1 070)**	**(528)**	**413**

Operating Result

The full year operating result was a deficit of **$0.657 million**, which is **$0.528 million** higher than the budgeted deficit of **$0.129 million** set out in the 2022-23 Budget Statement A. The increased deficit is driven by higher Employee and Superannuation Expenses which includes the impact of backdated elements of the Enterprise Agreement expected to come into effect early in the 2023-24 financial year. Actual expenditure is in line with revised budgets established as part of the 2022-23 Budget Review.

The full year operating result was **$0.413 million** lower than the deficit reported for the 2022 year of **$1.070 million**. The improved result this year primarily reflects a slowing in the growth of employee leave provisions following a return to more regular pattern of leave being taken by employees as the impact of the COVID-19 health emergency fades.

Analysis of Expenditure

Employee and Superannuation expenses make up the majority of expenditure incurred and budgeted for in ACT Executive. Table 3 provides breakdown of expenditure and variances.

Table 3: Line Item Variations for Expenditure

	Actual 2023 $'000	Original Budget 2023 $'000	Actual 2022 $'000	Budget to Actual Variance $'000	Actual to Actual Variance $'000
Employee and Superannuation	14 024	13 798	13 990	226	34
Supplies and Services	3 103	3 143	2 560	(40)	543
Depreciation and Amortisation	38	32	41	6	(3)
Other Expenses	8	-	173	8	(165)
Total Expenditure	**17 173**	**16 973**	**16 764**	**200**	**409**

Average staff numbers for the 2023 year are slightly lower than budget and the prior year. The overspend in 2023 compared to budget reflects the inclusion of backdated elements of the Enterprise Agreement currently being negotiated and the first-time recognition of Termination allowances for certain ACT Executive staff. Termination allowances represent a provision for future payments and form part of the existing Enterprise Agreement. These impacts were not factored into the original 2023 budget. These impacts are largely offset by a small reduction in staffing numbers in 2023 leaving full year Employee and Superannuation expenses in line with the prior year.

Supplies and Services expenditure in 2023 is in line with the budgeted increase on expenditure levels in 2022. Expenditure in the current year includes upgrades to information technology infrastructure, the full year impact of licensing arrangements for MobileX Diary System and increased travel following a number of years of minimal expenditure consistent with COVID-19 restrictions.

Other Expenses incurred in 2022 was associated with the transfer of assets from the Office of Legislative Assembly. No asset transfers have occurred in the current year.

Financial Position

Total liabilities of ACT Executive continue to exceed total assets. The net liability position is not considered a liquidity risk as the ACT Executive cash requirements are funded through an appropriation from the ACT Government which is accessed on an as-needs basis. Table 5 provides a high level summary of the net liability position.

Table 5: Net Assets/(Liabilities)

	Actual 2023 $'000	Original Budget 2023 $'000	Actual 2022 $'000	Budget to Actual Variance $'000	Actual to Actual Variance $'000
Total Assets	576	554	790	22	(214)
Total Liabilities	3 229	1 903	2 793	1 326	436
Net Assets/(Liabilities)	**(2 653)**	**(1 349)**	**(2 003)**	**(1 304)**	**(650)**

Total Liabilities

The net liability position of **$2.653 million** at 30 June 2023 is **$1.304 million** higher than the original 2023 budget. This is primarily driven by an increase in total liabilities and more specifically Employee Benefits. At the time the 2023 budget was being finalised the growth in employee benefit provisions over the 2021-22 financial year was not able to be taken into consideration. The impact of the pay rises expected in the Enterprise Agreements currently being negotiated and the recognition of Termination allowances for the first time were also not taken into consideration. These factors have combined to result in the significant variance to budget.

Pay rise impacts and the recognition of the Termination allowances in Employee Benefits also contribute to the **$0.650 million** variance from the 30 June 2022 actual net liabilities position of **$2.003 million**.

Table 6 provides a more detailed breakdown of movements in total liabilities, including Employee Benefits.

Table 6: Line Item Variations for Liabilities

	Actual 2023 $'000	Original Budget 2023 $'000	Actual 2022 $'000	Budget to Actual Variance $'000	Actual to Actual Variance $'000
Payables	189	127	172	62	17
Employee Benefits	3 040	1 776	2 621	1 264	419
Total Liabilities	**3 229**	**1 903**	**2 793**	**1 326**	**436**

Risk Management

The primary business activity of the ACT Executive is the management of remuneration and other employment obligations for Ministers and their staff. The ACT Executive has risks normal to an organisation who's primary undertaking is employment of staff in a primarily professional services role, and has in place appropriate risk management practices to mitigate these risks. Administrative operations are managed by the Chief Minister, Treasury and Economic Development Directorate (CMTEDD), and the associated internal controls are those used by CMTEDD. Emergency Management is managed by the Office of the Legislative Assembly (OLA), while Business Continuity Arrangements have shared management between OLA and CMTEDD.

The ACT Executive's financial risks are insured through the ACT Insurance Authority (ACTIA).

ACT Executive

Territorial Financial Statements for the year ended 30 June 2023

INDEPENDENT AUDITOR'S REPORT

To the Members of the ACT Legislative Assembly

Opinion

I have audited the financial statements of the ACT Executive for the year ended 30 June 2023 which comprise the statement of income and expenses on behalf of the Territory, statement of assets and liabilities on behalf of the Territory, statement of changes in equity on behalf of the Territory, statement of cash flows on behalf of the Territory, Territorial statement of appropriation and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

(i) present fairly, in all material respects, the ACT Executive's financial position as at 30 June 2023, and its financial performance and cash flows for the year then ended; and

(ii) are presented in accordance with the *Financial Management Act 1996* and comply with Australian Accounting Standards.

Basis for opinion

I conducted the audit in accordance with the Australian Auditing Standards. My responsibilities under the standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of this report.

I am independent of the ACT Executive in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (Code). I have also fulfilled my other ethical responsibilities in accordance with the Code.

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

Responsibilities of the ACT Executive for the financial statements

The Director-General of the Chief Minister, Treasury and Economic Development Directorate is responsible for:

- preparing and fairly presenting the financial statements in accordance with the *Financial Management Act 1996,* and relevant Australian Accounting Standards;
- determining the internal controls necessary for the preparation and fair presentation of the financial statements so that they are free from material misstatements, whether due to error or fraud; and
- assessing the ability of the ACT Executive to continue as a going concern and disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting in preparing the financial statements.

Auditor's responsibilities for the audit of the financial statements

Under the *Financial Management Act 1996*, the Auditor-General is responsible for issuing an audit report that includes an independent opinion on the financial statements of the ACT Executive.

My objective is to obtain reasonable assurance about whether the financial statements as a whole are 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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 statements, 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 controls;
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the ACT Executive's internal controls;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the ACT Executive;
- conclude on the appropriateness of the ACT Executive's use of the going concern basis of accounting and, based on audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ACT Executive's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in this report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of this report. However, future events or conditions may cause the ACT Executive to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether they represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Director-General of the Chief Minister, Treasury and Economic Development Directorate regarding, 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 my audit.

Ajay Sharma
Assistant Auditor-General, Financial Audit
13 September 2023

ACT Executive
Financial Statements
For the Year Ended 30 June 2023

Statement of Responsibility

In my opinion, the ACT Executive's financial statements fairly reflect its financial operations for the year ended 30 June 2023 and its financial position on that date.

Kathy Leigh
Director-General
Chief Minister, Treasury and Economic Development Directorate
5 September 2023

ACT Executive
Financial Statements
For the Year Ended 30 June 2023

Statement by the Chief Finance Officer

In my opinion, the ACT Executive's financial statements have been prepared in accordance with the Australian Accounting Standards, are in agreement with its accounts and records, and fairly reflect its financial operations for the year ended 30 June 2023 and financial position on that date.

Sally Druhan
Chief Finance Officer
Chief Minister, Treasury and Economic Development Directorate
5 September 2023

ACT Executive
Territorial Note Index
For the Year Ended 30 June 2023

ACT Executive
Statement of Income and Expenses on Behalf of the Territory
For the Year Ended 30 June 2023

	Note No.	Actual 2023 $'000	Original Budget 2023 $'000	Actual 2022 $'000
Revenue				
Payment for Expenses on Behalf of the Territory	#	14 632	14 986	13 951
Grants and Contributions Revenue	4	1 884	1 858	1 743
Total Revenue		**16 516**	**16 844**	**15 694**
Expenses				
Employee and Superannuation Expenses	5	14 024	13 798	13 990
Supplies and Services	6	3 103	3 143	2 560
Depreciation and Amortisation	8, 9	38	32	41
Other Expenses		8	-	173
Total Expenses		**17 173**	**16 973**	**16 764**
Operating Result		**(657)**	**(129)**	**(1 070)**
Total Comprehensive Result		**(657)**	**(129)**	**(1 070)**

The above Statement of Income and Expenses on Behalf of the Territory should be read in conjunction with the accompanying notes.

Refer to the Statement of Appropriation.

ACT Executive
Statement of Assets and Liabilities on Behalf of the Territory
As at 30 June 2023

	Note No.	Actual 2023 $'000	Original Budget 2023 $'000	Actual 2022 $'000
Current Assets				
Cash	7	276	350	460
Receivables		-	44	2
Other Assets		58	-	58
Total Current Assets		**334**	**394**	**520**
Non-Current Assets				
Plant and Equipment	8	242	158	264
Intangible Assets	9	-	2	6
Total Non-Current Assets		**242**	**160**	**270**
Total Assets		**576**	**554**	**790**
Current Liabilities				
Payables		189	127	172
Employee Benefits	10	3 000	1 720	2 523
Total Current Liabilities		**3 189**	**1 847**	**2 695**
Non-Current Liabilities				
Employee Benefits	10	40	56	98
Total Non-Current Liabilities		**40**	**56**	**98**
Total Liabilities		**3 229**	**1 903**	**2 793**
Net Assets/(Liabilities)		**(2 653)**	**(1 349)**	**(2 003)**
Equity				
Accumulated Funds		(2 653)	(1 350)	(2 004)
Asset Revaluation Surplus		-	1	1
Total Equity		**(2 653)**	**(1 349)**	**(2 003)**

The above Statement of Assets and Liabilities on Behalf of the Territory should be read in conjunction with the accompanying notes.

ACT Executive
Statement of Changes in Equity on Behalf of the Territory
For the Year Ended 30 June 2023

	Accumulated Funds Actual 2023 $'000	Asset Revaluation Surplus Actual 2023 $'000	Total Equity Actual 2023 $'000	Original Budget 2023 $'000
Balance as at 1 July 2022	**(2 004)**	**1**	**(2 003)**	**(1 220)**
Comprehensive Income				
Operating Result	(657)	-	**(657)**	(129)
Asset Revaluation Surplus Increase/(Decrease)	-	(1)	**(1)**	-
Total Comprehensive Result	**(657)**	**(1)**	**(658)**	**(129)**
Transfers from Reserves	**8**	**-**	**8**	
Balance as at 30 June 2023	**(2 653)**	**-**	**(2 653)**	**(1 349)**

	Accumulated Funds Actual 2022 $'000	Asset Revaluation Surplus Actual 2022 $'000	Total Equity Actual 2022 $'000
Balance as at 1 July 2021	**(933)**	**1**	**(932)**
Comprehensive Income			
Operating Result	(1 070)	-	**(1 070)**
Total Comprehensive Result	**(1 070)**	**-**	**(1 070)**
Balance as at 30 June 2022	**(2 004)**	**1**	**(2 003)**

The above Statements of Changes in Equity on Behalf of the Territory should be read in conjunction with the accompanying notes.

ACT Executive
Statement of Cash Flows on Behalf of the Territory
For the Year Ended 30 June 2023

	Note No.	Actual 2023 $'000	Original Budget 2023 $'000	Actual 2022 $'000
Cash Flows from Operating Activities				
Receipts				
Payment for Expenses on Behalf of the Territory		14 632	14 986	13 951
Goods and Services Tax Input Tax Credits from the Australian Taxation Office		45	103	58
Total Receipts from Operating Activities		**14 677**	**15 089**	**14 009**
Payments				
Employee		13 604	13 730	12 975
Supplies and Services		1 211	1 256	803
Goods and Services Tax Paid to Suppliers		45	103	51
Total Payments from Operating Activities		**14 860**	**15 089**	**13 829**
Net Cash Inflows/(Outflows) from Operating Activities	7	**(183)**	**-**	**180**
Cash Flows from Investing Activities				
Payments				
Purchase of Plant and Equipment		-	-	262
Total Payment from Investing Activities		**-**	**-**	**262**
Net Cash Inflows/(Outflows) from Investing Activities		**-**	**-**	**(262)**
Net Increase/(Decrease) in Cash		**(183)**	**-**	**(81)**
Cash at the Beginning of the Reporting Period		**460**	**350**	**541**
Cash at the End of the Reporting Period	7	**276**	**350**	**460**

The above Statement of Cash Flows on Behalf of the Territory should be read in conjunction with the accompanying notes.

ACT Executive
Territorial Statement of Appropriation
For the Year Ended 30 June 2023

Under the *Financial Management Act 1996* (FMA) funds can be appropriated for Expenses on Behalf of the Territory (EBT). EBT is recognised as revenue when the ACT Executive gains control over the funding, which occurs upon the receipt of cash given they do not contain enforceable and sufficiently specific performance obligations as defined by AASB 15, 'Revenue from Contracts with Customers'.

The ACT Executive receives EBT appropriation to fund expenses incurred on behalf of the Territory relating to the provision of executive services to enable Ministers and their staff to undertake their duties. This includes the payment of employee related expenses.

In the following table the:

- *Original Budget* column shows the amounts that appear in the Changes to Appropriation table in the 2022-23 Budget Statements (This amount also appears in the Statement of Cash Flows on Behalf of the Territory);
- *Total Appropriated* column includes all appropriation variations occurring after the Original Budget; and
- *Appropriation Drawn* is the total amount of appropriation received during the year (these amounts also appear in the Statement of Cash Flows on Behalf of the Territory).

	Original Budget 2023 $'000	Total Appropriated 2023 $'000	Appropriation Drawn 2023 $'000	Appropriation Drawn 2022 $'000
Territorial				
Payment for Expenses on Behalf of the Territory	14 986	15 310	14 632	13 951
Total Territorial Appropriation	**14 986**	**15 310**	**14 632**	**13 951**

Reconciliation of Appropriation Table for 2022-23

The following table and associated footnotes explain the movements between the:

- Original Budget and the Total Appropriated; and
- Total Appropriated and the Appropriation Drawn.

	Payment for Expenses on Behalf of the Territory $'000
Original Budget	**14 986**
s13 - Supplementary Appropriations	324
Total Change in Appropriation during 2022-23	**324**
Total Appropriated	**15 310**
Undrawn Funds [1]	(678)
Total Appropriation Drawn	**14 632**

Variances between 'Original Budget' and 'Total Appropriated'

[1] The undrawn funds largely reflect a reduction in employee and superannuation expenditure.

ACT Executive
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2023

INTRODUCTORY NOTES

NOTE 1. OBJECTIVES OF THE ACT EXECUTIVE

Operations and Principal Activities

The ACT Executive financial reporting entity is a not-for-profit ACT Government entity that makes payments to Ministers and their staff and provides administration services to support the operations of the ACT Executive.

The ACT Executive consists of the Chief Minister and other Ministers appointed by the Chief Minister, and is responsible for governing the Territory and executing and maintaining enactments and laws applicable to the Territory.

NOTE 2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

Legislative Requirement

The *Financial Management Act 1996* (FMA) requires the preparation of annual financial statements for ACT Government Agencies.

The FMA and the *Financial Management Guidelines* issued under the FMA, requires the ACT Executive's financial statements to include:

i. a Statement of Income and Expenses on Behalf of the Territory for the year;

ii. a Statement of Assets and Liabilities on Behalf of the Territory at the end of the year;

iii. a Statement of Changes in Equity on Behalf of the Territory for the year;

iv. a Statement of Cash Flows on Behalf of the Territory for the year;

v. a Territorial Statement of Appropriation for the year;

vi. the material accounting policies adopted for the year; and

vii. other statements as necessary to fairly reflect the financial operations of the ACT Executive during the year and its financial position at the end of the year.

These general-purpose financial statements have been prepared -in accordance with:

i. Australian Accounting Standards (as required by the FMA); and

ii. ACT Accounting and Disclosure Policies.

Accrual Accounting

The financial statements have been prepared using the accrual basis of accounting, which recognises the effects of transactions and events when they occur. The financial statements have also been prepared according to the historical cost convention, except for community and heritage assets included in plant and equipment, which are valued at fair value in accordance with the revaluation policies applicable to the ACT Executive during the reporting period.

Material Accounting Policies and Explanatory Information

Material accounting policies and explanatory information is provided at the start of each of the notes included in these financial statements, where appropriate.

NOTE 2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS - CONTINUED

Currency

These financial statements are presented in Australian dollars, which is the ACT Executive's functional currency.

Territorial Items

The ACT Executive only produces Territorial financial statements. The Territorial financial statements include income, expenses, assets and liabilities that the ACT Executive administers on behalf of the ACT Government, but does not control.

Comparative Figures

Budget Figures

To facilitate a comparison with the budget, as required by the FMA, budget information for 2022-23 has been presented in the financial statements. Budget numbers in the financial statements are the original budget numbers that appear in the 2022-23 Budget Statements.

Prior Year Comparatives

Comparative information has been disclosed in respect of the previous period for amounts reported in the ACT Executive's 2021-22 financial statements.

Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars ($'000). Use of the "-" symbol represents zero amounts or amounts rounded up or down to zero. Some totals throughout these financial statements may not add due to rounding.

Going Concern

The 2022-23 financial statements have been prepared on a going concern basis as the ACT Executive has been funded in the ACT Government 2023-24 Budget and the Budget Statements include forward estimates for the ACT Executive.

NOTE 3. IMPACT OF ACCOUNTING STANDARDS ISSUED BUT YET TO BE APPLIED

All Australian Accounting Standards and Interpretations issued but yet to be applied are applicable to future reporting periods and will be adopted from their application date, except for part of AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure to Accounting Policies and Definitions of Accounting Policies and Definition of Accounting Estimates which was early adopted last financial year (i.e. in 2021-22).

Standards and Interpretations issued but yet to be applied have been assessed as not being relevant to the ACT Executive or will have an immaterial financial impact.

INCOME NOTES

Revenue Recognition

Revenue, excluding expenses on behalf of the Territory appropriation (refer Territorial Statement of Appropriation), is recognised within the scope of AASB 1058, 'Income of Not-for-profit Entities'. -Specific recognition criteria are provided in the following revenue note.

NOTE 4. GRANTS AND CONTRIBUTIONS REVENUE

Where the ACT Executive receives an asset or services for significantly less than fair value then the transaction is within the scope of AASB 1058, 'Income of Not-for-profit Entities', and revenue is recognised on receipt of the assets/services. Services that are received free of charge are only recognised in the Statement of Income and Expenses on Behalf of the Territory if they can be reliably measured and would have been purchased if not provided free of charge, and an expense is recognised in the line item to which it relates.

Goods and services received free of charge from ACT Government agencies are recognised as resources received free of charge, whereas goods and services received free of charge from entities external to the ACT Government are recognised as donations or contributions. Property, Plant and Equipment (PPE) transferred to the ACT Executive from another ACT Government agency is recorded as a donation of PPE.

	2023 $'000	2022 $'000
Resources Received Free of Charge from ACT Government Entities		
Corporate and Accounting Services from the Chief Minister, Treasury and Economic Development Directorate (CMTEDD)	257	256
Rent, Building Maintenance and Other Services Provided by the Office of the Legislative Assembly (OLA)	1 377	1 308
Human Resources, Finance and Record Services Provided by Shared Services (CMTEDD)	227	168
Legal Services Provided by the Justice and Community Safety Directorate (JACSD)	23	10
Total Resources Received Free of Charge	**1 884**	**1 742**
Total Grants and Contributions Revenue	**1 884**	**1 742**

EXPENSE NOTES

NOTE 5. EMPLOYEE AND SUPERANNUATION EXPENSES

Employees of the ACT Executive include Ministers, staff engaged under the *Legislative Assembly (Members' Staff Act 1989* and ACT Public Sector employees. Employee expenses include:

- short-term- employee expenses such as wages and salaries, annual leave loading, and applicable oncosts, settled within the annual reporting period in which the employees render- the related services;
- other long-term- expenses such as long service leave and annual leave; and
- termination payments, and resettlement allowance entitlements for Members of the Legislative Assembly (refer Note 10 *Employee Benefits*).

On-costs include annual leave, long service leave, superannuation and other costs that are incurred when employees take annual leave and long service leave.

Employees of the ACT Executive

Employees of the ACT Executive have different superannuation arrangements depending on the type of superannuation schemes available at the time of commencing employment, including both *defined benefit* and *defined contribution* superannuation scheme arrangements.

NOTE 5. EMPLOYEE AND SUPERANNUATION EXPENSES - CONTINUED

For employees who are members of the *defined benefit* Commonwealth Superannuation Scheme (CSS) or Public Sector Superannuation Scheme (PSS), the ACT Executive makes employer superannuation contribution payments to the Territory Banking Account (TBA) at a rate determined by the Chief Minister, Treasury and Economic Development Directorate (CMTEDD). The ACT Executive also makes productivity superannuation contribution payments on behalf of these employees to the Commonwealth Superannuation Corporation (CSC), which has responsibility for the administration of these schemes.

For employees who are members of *defined contribution* superannuation schemes (the Public Sector Superannuation accumulation plan (PSSap) and schemes of employee choice (funds of choice)) the ACT Executive makes employer superannuation contribution payments directly to the employees' relevant superannuation fund.

Members of the Legislative Assembly

There are two superannuation arrangements for Members of the Legislative Assembly (MLAs).

Members who were elected before the 2008 general election and have a relevant period of service, and no discontinuance, are members of a *defined benefit* superannuation arrangement (DB Scheme), prescribed under the *Legislative Assembly (Members' Superannuation) Act 1991*. This DB Scheme operates in the same manner to the PSS and CSS mentioned above.

Those Members elected at or after the 2008 general election, and who were not an existing member of the DB Scheme prior to the election, assume membership of a *defined contribution* fund of choice scheme. The Territory is required to contribute the equivalent of 14% of the Member's eligible salary. Other than the contribution rate, the Members' fund of choice arrangement operates in the same manner as the fund of choice arrangements mentioned above.

Superannuation Expense and Liability Recognition

The accruing liability for superannuation contributions are expensed as they are incurred and extinguished as they are paid. Superannuation liabilities are not recognised at an individual agency level. The ACT Executive's superannuation liability is recognised by:

- the Superannuation Provision Account (SPA) for CSS and PSS liabilities;
- the CSC for the productivity component and PSSap liabilities; and
- external schemes for liabilities associated with fund of choice arrangements.

	2023 $'000	2022 $'000
Wages and Salaries	11 201	11 076
Annual Leave Expenses [1]	389	780
Long Service Leave Expenses	126	226
Termination Expenses	77	78
Resettlement Allowance – Members of the Legislative Assembly	285	317
Termination Payment [2]	296	-
Contributions for CSS and PSS	259	238
Payments to the CSC for the Superannuation Productivity Benefit and PSSap	136	119
Superannuation to External Providers	1 139	1 129
Other Employee Expenses	116	27
Total Employee and Superannuation Expenses	**14 024**	**13 990**

1 This decrease is due to higher utilisation of annual leave during 2021-22.

2 First-time recognition of a termination payment entitlement for staff of the ACT Executive.

NOTE 6. SUPPLIES AND SERVICES

	2023 $'000	2022 $'000
Audit Services [1]	42	41
Office and ICT Expenses [2]	624	473
Resources Received Free of Charge (refer Note 4, 'Grants and Contributions')	1 884	1 742
Travel [3]	350	64
Other	203	240
Total Supplies and Services	**3 103**	**2 560**

1 Audit fees are paid to the ACT Audit Office for the audit of the ACT Executive's financial statements. No other services were provided by the ACT Audit Office.

2 The increase largely reflects the implementation of information technology infrastructure upgrades in 2022-23, and a full year impact of expenditure related to the MobileX Diary management System licences.

3 The variance is due to an increase in travel expenditure following the easing of COVID-19 restrictions.

ASSET NOTES

Assets – Current and Non-Current

Assets are classified as current where they are expected to be realised within 12 months after the reporting date. Assets that do not fall within the current classification are classified as non-current.

NOTE 7. CASH

The ACT Executive holds one bank account with the Westpac Banking Corporation as part of the whole of government banking arrangements. As part of these arrangements, the ACT Executive does not receive any interest on this account.

	2023 $'000	2022 $'000
Reconciliation of Cash at the End of the Reporting Period in the Statement of Cash Flows on Behalf of the Territory to Equivalent Items in the Statement of Assets and Liabilities on Behalf of the Territory		
Total Cash Recorded in the Statement of Assets and Liabilities on Behalf of the Territory	276	460
Cash at the End of the Reporting Period as Recorded in the Statement of Cash Flows on Behalf of the Territory	**276**	**460**
Reconciliation of Net Cash Inflows/(Outflows) from Operating Activities to the Operating Result		
Operating Result	(657)	(1 070)
Add/(Less) Non-Cash Items		
Depreciation and Amortisation	38	41
Assets transferred to/(from) the Office of the Legislative Assembly	-	173
Net Loss on Retirement and Disposal of Non-Current Assets	14	-
Cash Before Changes in Operating Assets and Liabilities	**(605)**	**(856)**
Changes in Operating Assets and Liabilities		
(Increase)/Decrease in Receivables	2	26
(Increase)/Decrease in Other Assets	(16)	(58)
Increase/(Decrease) in Payables	15	54
Increase/(Decrease) in Employee Benefits	421	1 014
Net Changes in Operating Assets and Liabilities	**422**	**1 036**
Net Cashflows from Operating Activities	**(183)**	**180**

NOTE 8. PLANT AND EQUIPMENT

Acquisition and Recognition of Plant and Equipment

Plant and equipment is initially recorded at cost.

Where plant and equipment is acquired at no cost, or minimal cost, cost is its fair value as at the date of acquisition. However, plant and equipment acquired at no cost or minimal cost as a result of a transfer from another ACT Government agency is measured at the transferor's book value.

Plant and equipment with a minimum value of $5,000 is capitalised.

Measurement of Plant and Equipment after Initial Recognition

Furniture and fittings are measured at cost.

Community and Heritage assets, consisting solely of a Kimono, is measured at fair value.

NOTE 8. PLANT AND EQUIPMENT – CONTINUED

Significant Accounting Judgements and Estimates – Useful Lives of Plant and Equipment

The ACT Executive has made a significant estimate in determining the useful lives of its plant and equipment. The estimation of useful lives of plant and equipment is based on the historical experience of similar assets. The useful lives are assessed on an annual basis and adjustments are made when necessary.

Depreciation of Assets

Depreciation is the systematic allocation of the cost of an asset less its residual value over its useful life. Furniture and fittings are depreciated over the estimated useful life of each asset. The useful life commences when an asset is ready for use. When an asset is revalued, it is depreciated over its newly assessed remaining useful life. Community and Heritage assets are defined as those non-current assets that the ACT Government intends to preserve indefinitely because of their unique historical, cultural or environmental attributes and have an unlimited useful life and are therefore not depreciated.

All depreciation is calculated after first deducting any residual values that remain for each asset, and is determined as follows.

Class of Asset	Depreciation Method	Useful Life (Years)
Furniture and fittings	Straight Line Depreciation	5-10
Community and Heritage Assets	Not Depreciated	-

The useful lives of all major assets held are reassessed on an annual basis.

Impairment of Assets

The ACT Executive assesses at each reporting date whether there is any indication that an asset may be impaired. Assets are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's 'fair value less cost of disposal' and its 'value in use'. An asset's 'value in use' is its current replacement cost, where the asset would be replaced if the ACT Executive were deprived of it.

If an impairment loss is to be recognised, it is first applied against the Asset Revaluation Surplus for the relevant asset class. Once the Asset Revaluation Surplus for that asset class is exhausted or the asset class does not have an Asset Revaluation Surplus, the impairment loss is expensed in the Statement of Income and Expenses on Behalf of the Territory.

NOTE 8. PLANT AND EQUIPMENT – CONTINUED

Valuation of Non-Current- Assets

Independent valuers perform revaluations on the ACT Executive's community and heritage assets on a 3 year rolling basis. The latest valuations were undertaken by Independent Accredited Art Valuer, Helen Maxwell, in January 2023 noting there was no change to the fair value of the assets assessed.

Reconciliation of Plant and Equipment

The following tables show the movement of Plant and Equipment during 2022-23 and 2021-22.

2023	**Furniture and Fittings $'000**	**Community and Heritage Assets $'000**	**Total $'000**
Total as at 1 July 2022, represented by:			
Gross Book Value	412	25	**437**
Accumulated Depreciation	(173)	-	**(173)**
Carrying Amount at the Beginning of the Reporting Period	**239**	**25**	**264**
Additions	17	-	**17**
Depreciation	(38)	-	**(38)**
Total Movement During the Period	**(21)**	**-**	**(21)**
Total as at 30 June 2023, represented by:			
Gross Book Value	428	25	**453**
Accumulated Depreciation	(211)	-	**(211)**
Carrying Amount at the End of the Reporting Period	**217**	**25**	**242**

2022			
Carrying Amount at the Beginning of the Reporting Period	**185**	**25**	**210**
Additions [1]	261	-	**261**
Assets Transferred (to)/from ACT Government Agencies [2]	(173)	-	**(173)**
Depreciation	(34)	-	**(34)**
Total Movement During the Period	**54**	**-**	**54**
Gross Book Value	412	25	**437**
Accumulated Depreciation	(173)	-	**(173)**
Carrying Amount at the End of the Reporting Period	**239**	**25**	**264**

[1] This movement reflects a renovation of ministerial suites and the purchase of furniture assets associated with the appointment of the ninth Minister in November 2020.

[2] This movement is due to the transfer of assets to the Office of the Legislative Assembly (OLA) associated with the ministerial suite renovations.

NOTE 9. INTANGIBLE ASSETS

The ACT Executive's intangible assets are externally acquired software for internal use, and are measured at cost.

Externally acquired software is recognised and capitalised when:

- it is probable that the expected future economic benefits attributable to the software will flow to the ACT Executive;
- the cost of the software can be measured reliably; and
- the acquisition cost is equal to or exceeds $50,000.

Impairment

The ACT Executive assesses at each reporting date whether there is any indication that an intangible asset may be impaired. Intangible assets are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Amortisation of Intangibles

Intangible assets are amortised over the estimated useful life of each asset, or the unexpired period of the relevant lease, whichever is shorter.

Amortisation for intangible assets is determined as follows.

Class of Asset	Amortisation Method	Useful Life (Years)
Externally Generated Software	Straight Line Amortisation	5

Reconciliation of Intangible Assets

The following tables show the movement of intangibles during 2022-23 and 2021-22.

2023	Externally Generated Software $'000	Total $'000
Total as at 1 July 2022, represented by:		
Gross Book Value	139	**139**
Accumulated Amortisation	(133)	**(133)**
Carrying Amount at the Beginning of the Reporting Period	**6**	**6**
Acquisition/(Disposal)[1]	(139)	**(139)**
Accumulated Depreciation Reversal - Asset Retirement[1]	133	**133**
Carrying Amount at the End of the Reporting Period	**-**	**-**

1 The disposal is due to an asset retirement related to the MobileX Diary Management System during the financial year.

2022		
Carrying Amount at the Beginning of the Reporting Period	**13**	**13**
Amortisation	(7)	**(7)**
Carrying Amount at the End of the Reporting Period	**6**	**6**

LIABILITY NOTES

Liabilities – Current and Non-Current

Liabilities are classified as current when they are due to be settled within 12 months after the reporting date or the ACT Executive does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Liabilities that do not fall within the current classification are classified as non-current.

NOTE 10. EMPLOYEE BENEFITS

Employee benefits are the accumulated entitlements relating to the employee and superannuation expenses listed in Note 5, 'Employee and Superannuation Expenses'.

Accrued Wages, Salaries and Superannuation

Accrued wages, salaries and superannuation are measured at the amount that remains unpaid to employees at the end of the reporting period.

Annual and Long Service Leave

Annual and long service leave liabilities are not applicable to Members of the Legislative Assembly.

Annual and long service leave, including applicable on-costs, that are not expected to be wholly settled before 12 months after the end of the reporting period when the employees render the related service are measured at the present value of estimated future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the future wage and salary levels, experience of employee departures and periods of service. At the end of each reporting period, the present value of future annual leave and long service leave payments is estimated using market yields on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows.

Annual leave liabilities have been estimated on the assumption they will be wholly settled within three years.

The long service leave liability is estimated with reference to the minimum period of qualifying service. For employees with less than the required minimum period of 7 years qualifying service, the probability that employees will reach the required minimum period has been taken into account in estimating the provision for long service leave and applicable on-costs.

In 2022-23, the rate used to estimate the present value of future payments for:

- annual leave is 98.2% (101.8% in 2021-22); and
- long service leave is 93% (95.3% in 2021-22).

The provision for annual leave and long service leave includes estimated on-costs. As these oncosts only become payable if the employee takes annual and long service leave while in-service, the probability that employees will take annual and long service leave while in service has been taken into account- in estimating the liability for on-costs.

Annual leave and long service leave liabilities are classified as current liabilities in the Statement of Assets and Liabilities on Behalf of the Territory where there are no unconditional rights to defer the settlement of the liability for at least 12 months. Conditional long service leave liabilities are classified as non-current because the ACT Executive has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Annual and Long Service Leave Arrangements Specific to ACT Public Sector employees employed by the ACT Executive

ACT Public Sector employees who commence employment with the ACT Executive are required to take leave without pay from their home directorate. Upon commencement of employment with the ACT Executive, their personal leave, annual leave and long service leave balances are transferred from their home directorate.

NOTE 10. EMPLOYEE BENEFITS – CONTINUED

At the commencement of their employment with the ACT Executive, all employees may elect to receive an annual allowance equivalent of 2.5% of their salary in lieu of accruing long service leave. This election is usually taken by employees of the ACT Executive who do not have a position to return to in the ACT Public Sector. For employees who will return to their home directorate at the end of their contract with the ACT Executive, the employee normally elects to accrue the long service leave and not receive the 2.5% annual allowance.

When an ACT Public Sector employees' contract ends with the ACT Executive and they return to their home directorate their personal leave, annual leave, and long service leave balances with the ACT Executive are transferred back to their home directorate.

Once an employee's contract ends with the ACT Executive, with the exception of ACT Public Sector employees.

Resettlement Allowance for Members of the Legislative Assembly (MLAs)

MLAs are entitled to the equivalent of two weeks' salary for every year of continuous service, or part thereof, capped to a maximum of 12 weeks' salary. It is payable upon the cessation of service for any reason (other than death in office). This entitlement is calculated using the base rate of pay without any extra loadings for office holders.

Resettlement Allowance liabilities are not expected to be wholly settled before 12 months after the end of the reporting period when the MLAs render the related service.

At the end of each reporting period, the present value of future resettlement allowance payments is estimated using market yields on Commonwealth Government bonds, adjusted for wage inflation.

Termination Payments

Staff engaged under the *Legislative Assembly (Members' Staff) Act 1989* (not on leave from their home directorate) accrue 4 weeks pay after completing 1 year of service, plus 2 weeks pay (or part thereof) for every subsequent completed year, up to a maximum of 48 weeks. The entitlement is calculated using their salary.

Termination Payment liabilities are not expected to be wholly settled before 12 months after the end of the reporting period when the employees render the related service.

The Termination Payment is estimated by taking the proportion of the projected payouts based on the ratio of the number of benefit weeks already accrued at the valuation date to the total number of benefit weeks at each possible projected date of exit (weighted by payout probability).

A Termination Payment becomes payable in the event of termination of service following the exit of their associated member of the Assembly at an election or following involuntary exit at any other time. If a contracted employee voluntary exits, a termination payment is not payable.

Staff engaged under the *Legislative Assembly (Members' Staff) Act 1989* can be offered new contracts at their contract end date. If a new contract is provided and accepted by the employee, a termination payment is not payable. Instead, the termination payment continues to accrue to the maximum of 48 weeks.

Significant Accounting Judgements and Estimates

Significant judgements have been applied in estimating the annual and long service leave liabilities, given that the ACT Executive uses the Whole of Government present value, probability and on-cost factors. These factors are issued by ACT Treasury and apply to all ACT Government Agencies. ACT Treasury organises an actuarial review to be undertaken every three years by the Australian Government Actuary to estimate each of these factors. The latest assessment was undertaken in June 2022, with the next review expected to be undertaken by late 2024 or early 2025.

Significant judgements have also been applied in estimating resettlement allowance and termination payments. An actuarial review was undertaken in 2022-23 by the Australian Government Actuary to provide a model for estimating these liabilities, with the next review expected to be undertaken in early 2026. ACT Treasury will arrange for future actuarial reviews to be undertaken every three years consistent with the process for reviewing annual and long service leave liabilities.

NOTE 10. EMPLOYEE BENEFITS – CONTINUED

	2023 $'000	2022 $'000
Current Employee Benefits		
Accrued Salaries and Wages	357	296
Annual Leave	1 742	1 760
Long Service Leave	189	195
Termination Payment [1]	296	-
Resettlement Allowance – Members of the Legislative Assembly	285	266
Other Benefits [2]	131	6
Total Current Employee Benefits	**3 000**	**2 523**
Non-Current Employee Benefits		
Resettlement Allowance – Members of the Legislative Assembly	-	51
Long Service Leave	40	47
Total Non-Current Employee Benefits	**40**	**98**
Total Employee Benefits	**3 040**	**2 621**

Estimate of when Leave is Payable		
Estimated Amount Payable within 12 months		
Accrued Salaries and Wages	357	296
Annual Leave	578	451
Long Service Leave	50	47
Resettlement Allowance – Members of the Legislative Assembly	-	266
Other Benefits	131	6
Total Employee Benefits Payable within 12 months	**1 116**	**1 066**
Estimated Amount Payable after 12 months		
Resettlement Allowance – Members of the Legislative Assembly	285	51
Termination Payment	296	-
Long Service Leave	179	195
Annual Leave	1 164	1 309
Total Employee Benefits Payable after 12 months	**1 924**	**1 555**
Total Employee Benefits	**3 040**	**2 621**

1 First-time recognition of a termination payment entitlement for Staff of the ACT Executive.

2 The variance is due to a one-off cost of living supplement payment in line with the ACT Legislative Assembly Member's Staff Enterprise Agreement currently being negotiated.

At the end of the 2022-23 financial year, the ACT Executive had 68.8 full-time equivalent (FTE) staff employed (71.6 FTE staff employed at the end of the 2021-22 financial year).

OTHER NOTES

NOTE 11. FINANCIAL INSTRUMENTS

Details of the material 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 and financial liability, are disclosed in the notes to which they relate.

Financial assets and liabilities for the ACT Executive include Accounts Receivable and Accounts Payable. These are measured at amortised cost and are non-interest bearing.

The ACT Executive has no exposure to interest rate, credit, liquidity or price risk.

NOTE 12. RELATED PARTY DISCLOSURES

A related party is a person or entity that controls or has significant influence over the reporting entity, or is a member of the Key Management Personnel (KMP) of the reporting entity or its parent entity, and includes their close family members and entities in which the KMP and/or their close family members individually or jointly have controlling interests.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of their reporting entity, directly or indirectly.

KMP of the ACT Executive are the 9 Cabinet Ministers, the Head of Service, the Chief Finance Officer (CFO) for the Chief Minister, Treasury and Economic Development Directorate (CMTEDD) and the Executive Chief of Staff.

Controlling Entity

The ACT Executive is an ACT Government controlled entity.

Key Management Personnel

Compensation of Key Management Personnel

Compensation of the Head of Service is included in the note on related party disclosures included in the CMTEDD financial statements for the year ended 30 June 2023.

The CFO is an employee of CMTEDD and is compensated by CMTEDD. The compensation related to this KMP is included in CMTEDD's financial statements, and as such, is not included in this note.

Compensation by ACT Executive to the remaining KMP is set out below:

	2023 $'000	2022 $'000
Short-term Employee Benefits	3 333	3 251
Post Employment Benefits	536	521
Other Long-term Benefits	6	7
Total Compensation by the ACT Executive to KMP	**3 875**	**3 779**

Transactions with Key Management Personnel

No disclosure is required for typical citizen transactions between the KMP and ACT Executive that occur on terms and conditions no different to those applying to the general public, where no discretion is applied and no influences is exerted by the related parties over the terms and conditions of those transactions.

Transactions with parties related to Key Management Personnel

There were no transactions that were material to the financial statements of ACT Executive that occurred with parties related to KMP including transactions with KMP's close family members or other related entities.

Transactions with Other ACT Government Controlled Entities

ACT Executive has entered into transactions with other ACT Government entities in 2023 and 2022 consistent with day-to-day business operations provided under varying terms and conditions. The notes to the Financial Statements provide the details of transactions with other ACT Government entities. Below is a summary of the Material transactions with Other ACT Government Entities.

Revenue

- Appropriation (Statement of Appropriation) – the ACT Executives' main ongoing source of funding is received from the ACT Government through the Territory Banking Account. This funding is in the form of Expenses on Behalf of the Territory appropriation.
- Resources Received Free of Charge (Note 4) – The ACT Executive received a range of services free of charge from the Government Solicitors Office, CMTEDD and the Office of the Legislative Assembly.

NOTE 12. RELATED PARTY DISCLOSURES - CONTINUED

Expenses

- Supplies and Services (Note 6) – The ACT Executive paid amounts to the ACT Audit Office for audit services, pays insurance premiums to the ACTIA Insurance Authority and pays CMTEDD for a range of IT services.
- Employee Expenses (Note 5) – The ACT Executive paid amounts to the Territory Bank Account for superannuation expenses relating to staff that are part of the CSS and PSS.

Transactions with Other ACT Government Controlled Entities

All material transactions with ACT Government controlled entities are disclosed in the relevant notes to the ACT Executive's financial Statements.

NOTE 13. BUDGETARY REPORTING

Significant Accounting Judgements and Estimates

Significant judgements have been applied in determining what variances are considered as 'major variances'. Variances are considered to be major variances if **both** of the following criteria are met:

- The line item is a significant line item: where either the line item actual amount accounts for more than **10% of the relevant associated actual category** amount (Income, Expenses, Assets, Liabilities and Equity totals) or more than **10% of the sub--element** (e.g. Current Liabilities and Receipts from Operating Activities totals) of the financial statements; and
- The variances (original budget to actual) are greater than plus (+) or minus (-) **10% and $500,000** for the financial statement line item.

Original Budget refers to the amounts presented to the Legislative Assembly in the original budgeted financial statements in respect of the reporting period Budget Statements. These amounts have not been adjusted to reflect supplementary appropriation or appropriation instruments.

	Actual 2023 $'000	Original Budget 2023 $'000	Variance $'000	Variance %
Statement of Assets and Liabilities Line Items				
Liabilities				
Employee Benefits - Current [1]	2 965	1 720	1 245	72%

[1] The variance largely reflects the pay increase and a one-off cost of living supplement payment in line with the ACT Legislative Assembly Member's Staff Enterprise Agreement currently being negotiated, and the first-time recognition of a termination allowance entitlement for Staff of the ACT Executive.

Default Insurance Fund

Default Insurance Fund (DIF)

Comprised of the Collapsed Insurer Fund (CIF) and the Uninsured Employer Fund (UEF)

Financial Statements for the year ended 30 June 2023

INDEPENDENT AUDITOR'S REPORT

To the Members of the ACT Legislative Assembly

Opinion

I have audited the financial statements of the Default Insurance Fund (Fund) for the year ended 30 June 2023 which comprise the operating statement, balance sheet, statement of changes in equity, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

(i) present fairly, in all material respects, the Fund's financial position as at 30 June 2023, and its financial performance and cash flows for the year then ended; and

(ii) comply with Australian Accounting Standards.

Basis for opinion

I conducted the audit in accordance with the Australian Auditing Standards. My responsibilities under the standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of this report.

I am independent of the Fund in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (Code). I have also fulfilled my other ethical responsibilities in accordance with the Code.

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

Responsibilities of the Fund Manager for the financial statements

The Fund Manager is responsible for:

- preparing and fairly presenting the financial statements in accordance with Australian Accounting Standards;
- determining the internal controls necessary for the preparation and fair presentation of the financial statements so that they are free from material misstatements, whether due to error or fraud; and
- assessing the ability of the Fund to continue as a going concern and disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting in preparing the financial statements.

Auditor's responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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 statements, 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 controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Fund's internal controls;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund;
- conclude on the appropriateness of the Fund's use of the going concern basis of accounting and, based on audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in this report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of this report. However, future events or conditions may cause the Fund to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether they represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Fund Manager regarding, 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 my audit.

T Larnach

Tim Larnach
Audit Principal, Financial Audit
25 September 2023

Default Insurance Fund
Financial Statements
For the Year Ended 30 June 2023

Statement by the Fund Manager

In my opinion, the Default Insurance Fund's financial statements have been prepared in accordance with Australian Accounting Standards, are in agreement with its accounts and records and fairly reflect its financial operations for the year ended 30 June 2023 and the financial position on that date.

Penny Shields
Fund Manager
Default Insurance Fund
25 September 2023

Default Insurance Fund
Financial Statements
For the Year Ended 30 June 2023

CONTENT OF FINANCIAL STATEMENTS

Default Insurance Fund
Operating Statement
For the Year Ended 30 June 2023

	Note No.	CIF Actual 2023 $'000	CIF Actual 2022 $'000	UEF Actual 2023 $'000	UEF Actual 2022 $'000	DIF Actual 2023 $'000	DIF Actual 2022 $'000
Income							
Interest	5	262	80	1,062	285	1,324	365
Levies	6	-	-	8,241	6,920	8,241	6,920
Recoveries	7	-	-	40	296	40	296
Other Revenue		-	-	156	192	156	192
Total Income		**262**	**80**	**9,499**	**7,693**	**9,761**	**7,773**
Expenses							
Claims Expenses	8	359	(254)	2,946	4,347	3,305	4,093
Supplies and Services	9	15	30	404	344	419	374
Total Expenses		**374**	**(224)**	**3,350**	**4,691**	**3,724**	**4,467**
Operating Result		**(112)**	**304**	**6,149**	**3,002**	**6,037**	**3,306**
Total Comprehensive Result		**(112)**	**304**	**6,149**	**3,002**	**6,037**	**3,306**

The above Operating Statement is to be read in conjunction with the accompanying notes.

Default Insurance Fund
Balance Sheet
As at 30 June 2023

	Note No.	CIF Actual 2023 $'000	CIF Actual 2022 $'000	UEF Actual 2023 $'000	UEF Actual 2022 $'000	DIF Actual 2023 $'000	DIF Actual 2022 $'000
Current Assets							
Cash and Investments	10	9,265	9,089	37,004	32,305	46,269	41,394
Receivables	11	-	-	2,361	976	2,361	976
Total Current Assets		**9,265**	**9,089**	**39,365**	**33,281**	**48,630**	**42,370**
Non-Current Assets							
Receivables	11	-	-	1,235	1,165	1,235	1,165
Total Non-Current Assets		-	-	1,235	1,165	1,235	1,165
Total Assets		**9,265**	**9,089**	**40,600**	**34,446**	**49,865**	**43,535**
Current Liabilities							
Payables		6	2	50	192	56	194
Provision for Claims Payable	12	181	69	5,486	4,544	5,667	4,613
Total Current Liabilities		**187**	**71**	**5,536**	**4,736**	**5,723**	**4,807**
Non-Current Liabilities							
Provision for Claims Payable	12	953	781	31,219	32,014	32,172	32,795
Total Non-Current Liabilities		**953**	**781**	**31,219**	**32,014**	**32,172**	**32,795**
Total Liabilities		**1,140**	**852**	**36,755**	**36,750**	**37,895**	**37,602**
Net Assets/(Liabilities)		**8,125**	**8,237**	**3,845**	**(2,304)**	**11,970**	**5,933**
Equity							
Accumulated Funds/(losses)		8,125	8,237	3,845	(2,304)	11,970	5,933
Total Equity		**8,125**	**8,237**	**3,845**	**(2,304)**	**11,970**	**5,933**

The above Balance Sheet is to be read in conjunction with the accompanying notes.

Default Insurance Fund
Statement of Changes in Equity
For the Year Ended 30 June 2023

	Note No.	CIF Accumulated Funds Actual 2023 $'000	UEF Accumulated Funds/(Losses) Actual 2023 $'000	DIF Accumulated Funds Actual 2023 $'000
Balance at 1 July 2022		**8,237**	**(2,304)**	**5,933**
Comprehensive Income				
Operating Result		(112)	6,149	**6,037**
Total Comprehensive Result		**(112)**	**6,149**	**6,037**
Balance at 30 June 2023		**8,125**	**3,845**	**11,970**

	CIF Accumulated Funds Actual 2022 $'000	UEF Accumulated Funds/(Losses) Actual 2022 $'000	DIF Accumulated Funds Actual 2022 $'000
Balance at 1 July 2021	**7,933**	**(5,306)**	**2,627**
Comprehensive Income			
Operating Result	304	3,002	**3,306**
Total Comprehensive Result	**304**	**3,002**	**3,306**
Balance at 30 June 2022	**8,237**	**(2,304)**	**5,933**

The above Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

Default Insurance Fund
Statement of Cash Flows
For the Year Ended 30 June 2023

	Note No.	CIF Actual 2023 $'000	CIF Actual 2022 $'000	UEF Actual 2023 $'000	UEF Actual 2022 $'000	DIF Actual 2023 $'000	DIF Actual 2022 $'000
Cash Flows from Operating Activities							
Receipts							
Interest		262	80	1,076	273	1,338	353
Levies		-	-	6,717	7,409	6,717	7,409
Insurance Recoveries		-	-	59	119	59	119
Goods and Services Input Tax Credits from the Australian Taxation Office		-	-	81	65	81	65
Other Receipts		-	-	188	161	188	161
Total Receipts from Operating Activities		**262**	**80**	**8,121**	**8,027**	**8,383**	**8,107**
Payments							
Supplies and Services		11	28	541	283	552	311
Claims		75	25	2,805	2,678	2,880	2,703
Goods and Services Tax Paid to Suppliers		-	-	76	83	76	83
Total Payments from Operating Activities		**86**	**53**	**3,422**	**3,044**	**3,508**	**3,097**
Net Cash Inflows from Operating Activities	10(b)	**176**	**27**	**4,699**	**4,983**	**4,875**	**5,010**
Net Increase in Cash and Cash Equivalents		176	27	4,699	4,983	4,875	5,010
Cash and Cash Equivalents at the Beginning of the Reporting Period		9,089	9,062	32,305	27,322	41,394	36,384
Cash and Cash Equivalents at the End of the Reporting Period	10(a)	**9,265**	**9,089**	**37,004**	**32,305**	**46,269**	**41,394**

The above Statement of Cash Flows is to be read in conjunction with the accompanying notes.

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2023

NOTE 1. OBJECTIVES OF THE DEFAULT INSURANCE FUND

Operations and Principal Activities of the Default Insurance Fund

The Default Insurance Fund (the Fund) is established under section 166 of the *Workers' Compensation Act 1951* (the Act). The purpose of the Fund is to:

- provide a safety net mechanism to meet the costs of workers' compensation claims made by workers in circumstances where:
  - (i) an employer does not have a compulsory workers' compensation insurance policy; or
  - (ii) an approved insurer is wound up under the *Corporations Act 2001* or cannot provide the indemnity required under a compulsory worker's compensation insurance policy; or
  - (iii) a worker is suffering from an imminently fatal asbestos-related disease (IFARD) as a result of exposure to asbestos fibres whilst employed as a worker in the Australian Capital Territory.
- make payment of statutory entitlements under the Act; and
- satisfy or settle claims.

The Fund keeps separate ledger accounts for the Uninsured Employer Fund (UEF) for claims made against employers without compulsory insurance policies and for the Collapsed Insurer Fund (CIF) for claims made against an insurer which cannot provide the indemnity.

Funds required to satisfy the cost of claims and other relevant expenses for the Fund are not guaranteed by the ACT Government; however, Division 8.2.4 of the Act allows the Fund Manager to impose contributions and supplementary contributions on approved insurers and self-insurers to meet the cost of claims.

NOTE 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards.

The financial statements have been presented by aggregate for the Fund as 'DIF' and also by CIF and UEF, the financial performance and financial position are allocated between each Fund to be transparent about amounts and balances relating to each Fund.

Accrual Accounting

The financial statements have been prepared using the accrual basis of accounting, which recognises the effects of transactions and events when they occur. The financial statements have also been prepared according to the historical cost convention, except for assets such as those included in financial instruments which were measured at fair value during the reporting period.

Currency

These financial statements are presented in Australian dollars, which is the Fund's functional currency.

Individual Reporting Entity

The Fund is an individual not-for-profit reporting entity.

Reporting Period

These financial statements state the operating statement, changes in equity and cash flows of the Fund for the year ended 30 June 2023 together with the balance sheet of the Fund as at 30 June 2023.

NOTE 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS - CONTINUED

Comparative Figures

Comparative information has been disclosed in respect of the previous period for amounts reported in the financial statements, except where an Australian Accounting Standard does not require comparative information to be disclosed.

Where necessary, comparatives have been reclassified to conform to changes in presentation in the current year.

Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars ($'000). Use of "-" represents zero amounts or amounts rounded down to zero.

Going Concern

The 2022-23 financial statements have been prepared on a going concern basis as the Fund has sufficient current assets to meet its estimated current liabilities, this is achieved through the collection of levies.

Under Part 8.2, section 168A and section 168AA of the *Workers' Compensation Act 1951* (the Act) the Fund Manager may raise additional levies should there be a shortfall to meet current liabilities.

NOTE 3. IMPACT OF ACCOUNTING STANDARDS ISSUED BUT YET TO BE APPLIED

Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) but yet to be applied have been assessed as not being relevant to the Fund or will have an immaterial financial impact. However, the Fund is currently assessing whether AASB 2022-9 will have a material financial impact.

- AASB 2022-9 *Amendments to Australian Accounting Standards - Insurance Contracts in the Public Sector*

This standard makes key modifications to the requirements of AASB 17 *Insurance Contracts* specific to public sector entities. The modifications relate to providing public sector entities with:

a) pre-requisites, indicators and other considerations that need to be judged to identify arrangements that fall within the scope of AASB 17 in a public sector context;
b) an exemption from sub-grouping onerous versus non-onerous contracts at initial recognition;
c) an exemption from sub-grouping contracts issued no more than a year apart;
d) an amendment to the initial recognition requirements so that they do not depend on when contracts become onerous;
e) guidance on coverage periods in a public sector context, which has consequences for determining the cash flows used to measure insurance liabilities and the pattern of revenue recognition;
f) an accounting policy choice to measure liabilities for remaining coverage applying the premium allocation approach; and
g) a transition requirement grandfathering the existing classification of arrangements constituting a liability for settlement of claims incurred before the liability was acquired in a transfer as either a liability for incurred claims within the scope of AASB 17 or a provision within the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

NOTE 3. IMPACT OF ACCOUNTING STANDARDS ISSUED BUT YET TO BE APPLIED - CONTINUED

AASB 17 applies to all entities for annual periods beginning on or after 1 July 2026. Public Sector entities are required to apply AASB 17 to an insurance arrangement if, and only if, it is enforceable, has an identifiable coverage period and gives rise to insurance contracts based on certain indicators and considerations.

Based on an initial assessment it is likely that the standard will not apply to the Fund. However, a full assessment on application criteria and potential financial impact will be undertaken prior to the effective date for the standard. The Fund does not intend to adopt this standard early if it is assessed as an applicable standard.

NOTE 4. CHANGE IN ACCOUNTING ESTIMATES

Changes in Accounting Estimates

Refer to Note 12 'Provision for Claims Payable' for changes in accounting estimates for actuarial assumptions and sensitivity analysis on outstanding claims liabilities.

INCOME NOTES

Material Accounting Policies - Income

Revenue Recognition

Revenue is recognised in accordance with AASB 1058 *Income of Not-for-Profit Entities* and is measured at the fair value of the consideration received or receivable in the Operating Statement.

NOTE 5. INTEREST

Description and Material Accounting Policies relating to Interest

Interest revenue relates to the variable interest earned in the operating bank account maintained with Westpac Bank and short-term investment held with the Public Trustee and Guardian in a Cash Trust Account. Interest is recognised using effective interest method. Refer to Note 10 'Cash and Investments' for further details.

	2023 $'000	2022 $'000
Interest		
Interest from the Government Cash Trust Fund Account [a]	168	52
Interest from Bank [b]	94	28
Collapsed Insurer Fund	**262**	**80**
Interest from the Government Cash Trust Fund Account [a]	423	131
Interest from Bank [b]	639	154
Uninsured Employer Fund	**1,062**	**285**
Total Interest	**1,324**	**365**

[a] *The Increase in interest earned from short term investments held with the Public Trustee and Guardian is mainly due to an increase in floating interest rates. The average floating interest rate during 2022-23 was 2.55% compared to 0.79% for 2021-22.*

[b] *The significant increase in interest from the bank is mainly due to an increase in the variable interest rate for the cash balance in the bank and an increase in the bank balance with positive operating cashflows during the 2022-23 financial year.*

NOTE 6. LEVIES

Description and Material Accounting Policies relating to Levies

Monies required to satisfy UEF claims are funded by way of levies placed on ACT Workers Compensation Insurers and self-insurers. The *Workers Compensation Act 1951* (the Act) provides the framework for the calculation of levies. Each year a review of the UEF is undertaken by the Fund Manager to determine an appropriate contribution, in the form of a levy, for approved workers' compensation insurers and self-insurers who are currently operating in the Territory. For 2022-23 the contribution from insurers and self-insurers was set at 2.6% of gross written premiums or notional premium based on industry rates for self-insurers (compared to 2.8% in 2021-22). Levies are recognised in the Operating Statement for the reporting period when they have been levied based on the quarterly declaration of the gross written premium and the total wages for self-insurers.

The Act provides the framework for levy contributions to be collected from approved insurers and self-insurers determined by the Fund Manager. The Fund Manager has the ability to raise the levies should there be a need to meet the cost of claims and expenses.

The CIF does not currently levy insurers as the actuaries have confirmed that there is no need to at this point in time to cover the liabilities. This would be revisited in the event of an insurer collapse.

	2023 $'000	2022 $'000
Levies	8,241	6,920
Uninsured Employer Fund	**8,241**	**6,920**
Total Levies	**8,241**	**6,920**

The increase in levies for 2022-23 is mainly due to an increase in gross premiums written by insurers and the total wages declared by self-insurers.

NOTE 7. RECOVERIES

Description and Material Accounting Policies relating to Recoveries

The CIF fund may receive recoveries from the administrators of failed insurance companies. The UEF fund may receive recoveries from other insurers due to third party arrangements. Both funds may receive repayments by third parties and court associated recoveries. All recoveries are recognised upon receipt.

	2023 $'000	2022 $'000
Employer and Other – Uninsured Employer Fund [a]	40	296
Uninsured Employer Fund	**40**	**296**
Total Recoveries	**40**	**296**

[a] *The decrease in UEF recoveries in 2022-23 is mainly due to claims settled during the financial year having only limited opportunity for recoveries from uninsured employers and third parties.*

EXPENSES NOTES

Material Accounting Policies - Expenses

NOTE 8. CLAIMS EXPENSES

Description and Material Accounting Policies relating to Claims Expenses

Claims expenses in the group of weekly compensation and medical rehabilitation cost are recognised in the operating statement based on the payments processed.

Settlements

Settlements are the payments processed in full or part for the settlement of claims by way of negotiation or through court proceedings.

Legal and Disbursement Costs

Legal and disbursement costs are the cost related to the legal fees for the Fund for its legal cost, the legal cost of the claimants that is required to be reimbursed as per settlement decision or court orders and any other relevant expenses incurred and passed on as part of legal proceedings.

Provision for Claims Payable

Provision for Claims payable is recognised as the movement in the liability for claims provision. The provision covers claims reported but not yet paid; incurred but not yet reported (IBNR); incurred but not enough reported (IBNER) and the anticipated direct and indirect costs of settling those claims. The provision for claims payable is actuarially assessed by reviewing individual claim files and estimating changes in the ultimate cost of settling claims, IBNRs and associated settlement costs using statistics based on past experience and trends. Refer to Note 12: 'Provision for Claims Payable'.

	2023 $'000	2022 $'000
Weekly Compensation	24	25
Settlements	51	-
Provision for Claims Payable [a]	284	(279)
Collapsed Insurer Fund	**359**	**(254)**
Settlements [b]	1,760	1,508
Medical and Rehabilitation Costs	71	83
Weekly Compensation	189	224
Legal and Disbursements Costs	779	863
Provision for Claims Payable [c]	147	1,669
Uninsured Employer Fund	**2,946**	**4,347**
Total Claims Expenses	**3,305**	**4,093**

[a] The increase in the CIF provisions for claims payable for 2022-23 was mainly due to new claims incurred during the year whereas the lower provision for claims payable during 2021-22 was mainly due to a release of liability provisions relating to lower than expected claims handling expenses and changes in inflationary and discounting assumptions.

[b] Slightly higher settlement payments during 2022-23 was mainly due to individual claims settled being different in terms of the size of payments and also the number of finalised during year.

[c] The decrease in the UEF provision for claims payable is mainly due to stable claims experience for IFARD and silicosis claims and lower than actuarially estimated claims payments during the year, whereas 2021-22 outstanding claims liabilities were higher due to increased case estimates for silicosis claims (refer to Note 12: 'Provision for Claims Payable').

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2023

NOTE 9. SUPPLIES AND SERVICES

Description and Material Accounting Policies relating to Supplies and Services

Audit fees
Auditor's remuneration consists of services provided to the Fund by the ACT Audit Office to conduct the financial audit. The Fund allocates audit fees at the ratio of 90:10 to the UEF and CIF funds based on the estimated volume of transactions and activities. No other services were provided by the ACT Audit Office.

Administration and Support Services
Administration and support services are charged by ACT Insurance Authority for the administration and management of the Fund. Administration and Support Services are charged to UEF fund only, noting there are only minimal regular admin and support efforts required and to balance excessive expenses loading to outstanding claims liabilities for long tail claims.

Actuarial Costs
Actuarial costs include the fee for the valuation of outstanding claims liabilities for the end of financial year and annual UEF levy review. The Fund allocates the actuarial cost for annual valuation at the ratio of 90:10 to the UEF and CIF funds based on the claims managed under each of the funds.

Investment Commission Fees
Investment Commission fees are the monthly fees and charges from the Public Trustee and Guardian to manage the short-term investment in the cash trust account.

	2023 $'000	2022 $'000
Actuarial Costs	2	11
Audit Fees	3	16
Investment Commission Fees	10	3
Collapsed Insurer Fund [a]	**15**	**30**
Actuarial Costs	28	35
Administration and Support Services	317	263
Audit Fees	34	38
Investment Commission Fees	25	8
Uninsured Employer Fund [b]	**404**	**344**
Total Supplies and Services	**419**	**374**

[a] *Lower Supplies and services cost for CIF in 2022-23 relates to charges allocated for audit fee and actuarial cost between UEF and CIF with the split reflecting 10% for CIF and 90% for UEF. Higher Audit fees and actuarial cost in 2021-22 were due to a different allocation methodology being applied.*

[b] *Higher supplies and services expenditure for UEF was mainly due to revised allocation of administrative and support costs from ACT Insurance Authority including claims management system costs based on staffing structure and system inputs.*

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2023

ASSETS NOTES

Material Accounting Policies – Assets

Assets – Current and Non-Current

Assets are classified as current or non-current in the Balance Sheet and in the relevant notes. Assets are classified as current where they are expected to be realised within twelve months after the reporting date. Assets which do not fall within the current asset classification are classified as non-current assets.

NOTE 10. CASH AND INVESTMENTS

Description and Material Accounting Policies relating to Cash and Investments

The Cash Equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash at Bank

The Fund holds one bank account with the Westpac Bank as part of the whole-of-government banking arrangements. As part of these arrangements, the Fund earns variable interest on credit balances (annual interest rate of 4.95% effective as at 30 June 2023 for balances up to $20 million).

Investments

The Fund holds short-term investments with the Public Trustee and Guardian in a Government Cash Trust Fund account managed by an external fund manager. The investment earned a floating interest rate of 2.55% (0.79% in 2021-22). The investments held with the Public Trustee and Guardian Government Cash Trust Fund account are classified as Cash Equivalents and are measured at fair value.

(a) Cash and Investment Balances

	2023 $'000	2022 $'000
Cash and Cash Equivalents		
Cash at Bank	2,669	2,510
Investments	6,596	6,579
Collapsed Insurer Fund	**9,265**	**9,089**
Cash at Bank [a]	20,352	15,697
Investments	16,652	16,608
Uninsured Employer Fund	**37,004**	**32,305**
Total Cash and Cash Equivalents	**46,269**	**41,394**

[a] *The increase in cash at bank is the result of a positive net cash inflow from operating activities during 2022-23.*

NOTE 10. CASH AND INVESTMENTS - CONTINUED

Cashflow Reconciliations

(b) Reconciliation of Cash and Cash Equivalents at the End of the Reporting Period in the Statement of Cash Flows to the Equivalent Items in the Balance Sheet	2023 $'000	2022 $'000
Total Cash and Cash Equivalents Recorded in the Balance Sheet	46,269	41,394
Cash and Cash Equivalents at the End of the Reporting Period as Recorded in the Statement of Cash Flows	**46,269**	**41,394**
(c) Reconciliation of the Operating Result to the Net Cash Inflows from Operating Activities		
Operating Result	**6,037**	**3,306**
Changes in Operating Assets and Liabilities		
(Increase) /Decrease in Receivables	(1,455)	249
(Decrease)/Increase in Payables	(138)	65
Increase in Provision for Claims Payable	431	1,390
Net Changes in Operating Assets and Liabilities	**(1,162)**	**1,704**
Net Cash Inflows from Operating Activities	**4,875**	**5,010**

NOTE 11. RECEIVABLES

Description and Material Accounting Policies relating to Receivables

Accounts Receivable are measured at fair value on initial recognition and subsequently measured at amortised cost, with any adjustments to the carrying amount being recorded in the Operating Statement.

Levies receivable

Levies receivable are recognised for the amount of quarterly levies receivable from insurers and self-insurers based on the declared amount of gross written premium by the insurer and total wages declared by the self-insurers.

Claims Related Recoveries

Claims related recoveries are recognised based on the actuarial valuation of outstanding claims liabilities for any amount recoverable from employers and other insurers. Non-Current Claims Related Recoveries are the estimated future recoveries attached with the estimated future claims provisions. Refer to actuarial assumptions under Note 12: 'Provision for Claims Payable'.

	2023 $'000	2022 $'000
Uninsured Employer Fund		
Current Receivables		
Levies Receivable	2,189	710
Claims Related Recoveries	149	237
Net GST Receivable	23	29
Total Current Receivables	**2,361**	**976**
Non-Current Receivables		
Claims Related Recoveries	1,235	1,165
Total Non-Current Receivables	**1,235**	**1,165**
Total Receivables [a]	**3,596**	**2,141**

[a] *No receivables are past due or impaired.*

LIABILITY NOTES

Material Accounting Policies – Liability

Liabilities – Current and Non-Current

Liabilities are classified as current or non-current in the Balance Sheet and in the relevant notes. Liabilities are classified as current when they are due to be settled within twelve months after the reporting date or the Fund does not have an unconditional right to defer the settlement of the liability for at least twelve months after the reporting date. Liabilities that do not fall within the current classification are non-current.

NOTE 12. PROVISION FOR CLAIMS PAYABLE

Description and Material Accounting Policies relating to Provision for Claims Payable

An estimate of the provision for claims payable is completed annually by an independent actuary.

Taylor Fry Consulting Actuaries completed a full assessment of the provision for claims payable at 30 June 2023. The movement in outstanding claims liability can either reduce claims expense in the case of a reduction in liability or increase claims expense in the case of an increase in liability.

The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal inflation and 'superimposed inflation'. Superimposed inflation refers to factors such as trends in court awards. The expected future payments are then discounted to present value using the Commonwealth Government Bond risk free rate.

Claims estimated to fall due within a twelve-month period are classified as a current liability and all other claims as a non-current liability.

Changes in Actuarial Assumptions

Actuarial assumptions are based on past claims experience, risk exposure and projections of economic variables. As a result of experience during the year and changes in valuation assumptions, the provision for claims payable increased by $0.284 million for CIF ($0.279 million decrease in 2021-22) and increased by $0.147 million for UEF ($1.669 million increase in 2021-22) (refer to Note 8: 'Claims Expense').

The Fund makes estimates and assumptions in respect of certain key amounts recorded in the financial statements. Estimates and judgements are regularly evaluated and are based on historical experience and other factors.

The key areas in which critical estimates are applied are described below.

Actuarial Assumptions

The actuarial process for estimating the provision for claims payable comprises:

- future compensation payments on open reported claims including, where appropriate, an incurred but not enough reported (IBNER) allowance for development in the case estimate prior to the settlement of those claims;
- future compensation payments for incurred but not yet reported (IBNR) claims;
- net apportionment and cross-claims (i.e. 'sharing') with other defendants, where identified;
- an estimate of the costs associated with managing the claims, such as the staff costs for employees managing the claims; and
- claims inflated and discounted to a 'present value' basis.

NOTE 12. PROVISION FOR CLAIMS PAYABLE – CONTINUED

Actuarial Assumptions – Continued

The approach used in calculating the provision for claims payable in the UEF was as follows:

- claims were subdivided into the following groups for analysis:
  - imminently fatal asbestos-related disease (IFARD) claims;
  - non-IFARD Asbestos claims;
  - hearing loss claims; and
  - other claims (with an allowance for silicosis claims relating to claims reported 20+ years after the injury/exposure date).
- development of open claims (current value payments to date plus current case estimates) was analysed; and consideration was then given to the need to include an allowance for IBNER;
- an allowance was made for IBNR claims, based on projections of future claim reports and adopted average claim sizes;
- a pattern of future payments was applied to apportion the current value of the liability over future payment periods;
- an allowance was made for the effect of future recoveries, based on historic experience; and
- an allowance was made for the timing of benefit payments by adjusting for future claims inflation and discounting these payments to a present value.

The approach used to estimate the provision for claims payable in the CIF, excluding National Employers Mutual (NEM) related claims was as follows:

- historical claim payments gross of recoveries were inflated to 30 June 2023 values;
- future claims payments were projected, based on payment experience to date;
- development of open claims (current value payments to date plus current case estimates) was analysed and consideration was then given to the need to adjust the case estimates on the open claims for future case estimate developments;
- a further allowance was made for IBNR claims;
- a pattern of future payments was applied to apportion the current value of the liability over future payment periods; and
- an allowance was made for the timing of benefit payments by adjusting for future claims inflation and discounting these payments to a present value.

There is a single NEM claim that remains open, where the claimant will continue to receive periodic benefits for life. Therefore, to allow for their life expectancy a different approach has been taken for this claim type:

- future claim payments on the one open claim were projected, based on payments in 2022-23. For this type of claim, once weekly payments reach the claimants equivalent weekly earnings as at the date of injury no further allowance is made for future inflation;
- probability of survival factors were applied to each payment based on the claimant’s age at 30 June 2023; and
- an allowance was made for the timing of benefit payments by adjusting for future claims inflation and discounting these payments to a present value.

NOTE 12. PROVISION FOR CLAIMS PAYABLE – CONTINUED

Actuarial Assumptions – Continued

Process Used to Determine Assumptions

A description of the processes used to determine these assumptions is provided over the following pages. Explicit assumptions for each of the IFARD, non-IFARD, hearing loss, non-IFARD asbestos related claims and other claims have been used. Explanations for these assumptions listed in the table below are provided on the following pages.

Table 1 – Main assumptions in determining the provision for claims payable

Assumption	Collapsed Insurer Fund		Uninsured Employer Fund	
	2023	2022	2023	2022
Projected IBNR claim numbers (non-IFARD)	1	1	46.8	44.2
Gross average IBNR claim size (non-IFARD)	$243,000	$259,000	$234,672	$233,521
Projected IBNR claim numbers (IFARD)	N/A	N/A	49.0	53.1
Gross average IBNR claim size (IFARD)	N/A	N/A	$338,000	$323,587
Claims Inflation rate per annum - Wage Inflation	3.67%	3.56%	3.58%	3.49%
Claims Inflation rate per annum - Superimposed inflation (UEF - other claims and CIF)	0.50%	0.50%	0.50%	0.50%
Discount rate per annum	3.97%	3.56%	4.11%	3.66%
Average weighted term to settlement	4.5 years	6.9 years	7.4 years	7.9 years
Recoveries (hearing loss and non-IFARD asbestos-related)	N/A	N/A	0%	0%
Recoveries (UEF - other claims and CIF)	0%	0%	8%	8%
Claims handling expenses (non-IFARD and CIF)	39%	41%	14.2%	13.7%
Claims handling expenses (IFARD)	N/A	N/A	3%	3%
Allowance for future case estimate development (% of case estimate)	N/A	N/A	54%	90%

Projected IBNR claim numbers

The projected non-IFARD claim numbers, excluding asbestos-related claims, have been determined based on an assumed pattern of claim emergence using average claim numbers for each development period. This projection gives the average number of IBNR claims expected in the future from a notional distribution of possible outcomes.

For IFARD and non-IFARD asbestos-related claims, an emergence pattern based on updated analysis performed by Taylor Fry Consulting Actuaries on other large asbestos portfolios has been applied. The pattern is unchanged from that assumed in the previous valuation.

NOTE 12. PROVISION FOR CLAIMS PAYABLE – CONTINUED

Actuarial Assumptions – Continued

Gross average IBNR claim size

For hearing loss and other claims, the gross average claims size assumption is determined based on an average of past claim sizes (including any assumed level of future development). This varies by how long after the injury date it takes for the claim to receive its first payment.

For non-IFARD asbestos claims, average sizes are based on past average claim sizes estimated separately for mesothelioma, asbestosis and other asbestos-related claims. These sizes are weighted by proportions of these types of claims based on historical numbers.

For IFARD claims, the average size is higher than last year’s estimate to allow for indexation and to give some weight to the higher cost of recent claims.

Claims inflation rate

Future claims inflation is based on forecast Average Weekly Earnings (AWE). Forecast AWE is based on economic forecasts including from the Access Economics business outlook at 30 June 2023 and RBA’s Statement of Monitory Policy, combined with a longer-term forecast of AWE adjusted for projected future interest rates. The CIF inflation rate excludes the NEM claim as these benefits are capped and won’t be indexed in the future. As the CIF and UEF have different run-off patterns this leads to differences in the weighted average inflation rates. However, claim costs tend to increase above the rate of wage inflation over time. A rate of 0.5% per annum for additional (i.e. superimposed) inflation has been adopted for UEF other claims and CIF claims.

No superimposed inflation has been assumed for hearing loss and asbestos-related claims. For hearing loss, costs are expected to be unchanged or decrease as hearing aids become less expensive. For asbestos-related claims, common law settlements are likely to be unchanged or decrease as the affected population ages and statutory benefits will be limited to increases in line with inflation.

Discount rate

The estimate of the Fund’s provision for claims payable is provided on both a discounted (i.e. allowing for future investment income) and undiscounted basis. To discount the liability, the market yields at 30 June 2023 on long-duration Commonwealth Government bonds have been used. The two Funds have different projected payment patterns based on the nature of their claims. As the market yield of bonds varies by duration, this gives rise to the different average discount rates for the two Funds.

Average weighted term to settlement

The average weighted term to settlement is the number of years taken to finalise claims settlement and is based on historic settlement patterns. A decrease in the average weighted term to settlement would lead to more claims being paid sooner than previously projected.

Recoveries

The percentage of recoveries is based on historic recovery patterns for other claims. A decrease in the percentage of recoveries would lead to higher net claim payments. No recoveries have been received for hearing loss or asbestos claims, so their recoveries are assumed to be zero. No further recoveries are expected for CIF claims.

NOTE 12. PROVISION FOR CLAIMS PAYABLE – CONTINUED

Actuarial Assumptions – Continued

Claims handling expenses

For non-IFARD UEF claims, the allowance for claims handling expenses is calculated based on projected expenses and the run-off pattern of claim costs. This results in an implicit allowance of 14.2% of claim costs, whereas last year there was an explicit 13.7% loading.

The IFARD expense allowance is lower than for non-IFARD claims as it only includes the additional marginal cost of managing IFARD claims (i.e. overheads and other fixed costs are already included in the non-IFARD allowance) and because IFARD claims have a higher average claim size which results in expenses being a smaller percentage loading. The 3% loading is unchanged from last year.

For the CIF, the expense allowance is based on the current level of administration costs applied until the NEM claim is expected to close with gradual reductions thereafter. This results in an implied 39% loading compared to 41% last year. The revised loading allows for higher support costs but is spread over a larger gross claims liability resulting in a reduction to the implied loading percentage.

Allowance for future case estimate development

For asbestos and other claims, an allowance for future case estimate development on IBNER has been made based on models of claim development relative to when the claim received its first payment. This means that the amount of development as a percentage of case estimates will vary by accident year depending on the maturity mix of the open claims.

For each accepted hearing loss claim, hearing aid replacement costs are projected based on the age of the claimant.

Sensitivity Analysis

The Fund’s provision for claims payable is calculated using methods that rely on certain assumptions about the experience of claims which are already incurred but not yet fully paid. To understand the impact of variations in these assumptions, changes were made to key assumptions and the impact on the outstanding claims result was quantified. This is referred to as a sensitivity analysis.

NOTE 12. PROVISION FOR CLAIMS PAYABLE – CONTINUED

Sensitivity Analysis - Continued

Each of the below assumptions has been considered in isolation. However, in reality, volatility in the net provision for claims payable is likely to be due to a number of these and other factors in combination.

Table 2 – below shows a number of sensitivities on the UEF net liability. These sensitivities indicate considerable sensitivity to the number and average size of future IFARD claims, as well as the risks related to silicosis claims.

Table 2- Uninsured Employer Fund - Sensitivities of net liability to various model assumptions

Sensitivity	Change	Provision for claims payable $'000	Difference $'000	Difference %
Gross provision for claims payable		36,705		
Less current and non-current Recoveries		(1,384)		
Net provision for claims payable		**35,321**		
Case estimate development (IBNER)	Increase by 20%	35,844	522	1
Number of non-IFARD claims per annum	Increase by 3	35,889	567	2
Number of non-IFARD claims per annum	Decrease by 3	34,754	(567)	(2)
Size of average non-IFARD claim	Increase by 20%	37,104	1,783	5
Size of average non-IFARD claim	Decrease by 20%	33,539	(1,783)	(5)
Cost for silicosis claims	Increase 100%	38,749	3,428	10
Number of future IFARD claims per annum	Increase by 20	41,943	6,622	19
Number of future IFARD claims per annum	Decrease by 20	28,700	(6,622)	(19)
Size of average IFARD claim	Increase by 20%	38,568	3,247	9
Size of average IFARD claim	Decrease by 20%	32,074	(3,247)	(9)
Future inflation	Decrease by 0.5%	34,064	(1,257)	(4)
Future superimposed inflation	Increase by 0.5%	34,928	(393)	(1)
Future discount rate	Decrease by 0.25%	35,984	663	2

The net provision for claims payable refers to the provision for outstanding claims liability which is inclusive of claims handling expenses and is not intentionally over or underestimated (i.e. does not include a margin for uncertainty) and is reduced by expected recoveries.

NOTE 12. PROVISION FOR CLAIMS PAYABLE – CONTINUED

Sensitivity Analysis - Continued

Table 3 – below shows a number of sensitivities on the CIF net liability. These sensitivities indicate considerable sensitivity to the cost of IBNR claims.

Table 3 - Collapsed Insurance Fund - Sensitivities of net liability to various model assumptions

Sensitivity	Change	Provision for claims payable $'000	Difference $'000	Difference %
Gross provision for claims payable		1,134		
Less current and non-current Recoveries		-		
Net provision for claims payable		**1,134**		
IBNR claim cost	Increase by 100%	1,360	225	20
IBNR claim cost	Decrease by 50%	1,247	113	10
Future inflation	Decrease by 0.5%	1,098	(36)	(3)
Future superimposed inflation	Increase by 0.5%	1,148	14	1
Future discount rate	Decrease by 0.25%	1,154	19	2

The net provision for claims payable refers to the provision for outstanding claims liability which is inclusive of claims handling expenses and is not intentionally over or underestimated (i.e. does not include a margin for uncertainty) and is reduced by expected recoveries.

Uncertainty

The estimates of provision for claims payable in this report rely on projections of future claim payment experience. As such, there is a significant degree of uncertainty associated with the estimates. This uncertainty mainly arises from the following general and fund-specific sources.

General sources of uncertainty

- Data error – the base data can contain material errors.
- Model error – incorrect or inappropriate models may be used to project the future claims.
- Parameter error – the selected values for various assumptions within the valuation are in some cases based on judgement and may not accurately represent the future values for the parameters.
- Random error – claims development is, by its nature, subject to random variation.
- Unforeseen developments due to events including judicial decisions, legislative changes, public attitudes, potential sources of 'latent claims' (e.g. child claims in the context of compulsory third party), and social/economic conditions such as inflation.

NOTE 12. PROVISION FOR CLAIMS PAYABLE – CONTINUED

Uncertainty - continued

Fund specific sources of uncertainty

- The Fund's data is sparse, and an actuary could reasonably select a wide range of assumptions.
- The provision for claims payable of the CIF is expected to reduce over time (unless another insurer collapses). As liabilities reduce, they are likely to become increasingly uncertain in percentage terms.
- On 1 July 2017, the *Workers Compensation Amendment Act 2016 (No 2)* came into effect which required the Fund to meet the cost of claims made for IFARD. The amendment introduces the provision for statutory benefits to be made available to workers suffering from IFARD. The number, amount and timing of payments for such claims is highly uncertain.
- The experience of the UEF, in particular, is influenced by social and economic factors. These factors have had an impact on the claims experience. The current environment of high inflation and interest rate rises is unlikely to have a material impact on the outstanding claims liability as most employers would have paid premiums before these were an issue. However, if the number of employers who fail to pay their premiums increases there is a risk that it could lead to more claims for the 2024 injury year.
- For both Funds, there are specific uncertainties relating to latent claims. To date, the main sources of latent claims are from asbestos diseases and hearing loss injuries. The liabilities for both Funds allow for all future asbestos and hearing loss claims caused by work-related exposures up to the valuation date. These allowances are highly uncertain especially for asbestos related claims which can have a very long reporting pattern. The UEF is now the primary insurer for all IFARD claims which creates additional uncertainty as the Fund has only had this role since 1 July 2017.
- There is a risk to both Funds from silicosis claims. Three UEF claims have already been received with one during each of the 2020 to 2022 financial years. There has also been one CIF claim received.
- Case estimates have been relied upon when setting reserves for open claims. It is likely that when open claims are settled, they will be settled at a different value to the case estimate held, and this value may be significantly higher or lower than the case estimate.
- Since 1 July 2016, the Lifetime Care and Support Scheme (the Scheme) has covered private sector workers who are catastrophically injured in a workplace accident. This leads to uncertainty regarding the impact of the Scheme on the Fund. In principle, the introduction of the Scheme should reduce the risk of these claims coming into the Fund. However, as such claims are expected to be infrequent, the exact impact on any given year is unknown.

Although the estimates have been prepared in conformity with what is believed to be the likely future experience, the experience could differ considerably from the estimates. Deviations from estimates are normal and are to be expected.

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2023

NOTE 12. PROVISION FOR CLAIMS PAYABLE – CONTINUED

	2023 $'000	2022 $'000
Total Provision for Claims Payable by Fund		
Current Provision for Claims Payable	181	69
Non-Current Provision for Claims Payable	953	781
Collapsed Insurer Fund	**1,134**	**850**
Current Provision for Claims Payable	5,486	4,544
Non-Current Provision for Claims Payable	31,219	32,014
Uninsured Employer Fund	**36,705**	**36,558**
Total Provision for Claims Payable	**37,839**	**37,408**

Funding of Provision for Claims Payable

Funded Proportion of Provision for Claims Payable	1,134	850
Unfunded Proportion of Provision for Claims Payable	-	-
Total Provision for Claims Payable - CIF	**1,134**	**850**
Funded Proportion of Provision for Claims Payable	36,705	34,276
Unfunded Proportion of Provision for Claims Payable	-	2,282
Total Provision for Claims Payable - UEF	**36,705**	**36,558**
Total Provision for Claims Payable	**37,839**	**37,408**

Change in Basis - In the 12 months from 30 June 2022 to 30 June 2023

Inflated and Discounted Liability at 30 June 2023 (Gross of Recoveries)

	CIF Component $'000	UEF Component $'000	Total DIF $'000
Reported	590	7,115	7,705
Incurred But Not Reported (IBNR)	225	26,688	26,913
Claims Handling Expense	319	2,902	3,221
Total Provision for Claims Payable	**1,134**	**36,705**	**37,839**

Inflated and Discounted Liability at 30 June 2022 (Gross of Recoveries)

	CIF Component $'000	UEF Component $'000	Total DIF $'000
Reported	310	6,441	6,751
Incurred But Not Reported (IBNR)	292	27,356	27,648
Claims Handling Expense	248	2,761	3,009
Total Provision for Claims Payable	**850**	**36,558**	**37,408**

NOTE 12. PROVISION FOR CLAIMS PAYABLE – CONTINUED

Reconciliation of movement in provision for claims payable

The table below compares the estimates as at 30 June 2023, gross liability of outstanding claims at 30 June 2023 compared with those projected from the 30 June 2022 valuation, expected gross liability of outstanding claims at 30 June 2023 thereby explaining the movement between the two estimates.

Movement in liability since 30 June 2022	CIF ($'000)	UEF ($'000)	Total ($'000)
Gross liability at 30 June 2022 (including claims handling expenses)	**850**	**36,558**	**37,408**
Remove the expected payments to 30 June 2023	(59)	(4,101)	(4,160)
Remove the claims handling expenses	(248)	(2,761)	(3,009)
Expected Interest to 30 June	15	813	828
Expected gross liability of outstanding claims at 30 June 2023 (excluding claims handling expenses)	**558**	**30,509**	**31,067**
Change in general experience, assumptions, and modelling	202	(50)	152
Change in case estimate development assumptions	54	(267)	(213)
Change in IBNR numbers	-	917	917
Change in IBNR claim size	-	(164)	(164)
Change in Economic Assumptions	1	(397)	(396)
	815	**30,548**	**31,363**
Gross liability of outstanding claims at 30 June 2023 for prior accident years (excluding claims handling expenses)			
Liability for new accidents	-	3,255	3,255
Add in claims handling expenses	319	2,902	3,221
Gross liability of outstanding claims at 30 June 2023 for all accident years (including claims handling expenses)	**1,134**	**36,705**	**37,839**

The gross liability of outstanding claims of $37.8 million at 30 June 2023 was $0.4 million higher than the gross liability of outstanding claims of $37.4 million at 30 June 2022. The main reason for the increase in the liability is due to the other costs attributable to the additional silicosis claims allowance, which resulted in higher IBNR numbers and sizes. Economic assumption changes reduced the liability for both funds.

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2023

NOTE 13. FINANCIAL INSTRUMENTS

Description and Material Accounting Policies Relating to Financial Instruments

Details of the significant 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 and financial liability, are disclosed in relevant notes for assets classes.

The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB 7

(a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Most of the Fund’s financial assets are held in floating interest rate arrangements, whereas the Fund’s financial liabilities are not subject to floating interest rates.

Interest rate risk for financial assets is managed by only investing in floating interest rate investments that are low risk. There have been no changes in risk exposure or processes for managing risk since the last reporting period.

Sensitivity Analysis

Taking into account past performance, future expectations and economic forecasts, the impact on profit or loss and the impact on equity in the table below is reasonably possible over the next twelve months if interest rates change by -/+ 1% per annum.

	Carrying Amount $’000	Profit/(Loss) Impact $’000	Profit/(Loss) Impact $’000
2023		**(1%)**	**1%**
Financial Assets:			
Cash and Cash Equivalents	46,270	**(463)**	**463**
2022			
Financial Assets:		**(1%)**	**1%**
Cash and Cash Equivalents	41,394	**(414)**	**414**

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund’s credit risk is limited to the amount of the financial assets it holds net of any allowance for impairment.

Credit risk is managed by the Fund for cash at bank by holding bank balances with the ACT Government’s bank, Westpac Banking Corporation (Westpac). Westpac holds a AA issuer credit rating with Standard and Poors. A ‘AA’ credit rating is defined as a ‘very strong capacity to meet financial commitments’.

Credit risk is managed by the Fund for investments by only investing surplus funds with the Public Trustee and Guardian. The Public Trustee and Guardian has set appropriate investment criteria for the external fund manager it has engaged to manage the surplus funds of agencies, resulting in an insignificant credit risk.

A large proportion of the Fund’s receivables are from major Australian insurers or self-insurers of major Australian companies which means that the credit risk of these receivables going into default is low.

There have been no changes in credit risk exposure since the last reporting period.

NOTE 13. FINANCIAL INSTRUMENTS - CONTINUED

(c) Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. To limit its exposure to liquidity risk, the Fund ensures that it has sufficient cash and cash equivalents to meet its estimated current financial liabilities. The Fund may raise additional levies at any time to meet the cost of any unexpected increase in financial liabilities that may arise.

The Fund's exposure to liquidity risk in relation to its financial instruments and the management of this risk has not changed since the previous reporting period.

(d) Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether these changes are caused by factors specific to individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund has units in the Cash Trust Account which do not fluctuate in value. The Fund's exposure to price risk and the management of this risk has not changed since the last reporting period.

Sensitivity Analysis

A sensitivity analysis has not been undertaken for the Fund as it does not have any exposure to price risk.

(e) Fair Values of Financial Assets and Liabilities

The carrying amounts for all financial assets and liabilities reflect their fair value.

(f) Carrying Amount of Each Category of Financial Asset and Financial Liability

	Note No	2023 $'000	2022 $'000
Financial Assets			
Financial Receivables Measured at Amortised Cost	11	2,189	710
Financial Liabilities			
Financial Liabilities Measured at Amortised Cost		47	179

NOTE 14. RELATED PARTY DISCLOSURES

Description and Material Accounting Policies Relating to Related Party Disclosures

A related party is a person that controls or has significant influence over the reporting entity, or is a member of the Key Management Personnel (KMP) of the reporting entity or its parent entity, and includes their close family members and entities in which the KMP and/or their close family members individually or jointly have controlling interests.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly.

The only KMP of the Fund is the Fund Manager.

The Head of Service and the ACT Executive comprising the Cabinet Ministers are KMP of the ACT Government and therefore related parties of the Fund.

This note does not include typical citizen transactions between the KMP and the Fund that occur on terms and conditions no different to those applying to the general public.

(a) Controlling Entity

The Default Insurance Fund is an ACT Government related entity.

(b) Key Management Personnel

Compensation of Key Management Personnel

Compensation of all Cabinet Ministers, including the Portfolio Minister, is disclosed in the note on related party disclosures included in the ACT Executive’s financial statements for the year ended 30 June 2023.

Compensation of the Head of Service is included in the note on related party disclosures included in the Chief Minister, Treasury and Economic Development Directorate’s (CMTEDD) financial statements for the year ended 30 June 2023.

The KMP of the Fund is an employee of the ACT Insurance Authority and compensated by the ACT Insurance Authority. This information is disclosed in the ACT Insurance Authority’s financial statements contained in its Annual Report. There were no transactions between the Fund and its KMP and no KMP were compensated by the Fund.

(c) Transactions with ACT Government Controlled Entities

The fund has entered into transactions with ACT Government entities in 2023 and 2022 consistent with day-to-day business operations provided under varying terms and conditions. The notes to the Financial Statements provide the details of transactions with ACT Government Entities. Below is a summary of the material transactions with ACT Government entities.

Expenses

- Supplies and Services (Note: 9) – The fund incurred $0.317 million in administration and support services charges in 2022-23 for the fund management and administrative services provided by the ACT Insurance Authority and $0.037 million for Audit Fees for the financial statements audit service provided by the ACT Audit Office in 2022-23.

Lifetime Care and Support Fund

Lifetime Care and Support Fund
Management Discussion and Analysis
For the Year Ended 30 June 2023

General Overview

Objectives

The Lifetime Care and Support Fund (LTCS fund) was established under the *Lifetime Care and Support (Catastrophic Injuries) Act 2014* (LTCS Act) and commenced operation on 1 July 2014. The LTCS fund reflects the financial operations of the Lifetime Care and Support Scheme (LTCS Scheme).

The LTCS Scheme provides on-going reasonable and necessary treatment and care to people who have been catastrophically injured as a result of a motor accident or workplace accident in the course of private sector employment in the Australian Capital Territory.

The LTCS Scheme is funded by two levies. The LTCS Levy relating to motor accident injuries applies to all Motor Accident Injuries (MAI) policies issued under the *Motor Accident Injuries Act 2019*. The LTCS Levy relating to work injuries applies to each workers' compensation insurer and self-insurer who writes workers compensation policies for the purposes of the *Workers Compensation Act 1951*.

Overview of the 2022-23 Financial Outcome

The LTCS fund is a Territorial reporting entity as it is administered on behalf of the ACT Government in accordance with the LTCS Act.

The LTCS fund's operating result for 2022-23 was a loss of $14.6 million, compared to the budgeted loss of $0.2 million. This larger than budgeted loss was mainly due to the higher participants' treatment and care expenses associated with the provision for the lifetime treatment and care costs of new participants entering the LTCS Scheme during 2022-23.

At 30 June 2023, the LTCS fund's current assets ($12.6 million) exceeded its current liabilities ($7.8 million). Its total liabilities ($210.2 million) were greater than its total assets ($136.8 million). The negative balance sheet position mainly reflects continuing increases in the provision for the participants' treatment and care costs resulting from the higher number of new participants and the higher than average estimated cost for a number of the new participants (due to severity of injury and younger age) entering the LTCS Scheme over the past few years.

The LTCS fund maintains a sufficient cash balance ($9.6 million) which will allow payment of all current liabilities when they fall due. Also, the investments made through the Territory Banking Account ($124.2 million) can be withdrawn upon request (convertible to cash), if required.

Sufficiency of the LTCS Levy to fund the Scheme's estimated liabilities is reassessed each year by the LTCS Commissioner of the ACT based on advice of an independent actuary. For the 2023-24 contribution period, the LTCS Commissioner increased the LTCS Levy relating to motor accident injuries to $90.40 (2022-23: $60.40) for a 12-month ACT MAI policy charged proportionately and increased the LTCS Levy relating to private sector work injuries to $7.0 million (2022-23: $5.4 million). These levy increases are intended to achieve the minimum 100% funding ratio in the medium term (projections being based on a number of assumptions).

Uncertainty exists due to the long-term nature of liabilities and volatility in the number of Scheme participants and their injury severity.

Lifetime Care and Support Fund
Management Discussion and Analysis
For the Year Ended 30 June 2023

Risk Management

Although the LTCS fund is a separate reporting entity for the purposes of the *Financial Management Act 1996* and has an independent statutorily appointed Commissioner, the LTCS fund is part of the Chief Minister, Treasury and Economic Development Directorate (CMTEDD). As such, the LTCS fund's risk management plan is incorporated within the risk management plan of the CMTEDD.

The LTCS fund has overall responsibility for risk management, and for ensuring compliance with the risk management plan.

The key risk for the LTCS fund is associated with the sufficiency of the LTCS Levy in relation to the anticipated lifetime treatment and care costs of participants in the LTCS Scheme. The LTCS fund expects variability in the actual costs compared with the average costs anticipated in the budget. It is envisaged that the LTCS Levy, reassessed every year together with the anticipated investment income, will be sufficient to meet the expected LTCS fund's liabilities when they become payable.

The investment returns that contribute towards the sufficiency of funds have exposure to market fluctuations. The associated risk is mitigated by ensuring funds are invested in multi-asset units in accordance with the LTCS fund's approved investment strategy that aims to achieve the long-term funding needs of the LTCS Scheme.

Statement of Income and Expenses on Behalf of the Territory

The following financial information is based on the audited Financial Statements for 2022-23.

Budget information presented below for 2022-23 is based on the 2022-23 Budget for the LTCS fund. Estimates presented below for 2023-24 through to 2026-27 are based on the 2023-24 Budget for the LTCS fund. The 2023-24 Budget, including forward estimates, for the LTCS fund, was presented in the Legislative Assembly on 27 June 2023.

Total Expenses

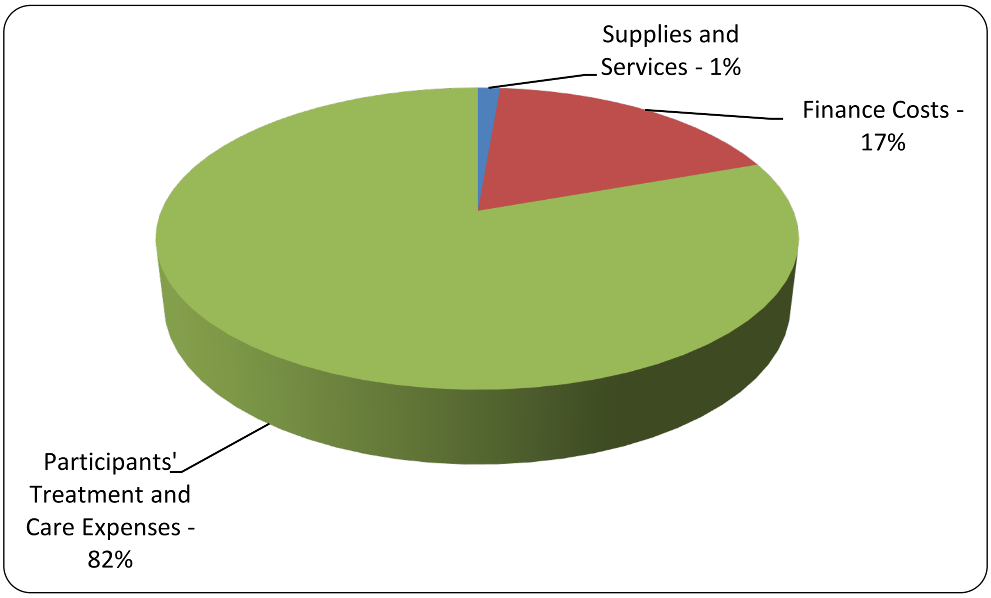
1. Components of Total Expenses

For the financial year ended 30 June 2023, the LTCS fund recorded total expenses of $50.3 million which mainly comprised of participants' treatment and care expenses ($41.1 million or 82%).

The participants' treatment and care expenses include additions to the provision for the estimated future lifetime treatment and care costs of new LTCS Scheme participants as well as movements in the provision for existing participants. The finance cost is associated with the unwinding of the discount rate on the provision for future treatment and care costs of the LTCS Scheme participants.

Lifetime Care and Support Fund
Management Discussion and Analysis
For the Year Ended 30 June 2023

Figure 1 – Components of Total Expenses



2. Comparison to Original Budget

Total expenses were $19.1 million (or 61%) higher than 2022-23 Budget of $31.3 million. This was mainly due to higher participants' treatment and care expenses ($18.7 million).

The higher participants' treatment and care expenses mainly resulted from the higher than average cost for a number of the new participants linked to their injury type/severity. These expenses were also impacted by the changes to mortality in updated life tables, updates to bed day and attendant care rates, changes to claims handling costs charged by the New South Wales Lifetime Care and Support Authority (NSW LTCSA) and changes in the assessed injury levels of existing participants. Injury levels are reassessed each year and may change over time depending on the stage of the participants' recovery and rehabilitation needs.

3. Comparison to 2021-22 Actual

Total expenses were $4.2 million (or 9%) higher than last year's actual expenses of $46.2 million. This was mainly due to the increase in participants' treatment and care expenses ($11.1 million), partially offset by the losses incurred in 2021-22 from the remeasurement of investments held with the Territory Banking Account ($8.3 million).

Gains/losses on investments result from changes in the fair value of investments. Gains/losses are at a point in time and fluctuate over time. The focus of the LTCS fund's investments is on achieving the long-term funding of the LTCS Scheme rather than the financial position over shorter periods, particularly in the early years.

The fund made a gain of $7.2 million in 2022-23 (reflected under Income) in comparison to the loss of $8.3 million incurred in 2021-22 (reflected under Expenses), from changes in the fair value of investments.

The increase in participants' treatment and care expenses was mainly due to differences in the cost of the new participants, changes in the assessed injury levels of existing participants in each year and the changes in assumed mortality and attendant care costs.

Lifetime Care and Support Fund
Management Discussion and Analysis
For the Year Ended 30 June 2023

The 30 June 2023 figures reflect forty one participants (including five potential participants, one of whom was subsequently accepted in July 2023) and one person whose participation has lapsed. The 30 June 2022 figures reflect thirty six participants (including six potential participants, three of whom were subsequently accepted in 2022-23) and one person whose participation has lapsed. The potential participants were included on a partial basis to allow for the probability of their acceptance into the Scheme.

4. Future Trends

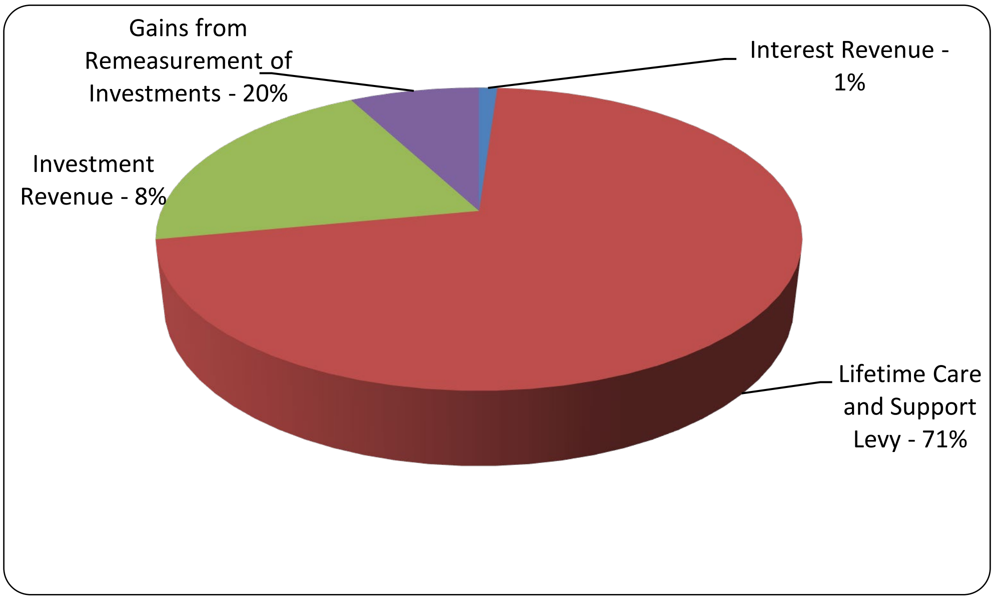
In the 2023-24 Budget, future expenses are estimated based on an actuarially assessed average number of new participants entering the LTCS Scheme each year. The treatment and care costs of the LTCS Scheme's future participants and the associated timing of payments are reassessed each year for the purposes of the Budget based on independent actuarial projections. It must be recognised that the actual number of new participants and their associated treatment and care expense profiles will be volatile, particularly in the early years of the Scheme.

Total Income

1. Components of Total Income

For the financial year ended 30 June 2023, the LTCS fund recorded total income of $35.7 million, derived mainly from the LTCS Levy ($25.3 million or 71%).

Figure 2 – Components of Total Income



2. Comparison to Original Budget

Total income for the financial year was $4.7 million (or 15%) higher than the 2022-23 Budget of $31.0 million. This was mainly associated with the higher than budgeted gains on investments held with the Territory Banking Account ($4.8 million) due to the increased market valuation of investments.

3. Comparison to 2021-22 Actual

Total income was $14.7 million (or 70%) higher than last year's actual income of $21.1 million. This was mainly due to higher income from the LTCS levies ($6.0 million) and the higher returns on investments with the Territory Banking Account ($8.4 million).

The increase in income from the levies was mainly due to an increase in the LTCS Levy relating to motor accident injuries to $60.40 in 2022-23 (2021-22: $45.70) for a 12-month ACT MAI policy charged proportionately and an increase in the LTCS Levy relating to private sector work injuries to $5.4 million in 2022-23 (2021-22: $4.6 million).

Distributions from investments in 2022-23 ($2.8 million) were $1.2 million higher than the distributions in 2021-22 ($1.6 million). Also, the investments gained $7.2 million from changes in the fair value in comparison to the loss of $8.3 million incurred in 2021-22 (reflected under Expenses). In 2022-23 the investments recorded a positive return of 9.34% resulting from the increase in the market valuation of the investments portfolio mainly due to underlying gains on share investments. In comparison in 2021-22 investments made a negative return of 6.15%.

4. Future Trends

In the 2023-24 Budget, income is estimated to increase in the future mainly due to the returns associated with the continuing investment of funds not required in the short-term and the increase in income from LTCS Levy associated with an increase in levies to reflect the increase in estimated average costs per new participant and the expected growth in population. Future levies also include increases to address the LTCS fund's deficit position, informed by the framework developed by the Scheme actuary. In accordance with the LTCS Act, the LTCS Levy will be reassessed each year.

Lifetime Care and Support Fund
Management Discussion and Analysis
For the Year Ended 30 June 2023

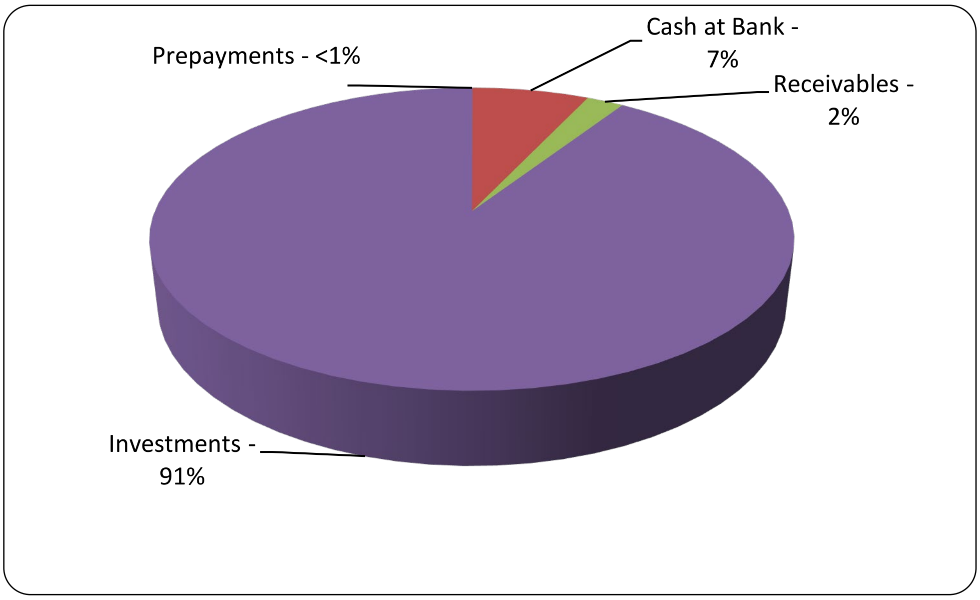
Statement of Assets and Liabilities on Behalf of the Territory

Total Assets

1. Components of Total Assets

The total asset position at 30 June 2023 was $136.8 million mainly comprising investments ($124.2 million or 91%).

Figure 3 – Components of Total Assets at 30 June 2023



2. Comparison to Original Budget

Total assets at 30 June 2023 were $0.8 million (or 1%) higher than the 2022-23 Budget of $136.0 million. This was mainly due to the higher than anticipated cash at bank balance (mainly due to the timing of investments) partially offset by the lower amount of prepayments (resulting mainly from the offsetting of accrued participants' treatment and care costs for the June quarter against prepayments at 30 June 2023 for an improved presentation).

3. Comparison to 30 June 2022 Actual

Total assets were $27.8 million (or 25%) higher than the assets at 30 June 2022 of $109.1 million. This was mainly due to the increase in investments held with the Territory Banking Account ($27.2 million), resulting from the additional $20 million invested from the year's LTCS Levy collections not needed in the short-term and gains ($7.2 million) on the remeasurement of investments at 30 June 2023.

These assets, together with future investment income are required to fund the present and likely future treatment and care costs of participants in the LTCS Scheme (over their lifetime), when the liability becomes payable.

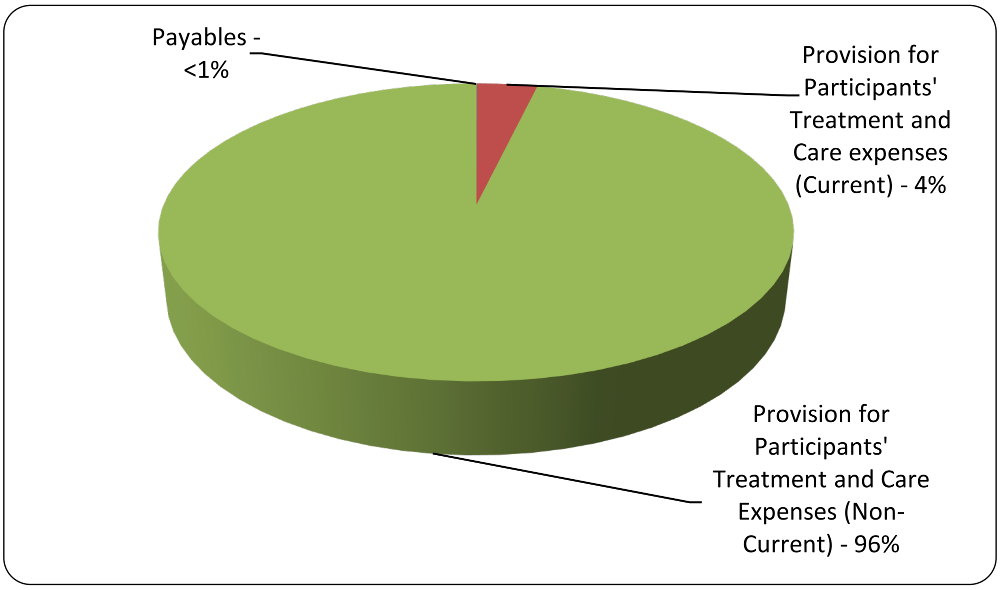
Lifetime Care and Support Fund
Management Discussion and Analysis
For the Year Ended 30 June 2023

Total Liabilities

1. Components of Total Liabilities

The LTCS fund's total liabilities of $210.2 million at 30 June 2023 largely relate to the provision for future treatment and care costs of participants in the LTCS Scheme, of which the current component was $7.7 million (or 4%) and the non-current component was $202.4 million (or 96%). The provision reflects the present value of the participants' expected lifetime treatment and care costs.

Figure 4 – Components of Total Liabilities at 30 June 2023



2. Comparison to Original Budget

Total liabilities at 30 June 2023 were $28.1 million (or 15%), higher than the 2022-23 Budget of $182.1 million. This was mainly due to the higher provision for participants' treatment and care costs resulting mainly from the higher than anticipated average cost for a number of new participants entering the LTCS Scheme during 2022-23 due to their injury severity.

3. Comparison to 30 June 2022 Actual

Total liabilities at 30 June 2023 were $42.4 million (or 25%) higher than the liabilities at 30 June 2022 of $167.8 million. This was mainly due to the increase in the provision for the future treatment and care costs of the new participants entering the LTCS Scheme during 2022-23 (associated with injury type and severity and age of the participants). The provision is based on an independent actuarial assessment.

Lifetime Care and Support Fund

Territorial Financial Statements for the year ended 30 June 2023

INDEPENDENT AUDITOR'S REPORT

To the Members of the ACT Legislative Assembly

Opinion

I have audited the financial statements of the Lifetime Care and Support Fund (Fund) for the year ended 30 June 2023 which comprise the statement of income and expenses on behalf of the Territory, statement of assets and liabilities on behalf of the Territory, statement of changes in equity on behalf of the Territory, statement of cash flows on behalf of the Territory, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

(i) present fairly, in all material respects, the Fund's financial position as at 30 June 2023, and its financial performance and cash flows for the year then ended; and

(ii) are presented in accordance with the *Financial Management Act 1996* and comply with Australian Accounting Standards.

Emphasis of matter

Without modifying my opinion, I draw attention to the significant uncertainty associated with estimating the provision for future treatment and care costs of participants in the Fund and the related expenses due to the long-term nature of the provision and limited claims experience. This is disclosed in the financial statements in Note 12 'Provision for Participants' Treatment and Care Expenses: Description and Material Accounting Policies Relating to Provision for Participants' Treatment and Care Expenses'.

Basis for opinion

I conducted the audit in accordance with the Australian Auditing Standards. My responsibilities under the standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of this report.

I am independent of the Fund in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (Code). I have also fulfilled my other ethical responsibilities in accordance with the Code.

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

Responsibilities of the Fund for the financial statements

The Under Treasurer and Lifetime Care and Support Commissioner are responsible for:

- preparing and fairly presenting the financial statements in accordance with the *Financial Management Act 1996* and relevant Australian Accounting Standards;
- determining the internal controls necessary for the preparation and fair presentation of the financial statements so that they are free from material misstatements, whether due to error or fraud; and
- assessing the ability of the Fund to continue as a going concern and disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting in preparing the financial statements.

Auditor's responsibilities for the audit of the financial statements

Under the *Financial Management Act 1996*, the Auditor-General is responsible for issuing an audit report that includes an independent opinion on the financial statements of the Fund.

My objective is to obtain reasonable assurance about whether the financial statements as a whole are 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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 statements, 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 controls;
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Fund's internal controls;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund;
- conclude on the appropriateness of the Fund's use of the going concern basis of accounting and, based on audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in this report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of this report. However, future events or conditions may cause the Fund to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether they represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Under Treasurer and Lifetime Care and Support Commissioner regarding, 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 my audit.

Ajay Sharma
Assistant Auditor-General, Financial Audit
27 September 2023

Lifetime Care and Support Fund
Financial Statements
For the Year Ended 30 June 2023

STATEMENT OF RESPONSIBILITY

In our opinion, the Lifetime Care and Support Fund's financial statements fairly reflect the financial operations for the year ended 30 June 2023 and its financial position on that date.

Alison Playford	Lisa Holmes
Acting Under Treasurer Delegate for the Director-General Chief Minister, Treasury and Economic Development Directorate	Lifetime Care and Support Commissioner of the ACT
27 September 2023	26 September 2023

Lifetime Care and Support Fund
Financial Statements
For the Year Ended 30 June 2023

STATEMENT BY THE CHIEF FINANCE OFFICER

In my opinion, the Lifetime Care and Support Fund's financial statements have been prepared in accordance with the Australian Accounting Standards, are in agreement with its accounts and records and fairly reflect its financial operations for the year ended 30 June 2023 and the financial position on that date.

Anne Anand
Chief Finance Officer
Senior Director, Insurance
Chief Minister, Treasury and Economic Development Directorate
22 September 2023

Lifetime Care and Support Fund
Content of Territorial Financial Statements
For the Year Ended 30 June 2023

Lifetime Care and Support Fund
Statement of Income and Expenses on Behalf of the Territory
For the Year Ended 30 June 2023

	Note No.	Actual 2023 $'000	Original Budget 2023 $'000	Actual 2022 $'000
Income				
Lifetime Care and Support Levy	4	25,320	25,077	19,357
Investment Revenue	5	2,777	3,418	1,611
Interest Revenue	5	390	106	89
Gains from Remeasurement of Investments	6	7,222	2,449	-
Total Income		**35,709**	**31,050**	**21,057**
Expenses				
Supplies and Services	7	628	793	612
Finance Costs - Unwinding of Discount Rate	13	8,607	8,076	7,295
Participants' Treatment and Care Expenses	8	41,080	22,398	29,941
Losses from Remeasurement of Investments	6	-	-	8,321
Total Expenses		**50,315**	**31,267**	**46,169**
Operating Result		**(14,606)**	**(217)**	**(25,112)**
Total Comprehensive Result		**(14,606)**	**(217)**	**(25,112)**

The above Statement of Income and Expenses on Behalf of the Territory is to be read in conjunction with the accompanying notes.

Lifetime Care and Support Fund
Statement of Assets and Liabilities on Behalf of the Territory
As at 30 June 2023

	Note No.	Actual 2023 $'000	Original Budget 2023 $'000	Actual 2022 $'000
Current Assets				
Cash at Bank	9	9,579	7,638	9,851
Receivables	10	3,040	2,534	2,244
Prepayments	11	21	1,180	-
Total Current Assets		**12,640**	**11,352**	**12,095**
Non-Current Assets				
Investments	9	124,203	124,665	96,981
Total Non-Current Assets		**124,203**	**124,665**	**96,981**
Total Assets		**136,843**	**136,017**	**109,076**
Current Liabilities				
Payables	12	52	2,066	430
Provision for Participants' Treatment and Care Expenses	13	7,709	8,222	6,758
Total Current Liabilities		**7,761**	**10,288**	**7,188**
Non-Current Liabilities				
Provision for Participants' Treatment and Care Expenses	13	202,406	171,780	160,606
Total Non-Current Liabilities		**202,406**	**171,780**	**160,606**
Total Liabilities		**210,167**	**182,068**	**167,794**
Net (Liabilities)		**(73,324)**	**(46,051)**	**(58,718)**
Equity				
Accumulated (Deficit) [1]		(73,324)	(46,051)	(58,718)
Total Equity		**(73,324)**	**(46,051)**	**(58,718)**

[1]. The deficit position is mainly associated with the provision for participants' lifetime treatment and care costs, which is based on independent actuarial projections. The Fund maintains a sufficient cash balance to allow payment of all current liabilities when they fall due. Accordingly, the negative position is not considered a liquidity risk.

The above Statement of Assets and Liabilities on Behalf of the Territory is to be read in conjunction with the accompanying notes.

Lifetime Care and Support Fund
Statement of Changes in Equity on Behalf of the Territory
For the Year Ended 30 June 2023

	Accumulated Funds Actual 2023 $'000	Total Equity Actual 2023 $'000	Original Budget 2023 $'000
Balance at 1 July 2022	(58,718)	(58,718)	(45,834)
Comprehensive Income			
Operating Result	(14,606)	(14,606)	(217)
Total Comprehensive Result	**(14,606)**	**(14,606)**	**(217)**
Balance at 30 June 2023	**(73,324)**	**(73,324)**	**(46,051)**

	Accumulated Funds Actual 2022 $'000	Total Equity Actual 2022 $'000
Balance at 1 July 2021	(33,606)	(33,606)
Comprehensive Income		
Operating Result	(25,112)	(25,112)
Total Comprehensive Result	**(25,112)**	**(25,112)**
Balance at 30 June 2022	**(58,718)**	**(58,718)**

The above Statement of Changes in Equity on Behalf of the Territory is to be read in conjunction with the accompanying notes.

Lifetime Care and Support Fund
Statement of Cash Flows on Behalf of the Territory
For the Year Ended 30 June 2023

	Note No.	Actual 2023 $'000	Original Budget 2023 $'000	Actual 2022 $'000
Cash Flows from Operating Activities				
Receipts				
Lifetime Care and Support Levy		24,752	24,634	19,051
Investment Receipts		2,625	3,009	3,005
Interest Received		390	106	89
Goods and Services Tax Input Tax Credits from the Australian Taxation Office		668	802	495
Total Receipts from Operating Activities		**28,435**	**28,551**	**22,640**
Payments				
Supplies and Services		640	791	610
Goods and Services Tax Paid to Suppliers		744	809	510
Participants' Treatment and Care [1]		7,323	7,733	5,718
Total Payments for Operating Activities		**8,707**	**9,333**	**6,838**
Net Cash Inflows from Operating Activities	9	**19,728**	**19,218**	**15,802**
Cash Flows from Investing Activities				
Payments				
Purchase of Investments		20,000	18,492	12,000
Total Payments for Investing Activities		**20,000**	**18,492**	**12,000**
Net Cash (Outflows) from Investing Activities		**(20,000)**	**(18,492)**	**(12,000)**
Net (Decrease)/Increase in Cash at Bank		**(272)**	**726**	**3,802**
Cash at Bank at the Beginning of the Reporting Period		9,851	6,912	6,049
Cash at Bank at the End of the Reporting Period	9	**9,579**	**7,638**	**9,851**

[1] Participants' Treatment and Care Payments include 'Claims Handling Costs' reflected under Note 8: *Participants' Treatment and Care Expenses.*

The above Statement of Cash Flows on Behalf of the Territory is to be read in conjunction with the accompanying notes.

Lifetime Care and Support Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2023

NOTE 1. OBJECTIVES OF THE LIFETIME CARE AND SUPPORT FUND

The Lifetime Care and Support Fund (LTCS fund) was established under the *Lifetime Care and Support (Catastrophic Injuries) Act 2014* (LTCS Act) and commenced operation on 1 July 2014.

The LTCS fund is a not-for-profit ACT Government entity that reflects the financial operations of the Lifetime Care and Support Scheme (LTCS Scheme). The LTCS Scheme provides on-going treatment and care to people who have been catastrophically injured as a result of a motor accident or a workplace accident in the course of the workers' private sector employment, in the Australian Capital Territory.

The LTCS Scheme is funded by two levies set under the LTCS Act:
- a levy on Motor Accident Injuries (MAI) policies issued under the *Motor Accident Injuries Act 2019*; and
- a levy on private workers' compensation insurers and self-insurers.

NOTE 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Legislative Requirement
The LTCS fund has been established as a separate directorate under the *Financial Management Act 1996* (FMA), in accordance with section 75 of the LTCS Act and the *Financial Management (Directorates) Guidelines 2019 (No 2).*

The FMA requires the preparation of annual financial statements for ACT Government agencies. The FMA and the *Financial Management Guidelines* issued under the Act, require the LTCS fund's financial statements to include:
(i) a Statement of Income and Expenses on Behalf of the Territory for the year;
(ii) a Statement of Assets and Liabilities on Behalf of the Territory at the end of the year;
(iii) a Statement of Changes in Equity on Behalf of the Territory for the year;
(iv) a Statement of Cash Flows on Behalf of the Territory for the year;
(v) the material accounting policies adopted for the year; and
(vi) other statements as necessary to fairly reflect the financial operations of the LTCS fund during the year and its financial position at the end of the year.

These general purpose financial statements have been prepared in accordance with:
(i) Australian Accounting Standards (as required by the FMA); and
(ii) ACT Accounting and Disclosure Policies.

Accrual Accounting
The financial statements have been prepared using the accrual basis of accounting. The financial statements have also been prepared according to the historical cost convention, except for financial instruments which are valued at fair value in accordance with the (re)valuation policies applicable to the LTCS fund during the reporting period.

NOTE 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS - CONTINUED

Currency

These financial statements are presented in Australian dollars, which is the LTCS fund's functional currency.

Individual Not-for-Profit Reporting Entity

The LTCS fund is an individual not-for-profit reporting entity.

Territorial Items

The LTCS fund only produces Territorial financial statements. The Territorial financial statements include income, expenses, assets, and liabilities that the LTCS fund administers on behalf of the ACT Government, but does not control. LTCS levies are 'taxes, fees and fines' in nature. Section 78 of the LTCS Act deems the fund levies, interest and all other money paid into the LTCS fund to be appropriated for the purposes of the LTCS fund. Payments from the LTCS fund are made in accordance with the LTCS Act.

Reporting Period

These financial statements state the financial performance, changes in equity and cash flows of the LTCS fund for the year ended 30 June 2023, together with the financial position of the LTCS fund as at 30 June 2023.

Comparative Figures

Budget Figures

To facilitate a comparison with the Budget Papers, as required by the FMA, budget information for 2022-23 has been presented in the financial statements. Budget numbers in the financial statements are the original budget numbers that appear in the Budget Papers.

Prior Year Comparatives

Comparative information has been disclosed in respect of the previous period for amounts reported in the financial statements, except where an Australian Accounting Standard does not require comparative information to be disclosed.

Where the presentation or classification of items in the financial statements is amended, the comparative amounts have been reclassified where practical. Where a reclassification has occurred, the nature, amount and reason for the reclassification is provided.

Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars ($'000). Use of "-" represents zero amounts or amounts rounded down to zero.

NOTE 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS - CONTINUED

Going Concern

The 2022-23 financial statements have been prepared on a going concern basis.

As at 30 June 2023, the LTCS fund's current assets ($12.6 million) exceed its current liabilities ($7.8 million) by $4.9 million. This means that the LTCS fund has sufficient funds to meet its short-term liabilities.

As at 30 June 2023, the LTCS fund's total liabilities ($210.2 million) exceed its total assets ($136.8 million) by $73.3 million. The negative position mainly reflects continuing increases in the provision for the participants' treatment and care costs resulting from the higher number of new participants and the higher than average estimated cost for a number of the new participants (due to severity of injury and younger age) entering the LTCS Scheme in the past few years.

This is not considered a liquidity risk. The LTCS fund maintains a sufficient cash balance which will allow payment of all current financial liabilities when they fall due. The investments made through the Territory Banking Account are intended to be held for a period longer than twelve months. However, the investments are redeemable and are able to be withdrawn upon request (convertible to cash), if required.

Sufficiency of the LTCS Levy to fund the Scheme's estimated liabilities is reassessed each year by the LTCS Commissioner of the ACT and is based on advice of an independent actuary. In view of the LTCS fund's recent performance and deficit position at 30 June 2023, for the 2023-24 contribution period the LTCS Commissioner increased the LTCS Levy relating to motor accident injuries to $90.40 (2022-23: $60.40) for a 12-month ACT MAI policy charged proportionately and increased the LTCS Levy relating to private sector work injuries to $7.0 million (2022-23: $5.4 million).

Uncertainty exists due to the long-term nature of liabilities and volatility in the number of Scheme participants and their injury severity. The LTCS fund expects variability each year (unders and overs) compared with the average estimated costs used when setting the LTCS Levy each year.

NOTE 3. IMPACT OF ACCOUNTING STANDARDS ISSUED BUT YET TO BE APPLIED

Standards and Interpretations issued but yet to be applied have been assessed as not being relevant to the LTCS fund or will have an immaterial financial impact. However, the LTCS fund is currently assessing whether AASB 2022-8 and AASB 2022-9 will have a material financial impact.

AASB 2022-8 *Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments*

The AASB decided to defer the mandatory application date of AASB 17 *Insurance Contracts* for public sector entities to annual periods beginning on or after 1 July 2026, as the AASB is amending AASB 17 for application by public sector entities.

Based on an initial assessment it is likely that the modified AASB 17 will apply to the LTCS fund. However, a full assessment on application and potential financial impact will be undertaken prior to application, in consultation with the Scheme actuary. The LTCS fund does not intend to adopt this standard early. It will be adopted from its application date.

AASB 2022-9 *Amendments to Australian Accounting Standards - Insurance Contracts in the Public Sector*

This standard makes key modifications to the requirements of AASB 17 *Insurance Contracts* specific to public sector entities. The modifications relate to providing public sector entities with:

a) pre-requisites, indicators and other considerations that need to be judged to identify arrangements that fall within the scope of AASB 17 in a public sector context;
b) an exemption from sub-grouping onerous versus non-onerous contracts at initial recognition;
c) an exemption from sub-grouping contracts issued no more than a year apart;
d) an amendment to the initial recognition requirements so that they do not depend on when contracts become onerous;
e) guidance on coverage periods in a public sector context, which has consequences for determining the cash flows used to measure insurance liabilities and the pattern of revenue recognition;
f) an accounting policy choice to measure liabilities for remaining coverage applying the premium allocation approach; and
g) a transition requirement grandfathering the existing classification of arrangements constituting a liability for settlement of claims incurred before the liability was acquired in a transfer as either a liability for incurred claims within the scope of AASB 17 or a provision within the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Public sector entities are required to apply AASB 17 to an insurance arrangement if, and only if, it is enforceable, has an identifiable coverage period and gives rise to insurance contracts based on certain indicators and considerations.

Based on an initial assessment it is likely that the standard will apply to the LTCS fund. However, a full assessment on application and potential financial impact will be undertaken prior to application, in consultation with the Scheme actuary. The LTCS fund does not intend to adopt this standard early. It will be adopted from its application date.

INCOME NOTES

Material Accounting Policies - Income

Income Recognition

The following material accounting policies relate to each income note unless stated otherwise in the individual note.

AASB 1058 *Income of Not-for-Profit Entities*

Where revenue streams are in the scope of AASB 1058, the LTCS fund recognises the asset received (generally cash or other financial asset) at fair value, recognises any related amount (e.g. liability or equity) in accordance with an accounting standard and recognises revenue as the residual between the fair value of the asset and the related amount on receipt of the asset.

NOTE 4. LIFETIME CARE AND SUPPORT LEVY

Description and Material Accounting Policies relating to the Lifetime Care and Support (LTCS) Levy

Under the LTCS Act, the LTCS Commissioner is required to assess the amount needed to be contributed to the LTCS fund in each contribution period that will fully fund the present and likely future liabilities relating to payments for participants in the Scheme and meet any other payments needed to be made from the LTCS fund during the contribution period. The amount needed is an amount that together with the anticipated investment income is equal to the best estimate of the cost of meeting the liability (in inflated dollars) when the liability becomes payable.

The LTCS Scheme is funded by two levies: a levy on Motor Accident Injuries (MAI) policies and a levy on private sector workers' compensation insurers and self-insurers. The LTCS Levy revenue is statutory in nature and is recognised in accordance with AASB 1058.

The LTCS Levy for the contribution period is determined each year by the LTCS Commissioner in accordance with the report of an independent actuary (Finity Consulting Pty Limited). The acting LTCS Commissioner determined the LTCS Levy relating to motor accident injuries for the 2022-23 contribution period to be $60.40 (2021-22: $45.70) for a 12-month ACT MAI policy, charged proportionately based on the number of months a vehicle is registered. The acting LTCS Commissioner also determined that the LTCS Levy for vehicles registered under the ACT's Veteran, Vintage and Historic Registration Scheme, would continue at 20% of the unrestricted LTCS Levy. This equates to $9.10 (2021-22: $9.10) for a 12 month ACT MAI policy on these vehicles.

The LTCS Levy relating to motor accident injuries is collected by the Road Transport Authority (Chief Minister, Treasury and Economic Development Directorate) on behalf of the LTCS Commissioner and remitted to the LTCS fund. The levy is recognised as revenue at the time when a taxpayer registers a motor vehicle and pays the levy. The LTCS fund recognises a receivable for the levy collected by the Road Transport Authority. The receivable is derecognised and cash is recognised when the money collected and held by the Road Transport Authority is subsequently transferred to the LTCS fund.

NOTE 4. LIFETIME CARE AND SUPPORT LEVY - CONTINUED

Description and Material Accounting Policies relating to the Lifetime Care and Support (LTCS) Levy - Continued

The acting LTCS Commissioner determined the LTCS Levy relating to work injuries for the 2022-23 contribution period to be $5.4 million (2021-22: $4.6 million) apportioned across each private sector workers' compensation insurer and self-insurer who writes workers compensation policies for the purposes of the *Workers Compensation Act 1951* in the ACT. The allocation is based on their estimated market share. Control over this levy is established on the issue of the relevant invoice to the insurer setting out the details of the levy. The revenue and receivable is recognised on the issue of the invoice.

	2023 $'000	2022 $'000
Lifetime Care and Support Levy - Motor Accident Injuries [1]	19,921	14,757
Lifetime Care and Support Levy - Workers Injuries [2]	5,399	4,600
Total Lifetime Care and Support Levy	**25,320**	**19,357**

1. The increase was mainly due to an increase in the LTCS Levy relating to motor accident injuries to $60.40 in 2022-23 (2021-22: $45.70) for a 12-month ACT MAI policy charged proportionately.

2. The increase was due to an increase in the LTCS Levy relating to private sector work injuries to $5.4 million in 2022-23 (2021-22: $4.6 million).

NOTE 5. INVESTMENT AND INTEREST REVENUE

Description and Material Accounting Policies Relating to Investment and Interest Revenue

Distribution from Investments

The LTCS fund has investments which are unit holdings with the Territory Banking Account from which it receives a distribution. This is recognised when the LTCS fund's right to receive payment is established.

Interest from Cash at Bank

Interest revenue from cash at bank is recognised using the effective interest method.

	2023 $'000	2022 $'000
Distribution from Investments [1]	2,777	1,611
Interest from Cash at Bank	390	89
Total Investment and Interest Revenue	**3,167**	**1,700**

1. Distributions received from investments held with the Territory Banking Account fluctuate year on year subject to the amount of income available for distribution in the underlying asset class sector exposures. The increase in distribution revenue reflects the amount of available distributable income from the Territory Banking Account.

NOTE 6. GAINS/(LOSSES) FROM REMEASUREMENT OF INVESTMENTS

Description and Material Accounting Policies relating to Gains/(Losses) From Remeasurement of Investments

Gains/(Losses) from the remeasurement of investments held at fair value through Profit or Loss consist of unrealised amounts resulting from changes in the fair value of an investment. Gains are included under Income and losses are included under Expenses in the Statement of Income and Expenses on Behalf of the Territory in the period in which they arise.

	2023 $'000	2022 $'000
Gains/(Losses) from the Remeasurement of Investments [1]	7,222	(8,321)
Total Gains/(Losses) From Remeasurement of Investments	**7,222**	**(8,321)**

1. The fair value of investments fluctuates year on year depending on the performance of the underlying financial investment exposures. In 2022-23 the investments recorded a positive return of 9.34% resulting from the increase in the market valuation of the investments portfolio mainly due to underlying gains on share investments. In comparison in 2021-22 investments made a negative return of 6.15%.

EXPENSE NOTES

NOTE 7. SUPPLIES AND SERVICES

Description and Material Accounting Policies Relating to Supplies and Services

General - Supplies and Services

Purchases of Supplies and Services generally represent the day-to-day running costs incurred in normal operations, recognised in the reporting period in which these expenses are incurred.

Administrative Support Expenses

The functions of the LTCS Scheme are performed by officers of the Chief Minister, Treasury and Economic Development Directorate (CMTEDD) and those employees are included in CMTEDD's Full Time Equivalent (FTE) staff numbers. Administrative support expenses are associated with the reimbursement of salary and associated expenses (such as, superannuation, allowances and ICT costs) for the CMTEDD staff allocated to carry out the LTCS Scheme's functions.

Audit Fees

Auditor's remuneration consists of services provided to the LTCS fund by the ACT Audit Office to conduct the financial audit. No other services were provided by the ACT Audit Office.

Claims Handling Costs

Claims handling costs are associated with the charge from the New South Wales Lifetime Care and Support Authority (NSW LTCSA) for the administrative services provided to the LTCS fund. The total cost $0.898 million (2021-22: $0.751 million) is split between supplies and services (for enabling support services and business processes) and claims handling services (for direct services to participants reflected in 'Claims Handling Costs' under Note 8: *Participants' Treatment and Care Expenses).*

	2023 $'000	2022 $'000
Actuarial Expenses [1]	54	105
Administrative Support Expenses	217	196
Audit Fees	64	62
Claims Handling Costs - Support Services [2]	269	225
Survey Expenses	24	24
Total Supplies and Services	**628**	**612**

1. The decrease in 2022-23 was mainly associated with the actuarial expenses incurred in 2021-22 towards the development of the solvency strategy by the Scheme actuary to address the LTCS fund's deficit position.

2. The increase was associated with the increase in the number of participants in the LTCS Scheme and indexation.

NOTE 8. PARTICIPANTS' TREATMENT AND CARE EXPENSES

Description and Material Accounting Policies Relating to Participants' Treatment and Care Expenses

Participants' treatment and care expenses are associated with the provision of treatment and care to the Scheme's participants during the financial year, depending on the type, severity and complexity of their injury.

	2023 $'000	2022 $'000
Assessment and Review	76	109
Attendant Care [1]	3,117	2,162
Education and Vocation Support Services	150	83
Equipment	394	329
Home Modifications	430	348
Hospital [2]	643	277
Medical	242	184
Rehabilitation	401	450
Support Services [3]	854	745
	6,307	4,687
Claims Handling Costs - Direct Services to Participants [4]	629	526
Movement in Provision for Participants' Treatment and Care Expenses [5]	34,144	24,728
Total Participants' Treatment and Care Expenses	**41,080**	**29,941**

1. The increase is consistent with the increased care requirements for some of the existing participants and a number of the newer participants with complex and severe injury levels.

2. The increase was mainly associated with the increased level of hospital services required by existing participants and extended hospital services required by the new participants entering the LTCS Scheme in 2022-23 due to injury severity.

3. Support services include the cost of travel and accommodation for the LTCS Scheme participants, their relatives and providers as required and case management and care coordinator fees. The increase in costs was mainly due to the increase in the number of participants in the Scheme and also the need for services to be sourced from service providers outside of Canberra.

4. Claims handling costs are associated with the charge from the NSW LTCSA for the administrative services provided to the LTCS fund. The total cost $0.898 million (2021-22: $0.751 million) is split between supplies and services (for enabling support services and business processes, reflected under Note 7: *Supplies and Services*) and claims handling services (for direct services to participants, reflected here).
The increase was associated with the increase in the number of participants in the LTCS Scheme and indexation.

5. Refer to Note 13: *Provision for Participants' Treatment and Care Expenses.*

ASSET NOTES

Material Accounting Policies - Assets

Assets - Current and Non-Current

Assets are classified as current where they are expected to be realised within 12 months after the reporting date. Assets, which do not fall within the current classification, are classified as non-current.

NOTE 9. CASH AND INVESTMENTS

Description and Material Accounting Policies Relating to Cash and Investments

Cash at Bank

The LTCS fund holds one bank account with the Westpac Bank as part of the whole-of-government banking arrangements. As part of these arrangements, the LTCS fund receives interest at floating rates based on daily bank deposit rates.

Investments with the Territory Banking Account

Investments by the LTCS fund are made in accordance with the Treasurer's approved Investment Plan. The Investment Plan outlines the LTCS fund's investment strategy and objectives in relation to investing its funds with the Territory Banking Account. The investment return objective for the LTCS fund's financial investments is CPI + 2.5% per annum.

The LTCS fund makes investments with the Territory Banking Account by acquiring units in the Territory Banking Account's financial investments portfolio. The unit value changes in response to the underlying market value of the financial investments held by the Territory Banking Account. All unitised investments are designated at Fair Value through Profit or Loss with the carrying amount measured at fair value.

Fair value is the price that would be received to sell the units in an orderly transaction between market participants at the measurement date and reflects the best available prices of the underlying financial investments. Subsequent to initial measurement, investments are re-measured to fair value with changes in their fair value (gains/loss) recognised in the Statement of Income and Expenses on Behalf of the Territory (see - Note 6: *Gains/(Losses) From Remeasurement of Investments).* Distributions earned on these investments are disclosed in Note 5: *Investment and Interest Revenue.*

The investments are intended to be held for a period longer than twelve months and are not expected to be realised, sold or consumed in the normal operating cycle. The investments are classified as non-current investments with the Territory Banking Account. However, the invested funds are able to be withdrawn upon request, if required.

The long-term strategic asset allocation of investments aims to achieve the investment objectives outlined in the LTCS fund's Investment Plan. The investment strategy is on achieving the long-term funding of the LTCS scheme, rather than focusing on the financial position over shorter periods, particularly in the early years.

NOTE 9. CASH AND INVESTMENTS - CONTINUED

(a) Cash and Investment Balances

	2023 $'000	2022 $'000
Current Cash		
Cash at Bank [1]	9,579	9,851
Total Current Cash	**9,579**	**9,851**
Non-Current Investments		
Investments with the Territory Banking Account [2]	124,203	96,981
Total Non-Current Investments	**124,203**	**96,981**
Total Cash and Investments	**133,782**	**106,832**

1. The decrease was mainly associated with the timing of purchasing investments.
2. The increase in the net value of investments reflects additional investments purchased during 2022-23 ($20 million) and the gains from the remeasurement associated with the performance of the underlying financial investment exposures. In 2022-23 investments recorded a positive return of $7.2 million or 9.34% resulting from an increased market valuation mainly due to the underlying gains on share investments (2021-22: loss 6.15%).

Also refer to Note 6: Gains/*(Losses) from Remeasurement of Investments.*

(b) Reconciliation of Cash at Bank at the End of the Reporting Period in the Statement of Cash Flows on Behalf of the Territory to the Equivalent Items in the Statement of Assets and Liabilities on Behalf of the Territory

	2023	2022
Total Cash at Bank Disclosed in the Statement of Assets and Liabilities on Behalf of the Territory	9,579	9,851
Cash at Bank at the End of the Reporting Period as Recorded in the Statement of Cash Flows on Behalf of the Territory	**9,579**	**9,851**

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NOTE 9. CASH AND INVESTMENTS - CONTINUED

(c) Reconciliation of the Operating Result to Net Cash Inflows from Operating Activities

	2023 $'000	2022 $'000
Operating Result	(14,606)	(25,112)
Add/(Less) Non-Cash Items		
(Gains)/Losses from Remeasurement of Investments	(7,222)	8,321
Cash Before Changes in Operating Assets and Liabilities	**(21,828)**	**(16,791)**
Changes in Operating Assets and Liabilities		
(Increase)/Decrease in Receivables	(796)	1,078
(Increase) in Prepayments	(21)	-
(Decrease) in Payables	(378)	(508)
Increase in Provision for Participants' Treatment and Care Expenses	42,751	32,023
Net Changes in Operating Assets and Liabilities	**41,556**	**32,593**
Net Cash Inflows from Operating Activities	**19,728**	**15,802**

NOTE 10. RECEIVABLES

Description and Material Accounting Policies Relating to Receivables

Accounts receivable are measured at amortised cost, with any adjustments to the carrying amount being recorded in the Statement of Income and Expenses on Behalf of the Territory.

The LTCS Levy Receivable is associated with the levy collected by the Road Transport Authority (CMTEDD) on behalf of the LTCS fund during June. The money is held in the CMTEDD bank account until it is subsequently remitted to the LTCS fund in July. At this time the LTCS fund derecognises the receivable and recognises the cash.

No receivables are past due or impaired. Based on historical experience and expected changes to the future recovery of these receivables, no provision has been made for expected credit losses for 2022-23 (2021-22: Nil). No bad debts were written off during the year 2022-23 (2021-22: Nil).

	2023 $'000	2022 $'000
Current Receivables		
LTCS Levy Receivable [1]	2,033	1,465
Net Goods and Services Tax Receivable	218	142
Distribution from Investments Receivable [2]	789	637
Total Current Receivables	**3,040**	**2,244**

1. The increase was mainly due to the higher amount of levy revenue for June 2023 compared to June 2022 collected by the Road Transport Authority on behalf of the LTCS fund, resulting mainly from an increase in the LTCS Levy rate relating to motor accident injuries in 2022-23. Also, refer to Note 4: *Lifetime Care and Support Levy.*

2. The Receivable is associated with the distribution from investments with the Territory Banking Account for the quarter ended 30 June. Distributions fluctuate based on the amount of income available for distribution in the underlying asset class sector. The increase reflects the higher amount of distributable income available for the quarter ended 30 June 2023. Also, refer to Note 5: *Investment and Interest Revenue.*

NOTE 11. PREPAYMENTS

Description and Material Accounting Policies Relating to Prepayments

Prepayments are associated with the advance payment to the New South Wales Lifetime Care and Support Authority (NSW LTCSA) for ACT LTCS Scheme participants' treatment and care costs for the next quarter. This is under the arrangement for NSW LTCSA to administer the ACT LTCS Scheme.

Prepayments [1]	21	-
Total Prepayments	**21**	**-**

1. In 2022-23 the LTCS fund paid an additional $0.215m to NSW LTCSA (increasing the advance from $1.180m to $1.395m) due to an increase in the participants' quarterly treatment and care payments resulting from an increase in the number of Scheme participants.

The participants' estimated treatment and care costs accrued for the quarter ended 30 June are offset against the advance paid to NSW LTCSA. The net amount is reflected under prepayments (here) if the amount of advance exceeds the estimated treatment and care costs accrued for the quarter ended 30 June. Otherwise it is reflected in accrued expenses under Note 12: *Payables*.

LIABILITY NOTES

Material Accounting Policies - Liabilities

Liabilities - Current and Non-Current

Liabilities are classified as current when they are due to be settled within 12 months after the reporting date or the LTCS fund does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Liabilities, which do not fall within the current classification, are classified as non-current.

NOTE 12. PAYABLES

Description and Material Accounting Policies Relating to Payables

Payables include Trade Payables and Accrued Expenses.

Payables are initially recognised at fair value based on the transaction cost and subsequent to initial recognition at amortised cost, with any adjustments to the carrying amount being recorded in the Statement of Assets and liabilities on behalf of the Territory. All amounts are normally settled within 14 days after the invoice date.

Accrued expenses are mainly associated with the actuary's fees, audit fees and treatment and care costs of the LTCS Scheme participants during the reporting period for which invoices were received after the end of the reporting period.

No payables are overdue.

	2023 $'000	2022 $'000
Current Payables		
Trade Payables	7	2
Accrued Expenses [1]	45	428
Total Current Payables	**52**	**430**
Total Payables	**52**	**430**

[1.] The decrease was mainly associated with the invoice from NSW LTCSA for the reimbursement of payments made to the ACT participants for the quarter ended 30 June 2023. The amount for the quarter April-June 2023 was lower compared to the amount for the quarter April-June 2022.
The participants' estimated treatment and care costs accrued for the quarter ended 30 June are offset against the advance paid to NSW LTCSA. The net amount is reflected under Note 11: *Prepayments* if the amount of advance exceeds the estimated treatment and care costs accrued for the quarter ended 30 June. Otherwise it is reflected in accrued expenses (here).

NOTE 13. PROVISION FOR PARTICIPANTS' TREATMENT AND CARE EXPENSES

Description and Material Accounting Policies Relating to Provision for Participants' Treatment and Care Expenses

Provisions are recognised when the LTCS fund has a present legal or constructive obligation, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Provision for Participants' Treatment and Care Expenses relates to the estimated future treatment and care costs of LTCS Scheme participants in the ACT and is based on independent actuarial projections.

The provision for estimated future treatment and care costs of LTCS Scheme participants is based on AASB 137: *Provisions, Contingent Liabilities and Contingent Assets.*

The LTCS fund has made a significant estimate in determining its liability for future treatment and care costs of LTCS Scheme participants in the ACT. At 30 June 2023, the liabilities for all claims incurred up to this date under the LTCS Scheme were estimated by the actuaries at Finity Consulting Pty Ltd. The liability for the participants' treatment and care expenses is estimated on an inflated and discounted central estimate basis. It is measured as the present value of the expected future payments for all claims incurred to the valuation date. Claims incurred include accepted participants as well as an estimate for claims incurred but not reported. The estimate is based on a number of assumptions including the underlying cost of the claim, payment pattern, term of the claim, and inflation and discount rates.

The valuation uses a long-term economic gap assumption of 1.75% per annum (2021-22: 1.75% per annum) based on the difference between an inflation rate of 3.5% per annum (2021-22: 3.5% per annum) and a discount rate of 5.25% per annum (2021-22: 5.25% per annum). Notwithstanding the short-term increase in inflation, an average inflation rate of 3.5% per annum continues to be appropriate over the long-term. The discount rate adopted reflects the current market assessment of the time value of money. It is based on the expected future investment returns, with any short-term changes not considered material to the long-term return. The discount rate remained unchanged from the previous reporting period and was based on the long-term objective outlined in the LTCS fund's updated Investment Plan and expected returns on the underlying asset allocations.

This provision represents the best estimate of the Scheme's future payments, taking into consideration the considerable uncertainties that will exist during the early years of the Scheme's operation until more data becomes available. Uncertainty exists due to the long-term nature of liabilities and volatility in the number of Scheme participants and their injury severity. Further, given that the LTCS Scheme has only been in operation for nine years, there is limited experience of claim payments to date upon which to base the estimate.

Finance costs represent the increase in the provision from the end of the previous reporting period to the end of the current reporting period which is due to discounted claims not settled, becoming effectively one year closer to settlement.

NOTE 13. PROVISION FOR PARTICIPANTS' TREATMENT AND CARE EXPENSES - CONTINUED

	2023 $'000	2022 $'000
Current Provision for Participants' Treatment and Care Expenses	7,709	6,758
Non-Current Provision for Participants' Treatment and Care Expenses	202,406	160,606
Total Provision for Participants' Treatment and Care Expenses[1]	**210,115**	**167,364**
Reconciliation of the Provision for Participants' Treatment and Care Expenses:		
Provision at the Beginning of the Reporting Period	167,364	135,341
Additional Provision Recognised for New Participants[2]	39,159	28,838
Finance Costs - Unwinding of Discount Rate[3]	8,607	7,295
Treatment and Care Payments[4]	(6,480)	(4,212)
Other Movements in the Provision for Existing Participants[5]	1,465	102
Provision at the End of the Reporting Period[1]	**210,115**	**167,364**

1. The increase was mainly associated with the provision for the estimated treatment and care costs of:
- three of the six new participants who entered the LTCS Scheme during 2022-23 (the provision for three new participants pending assessment at 30 June 2022 and subsequently accepted as interim participants in 2022-23, was included in the provision at 30 June 2022).
- five potential participants pending assessment at 30 June 2023.

The 30 June 2023 figures reflect forty one participants (including five potential participants) and one person whose participation has lapsed.

The 30 June 2022 figures reflect thirty six participants (including six potential participants) and one person whose participation has lapsed.

Potential participants are included on a partial basis to allow for the probability of their acceptance into the Scheme.

2. The additional provision relates to the cost of the new participants entering the LTCS Scheme in 2022-23 and the cost of the potential participants included in the provision at 30 June 2023.

3. The finance costs relate to the opening liability at 1 July 2022 (becoming effectively one year closer to settlement).

4. The increase was mainly due to an increase in the number of participants in the LTCS Scheme in 2022-23.

5. Other movements include adjustments for changes in the participants' injury severity scores, changes in the discount rate, changes in attendant care costs and bed day rates, changes in mortality assumptions etc. It also includes adjustments to the allowance for 'Incurred But Not Yet Reported' (IBNR) claims. Injury levels are reassessed each year and may change over time depending on the stage of the participants' recovery and rehabilitation needs.
The increase in 2022-23 was mainly associated with the improvement in assumed mortality and increase in attendant care costs partially offset by the decrease due to changes in the assessed injury levels of existing participants.

Also, refer to Note 16: *Events After The Reporting Period.*

NOTE 13. PROVISION FOR PARTICIPANTS' TREATMENT AND CARE EXPENSES - CONTINUED

	2023 $'000	2022 $'000
The present values of the minimum payments after discounting and the periods in which the LTCS fund expects the provisions to be settled are:		
Within one year	7,709	6,758
Later than one year but not later than five years	35,522	28,418
Later than five years	166,884	132,188
Total Provision for Participants' Treatment and Care Expenses	**210,115**	**167,364**

The weighted mean term of the liabilities is as follows:		
Uninflated, undiscounted [1]	19.3 years	18.9 years
Inflated, discounted [1]	17.5 years	17.1 years

The weighted mean term of liabilities is the weighted average time (in years) to payments for the Scheme participants. It is influenced by the age, injury type and injury severity of existing participants, and new participants entering the LTCS Scheme each year. All else being equal, the addition of a participant with a higher age to the Scheme or with high acute care costs (higher costs in the short-term) lowers the weighted mean term of the liabilities.

[1] The weighted mean term of liabilities at 30 June 2023 increased slightly mainly due to the improvement in mortality assumptions and also the specific injury and care requirements for the new participants who entered the LTCS Scheme during 2022-23.

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NOTE 13. PROVISION FOR PARTICIPANTS' TREATMENT AND CARE EXPENSES - CONTINUED

Sensitivity Analysis for the Estimate of the Provision for Participants' Treatment and Care Expenses

While uncertainty has been taken into account in estimating the provision (based on standard actuarial assessment), the following analysis provides the impact on the provision that would result from changing each assumption whilst holding all other variables constant.

Scenario	Provision $'000	Difference $'000	Difference %
Base Provision	**210,115**		
Increase in investment earning rate from 5.25% to 5.5%	200,558	(9,557)	(5%)
Reduction in investment earning rate from 5.25% to 5.0%	220,467	10,352	5%
Additional IBNR claims (0.75 for motor accident injuries and 0.5 for workers injuries) [1]	215,973	5,858	3%
No IBNR claims [1]	200,287	(9,828)	(5%)
Attendant care costs increase by 10%	225,353	15,238	7%
Attendant care costs decrease by 10%	194,901	(15,214)	(7%)
Zero superimposed inflation	183,617	(26,498)	(13%)
Death of the participant with the highest estimated treatment and care costs after five years	198,458	(11,657)	(6%)

[1.] IBNR represents 'Incurred But Not yet Reported' claims associated with potential claimants reported late.

The LTCS Scheme's independent actuary has not made any allowance for the impact of the COVID-19 pandemic. The underlying assumptions are based on a longer-term outlook given the long-tail nature of the Scheme.

The provision for estimated future treatment and care costs of LTCS Scheme participants is based on AASB 137: *Provisions, Contingent Liabilities and Contingent Assets.* AASB 137 requires projected future payments to be discounted to allow for the time value of money. There is no requirement for the discount rate to be based on risk-free rates.

The Australian Accounting Standards Board released AASB 2022-9 *Amendments to Australian Accounting Standards - Insurance Contracts in the Public Sector* in December 2022. It makes key modifications to the requirements of AASB 17 *Insurance Contracts* specific to public sector entities and applies from reporting periods commencing on or after 1 July 2026. Although, a full assessment is still to be undertaken, the LTCS fund is likely to fall within the scope of this standard. Under the changes the LTCS fund would be required to use a risk-free rate which could potentially result in a material increase in the liability estimate included in the Statement of Assets and Liabilities on behalf of the Territory. However, this will not have any impact on the operations of the LTCS Scheme. Also, refer to Note 3: *Impact of Accounting Standards Issued but yet to be Applied.*

OTHER NOTES

NOTE 14. FINANCIAL INSTRUMENTS

Material Accounting Policies Relating to Financial Instruments

Details of the material 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 and financial liability are disclosed in the note to which they relate. In addition to these policies, the following are also accounting policies relating to financial assets and liabilities.

Financial assets are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss (FVTPL) on the basis of both:

a) the business model for managing the financial assets; and
b) the contractual cash flow characteristics of the financial assets.

The following are the classification of LTCS fund's financial assets under AASB 9 *Financial Instruments* :

Items	Business Model Held to collect principal and interest/sell	Solely for payment of Principal and Interest SPPI Test (basic lending characteristics)	Classification
Cash at Bank	Held to collect	Yes	Amortised cost
Receivables - Distribution from Investments	Held to collect	Yes	Amortised cost
Investments with the TBA	Held to collect/ and sell	No	FVTPL

Financial liabilities are measured at amortised cost.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of a change in market interest rates. The LTCS fund's exposure to market interest rates relates only to cash at bank. Interest rates increased during the financial year ended 30 June 2023 and, as such, have resulted in an increase in the amount of interest received.

Sensitivity Analysis

A sensitivity analysis has not been undertaken for the interest rate risk of the LTCS fund, as it has been determined that the possible impact on income and expenses or total equity from interest rate fluctuations is immaterial.

NOTE 14. FINANCIAL INSTRUMENTS - CONTINUED

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The LTCS fund's credit risk is limited to the amount of the financial assets it holds less any allowance for impairment losses. The receivable at 30 June 2023 was mainly associated with the LTCS Levy and distribution from investments with the Territory Banking Account (investment revenue). The LTCS Levy receivable is in relation to motor accident injuries for June 2023 which was collected by the Road Transport Authority (Chief Minister, Treasury and Economic Development Directorate) on behalf of the LTCS Commissioner and was remitted to the LTCS fund in July 2023. The distribution from investments receivable is in relation to the quarter ended 30 June 2023, and was received in July and August 2023. As a result, the LTCS fund's exposure to bad debts is not significant.

Credit risk is managed by the LTCS fund for cash at bank by holding bank balances with the ACT Government's bank, Westpac Banking Corporation (Westpac). Westpac holds a AA issuer credit rating with Standard and Poors. A 'AA' credit rating is defined as a 'very strong capacity to meet financial commitments'.

There have been no significant changes in credit risk exposure since last reporting period.

Liquidity Risk

Liquidity risk is the risk that the LTCS fund will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. To limit its exposure to liquidity risk, the LTCS fund ensures that at any particular point in time it has a sufficient amount of current financial assets to meet its current financial liabilities. The LTCS fund manages this risk by maintaining a sufficient cash balance which will allow payment of all current liabilities when they fall due. The investments made through the Territory Banking Account are intended to be held for a period longer than twelve months. However, the investments are redeemable and are able to be withdrawn upon request (convertible to cash), if required.

It is expected that the LTCS Levy, which is reassessed every year, together with the anticipated investment income will be sufficient to meet the expected LTCS fund's liabilities when they become payable. At the reporting date, the LTCS fund has enough liquidity to meet its emerging financial liabilities.

In view of the LTCS fund's recent performance and deficit position at 30 June 2023 the LTCS Commissioner increased the levies for the 2023-24 contribution period in accordance with the recommendations made in an independent actuary's report. The LTCS Levy relating to motor accident injuries has been increased to $90.40 (2022-23: $60.40) for a 12-month ACT MAI policy charged proportionately. The LTCS Levy relating to private sector work injuries has been increased to $7.0 million (2022-23: $5.4 million).

NOTE 14. FINANCIAL INSTRUMENTS - CONTINUED

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The LTCS fund's price risk exposure results from its investments with the Territory Banking Account. The LTCS fund has investments consisting of unit holdings with the Territory Banking Account that fluctuate in value. The fluctuations in the value of unit holdings are caused by movements in the market prices of the underlying investment portfolio.

The underlying investment portfolio exposures include the financial risks associated with cash, money market securities, fixed rate bonds (domestic and international) and equities (domestic and international) private equity, property and infrastructure. Investment exposures are maintained in line with a strategic asset allocation structured to achieve the LTCS fund's long-term investment objective within acceptable risk tolerances. Under the investment structure, investments are diversified by geography, sector, financial instrument type in order to manage the risks associated with changing financial and economic conditions. More detail can be found in the financial statements of the Territory Banking Account.

LTCS fund's exposure to price risk and the management of this risk has not changed since the last reporting period.

Sensitivity Analysis

The following table summarises the sensitivity of the LTCS fund's operating result and equity to price risk.

2023		Profit/(loss) Impact $'000	Equity Impact $'000	Profit/(loss) Impact $'000	Equity Impact $'000
Investment Assets					
Investments with the Territory Banking Account	+/-6.7%	8,322	8,322	(8,322)	(8,322)
Total Increase/(Decrease)		**8,322**	**8,322**	**(8,322)**	**(8,322)**

The expected volatility factor represents the estimated variance in return for the LTCS fund's investment strategy. The volatility of returns reflects the inherent risk in the investments. The reasonably possible movements in risk variables are continually assessed and have been determined based on best estimates, having regard to a number of factors including historical correlation of the investment strategy with relevant benchmarks and market volatility.

Actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the underlying investments are invested.

NOTE 14. FINANCIAL INSTRUMENTS - CONTINUED

Fair Value of Financial Assets and Liabilities

The carrying amount of financial assets and financial liabilities approximate their fair value with the exception of Investments with the Territory Banking Account. The below table shows the difference between the carrying amount and fair value of these investments:

	No.	Amount 2023 $'000	Fair Value 2023 $'000	Amount 2022 $'000	Fair Value 2022 $'000
Financial Assets					
Investments	9	124,203	124,203	96,981	96,981
Total Financial Assets		**124,203**	**124,203**	**96,981**	**96,981**

Carrying Amount of Each Category of Financial Asset and Financial Liability	**2023 $'000**	**2022 $'000**
Financial Assets		
Financial Assets Measured at Fair Value through the Profit and Loss		
- Designated upon Initial Recognition	124,203	96,981
Financial Assets Measured at Amortised Cost	789	637
Financial Liabilities		
Financial Liabilities Measured at Amortised Cost	52	430

The LTCS fund does not have any financial liabilities in the 'Financial Liabilities at Fair Value through Profit and Loss' category and, as such, this category is not included above.

Gains/(Losses) on Each Category of Financial Asset and Financial Liability		
Financial Assets Measured at Fair Value through the Profit and Loss		
- Designated upon Initial Recognition	7,222	(8,321)

Fair Value Hierarchy

The LTCS fund has investment assets whose carrying amount is measured at fair value. LTCS fund's investments are measured using the Level 2 classification in the Fair Value Hierarchy. This classification is based on the degree to which the fair value is observable considering the lowest level input that is significant to the fair value measurement as a whole. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The LTCS fund's investments held within the Territory Banking Account financial investments are fair valued at redemption price on a daily basis reflecting the best available prices and valuation of the underlying investments and are considered Level 2 Investments.

All other financial assets and liabilities are measured, subsequent to initial recognition, at amortised cost.

Maturity Analysis

The LTCS fund does not have any financial assets or liabilities which mature outside the following financial year. The investments with the Territory Banking Account do not have a defined term, they are intended to continue over the longer-term.

NOTE 15. CAPITAL AND OTHER EXPENDITURE COMMITMENTS

Description and Material Accounting Policies Relating to Capital and Other Expenditure Commitments
Commitments are a firm intention, but not a present obligation, at the end of the reporting period to incur future expenditure. As such, commitments do not constitute a liability. Commitments usually arise from contracts, but can arise from other things like placing an order.

Commitments are measured at their nominal value and are inclusive of GST.

Capital Commitments
The LTCS fund has engaged the ACT Revenue Office (CMTEDD) to build an in-house database solution for the secure storage and robust analytics of the health and care data of the participants in the LTCS Scheme. The database build commenced in July 2022 and is expected to be completed in 2023-24.

Capital commitments contracted at reporting date that have not been recognised as liabilities are:

	2023 $'000	2022 $'000
Payable within one year	**88**	-

Other Commitments
During 2022-23 the LTCS fund entered into a 5-years contract (expiring in 2027) for the provision of actuarial services and a 3-years contract (expiring in 2025) for the provision of the annual Survey.

Other commitments contracted at reporting date but not recognised as liabilities, are payable as follows:

Within one year	86	-
Later than one year but not later than five years	220	-
Total Other Commitments	**306**	-

NOTE 16. EVENTS AFTER THE REPORTING PERIOD

There were five potential participants who had not yet been accepted into the LTCS Scheme as at 30 June 2023. At the date of signing of the financial statements one potential participant had been accepted into the LTCS Scheme.

An estimated average cost for the relevant injury and age of the five potential participants has been included (on a partial basis to allow for the probability of their acceptance into the LTCS Scheme) in the provision for treatment and care costs at 30 June 2023 (Note 13: *Provision for Participants' Treatment and Care Expenses).*

NOTE 17. RELATED PARTY DISCLOSURES

Description and Material Accounting Policies Relating to Related Party Disclosures

Key Management Personnel (KMP) of the LTCS fund are the Portfolio Minister, the LTCS Commissioner and certain senior officers of the Economic and Financial Group, Chief Minister, Treasury and Economic Development Directorate (CMTEDD) allocated to carry out the functions of the LTCS Scheme (the Senior Management Team). The Head of Service and the ACT Executive comprising the Cabinet Ministers are KMP of the ACT Government and therefore related parties of the LTCS fund.

This note does not include typical citizen transactions between the KMP and the LTCS fund that occur on terms and conditions no different to those applying to the general public.

(A) CONTROLLING ENTITY

The LTCS fund is an ACT Government controlled entity.

(B) KEY MANAGEMENT PERSONNEL

B.1 Compensation of Key Management Personnel

Compensation of all Cabinet Ministers, including the Portfolio Minister, is disclosed in the note on related party disclosures included in the ACT Executive's financial statements for the financial year ended 30 June 2023.

Compensation of the Head of Service is included in the note on related party disclosures included in the CMTEDD's financial statements for the year ended 30 June 2023.

The LTCS Commission does not employ any staff. The LTCS Commissioner and other members of the Senior Management Team who are KMP of the LTCS fund are employees of the CMTEDD and are compensated by CMTEDD. Compensation by the LTCS fund directly to its KMP was Nil (2021-22: Nil). Information on reimbursement of salary and associated expenses for the CMTEDD staff allocated to undertake the LTCS fund's functions is provided in Note 7: *Supplies and Services.*

(C) TRANSACTIONS WITH OTHER ACT GOVERNMENT CONTROLLED ENTITIES

The LTCS fund has entered into transactions with other ACT Government entities in 2022-23 consistent with day-to-day business operations provided under varying terms and conditions. The notes to the Financial Statements provide the details of transactions with other ACT Government Entities. Below is a summary of the material transactions with other ACT Government Entities.

2023 $'000	Note	
		Revenue
2,777	5	Distribution from Investments - The LTCS fund received distributions on its investments held with the Territory Banking Account (TBA).
		Expenses
217	7	Supplies and Services - The LTCS fund reimbursed CMTEDD for the salary and other associated expenses for the CMTEDD staff allocated to carry out its functions.
64	7	Supplies and Services - The LTCS fund paid financial audit fees to the ACT Audit Office.
		Assets
124,203	9	Investments with the TBA - The LTCS fund held investments with the TBA at 30 June 2023.
789	10	Distribution from Investments Receivable - The LTCS fund had a receivable for distribution from investments with the TBA for the quarter ended 30 June 2023.
		Liabilities
38	12	Accrued Expenses - The LTCS fund had fees payable to the ACT Audit Office for the financial audit for the year 2022-23.

NOTE 18. BUDGETARY REPORTING

Significant Accounting Judgements and Estimates – Budgetary Reporting

Significant judgements have been applied in determining what variances are considered 'major variances'. Variances are considered major if both of the following criteria are met:

- The line item is a significant line item: where either the line item's actual amount accounts for more than 10% of the relevant associated actual category amount (Income, Expenses, Assets, liabilities and Equity totals) or more than 10% of the sub-element (e.g. Current Liabilities and Receipts from Operating Activities totals) of the financial statements; and
- The variances (original budget to actual) are greater than plus (+) or minus (-) 10% and $500,000 for the financial statement line item.

Original Budget refers to the amounts presented to the Legislative Assembly in the original budgeted financial statements in respect of the reporting period Budget Statements.

Note: # in the 'Variance %' column represents a variance that is greater than 999 per cent or less than -999 per cent.

The following are brief explanations of major line item variances between budget estimates and actual outcomes.

Statement of Income and Expenses on Behalf of the Territory Line Items	Variance Explanation	Actual 2023 $'000	Original Budget 2023 $'000	Variance $'000	Variance %
Investment Revenue	1	2,777	3,418	(641)	(19%)
Gains/(Losses) from Remeasurement of Investments	2	7,222	2,449	4,773	195%
Participants' Treatment and Care Expenses	3	41,080	22,398	18,682	83%

Variance Explanations

1. Mainly due to the lower distributions from investments reflecting the lower amount of available distributable income from the Territory Banking Account.
2. Mainly due to the higher than budgeted gains from the increase in the market valuation of the investment portfolio.
3. Mainly due to the increase in the provision for new participants associated mainly with the higher than average cost for a number of the new participants entering the LTCS Scheme during 2022-23 (mainly associated with their injury severity), the improvement in assumed mortality and increase in attendant care costs partially offset by the decrease due to changes in the assessed injury levels of a number of the existing participants.

Lifetime Care and Support Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2023

NOTE 18. BUDGETARY REPORTING - CONTINUED

	Variance Explanation	Actual	Original Budget	Variance	Variance
Statement of Assets and Liabilities on Behalf of the Territory Line Items		**2023**	**2023**		
		$'000	**$'000**	**$'000**	**%**
Cash at Bank	4	9,579	7,638	1,941	25%
Receivables	5	3,040	2,534	506	20%
Prepayments	6	21	1,180	(1,159)	(98%)
Non-Current Provision for Participants' Treatment and Care Expenses	7	202,406	171,780	30,626	18%

Variance Explanations

4 Mainly associated with maintaining sufficient cash balance to allow payment of all current liabilities as they fall due as well as the timing of investments.

5 Mainly due to the higher than expected amount of levy revenue for June 2023 receivable at 30 June 2023.

6 Mainly due to the offsetting of the participants' estimated treatment and care costs accrued for the quarter ended 30 June 2023 against the prepayment to NSW LTCSA, for an improved presentation. In the Budget the prepayment and accrued costs were reflected separately (i.e. not offset).

7 Mainly due to the higher opening provision and increase in the provision due to the higher than average cost for a number of the new participants entering the LTCS Scheme during 2022-23 (associated with their injury severity).

Statement of Changes in Equity on Behalf of the Territory

These line items are covered in other financial statements.

Statement of Cash Flows on Behalf of the Territory Line Items

Purchase of Investments	8	20,000	18,492	1,508	8%

Variance Explanations

8 Mainly due to the timing of actual payments being lower than expected in the budget and the timing of investments (associated with the higher actual opening cash at bank balance).

Lifetime Care and Support Fund

Statement of Performance for the year ended 30 June 2023

AUDITOR-GENERAL AN OFFICER OF THE ACT LEGISLATIVE ASSEMBLY

INDEPENDENT LIMITED ASSURANCE REPORT

To the Members of the ACT Legislative Assembly

Conclusion

I have undertaken a limited assurance engagement on the statement of performance of the Lifetime Care and Support Fund (Fund) for the year ended 30 June 2023.

Based on the procedures performed and evidence obtained, nothing has come to my attention to indicate the results of the accountability indicators reported in the statement of performance for the year ended 30 June 2023 are not in agreement with the Fund's records or do not fairly reflect, in all material respects, the performance of the Fund, in accordance with the *Financial Management Act 1996*.

Basis for conclusion

I have conducted the engagement in accordance with the Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. My responsibilities under the standard and legislation are described in the 'Auditor-General's responsibilities' section of this report.

I have complied with the independence and other relevant ethical requirements relating to assurance engagements, and the ACT Audit Office applies Australian Auditing Standard ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements.*

I believe that sufficient and appropriate evidence was obtained to provide a basis for my conclusion.

Fund's responsibilities for the statement of performance

The Under Treasurer and Lifetime Care and Support Commissioner are responsible for:

- preparing and fairly presenting the statement of performance in accordance with the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2019*; and
- determining the internal controls necessary for the preparation and fair presentation of the statement of performance so that the results of accountability indicators and accompanying information are free from material misstatements, whether due to error or fraud.

Auditor-General's responsibilities

Under the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2019*, the Auditor-General is responsible for issuing a limited assurance report on the statement of performance of the Fund.

My objective is to provide limited assurance on whether anything has come to my attention that indicates the results of the accountability indicators reported in the statement of performance are not in agreement with the Fund's records or do not fairly reflect, in all material respects, the performance of the Fund, in accordance with the *Financial Management Act 1996*.

In a limited assurance engagement, I perform procedures such as making inquiries with representatives of the Fund, performing analytical review procedures and examining selected evidence supporting the results of accountability indicators. The procedures used depend on my judgement, including the assessment of the risks of material misstatement of the results reported for the accountability indicators.

Limitations on the scope

The procedures performed in a limited assurance engagement are less in extent than those required in a reasonable assurance engagement and consequently the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, I do not express a reasonable assurance opinion on the statement of performance.

This limited assurance engagement does not provide assurance on the:

- relevance or appropriateness of the accountability indicators reported in the statement of performance or the related performance targets;
- accuracy of explanations provided for variations between actual and targeted performance due to the often subjective nature of such explanations; or
- adequacy of controls implemented by the Fund.

Ajay Sharma
Assistant Auditor-General, Financial Audit
27 September 2023

Lifetime Care and Support Fund
Statement of Performance
For the Year Ended 30 June 2023

Statement of Responsibility

In our opinion, the Statement of Performance is in agreement with the Lifetime Care and Support Fund's (LTCS fund) records and fairly reflects the service performance of the LTCS fund for the financial year ended 30 June 2023, and also fairly reflects the judgements exercised in preparing it.

Alison Playford
Acting Under Treasurer

Delegate for the Director-General
Chief Minister, Treasury and
Economic Development Directorate
27 September 2023

Lisa Holmes
Lifetime Care and Support Commissioner
of the ACT

26 September 2023

Lifetime Care and Support Fund
Statement of Performance
For the Year Ended 30 June 2023

EBT Class 1: **LIFETIME CARE AND SUPPORT FUND**

EBT1.1: Lifetime Care and Support Fund

Description: The Lifetime Care and Support Fund (LTCS fund) reflects the operation of the LTCS Scheme to provide on-going treatment and care to people who have been catastrophically injured as a result of a motor accident in the ACT or workplace accident in the course of private sector employment in the ACT. The key outputs delivered in 2022-23 included:

- deciding the eligibility of applicants to the LTCS Scheme in accordance with Part 4 of the LTCS Act and the LTCS Guidelines;
- assessing the treatment and care needs of participants in the LTCS Scheme in accordance with Part 5 of the LTCS Act;
- paying all reasonable expenses incurred by or on behalf of an injured person in relation to the injured person's assessed treatment and care needs in accordance with Part 6 and Part 9 of the LTCS Act;
- monitoring service delivery and participant outcomes, including through collecting feedback from participants on their expectations and experience with the LTCS Scheme;
- implementing a framework for future funding requirements and levy setting;
- reviewing and updating the LTCS Guidelines;
- undertaking investments in accordance with the fund's Investment Strategy; and
- determining LTCS levies in accordance with Part 10 of the LTCS Act.

	Original Target 2022-23	Actual Result 2022-23	% Variance from Original Target	Explanation of Material Variances (+/-5%)
TOTAL COST ($'000)	$31,267	$50,315	61%	The actual cost was higher mainly due to an increase in provision for participants' future lifetime treatment and care expenses resulting from the higher than average cost for a number of the new participants entering the LTCS Scheme during 2022-23 (associated with their injury severity) and improvement in assumed mortality partially offset by the decrease due to changes in the assessed injury levels of a number of the existing participants.
PAYMENT FOR EXPENSES ON BEHALF OF THE TERRITORY ($'000)	$0	$0	0%	The LTCS fund did not budget or receive appropriation from the ACT Government.

Lifetime Care and Support Fund
Statement of Performance
For the Year Ended 30 June 2023

	Original Target 2022-23	Actual Result 2022-23	% Variance from Original Target	Explanation of Material Variances (+/-5%)
Accountability Indicators				
Provision of LTCS Scheme in the ACT				
a. LTCS Levies determined during the fourth quarter	2	2	0%	
b. Undertake an annual client feedback process	1	1	0%	

Notes:

a. In accordance with section 84 of the LTCS Act, the LTCS Commissioner must determine the LTCS Levy for a contribution period. The Levy determination for the 2023-24 contribution period for motor vehicles was notified on the Legislation Register on 18 May 2023 and for private workers' compensation insurers and self-insurers on 13 June 2023.

b. This indicator requires the LTCS Commissioner to seek formal feedback from Scheme participants during the financial year. The focus and process for each year's feedback is decided by the LTCS Commissioner. The survey for 2022-23 was undertaken in the second half of 2022-23 with the final report received in June 2023.

The above Accountability Indicators were examined by the ACT Audit Office in accordance with the *Financial Management Act 1996.* The Total Cost and Payment for Expenses on Behalf of the Territory measures were not examined by the ACT Audit Office in accordance with the *Financial Management (Statement of Performance Scrutiny) Guidelines 2019.*

Motor Accident Injuries Commission

Motor Accident Injuries Commission
Management Discussion and Analysis
For the Year Ended 30 June 2023

General Overview

Objectives

The Motor Accident Injuries Commission (MAI Commission) was established under the *Motor Accident Injuries Act 2019* (MAI Act) and commenced operating on 1 February 2020.

The functions of the MAI Commission are extensive with functions such as providing information and assistance on the Motor Accident Injuries (MAI) Scheme. The MAI Commission has a strong monitoring and regulatory role in relation to the provision of defined benefits by insurers. The MAI Commission's functions are detailed in section 25 of the MAI Act. Its responsibilities include:

- regulating the licensing of insurers under the Motor Accident Injuries Scheme (MAI Scheme);
- reviewing premiums to ensure they fully fund the present and likely future costs of the scheme but are not excessive;
- monitoring insurers' compliance with their obligations under the MAI Act;
- providing information to the public about the MAI Scheme;
- managing complaints about the market practices of licensed insurers and the handling practices of insurers under the MAI Scheme;
- issuing, monitoring and reviewing the MAI guidelines and other statutory instruments under the MAI Act; and
- monitoring and advising the Minister about the administration, efficiency and effectiveness of the MAI Scheme.

The functions of the MAI Commission are funded by a levy applied on every ACT motor vehicle registration with a MAI policy on a per annum basis.

In accordance with section 331 of the MAI Act, the MAI Commission collects an amount for the Nominal Defendant Fund from each licensed MAI insurer in the Territory, as well as the Commonwealth and ACT Governments, that covers the claims against uninsured or unidentified motor vehicles for which the Nominal Defendant has responsibility. The amount collected by the MAI Commission is transferred to the Office of the Nominal Defendant.

Many motorists paid for Compulsory Third-Party (CTP) insurance policies when they registered their vehicles prior to the MAI Scheme commencing on 1 February 2020 with CTP policies extending past this date. The significant differences in the design of the CTP Scheme compared to the MAI Scheme impacted premium amounts, with the new MAI policy premiums being lower than the previous CTP premiums. This resulted in a premium surplus that needed to be refunded to people with ACT registered vehicles. A tripartite agreement between the MAI Commission, the MAI insurers and the Road Transport Authority (RTA) was put in place to make refunds to eligible motorists. Each of the MAI insurers contributed their total refund amount to a Premium Surplus Refund (PSR) Pool held by the MAI Commission. This PSR Pool funded the refunds provided to eligible motorists via RTA registration renewals. One-off refunds were provided to motorists renewing their vehicle registration with a start date falling between the 30 April 2022 and 29 April 2023.

The refunds to motorists via the RTA registration renewals process was completed in April 2023. There were top-up payments directly to eligible motorists' bank accounts still in progress at 30 June 2023 (pending receipt of bank account details). Therefore, at 30 June 2023 there is a balance in the MAI Commission's bank account that relates to PSR. This is reflected under third-party monies.

Motor Accident Injuries Commission
Management Discussion and Analysis
For the Year Ended 30 June 2023

Overview of the Financial Outcome

The MAI Commission is a not-for-profit territory authority.

The MAI Commission's operating result for the financial year 2022-23 was a surplus of $2.1 million, compared to the budgeted break even position. This operating surplus was mainly due to the lower than anticipated supplies and services expenses, explained in this document under Total Expenses – Comparison to Budget.

Risk Management

The MAI Commission has a risk management plan. The MAI Commission has overall responsibility for risk management, and for ensuring compliance with the risk management plan.

The key risks identified are financial, operational, legal and reputational. The key operational risk is related to whether the MAI Commission has sufficient resources, both in terms of financial and staffing capacity (including the number of staff as well as staff experience and expertise), to fulfil its obligations and operate effectively. The risks are mitigated through the use of appropriate governance structures, application of risk based management strategies and financial reporting processes.

Financial risks include adequacy of funding for the MAI Commission's activities. A levy of $16.00 per annum was collected from every motor vehicle registration to fund the MAI Commission. The MAI Commission's revenues are mainly dependent upon the number of registrations and renewals.

Financial Performance

The following financial information is based on the audited Financial Statements for the financial year 2022-23 and the previous financial year 2021-22.

Budget information presented below for 2022-23 is based on the 2022-23 Statement of Intent for the MAI Commission. Estimates presented below for 2023-24 through to 2026-27 are based on the 2023-24 Statement of Intent for the MAI Commission presented in the Legislative Assembly on 27 June 2023.

The percentages presented below are based on amounts rounded to the nearest thousand dollars (not the presented amounts that have been rounded to the nearest million dollars).

Total Expenses

1. Components of Total Expenses

For the financial year ended 30 June 2023, the MAI Commission recorded total expenses of $3.6 million. The expenses mainly comprised of supplies and services expenses (49 per cent), transfer expenses (37 per cent) and amortisation of the ICT system (14 per cent).

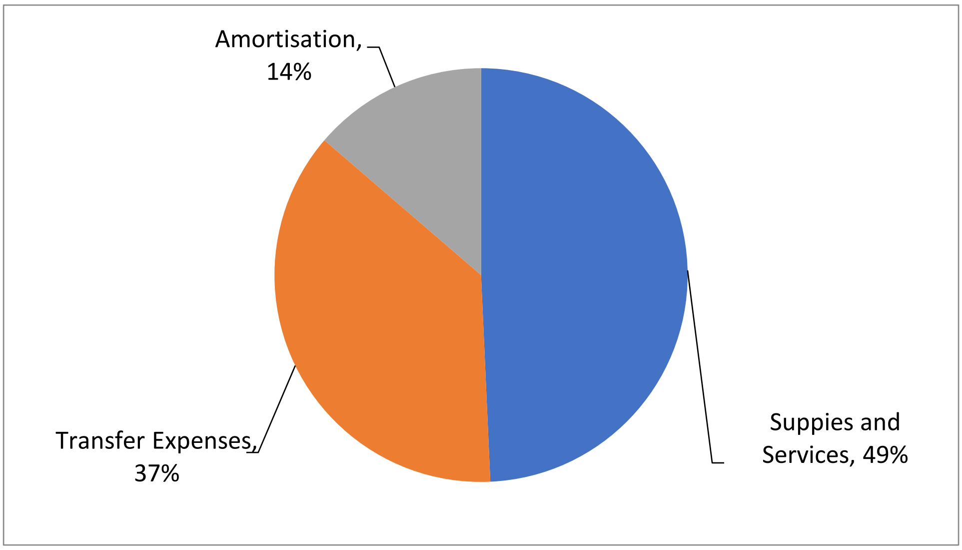
Transfer expenses reflect the payment to the ACT Government (Territory Banking Account) to fund the estimated net costs of the ACT Civil and Administrative Tribunal defined benefit dispute mechanism for the new MAI Scheme.

Supplies and services expenses mainly include Administrative support expenses ($1.2 million or 69 per cent) associated with the reimbursement of salary and associated expenses for the Chief Minister, Treasury and Economic Development Directorate's (CMTEDD) staff allocated to undertake the MAI Commission's functions, as the MAI Commission does not employ any staff. Supplies and services expenses also include ICT support and maintenance expenses associated with the MAI Register ICT system, actuarial expenses mainly associated with the work undertaken for reviewing premium filings and calculating various premiums loadings and subsidies, consultant expenses mainly associated with the delivery of an information service relating to the defined benefits available under the MAI Scheme, and contributions towards road safety strategies developed and undertaken by the Transport Canberra and City Services Directorate to support and promote the prevention of motor accidents and safe use of motor vehicles, and also the development of a Road Safety Manual for the ACT Taxi Industry.

The amortisation expense is associated with the MAI Register ICT system.

Figure 1 indicates the components of the MAI Commission's expenses for 2022-23.

Figure 1 – Components of Total Expenses



2. Comparison to Original Budget

Total actual expenses were lower than the Budget of $5.3 million by $1.7 million (or 32 per cent) mainly due to:

- $0.5 million lower road initiative costs due to the timing of planned road safety campaigns;
- $0.4 million lower administrative support expenses due to lower salary and associated expenses for the CMTEDD staff allocated to undertake the MAI Commission's functions mainly resulting from vacancies in relevant positions and the acting arrangements in place during the year;
- $0.5 million lower actuarial and consultant expenses due to these services continuing to be ramped up and refined as the Scheme matures; and
- $0.2 million lower ICT support and maintenance expenses due to lower infrastructure costs associated with the maintenance of the MAI Register (ICT System).

3. Comparison to 2022 Actual

Total actual expenses in 2022-23 were largely in line with the 2021-22 actual expenses of $3.4 million.

4. Future Trends

The budgeted expenses are expected to increase in 2023-24 as the Scheme matures and then remain fairly steady, increasing mainly due to indexation. Amortisation will decrease in 2023-24 due to the extension in the remaining useful life of the ICT system by 5 years (to a total of 10 years) mainly due to the ongoing maintenance work that prevented the high rate of technological obsolescence typically expected with such systems.

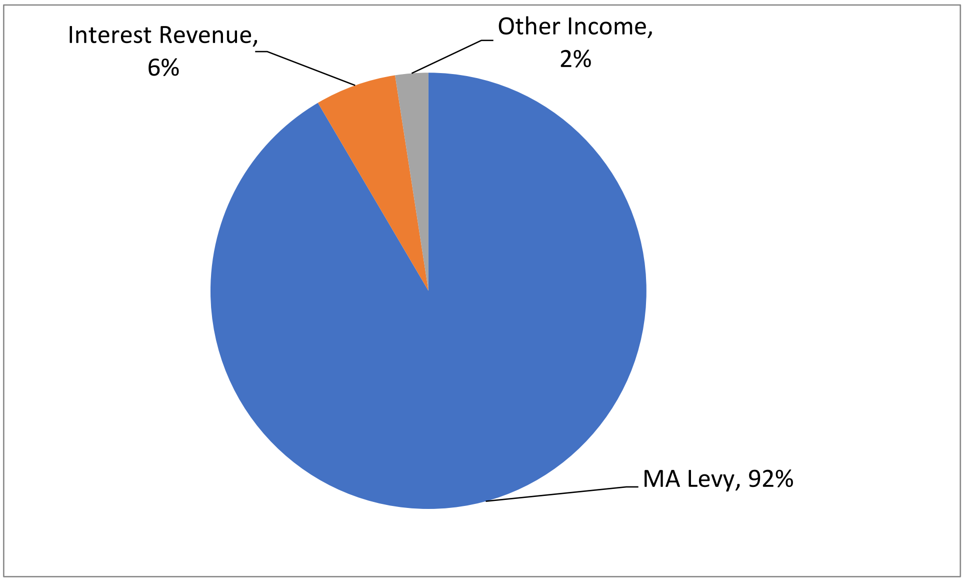
Total Income

1. Components of Total Income

For the financial year ended 30 June 2023, the MAI Commission recorded a total income of $5.6 million. The MAI Commission's income was mainly derived from the levy on ACT MAI vehicle registrations (92 per cent).

Figure 2 indicates the components of the MAI Commission's income for 2022-23.

Figure 2 – Components of Total Income



2. Comparison to Original Budget

Total income was largely in line with the Budget of $5.3 million.

3. Comparison to 2022 Actual

Total income was also largely in line with the 2021-22 actual income of $5.2 million.

4. Future Trends

The Motor Accident (MA) Levy has been reduced by $2 to $14 (2022-23: $16) per annum payable in relation to MAI policies issued with effect from 1 July 2023, except for veteran, vintage and historic (VVH) registration scheme vehicles and modified VVH vehicles that have a $3.5 (2022-23: $4) levy per annum per MAI policy. The income from the levy will therefore reduce in 2023-24 and increase again in the forward years due to the expected increase in motor vehicle registrations and projected ACT population growth.

Financial Position

Total Assets

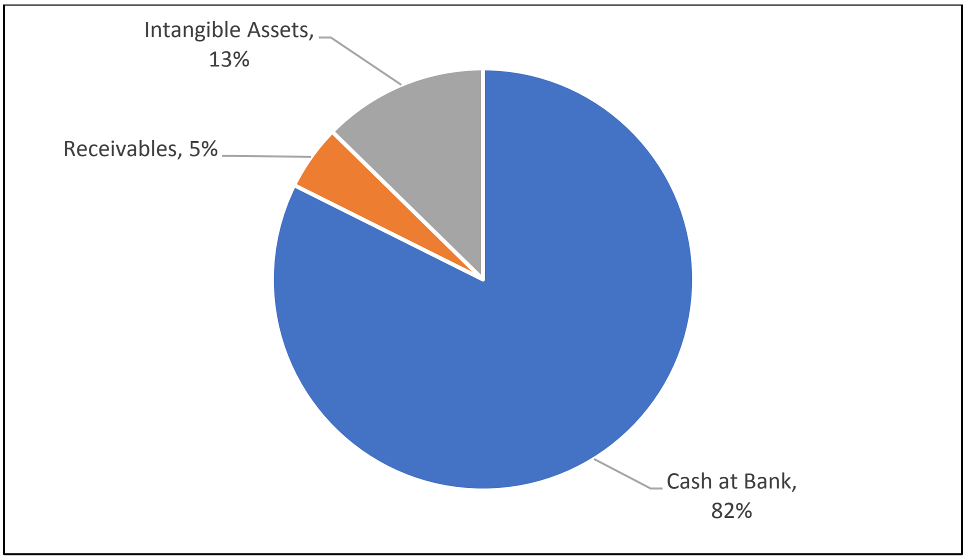
1. Components of Total Assets

The MAI Commission’s total assets of $9.8 million as at 30 June 2023 comprised of cash at bank (82 per cent), intangible assets (13 per cent) and receivables (5 per cent).

The intangible asset relates to the ICT system, the MAI Register. The receivable is mainly associated with the MA Levy collected by the Road Transport Authority (CMTEDD) on behalf of the MAI Commission during June 2023.

Figure 3 indicates the components of the MAI Commission’s total assets as at 30 June 2023.

Figure 3 – Total Assets as at 30 June 2023



2. Comparison to Original Budget

Total assets at 30 June 2023 were higher than the Budget of $7.6 million by $2.2 million (or 29 per cent) mainly due to the higher levels of cash at bank ($2.2 million) resulting largely from lower than budgeted supplies and services expense payments.

3. Comparison to 30 June 2022 Actual

Total assets at 30 June 2023 were $2.1 million (or 27 per cent) higher than the assets at 30 June 2022 ($7.7 million). The increase was mainly associated with a higher cash at bank balance resulting from higher revenue received compared to the expense payments in 2022-23.

4. Liquidity

‘Liquidity’ is the ability of the MAI Commission to satisfy its short-term debts as they fall due. A common indicator for liquidity is the current ratio, which compares the ability to fund short-term liabilities from short-term assets. A ratio of less than 1-to-1 may indicate a reliance on the next financial year’s MA levy to meet short-term debts.

Table 1 indicates the liquidity position of the MAI Commission.

Table 1 – Current Ratio

Description At 30 June	Prior Period Actual 2022 $'000s	Current Year Budget 2023 $'000s	Current Year Actual 2023 $'000s	Forward Year Budget 2024 $'000s	Forward Year Budget 2025 $'000s	Forward Year Budget 2026 $'000s	Forward Year Budget 2027 $'000s
Current Assets	5,999	6,443	8,592	8,715	8,903	9,092	9,281
Current Liabilities	20	152	53	144	148	152	157
Current Ratio	300:1	42:1	162:1	61:1	60:1	60:1	59:1

The MAI Commission's current ratio as at 30 June 2023 was 162:1, which is more than sufficient to pay its liabilities as they fall due. The ratio reflects higher current assets mainly due to the higher cash at bank balance (explained above under Total Assets) and lower current liabilities mainly associated with the timing of payment of ICT support and maintenance expenses for the quarter ended 30 June 2023.

The MAI Commission is budgeted to maintain a strong level of liquidity for future years.

Total Liabilities

1. Components of Total Liabilities

The MAI Commission's total liabilities at 30 June 2023 ($0.05 million) mainly relate to accrued expenses (93 per cent) for the 2022-23 financial audit, actuary's fees, consultant's fees and reimbursement of salary and associated expenses for the CMTEDD staff allocated to undertake the MAI Commission's functions during the reporting period for which invoices were received after the end of the reporting period.

Motor Accident Injuries Commission

Financial Statements for the year ended 30 June 2023

ACT Audit Office

AUDITOR-GENERAL AN OFFICER OF THE ACT LEGISLATIVE ASSEMBLY

INDEPENDENT AUDITOR'S REPORT

To the Members of the ACT Legislative Assembly

Opinion

I have audited the financial statements of the Motor Accident Injuries Commission (Commission) for the year ended 30 June 2023 which comprise the operating statement, balance sheet, statement of changes in equity, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

(i) present fairly, in all material respects, the Commission's financial position as at 30 June 2023, and its financial performance and cash flows for the year then ended; and

(ii) are presented in accordance with the *Financial Management Act 1996* and comply with Australian Accounting Standards.

Basis for opinion

I conducted the audit in accordance with the Australian Auditing Standards. My responsibilities under the standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of this report.

I am independent of the Commission in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (Code). I have also fulfilled my other ethical responsibilities in accordance with the Code.

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

Responsibilities of the Commissioner for the financial statements

The Motor Accident Injuries Commissioner is responsible for:

- preparing and fairly presenting the financial statements in accordance with the *Financial Management Act 1996,* and relevant Australian Accounting Standards;
- determining the internal controls necessary for the preparation and fair presentation of the financial statements so that they are free from material misstatements, whether due to error or fraud; and
- assessing the ability of the Commission to continue as a going concern and disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting in preparing the financial statements.

Auditor's responsibilities for the audit of the financial statements

Under the *Financial Management Act 1996*, the Auditor-General is responsible for issuing an audit report that includes an independent opinion on the financial statements of the Commission.

My objective is to obtain reasonable assurance about whether the financial statements as a whole are 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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 statements, 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 controls;
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Commission's internal controls;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commission;
- conclude on the appropriateness of the Commission's use of the going concern basis of accounting and, based on audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in this report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of this report. However, future events or conditions may cause the Commission to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether they represent the underlying transactions and events in a manner that achieves fair presentation.

I communicated with the Motor Accident Injuries Commissioner regarding, 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 my audit.

Tim Larnach
Audit Principal, Financial Audit
27 September 2023

Motor Accident Injuries Commission
Financial Statements
For the Year Ended 30 June 2023

Statement of Responsibility

In my opinion, the Motor Accident Injuries Commission's financial statements fairly reflect the financial operations for the year ended 30 June 2023 and the financial position on that date.

Lisa Holmes
Motor Accident Injuries Commissioner
27 September 2023

Motor Accident Injuries Commission
Financial Statements
For the Year Ended 30 June 2023

Statement by the Chief Finance Officer

In my opinion, the Motor Accident Injuries (MAI) Commission's financial statements have been prepared in accordance with the Australian Accounting Standards, are in agreement with its accounts and records and fairly reflect its financial operations for the year ended 30 June 2023 and the financial position on that date.

Anne Anand
Chief Finance Officer
Senior Director, Insurance
Chief Minister, Treasury and Economic Development Directorate
27 September 2023

Motor Accident Injuries Commission
Financial Statements
For the Year Ended 30 June 2023

Content of Financial Statements

Motor Accident Injuries Commission
Operating Statement
For the Year Ended 30 June 2023

	Note No.	Actual 2023 $'000	Original Budget 2023 $'000	Actual 2022 $'000
Income				
Motor Accident Levy	4	5,203	5,213	5,133
Interest Revenue		342	101	73
Other Income	5	83	-	-
Total Income		**5,628**	**5,314**	**5,206**
Expenses				
Supplies and Services	6	1,752	3,410	1,522
Transfer Expenses	7	1,316	1,316	1,281
Amortisation	10	487	588	588
Total Expenses		**3,555**	**5,314**	**3,391**
Operating Result		**2,073**	**-**	**1,815**
Total Comprehensive Result		**2,073**	**-**	**1,815**

The above Operating Statement is to be read in conjunction with the accompanying notes.

Motor Accident Injuries Commission
Balance Sheet
As at 30 June 2023

Current Assets	Note No.	Actual 2023 $'000	Original Budget 2023 $'000	Actual 2022 $'000
Cash at Bank	8	8,103	5,939	5,497
Receivables	9	489	504	502
Total Current Assets		**8,592**	**6,443**	**5,999**
Non-Current Assets				
Intangible Assets	10	1,245	1,144	1,732
Total Non-Current Assets		**1,245**	**1,144**	**1,732**
Total Assets		**9,837**	**7,587**	**7,731**
Current Liabilities				
Payables	11	53	152	20
Total Current Liabilities		**53**	**152**	**20**
Total Liabilities		**53**	**152**	**20**
Net Assets		**9,784**	**7,435**	**7,711**
Equity				
Accumulated Funds		9,784	7,435	7,711
Total Equity		**9,784**	**7,435**	**7,711**

The above Balance Sheet is to be read in conjunction with the accompanying notes.

Motor Accident Injuries Commission
Statement of Changes in Equity
For the Year Ended 30 June 2023

	Accumulated Funds Actual 2023 $'000	Total Equity Actual 2023 $'000	Original Budget 2023 $'000
Balance at 1 July 2022	7,711	7,711	7,435
Comprehensive Income			
Operating Result	2,073	2,073	-
Total Comprehensive Result	**2,073**	**2,073**	**-**
Balance at 30 June 2023	**9,784**	**9,784**	**7,435**

	Accumulated Funds Actual 2022 $'000	Total Equity Actual 2022 $'000
Balance at 1 July 2021	5,896	5,896
Comprehensive Income		
Operating Result	1,815	1,815
Total Comprehensive Result	**1,815**	**1,815**
Balance at 30 June 2022	**7,711**	**7,711**

The above Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

Motor Accident Injuries Commission
Statement of Cash Flows
For the Year Ended 30 June 2023

	Note No.	Actual 2023 $'000	Original Budget 2023 $'000	Actual 2022 $'000
Cash Flows from Operating Activities				
Receipts				
Motor Accident Levy		5,211	5,213	5,133
Interest Received		342	101	73
Other		83	-	-
Goods and Services Tax Input Tax Credits from the Australian Taxation Office		56	99	50
Total Receipts from Operating Activities		**5,692**	**5,413**	**5,256**
Payments				
Supplies and Services		1,719	3,409	1,597
Transfer Expenses		1,316	1,316	1,281
Goods and Services Tax Paid to Suppliers		51	113	64
Total Payments for Operating Activities		**3,086**	**4,838**	**2,942**
Net Cash Inflows from Operating Activities	8	**2,606**	**575**	**2,314**
Net Increase in Cash at Bank		**2,606**	**575**	**2,314**
Cash at Bank at the Beginning of the Reporting Period		5,497	5,364	3,183
Cash at Bank at the End of the Reporting Period	8	**8,103**	**5,939**	**5,497**

The above Statement of Cash Flows is to be read in conjunction with the accompanying notes.

Motor Accident Injuries Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2023

NOTE 1. OBJECTIVES OF THE MOTOR ACCIDENT INJURIES COMMISSION

The Motor Accident Injuries Commission (MAI Commission) is a not-for-profit ACT Government entity which was established under the *Motor Accident Injuries Act 2019* (MAI Act) and commenced operating on 1 February 2020.

The MAI Commission's functions are detailed in section 25 of the MAI Act. Its responsibilities include:

- regulating the licensing of insurers under the Motor Accident Injuries Scheme (MAI Scheme);
- reviewing premiums to ensure they fully fund the present and likely future costs of the scheme but are not excessive;
- monitoring insurers' compliance with their obligations under the MAI Act;
- providing information to the public about the MAI Scheme;
- managing complaints about the market practices of licensed insurers and the handling practices of insurers under the MAI Scheme;
- issuing, monitoring and reviewing the MAI guidelines and other statutory instruments under the MAI Act; and
- monitoring and advising the Minister about the administration, efficiency and effectiveness of the MAI Scheme.

The functions of the MAI Commission are funded by a levy applied on every ACT motor vehicle registration with a MAI policy on a per annum basis.

In accordance with section 331 of the MAI Act, the MAI Commission collects an amount for the Nominal Defendant Fund from each licensed MAI insurer in the Territory, as well as the Commonwealth and ACT Governments, that covers the claims against uninsured or unidentified motor vehicles for which the Nominal Defendant has responsibility. The amount collected by the MAI Commission is transferred to the Office of the Nominal Defendant. For details refer to Note 14: *Third Party Monies.*

NOTE 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

LEGISLATIVE REQUIREMENT

The *Financial Management Act 1996* (FMA) requires the preparation of annual financial statements for ACT Government territory authorities. The FMA and the *Financial Management Guidelines* issued under the Act, requires the MAI Commission's financial statements to include:

(i) an Operating Statement for the year;

(ii) a Balance Sheet at the end of the year;

(iii) a Statement of Changes in Equity for the year;

(iv) a Statement of Cash Flows for the year; and

(v) other statements as necessary to fairly reflect the financial operations of the MAI Commission during the year and its financial position at the end of the year.

These general-purpose financial statements have been prepared in accordance with:

(i) Australian Accounting Standards (as required by the FMA); and

(ii) ACT Accounting and Disclosure Policies.

NOTE 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENT (CONTINUED)

ACCRUAL ACCOUNTING

The financial statements have been prepared using the accrual basis of accounting. The financial statements have also been prepared according to the historical cost convention.

CURRENCY

These financial statements are presented in Australian dollars, which is the MAI Commission's functional currency.

INDIVIDUAL NOT-FOR-PROFIT REPORTING ENTITY

The MAI Commission is an individual not-for-profit reporting entity.

CONTROLLED ITEMS

The MAI Commission produces Controlled financial statements. The Controlled financial statements include income, expenses, assets and liabilities over which the MAI Commission has control.

REPORTING PERIOD

These financial statements state the financial performance, changes in equity and cash flows of the MAI Commission for the year ended 30 June 2023, together with the financial position of the MAI Commission as at 30 June 2023.

COMPARATIVE FIGURES

Budget Figures

To facilitate a comparison with the Budget Papers, as required by the FMA, budget information for 2022-23 has been presented in the financial statements. Budget numbers in the financial statements are the original budget numbers that appear in the 2022-23 Statement of Intent.

Prior Year Comparatives

Comparative information has been disclosed in respect of the previous period for amounts reported in the financial statements, except where an Australian Accounting Standard does not require comparative information to be disclosed.

Where the presentation or classification of items in the financial statements is amended, the comparative amounts have been reclassified where practical. Where a reclassification has occurred, the nature, amount and reason for the reclassification is provided.

Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars ($'000). Use of "-" represents zero amounts or amounts rounded down to zero.

NOTE 3. CHANGE IN ACCOUNTING ESTIMATES

The MAI Commission had the following change in accounting estimates during the reporting period.

Revision of Remaining Useful Life of the ICT System

The MAI Commission reviewed the useful life of the Motor Accident Injury Register (MAIR, ICT System) during the reporting period. This review resulted in an increase in the useful life of the MAIR by five additional years and therefore a decrease in the amortisation expense, effective April 2023. For details see Note 10: *Intangible Assets*.

INCOME NOTES

Material Accounting Policies-Income

Income Recognition

AASB 1058 *Income of Not-for-Profit Entities*

Where revenue streams are in the scope of AASB 1058, the MAI Commission recognises the asset received (generally cash or other financial asset) at fair value, recognises any related amount (e.g. liability or equity) in accordance with an accounting standard and recognises revenue as the residual between the fair value of the asset and the related amount on receipt of the asset.

NOTE 4. MOTOR ACCIDENT LEVY

Description and Material Accounting Policies relating to the Motor Accident Levy (MA Levy)

The MA Levy is a statutory levy collected under the *Motor Accident Injuries Levy Determination 2019* (No 1). The MA Levy is determined by the Minister responsible for administering the MAI Act. The MA Levy applies in respect of a Motor Accident Injuries (MAI) policy issued under the MAI Act and is paid when a person purchases a MAI policy as part of a vehicle registration.

The MA Levy is collected by the Road Transport Authority (Chief Minister, Treasury and Economic Development Directorate, CMTEDD) on behalf of the MAI Commissioner. The MA Levy is recognised as revenue when the motorist registers a motor vehicle and pays the MAI insurance premium. The MAI Commission recognises a receivable for the levy collected by the Road Transport Authority. The receivable is derecognised and cash is recognised when the money collected and held by the Road Transport Authority is subsequently transferred to the MAI Commission.

The MA Levy of $16.00 per annum (unchanged since the commencement of the Scheme) is payable in relation to a MAI policy, except for veteran, vintage and historic registration scheme vehicles that have a $4.00 levy per annum per MAI policy. The MA Levy applies for a full year policy and is pro-rated for shorter registration periods (6 or 3 months). The MAI Act allows refunds on a proportionate basis according to the number of whole months remaining on the MAI Policy at the date of cancellation.

	2023 $'000	2022 $'000
Total Motor Accident Levy [1]	**5,203**	**5,133**

[1] The increase was due to a higher number of motor vehicles registered during 2022-23.

NOTE 5. OTHER INCOME

Description and Material Accounting Policies relating to Other Income

Other Gains

Other Gains are transactions that are not part of the MAI Commission's core activities and tend to be one off.

Many motorists paid for CTP insurance policies when they registered their vehicles prior to the MAI Scheme commencing on 1 February 2020 with CTP policies extending past this date. The significant differences in the design of the CTP Scheme compared to the MAI Scheme impacted premium amounts, with the new MAI policy premiums being lower than the previous CTP premiums. This resulted in a premium surplus that needed to be refunded to people with ACT registered vehicles, with the refunds being funded by the insurers.

Section 601 of the MAI Act gave the MAI Commission the ability to deal with the amounts paid for premiums under the repealed Act if there is a reduction in premiums amounts that may apply on the commencement of the MAI Act (Explanatory Statement accompanying the Bill).

Given the uncertainty associated with the final number of the total number of vehicles that would receive the refund, the MAI Commission reserved for later the recovery of any implementation costs from the total amount paid by insurers.

In 2021-22 the MAI Commission paid $83,000 to Access Canberra towards the development of the solution for the processing of Premium Surplus Refunds (PSRs). In 2022-23 using the provisions of section 601, the MAI Commission reimbursed itself from the remaining PSR Pool the $83,000 it had paid to Access Canberra.

Other Gains	2023 $'000	2022 $'000
Reimbursement of Prior Year Costs	83	-
Total Other Income	**83**	**-**

EXPENSE NOTES

NOTE 6. SUPPLIES AND SERVICES

Description and Material Accounting Policies relating to the Supplies and Services

General – Supplies and Services

Purchases of Supplies and Services generally represent the day to day running costs incurred in normal operations. They are recognised in the reporting period in which the expenses are incurred.

Actuarial and Consultant Expenses

Actuarial expenses are mainly associated with the work undertaken for reviewing premium filings and calculating various premiums loadings and subsidies. Consultant expenses are mainly associated with the delivery of an information service relating to the defined benefits available under the MAI Scheme.

NOTE 6. SUPPLIES AND SERVICES (CONTINUED)

Administration Support Expenses

The MAI Commission does not employ any staff. The functions of the MAI Commission are performed by officers of the Chief Minister, Treasury and Economic Development Directorate (CMTEDD) and those employees are included in CMTEDD's Full Time Equivalent (FTE) staff numbers. Administrative support expenses mainly relate to the reimbursement of salary and associated expenses for the CMTEDD staff allocated to undertake the MAI Commission's functions.

Advertising Expenses

These expenses are associated with the Search Terms campaign implemented in 2022-23 to promote the MAI Scheme.

Audit Fees

Auditor's remuneration consists of services provided to the MAI Commission by the ACT Audit Office to conduct the financial audit. No other services were provided by the ACT Audit Office.

ICT Support and Maintenance Expenses

These expenses are associated with maintaining the MAI Register ICT system.

Road Safety Initiatives

The MAI Commission contributes towards road safety strategies developed and undertaken by the Transport Canberra and City Services Directorate to support and promote the prevention of motor accidents and safe use of motor vehicles. These are pertinent to the MAI Commission's objectives under the MAI Act of reducing the number and/or severity of injuries arising from these accidents. In 2022-23, the MAI Commission also incurred expenses for the development of a Road Safety Manual for the ACT Taxi Industry designed to assist the industry in reducing the frequency and average cost (severity) of taxi related motor accidents resulting in personal injuries.

	2023	2022
	$'000	$'000
Actuarial and Consultant Expenses [1]	143	231
Administration Support Expenses [2]	1,203	890
Advertising Expenses	5	17
Audit Fees	28	27
ICT Support and Maintenance Expenses	281	257
Road Safety Initiatives	92	100
Total Supplies and Services	**1,752**	**1,522**

1. The decrease was mainly due to the payment to Access Canberra of $83,000 for the costs associated with the Premium Surplus Refund (PSR) project in 2021-22.

2. The increase was mainly due to the higher salaries and associated expenses for the CMTEDD staff allocated to undertake the MAI Commission's functions mainly resulting from completing recruitment process for relevant vacant positions, pay increases under the Enterprise Bargaining Agreement and also the acting arrangements put in place for varying periods in the two years (2021-22 and 2022-23).

NOTE 7. TRANSFER EXPENSES

Description and Material Accounting Policies relating to the Transfer Expenses

Transfer expenses reflect the payment to the ACT Government (Territory Banking Account) to fund the estimated net costs of the ACT Civil and Administrative Tribunal (ACAT) external review function under the MAI Scheme. The MAI Scheme provides for treatment and care, income replacement, funeral dependent benefits, and a quality of life benefit (collectively referred to as 'defined benefits'). The ACAT is the forum for disputes that arise in relation to the provision of defined benefits by the MAI insurers. The payments are made on a quarterly basis.

	2023	2022
	$'000	$'000
Transfer Expenses	1,316	1,281
Total Transfer Expenses	**1,316**	**1,281**

ASSET NOTES

Material Accounting Policies - Assets

Assets - Current and Non-Current

Assets are classified as current where they are expected to be realised within 12 months after the reporting date. Assets, which do not fall within the current classification, are classified as non-current.

NOTE 8. CASH AT BANK

Description and Material Accounting Policies relating to Cash at Bank

The MAI Commission holds one bank account with the Westpac Banking Corporation. As part of this arrangement, the MAI Commission receives interest at floating rates based on daily bank deposit rates.

a) Reconciliation of Cash at Bank at the End of the Reporting Period in the Statement of Cash Flows to the Equivalent Items in the Balance Sheet

	2023	2022
	$'000	$'000
Total Cash at Bank recorded in the Balance Sheet [1]	8,103	5,497
Cash at Bank at the End of the Reporting Period as recorded in the Statement of Cash Flows	**8,103**	**5,497**

1. The increase was mainly due to the MA levy collections, interest from cash at bank and other income (associated with the reimbursement from the PSR funds) exceeding supplies and services expense payments that remain low as the Scheme is still maturing.

The MAI Commission is self-funded and holds sufficient cash at bank for any future ICT upgrade and other unforeseen costs.

NOTE 8. CASH AT BANK (CONTINUED)

b) Reconciliation of the Operating Result to Net Cash Inflows from Operating Activities

	2023 $'000	2022 $'000
Operating Result	2,073	1,815
Add Non-Cash Items		
Amortisation	487	588
Cash Before Changes in Operating Assets and Liabilities	**2,560**	**2,403**
Changes in Operating Assets and Liabilities		
Decrease/(Increase) in Receivables	13	(13)
Increase/(Decrease) in Payables	33	(76)
Net Cash Inflows from Operating Activities	**2,606**	**2,314**

NOTE 9. RECEIVABLES

Description and Material Accounting Policies relating to Receivables

The Motor Accident Levy receivable is associated with the levy collected by the Road Transport Authority (CMTEDD) on behalf of the MAI Commission during June. The money is held in the CMTEDD bank account until it is subsequently remitted to the MAI Commission in July, at which point in time the MAI Commission derecognises the receivable and recognises the cash. These transactions are reflected as Third-Party Monies by CMTEDD.

Accounts receivable are measured at amortised cost, with any adjustments to the carrying amount being recorded in the Operating Statement.

Based on an assessment of receivables and expected changes to the future recovery of these receivables no expected credit losses were recognised in the Operating Statement for the financial year ended 30 June 2023. No bad debts were written off during the financial year ended 30 June 2023. No receivables are past due or impaired.

The maximum exposure to credit risk at the end of the reporting period for Receivables is the carrying amount of the asset (Nil allowance for impairment).

	2023 $'000	2022 $'000
Current Receivables		
Motor Accident Levy Receivable	467	475
Net Goods and Services Tax Receivable	22	27
Total Current Receivables	**489**	**502**

NOTE 10. INTANGIBLE ASSETS

Description and Material Accounting Policies relating to Intangible Assets

The MAI Commission has internally generated software consisting of one system, the Motor Accident Injury Register (MAIR). The MAIR was developed and transferred from the CMTEDD to the MAI Commission during 2019-20. Amortisation of the MAIR commenced in March 2020.

Recognition

Internally generated software is recognised and capitalised when:

(a) it is probable that the expected future economic benefits attributable to the software will flow to the MAI Commission;

(b) the cost of the software can be measured reliably;

(c) the acquisition cost is equal to or exceeds $50,000; and

(d) where it also meets the specific recognition criteria relating to intangible assets arising from the development phase of an internal project.

Measurement

Intangible Assets are measured at cost.

Amortisation

Capitalised software has a finite useful life. Amortisation is applied to intangible assets. Software is amortised on a straight-line basis over its useful life, over a period not exceeding 10 years (2021-22: 5 years).

Revision in Accounting Estimates

The useful life of the MAIR (ICT System) was reassessed in 2022-23 and this resulted in the extension of its remaining useful life by 5 years (to a total of 10 years) and reduction in amortisation expenses in 2022-23 by $101,000 (from $588,000 to $487,000). The useful life increased mainly due to ongoing maintenance work which prevented the high rate of technological obsolescence typically expected with such systems. Also, refer to Note 3: *Change in Accounting Estimates*.

Impairment

The MAI Commission undertakes an annual impairment assessment of its intangible assets. At 30 June 2023 there was no indication of impairment and no events or changes in circumstances that would indicate that the carrying amount of the intangible assets may not be recoverable.

Reconciliation of Intangible Assets 2022-23 and 2021-22

	2023 $'000	2022 $'000
Carrying Amount at the Beginning of the Report Period	**1,732**	**2,320**
Amortisation	(487)	(588)
Carrying Amount at the End of the Reporting Period	**1,245**	**1,732**
Carrying Amount at the End of the Reporting Period, represented by:		
Gross Book Value	2,940	2,940
Accumulated Amortisation	1,695	1,208

LIABILITY NOTE

Material Accounting Policies - Liabilities

Liabilities - Current and Non-Current

Liabilities are classified as current when they are due to be settled within 12 months after the reporting date or the MAI Commission does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Liabilities which do not fall within the current classification, are classified as non-current.

NOTE 11. PAYABLES

Description and Material Accounting Relating to Payables

Payables include Trade Payables and Accrued Expenses.

Payables are initially recognised at fair value based on the transaction cost and subsequent to initial recognition at amortised cost, with any adjustments to the carrying amount being recorded in the Operating Statement. All amounts are normally settled within 14 days after the invoice date.

Accrued expenses are mainly associated with actuary's fees, consultant's fees, audit fees and reimbursement of salary and associated expenses for the CMTEDD staff allocated to undertake the MAI Commission's functions during the reporting period for which invoices were received after the end of the reporting period.

None of the trade payables and accrued expenses were overdue for payment.

	2023	2022
	$'000	$'000
Current Payables		
Trade Payables	4	-
Accrued Expenses	49	20
Total Current Payables	**53**	**20**
Total Payables	**53**	**20**

OTHER NOTES

NOTE 12. FINANCIAL INSTRUMENTS

Material Accounting Policies Relating to Financial Instruments

Details of the material 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 and financial liability are disclosed in the note to which they relate. In addition to these policies, the following are also accounting policies relating to financial assets and liabilities.

Financial assets are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

a) the business model for managing the financial assets; and

b) the contractual cash flow characteristics of the financial assets.

NOTE 12. FINANCIAL INSTRUMENTS (CONTINUED)

The following are the classification of the MAI Commission's financial assets under AASB 9 *Financial Instruments:*

Items	**Business Model Held to collect principal and interest/sell**	**Solely for payment of Principal and Interest (basic lending characteristics)**	**Classification**
Cash at Bank	Held to collect	Yes	Amortised cost
Receivables	Held to collect	Yes	Amortised cost

Financial liabilities are measured at amortised cost.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The MAI Commission's exposure to market interest rates relates only to cash at bank. The increase in interest rates in 2022-23 resulted in an increase in the amount of interest income.

Sensitivity Analysis

A sensitivity analysis has not been undertaken for the interest rate risk of the MAI Commission, as it has been determined that the possible impact on income and expenses or total equity from fluctuations in interest rates is immaterial.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The MAI Commission's credit risk is limited to the amount of the financial assets it holds less any allowance for impairment losses. The receivable at 30 June 2023 was mainly associated with the MA Levy which was collected by the Road Transport Authority on behalf of the MAI Commission and was remitted to the MAI Commission in July 2023.

Credit risk is managed by MAI Commission for cash at bank by holding bank balances with the ACT Government's bank, Westpac Banking Corporation (Westpac). Westpac holds a AA issuer credit rating with Standard and Poor's. A 'AA' credit rating is defined as a 'very strong capacity to meet financial commitments'.

The MAI Commission expects to collect all financial assets that are not past due or impaired.

Liquidity Risk

Liquidity risk is the risk that the MAI Commission will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. To limit its exposure to liquidity risk, the MAI Commission ensures that it does not have a large portion of its financial liabilities maturing in any one reporting period and that, at any particular point in time, it has a sufficient amount of current financial assets to meet its current financial liabilities.

The MAI Commission manages this risk by maintaining a cash balance which will allow payment of all current financial liabilities when they fall due.

The carrying amount for all financial assets and liabilities reflect their fair value and are non interest bearing.

Maturity Analysis

The MAI Commission does not have any financial assets or liabilities which mature after the following financial year.

NOTE 13. OTHER EXPENDITURE COMMITMENTS

Description and Material Accounting Policies Relating to Expenditure Commitments

Commitments are a firm intention, but not a present obligation, at the end of the reporting period to incur future expenditure. As such, commitments do not constitute a liability. Commitments usually arise from contracts, but can arise from other things like placing an order.

Commitments are measured at their nominal value and are inclusive of GST.

Other expenditure commitments include costs associated with the delivery of an information service relating to the defined benefits available under the MAI Scheme, costs associated with the support arrangement for the MAIR ICT System, contract for actuarial services and advertising campaign.

Other expenditure commitments contracted at reporting date but not recognised as liabilities, are payable as follows:

	2023 $'000	2022 $'000
Within one year [1]	175	603
Later than one year but not later than five years [2]	247	201
Total Other Expenditure Commitments	**422**	**804**

1. The decrease was mainly due to the timing of the signing of the annual contract for the support arrangements for the MAIR ICT System after 30 June 2023 (30 June 2022: $0.5 million).

2. The increase was mainly associated with the signing of the new 5-year contract (expiring in 2027) for the provision of actuarial services during 2022-23.

NOTE 14. THIRD PARTY MONIES

Description and Material Accounting Policies Relating to Third Party Monies

The MAI Commission held cash balances on behalf of third parties at 30 June 2023. There were no additional assets and liabilities other than cash in relation to these monies. Therefore, the below information provides cash disclosures of the third party monies during the year, and financial position at the reporting date.

Third Party Monies Collected on Behalf of the Nominal Defendant Fund

Claims and administrative costs of the Nominal Defendant Fund are paid by raising a levy on all licensed MAI insurers in the ACT as well as the Commonwealth and ACT Governments.

All cash is paid directly to the Office of the Nominal Defendant.

Third Party Monies Held for Premium Surplus Refund (PSR) Project

Many motorists paid for CTP insurance policies when they registered their vehicles prior to the MAI Scheme commencing on 1 February 2020 with CTP policies extending past this date. The significant differences in the design of the CTP Scheme compared to the MAI Scheme impacted premium amounts, with the new MAI policy premiums being lower than the previous CTP premiums. This resulted in a premium surplus that needed to be refunded to people with ACT registered vehicles.

NOTE 14. THIRD PARTY MONIES (CONTINUED)

A tripartite agreement between the MAI Commission, the MAI insurers and the Road Transport Authority (RTA) was put in place to make refunds to eligible motorists. Each of the MAI insurers contributed their total refund amount to a Premium Surplus Refund (PSR) Pool held by the MAI Commission. This PSR Pool funded the refunds provided to eligible motorists via RTA registration renewals. One-off refunds were provided to motorists renewing their vehicle registration with a start date falling between the 30 April 2022 and 29 April 2023. This approach was identified as returning the highest total refund amount to ACT motorists with minimal implementation/ administrative costs and as simple as possible for ACT motorists.

The refunds to motorists via the RTA registration renewals process was completed in April 2023. There were top-up payments directly to eligible motorists' bank accounts still in progress at 30 June 2023 (pending receipt of bank account details), meaning there was a balance in the MAI Commission's bank account that relates to PSR.

Third Party Monies Collected on Behalf of the Nominal Defendant Fund

	2023	2022
	$'000	$'000
Levies from insurers	5,557	5,359
Levies from the Commonwealth Government	19	18
Levies from the ACT Government	51	50
Total Levy Collected [1]	**5,627**	**5,427**

[1] The Nominal Defendant Levy under MAI Scheme was set at 4.5% on 1 February 2020. It was increased to 4.6% on 1 February 2022 and to 4.8% on 1 February 2023.

	2023	2022
Balance at the Beginning of the Reporting Period	**-**	**-**
Cash Receipts	5,627	5,427
Cash Payments	(5,627)	(5,427)
Balance at the End of the Reporting Period	**-**	**-**

Third Party Monies Held for Premium Surplus Refund (PSR) Project

Cash Disclosure

	2023	2022
Balance at the Beginning of the Reporting Period	**5,099**	**-**
Cash Receipts	-	7,125
Cash Payments	(4,837)	(2,026)
Balance at the End of the Reporting Period	**262**	**5,099**
Total Third Party Monies	**262**	**5,099**

NOTE 15. RELATED PARTY DISCLOSURES

Description and Material Accounting Policies Relating to Related Party Disclosures

Key Management Personnel (KMP) of the MAI Commission are the Portfolio Minister, the MAI Commissioner, and certain senior officers of the Economic and Financial Group of the Chief Minister, Treasury and Economic Development Directorate (CMTEDD) allocated to carry out the functions of the MAI Commission (the Senior Management Team).

The Head of Service and the ACT Executive comprising the Cabinet Ministers are KMP of the ACT Government and therefore related parties of the MAI Commission.

This note does not include typical citizen transactions between the KMP and the MAI Commission that occur on terms and conditions no different to those applying to the general public.

(A) CONTROLLING ENTITY

The MAI Commission is an ACT Government controlled entity.

(B) KEY MANAGEMENT PERSONNEL

B.1 Compensation of Key Management Personnel

Compensation of all Cabinet Ministers, including the Portfolio Minister, is disclosed in the note on related party disclosures included in the ACT Executive's financial statements for the year ended 30 June 2023.

Compensation of the Head of Service is included in the note on related party disclosures included in the CMTEDD's financial statements for the year ended 30 June 2023.

The MAI Commission does not employ any staff. The MAI Commissioner and other members of the Senior Management Team who are KMP of the MAI Commission are employees of the CMTEDD and are compensated by CMTEDD.

Compensation by the MAI Commission directly to its KMP was Nil (2021-22: Nil). Information on reimbursement of salary and associated expenses for the CMTEDD staff allocated to undertake the MAI Commission's functions is provided in Note 6: *Supplies and Services*.

(C) TRANSACTIONS WITH OTHER ACT GOVERNMENT CONTROLLED ENTITIES

The MAI Commission has entered into transactions with other ACT Government entities in 2022-23 consistent with day-to-day business operations provided under varying terms and conditions. The notes to the Financial Statements provide the details of transactions with other ACT Government Entities. Below is a summary of the Material transactions with other ACT Government Entities.

NOTE 15. RELATED PARTY DISCLOSURES (CONTINUED)

Expenses

- Supplies and Services (Note 6) - the MAI Commission incurred expenses of $1.159 million for the reimbursement to the Chief Minister, Treasury and Economic Development Directorate (CMTEDD) of the salary and associated expenses of its staff allocated to undertake the MAI Commission's functions and $0.034 million for ICT services and equipment to the Shared Services Centre, CMTEDD (both included in Administrative Support expenses); $0.028 million to the ACT Audit Office for financial audit services; $0.281 million to the ACT Revenue Office, CMTEDD for the maintenance of the MAIR ICT System; and $0.07 million to the Transport Canberra and City Services Directorate for Road Safety Initiatives.
- Transfer Expenses (Note 7) - the MAI Commission paid $1.316 million to the Territory Banking Account for the estimated costs of the ACT Civil and Administrative Tribunal.

Liabilities

- Accrued Expenses (Note 11) - The MAI Commission had accrued expenses of $0.02 million to the ACT Audit Office for the 2022-23 financial audit and $0.01 million to the CMTEDD for the salary and associated expenses of staff allocated to undertake the MAI Commission's functions.

NOTE 16. BUDGETARY REPORTING

Significant Accounting Judgements and Estimates - Budgetary Reporting

Significant judgements have been applied in determining what variances are considered 'major variances'. Variances are considered major if both of the following criteria are met:

- the line item is a significant line item: where either the line item actual amount accounts for more than 10% of the relevant associated actual category amount (Income, Expenses, Assets, Liabilities and Equity totals) or more than 10% of the sub-element (e.g. Current Liabilities and Receipts from Operating Activities totals) of the financial statements; and
- the variances (original budget to actual) are greater than plus (+) or minus (-) 10% and $500,000 of the budget for the financial statement line item.

Original Budget refers to the amounts presented to the Legislative Assembly in the original budgeted financial statements in respect of the reporting period Statement of Intent.

Note: # in the 'Variance %' column represents a variance that is greater than 999 per cent or less than 999 per cent.

The following are brief explanations of major line item variances between budget estimates and actual outcomes.

NOTE 16. BUDGETARY REPORTING (CONTINUED)

	Variance Explanation	Actual	Original Budget	Variance	Variance
		2023	2023		
		$’000	$’000	$'000	%
Operating Statement Line Items					
Supplies and Services	1	1,752	3,410	(1,658)	(49)

Variance Explanations

1. The actual expenses were lower mainly due to lower than expected salary and associated expenses for the CMTEDD staff allocated to undertake the MAI Commission’s functions mainly resulting from vacancies in relevant positions and the acting arrangements in place during the year; lower consultant and contractors costs with these services continuing to be ramped up and refined as the Scheme matures; lower infrastructure costs associated with the maintenance of the ICT system; and lower than the anticipated road safety initiatives undertaken in 2022-23 due to the timing of associated activities.

Balance Sheet Line Items					
Cash at Bank	2	8,103	5,939	2,164	36

Variance Explanations

2. The cash balance was higher mainly due to lower than anticipated supplies and services expense payments, as explained above.

Statement of Changes in Equity - These line items are covered in other financial statements.

Statement of Cash Flows Line Items					
Supplies and Services	3	1,719	3,409	(1,690)	(50)

Variance Explanations

3. The payments were lower due to reasons explained above under the Operating Statement Line Item.

Motor Accident Injuries Commission

Statement of Performance for the year ended 30 June 2023

INDEPENDENT LIMITED ASSURANCE REPORT

To the Members of the ACT Legislative Assembly

Conclusion

I have undertaken a limited assurance engagement on the statement of performance of the Motor Accident Injuries Commission (Commission) for the year ended 30 June 2023.

Based on the procedures performed and evidence obtained, nothing has come to my attention to indicate the results of the accountability indicators reported in the statement of performance for the year ended 30 June 2023 are not in agreement with the Commission's records or do not fairly reflect, in all material respects, the performance of the Commission, in accordance with the *Financial Management Act 1996*.

Basis for conclusion

I have conducted the engagement in accordance with the Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. My responsibilities under the standard and legislation are described in the 'Auditor-General's responsibilities' section of this report.

I have complied with the independence and other relevant ethical requirements relating to assurance engagements, and the ACT Audit Office applies Australian Auditing Standard ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements.*

I believe that sufficient and appropriate evidence was obtained to provide a basis for my conclusion.

Commissioner's responsibilities for the statement of performance

The Motor Accident Injuries Commissioner is responsible for:

- preparing and fairly presenting the statement of performance in accordance with the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2019*; and
- determining the internal controls necessary for the preparation and fair presentation of the statement of performance so that the results of accountability indicators and accompanying information are free from material misstatements, whether due to error or fraud.

Auditor-General's responsibilities

Under the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2019*, the Auditor-General is responsible for issuing a limited assurance report on the statement of performance of the Commission.

My objective is to provide limited assurance on whether anything has come to my attention that indicates the results of the accountability indicators reported in the statement of performance are not in agreement with the Commission's records or do not fairly reflect, in all material respects, the performance of the Commission, in accordance with the *Financial Management Act 1996*.

In a limited assurance engagement, I perform procedures such as making inquiries with representatives of the Commission, performing analytical review procedures and examining selected evidence supporting the results of accountability indicators. The procedures used depend on my judgement, including the assessment of the risks of material misstatement of the results reported for the accountability indicators.

Limitations on the scope

The procedures performed in a limited assurance engagement are less in extent than those required in a reasonable assurance engagement and consequently the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, I do not express a reasonable assurance opinion on the statement of performance.

This limited assurance engagement does not provide assurance on the:

- relevance or appropriateness of the accountability indicators reported in the statement of performance or the related performance targets;
- accuracy of explanations provided for variations between actual and targeted performance due to the often subjective nature of such explanations; or
- adequacy of controls implemented by the Commission.

Tim Larnach
Audit Principal, Financial Audit
27 September 2023

Motor Accident Injuries Commission
Statement of Performance
For the Year Ended 30 June 2023

Statement of Responsibility

In my opinion, the Statement of Performance is in agreement with the Motor Accident Injuries Commission's records, and fairly reflects the service performance of the Motor Accident Injuries Commission for the financial year ended 30 June 2023, and also fairly reflects the judgements exercised in preparing it.

Lisa Holmes
Motor Accident Injuries Commissioner
27 September 2023

Motor Accident Injuries Commission
Statement of Performance
For the Year Ended 30 June 2023

	2022-23 Targets	2022-23 Actual	Variance from Original Target	Explanation of Material Variances
TOTAL COST ($'000)	5,314	3,555	(33%)	The actual cost was lower mainly due to lower reimbursement for salary and associated expenses for the CMTEDD staff allocated to undertake the MAI Commission's functions mainly resulting from vacancies in relevant positions and acting arrangements in place during the year; lower consultant and contractor costs with these services continuing to be refined as the Scheme matures; lower support costs for the ICT system; and lower contribution towards road safety initiatives due to the timing of planned campaigns.
Accountability Indicators				
a. MAI Premium filings are reviewed by the Scheme actuary and are approved in accordance with the MAI Act, including fully funding the scheme. **(Note 1,2)**	Actuarial review of annual MAI premium filings by 30/6/2023.	All premium filings by licensed MAI insurers were reviewed by the Scheme actuary by 30/6/23 to ensure they met the fully funded/not excessive tests.	-	
b. Insurer MAI premiums for all vehicle classes are published on the MAI Commission's website. **(Note 3)**	Insurer MAI premiums for all vehicle classes published on the MAI Commission's website six weeks before the effective date.	All insurer MAI premiums for all vehicle classes were published on the MAI Commission's website six week before the effective date.	-	

Motor Accident Injuries Commission
Statement of Performance
For the Year Ended to 30 June 2023

	2022-23 Targets	2022-23 Actual	Variance from Original Target	Explanation of Material Variances
c. Promote public awareness of the new MAI Scheme. **(Note 4)**	Continue to promote the new scheme.	The MAI Commission continues to promote the new Scheme through social media campaigns.	-	
d. Promote public awareness of the causes of motor accidents through funding measures directed at reducing causes of motor vehicle accidents. **(Note 5)**	Contribute minimum $50,000 to road safety strategies consistent with the MAI Commission's function to promote public awareness of the causes of motor accidents.	The MAI Commission contributed $92,383 towards road safety strategies in 2022-23.	-	The Commission's contribution towards road safety strategies in 2022-23 was higher than the target.
e. Reporting on the scheme's statistics. **(Note 6)**	Within six weeks after the end of each quarter on MAI Commission website.	All reports were published within six weeks after the end of each quarter on the MAI Commission website.	-	
f. Queries handling within 10 working days of receipt of the query. **(Note 7)**	85% compliance.	100% compliance.	18%	The Commission achieved 100% compliance, higher than the target.
g. Complaints handling within 25 working days of receipt of the complaint. **(Note 8)**	85% compliance.	0% compliance.	(100%)	The indicator was not met due to the complexity of the issues raised that required additional time to seek further information from relevant parties, review and respond to the issues.
h. Three-yearly review of the operation of the MAI Act in accordance with legislative timeframes (s493). **(Note 9)**	Terms of Reference issued.	Not issued.	(100%)	The Terms of Reference was not issued due to the Discussion Paper accompanying it was pending finalisation at 30 June 2023.

The above Statement of Performance should be read in conjunction with the accompanying notes.

The above Accountability Indicators were examined by the ACT Audit Office in accordance with the *Financial Management Act 1996*. The Total Cost was not examined by ACT Audit Office in accordance with the *Financial Management (Statement of Performance Scrutiny) Guidelines 2019.*

Motor Accident Injuries Commission
Statement of Performance
For the Year Ended 30 June 2023

Notes:

1. A full de novo premium filing is one in which all evidence in support of a filed premium including assumptions and statistical data, are considered anew. All of the premium filings are assessed and approved in accordance with the MAI Act.
   - A premium filing is a report provided by a MAI insurer to the MAI Commissioner containing a range of information in support of its MAI premium submissions. Consistent with the MAI Act, each filing is assessed by the scheme actuary to ensure the MAI insurance scheme remains fully funded and that the premium is not excessive. The MAI Commissioner must then approve or reject the premium, and no later than six weeks after the day of receiving the premium application from the licensed insurer, advise the insurer about the decision and the reasons for the decision. Premiums can be rejected if they will not fully fund the present and likely future liabilities of the insurer; or the premiums are excessive; or the premium does not comply with the MAI premium guidelines.

   During 2022-23, the following premium filings received were assessed and approved in accordance with the MAI Act:

   - GIO partial filing (received in May 2022) and approved in June 2022 for MAI premiums commencing 10 August 2022;
   - NRMA partial filing (received in July 2022) and approved in August 2022 for MAI premiums commencing 7 October 2022;
   - AAMI and APIA partial filings (received in July 2022) and approved in August 2022 for MAI premiums commencing 18 October 2022;
   - GIO partial filing (received in September 2022) and approved in September 2022 for MAI premiums commencing 6 December 2022;
   - AAMI, APIA, GIO and NRMA full de novo filings (received in October 2022) and approved in November 2022 for MAI premiums commencing 1 February 2023;
   - NRMA partial filing (received in December 2022) and approved in December 2022 for MAI premiums commencing 21 March 2023;
   - GIO and APIA partial filings (received in March 2023) and approved in March 2023 for MAI premiums commencing 23 May 2023; and
   - NRMA partial filing (received in April 2023) and approved in April 2023 for MAI premiums commencing 30 June 2023.
2. An actuarial assessment is conducted in respect of each premium filing to ensure each met the fully funded test, that is, the premium meets the present and likely future liabilities of the insurer under the MAI Scheme. Consistent with the streamlining arrangements, the MAI Commissioner approves partial premium filings if the changes in premiums are within the permitted actuarially set bands, and are equal to or above the agreed minimum amount.
3. The MAI Commission publishes the applicable MAI premiums for all vehicle classes on the MAI Commission's website at www.treasury.act.gov.au/maic six weeks before the effective date.
4. The MAI Commission continues to undertake social media campaigns to promote and raise the profile of the new Scheme.
5. The MAI Commission contributes a minimum of $50,000 towards road safety strategies targeted at supporting and promoting the prevention of motor accidents and the safe use of motor vehicles, with the aim of reducing the number and/or severity of injuries arising from these accidents (consistent with the pertinent MAI Commission's objective under the MAI Act)
   - In 2022-23 the MAI Commission contributed $70,000 towards the casual speeding campaign - 'Casual Speeding, Every K Counts', to support and promote the prevention of motor accidents and the safe use of motor vehicles. The MAI Commission also incurred $22,383 to directly fund the development of a Road Safety Manual for the ACT Taxi industry (Manual) designed to assist in reducing the frequency and average cost (severity) of taxi related motor accidents resulting in personal injuries.
6. Reports are published within six weeks after the end of each quarter. All scheme statistics reports are published on the MAI Commission website –see the Scheme Knowledge Centre at www.treasury.act.gov.au/maic.
7. Responses to queries directed to the MAI Commission within ten working days of receipt of the queries apply in cases where the MAI Commission does not need to liaise with another area of government or external entity. Queries do not include responses received as part of a consultation process. Also refers to written correspondence only, not phone calls.
   - During 2022-23, all queries received by the MAI Commission were responded to within ten working days of receipt.
8. Responses to complaints directed to the MAI Commission within twenty five working days of receipt of the complete complaint (e.g. when the person making the complaint has provided all the details of their complaint) as the MAI Commission will likely need to liaise with an external entity (e.g. an insurer). The MAI Commission can review the decision making process of an insurer but cannot change the insurer's actual decision. An injured person has review avenues under the MAI Scheme in relation to insurer decisions, such as requesting an internal review or lodging an external review application with the ACT Civil and Administrative Tribunal. Some complaints require longer timeframes due to the complexity of the matters raised, or where multiple issues are raised.

   Complaints do not include responses received as part of a consultation process. Also refers to written correspondence only, not phone calls. This indicator does not apply to a complaint relating to multiple injured people as such complaints are likely to require more liaison with insurers or other service providers and take longer to finalise.

- During 2022-23, the Commission received a total of four complaints. Due to the multiplicity and complexity of the issues raised in each of the complaints, additional time was required to seek further information from parties where needed, as well as review and respond to the issues outlined in the replies. As a result this compliance indicator was not met. However, where delay was experienced, the complainant was duly advised of the delay and the reasons for the delay.

9. The Terms of Reference was agreed to before 30 June 2023 but was not issued pending the finalisation of the accompanying Discussion Paper.

Office of the Nominal Defendant of the ACT

Office of the Nominal Defendant of the ACT

Financial Statements for the year ended 30 June 2023

ACT Audit Office

AUDITOR-GENERAL AN OFFICER OF THE ACT LEGISLATIVE ASSEMBLY

INDEPENDENT AUDITOR'S REPORT

To the Members of the ACT Legislative Assembly

Opinion

I have audited the financial statements of the Office of the Nominal Defendant of the ACT (Nominal Defendant) for the year ended 30 June 2023 which comprise the operating statement, balance sheet, statement of changes in equity, statement of cash flows, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

(i) present fairly, in all material respects, the Nominal Defendant's financial position as at 30 June 2023, and its financial performance and cash flows for the year then ended; and

(ii) comply with Australian Accounting Standards.

Basis for opinion

I conducted the audit in accordance with the Australian Auditing Standards. My responsibilities under the standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of this report.

I am independent of the Nominal Defendant in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (Code). I have also fulfilled my other ethical responsibilities in accordance with the Code.

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

Responsibilities of the Nominal Defendant for the financial statements

The Under Treasurer is responsible for:

- preparing and fairly presenting the financial statements in accordance with Australian Accounting Standards;
- determining the internal controls necessary for the preparation and fair presentation of the financial statements so that they are free from material misstatements, whether due to error or fraud; and
- assessing the ability of the Nominal Defendant to continue as a going concern and disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting in preparing the financial statements.

Auditor's responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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 statements, 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 controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Nominal Defendant's internal controls;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Nominal Defendant;
- conclude on the appropriateness of the Nominal Defendant's use of the going concern basis of accounting and, based on audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Nominal Defendant's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in this report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of this report. However, future events or conditions may cause the Nominal Defendant to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether they represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Under Treasurer regarding, 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 my audit.

Tim Larnach
Audit Principal, Financial Audit
25 September 2023

Office of the Nominal Defendant of the ACT
Financial Statements
For the Year Ended 30 June 2023

Statement of Responsibility

In my opinion, the Office of the Nominal Defendant of the ACT's financial statements fairly reflect the financial operations for the year ended 30 June 2023 and its financial position on that date.

Stuart Hocking PSM
Under Treasurer
Chief Minister, Treasury and Economic Development Directorate
Delegate for the Chief Executive Officer,
ACT Insurance Authority
22 September 2023

Office of the Nominal Defendant of the ACT
Financial Statements
For the Year Ended 30 June 2023

Statement by the General Manager

In my opinion, the Office of the Nominal Defendant of the ACT's financial statements have been prepared in accordance with Australian Accounting Standards, are in agreement with its accounts and records and fairly reflect its financial operations for the year ended 30 June 2023 and the financial position on that date.

Penny Shields
General Manager
ACT Insurance Authority
22 September 2023

Office of the Nominal Defendant of the ACT
Financial Statements
For the Year Ended 30 June 2023

CONTENT OF FINANCIAL STATEMENTS

Office of the Nominal Defendant of the ACT
Operating Statement
For the Year Ended 30 June 2023

	Note No.	Actual 2023 $'000	Actual 2022 $'000
Income			
Revenue			
Interest and Distributions	5	1,032	357
Levies	6	5,667	5,515
Fees and Recoveries	7	1,182	1,519
Total Revenue		**7,881**	**7,391**
Gain /(Loss) on Investments			
Gain/(Loss) on Investments	8	37	(782)
Total Gain/(Loss) on Investments		**37**	**(782)**
Total Income		**7,918**	**6,609**
Expenses			
Claims Expenses	9	444	(1,422)
Supplies and Services	10	746	811
Total Expenses		**1,190**	**(611)**
Operating Result		**6,728**	**7,220**
Total Comprehensive Result		**6,728**	**7,220**

The above Operating Statement is to be read in conjunction with the accompanying notes.

Office of the Nominal Defendant of the ACT
Balance Sheet
As at 30 June 2023

	Note No.	Actual 2023 $'000	Actual 2022 $'000
Current Assets			
Cash and Investments	11	33,764	31,784
Receivables	12	1,596	1,594
Total Current Assets		**35,360**	**33,378**
Non-Current Assets			
Investments	11	5,481	5,444
Total Non-Current Assets		**5,481**	**5,444**
Total Assets		**40,841**	**38,822**
Current Liabilities			
Payables		70	450
Provision for Claims Payable	13	5,097	6,557
Total Current Liabilities		**5,167**	**7,007**
Non-Current Liabilities			
Provision for Claims Payable	13	15,488	18,357
Total Non-Current Liabilities		**15,488**	**18,357**
Total Liabilities		**20,655**	**25,364**
Net Assets		**20,186**	**13,458**
Equity			
Accumulated Funds		20,186	13,458
Total Equity		**20,186**	**13,458**

The above Balance Sheet is to be read in conjunction with the accompanying notes.

Office of the Nominal Defendant of the ACT
Statement of Changes in Equity
For the Year Ended 30 June 2023

	Accumulated Funds Actual 2023 $'000	Total Equity Actual 2023 $'000
Balance at 1 July 2022	**13,458**	**13,458**
Comprehensive Income		
Operating Result	6,728	6,728
Total Comprehensive Result	**6,728**	**6,728**
Balance at 30 June 2023	**20,186**	**20,186**

	Accumulated Funds Actual 2022 $'000	Total Equity Actual 2022 $'000
Balance at 1 July 2021	**6,238**	**6,238**
Comprehensive Income		
Operating Result	7,220	7,220
Total Comprehensive Result	**7,220**	**7,220**
Balance at 30 June 2022	**13,458**	**13,458**

The above Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

Office of the Nominal Defendant of the ACT
Statement of Cash Flows
For the Year Ended 30 June 2023

	Note No.	Actual 2023 $'000	Actual 2022 $'000
Cash Flows from Operating Activities			
Receipts			
Interest and Distributions		1,032	384
Insurance Recoveries		580	789
Fees, Fines and Other Receipts		606	690
Levies		5,627	5,427
Goods and Services Input Tax Credits from the Australian Taxation Office		5	17
Goods and Services Tax Collected from Customers		342	235
Total Receipts from Operating Activities		**8,192**	**7,542**
Payments			
Supplies and Services		1,112	677
Insurance Claims		4,774	3,746
Goods and Services Tax Remitted to the Australian Taxation Office		323	245
Goods and Services Tax Paid to Suppliers		3	22
Total Payments from Operating Activities		**6,212**	**4,690**
Net Cash Inflows from Operating Activities	11(c)	**1,980**	**2,852**
Net Increase in Cash and Cash Equivalents			
Cash and Cash Equivalents at the Beginning of the Reporting Period		31,784	28,932
Cash and Cash Equivalents at the end of the Reporting Period	11(a)	**33,764**	**31,784**

The above Statement of Cash Flows is to be read in conjunction with the accompanying notes.

Office of the Nominal Defendant of the ACT
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2023

NOTE 1. OBJECTIVES OF THE OFFICE OF THE NOMINAL DEFENDANT OF THE ACT

Operations and Principal Activities of the Office of the Nominal Defendant of the ACT

The ACT Insurance Authority is the Nominal Defendant of the ACT as defined under section 16 of the *Motor Accident Injuries Act 2019* (the Act). Under section 330(1) of the Act, the Motor Accident Injuries Commission (the MAI Commission) has established the Nominal Defendant Fund (the Fund).
The purpose of the Fund is to:

- provide a safety net mechanism to pay defined benefits and motor accident injury claims made by injured parties where:
  (i) the vehicle involved does not have a motor accident insurance policy; or
  (ii) the injured person is unable to identify the driver and/or vehicle;
- ensure that persons who are injured in the circumstances listed above receive the same entitlements as an injured person would receive where the vehicle did have motor accident insurance;
- collect recoveries from uninsured drivers at fault to the sum paid out by the Fund; and
- receipt levies collected from licensed insurers for MAI Scheme in the Territory as well as the Commonwealth and ACT Government entities self-insuring vehicles in the ACT.

Funds required to satisfy the cost of claims and other relevant expenses for the Fund are not guaranteed by the ACT Government; however, Part 6.9 of the Act requires the MAI Commission to collect amounts from licensed insurers and recognised self-insurers to meet the cost of nominal defendant claims.

NOTE 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These general-purpose financial statements have been prepared to comply with Australian Accounting Standards.

Accrual Accounting

The financial statements have been prepared using the accrual basis of accounting, which recognises the effects of transactions and events when they occur. The financial statements have also been prepared according to the historical cost convention, except for assets such as those included in financial instruments which were measured at fair value during the reporting period.

Currency

These financial statements are presented in Australian dollars, which is the Fund's functional currency.

Individual Reporting Entity

The Fund is an individual not-for-profit reporting entity.

Reporting Period

These financial statements state the operating statement, changes in equity and cash flows of the Fund for the year ended 30 June 2023 together with the balance sheet of the Fund as at 30 June 2023.

Comparative Figures

Comparative information has been disclosed in respect of the previous period for amounts reported in the financial statements, except where an Australian Accounting Standard does not require comparative information to be disclosed.

NOTE 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS - CONTINUED

Where necessary, comparatives have been reclassified to conform to changes in presentation in the current year.

Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars ($'000). Use of "-" represents zero amounts or amounts rounded down to zero.

NOTE 3. IMPACT OF ACCOUNTING STANDARDS ISSUED BUT YET TO BE APPLIED

Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) but yet to be applied have been assessed as not being relevant to the Fund or will have an immaterial financial impact. However, the Fund is currently assessing whether AASB 2022-9 will have a material financial impact.

- AASB 2022-9 *Amendments to Australian Accounting Standards - Insurance Contracts in the Public Sector*

This standard makes key modifications to the requirements of AASB 17 *Insurance Contracts* specific to public sector entities. The modifications relate to providing public sector entities with:

a) pre-requisites, indicators and other considerations that need to be judged to identify arrangements that fall within the scope of AASB 17 in a public sector context;
b) an exemption from sub-grouping onerous versus non-onerous contracts at initial recognition;
c) an exemption from sub-grouping contracts issued no more than a year apart;
d) an amendment to the initial recognition requirements so that they do not depend on when contracts become onerous;
e) guidance on coverage periods in a public sector context, which has consequences for determining the cash flows used to measure insurance liabilities and the pattern of revenue recognition;
f) an accounting policy choice to measure liabilities for remaining coverage applying the premium allocation approach; and
g) a transition requirement grandfathering the existing classification of arrangements constituting a liability for settlement of claims incurred before the liability was acquired in a transfer as either a liability for incurred claims within the scope of AASB 17 or a provision within the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

AASB 17 applies to all entities for annual periods beginning on or after 1 July 2026. Public Sector entities are required to apply AASB 17 to an insurance arrangement if, and only if, it is enforceable, has an identifiable coverage period and gives rise to insurance contracts based on certain indicators and considerations.

Based on an initial assessment it is likely that the AASB 17 will not apply to the Fund and AASB 137 will be continued. However, a full assessment on application criteria and potential financial impact will be undertaken prior to the effective date for the standard. The Fund does not intend to adopt AASB 17 early if it is assessed as an applicable standard for the Fund and as such will be adopted from its application date as applicable.

NOTE 4. CHANGE IN ACCOUNTING ESTIMATES

Changes in Accounting Estimates

Refer to Note 13 'Provision for Claims Payable' for changes in accounting estimates for actuarial assumptions and sensitivity analysis on outstanding claims liabilities.

INCOME NOTES

Material Accounting Policies – Income

Revenue Recognition

Revenue is recognised in accordance with AASB 1058 *Income of Not-for-Profit Entities* and is measured at the fair value of the consideration received or receivable in the Operating Statement.

NOTE 5. INTEREST AND DISTRIBUTIONS

Description and Material Accounting Policies relating to Interest and Distributions

Interest revenue relates to the variable interest earned in the operating bank account maintained with Westpac Bank and short-term investments held with the Public Trustee and Guardian in a Government Cash Trust Fund account. Interest is recognised using the effective interest method.

Distribution revenue is received from investments held with the Public Trustee and Guardian ACT in a unit trust called the Government Fixed Interest Trust Fund account. This is recognised when the Fund's right to receive payment is established.

	2023 $'000	2022 $'000
Interest from Government Cash Trust Fund Account [a]	447	159
Interest from Banks [b]	551	129
Distributions from Investments – Government Fixed Interest Trust Fund Account [c]	34	69
Total Interest and Distributions	**1,032**	**357**

[a] *The increase in interest earned from short term investments held with the Public Trustee and Guardian is mainly due to an increase in floating interest rates. The average floating interest rate during 2022-23 was 2.55% compared to 0.79% for 2021-22.*

[b] *The significant increase in interest from the bank is mainly due to an increase in the variable interest rate for the cash balance in the bank and an increase in the bank balance with positive operating cashflows during the 2022-23 financial year.*

[c] *The distribution from investments held in the Government Fixed Interest Trust Fund account with Public Trustee and Guardian fluctuates every quarter subject to the amount of income available for distribution. The weighted average interest rate earned during 2022-23 was 0.89% compared to 1.55% during 2021-22 due to the weak investment market for a longer-term fixed interest portfolio.*

NOTE 6. LEVIES

Description and Material Accounting Policies relating to Levies

Levies are placed on all licensed MAI Scheme insurers and self-insurers (Commonwealth and ACT Government entities) operating in the ACT by the MAI Commission to ensure that the Fund has sufficient monies to satisfy claims and its functions as outlined under section 331 of the Act. The MAI Commission annually reviews and determines the levy rates and collects quarterly levies for the Fund and remits to the Fund. The Levy rate increased from 4.6% to 4.8% effective from February 2023.

Levies are recognised in the Operating Statement for the reporting period when they have been levied.

	2023 $'000	2022 $'000
Levies from Insurers	5,597	5,447
Levies from the Commonwealth Government	19	18
Levies from the ACT Government	51	50
Total Levies	**5,667**	**5,515**

NOTE 7. FEES AND RECOVERIES

Description and Material Accounting Policies relating to Fees and Recoveries

Unregistered vehicle permits and unregistered vehicle fines are collected by Access Canberra under Chief Minister Treasury and Economic Development Directorate (CMTEDD) and remitted to the Fund on a monthly basis. The revenue is recognised in the operating statement on an accrual basis for the relevant financial year.

The Fund recovers costs associated to claims from liable insurers and uninsured owners and drivers. The recovery revenue in relation to those insurers and uninsured owners are recognised on receipt of the funds.

With the introduction of the MAI Scheme in 2020, the Fund is initiating agreements with other State and Territory authorities to manage and recover any legitimate claims relating to accidents of vehicles registered in other jurisdictions. The Fund began recovery of interstate claim payments in 2021-22 and the revenue is recognised in the operating statement on an accrual basis.

	2023 $'000	2022 $'000
Unregistered Vehicle Permits	305	498
Unregistered Vehicle Fines	309	195
Insured Recoveries	-	425
Uninsured Owner/Driver Recoveries	13	225
Interstate MAI Scheme Recoveries	536	176
Claims Management Fee – Interstate MAI Scheme	19	-
Total Other Revenue [a]	**1,182**	**1,519**

[a] Total other revenue can fluctuate significantly and is subject to several variables each year. Recoveries from insurers, uninsured owners/drivers and interstate MAI Scheme insurers are subject to the nature, context and occurrence of the claims and can vary significantly for each reporting period.

NOTE 8. GAIN/LOSS ON INVESTMENTS

Description and Material Accounting Policies relating to Loss on Investments

The Fund holds investment with the Public Trustee and Guardian ACT in a unit trust called the Government Fixed Interest Trust Fund account. All unitised investments are measured at fair value through profit or loss with any adjustments to the carrying amount being recognised as a gain or loss on investments in the Operating Statement. Fair value is based on an underlying pool of investments which have a quoted market price at the reporting date. Refer to non-current investment under Note 11: ‘Cash and Investments’ and price risk, sensitivity analysis under Note 14: ‘Financial Instruments’.

The gains or losses do not include distribution income from the investments.

	2023 $’000	2022 $’000
Gain/(Loss) on Investments	37	(782)
Total Gain/(Loss) on Investments [a]	**37**	**(782)**

[a] The gain on investments is due to the increase in the market value of the investments held with the Public Trustee and Guardian. The unit price of investments increased from $0.9212 at 30 June 2022 to $0.9271 at 30 June 2023 which indicates a 0.6% increase in the unit price (compared to a 13% decrease in 2021-22). The increase in unit price is due to volatilities in the investment market.

EXPENSES NOTES

Material Accounting Policies – Expenses

NOTE 9. CLAIMS EXPENSES

Description and Material Accounting Policies relating to Claims Expenses

Claims Expenses include the movement in the provision for claims payable and other related claims expenses and are recognised in the financial statements. The provision covers claims reported but not yet paid; incurred but not yet reported (IBNR); incurred but not enough reported (IBNER) and the anticipated direct and indirect costs of settling those claims. The provision for claims payable is actuarially assessed by reviewing individual claim files and estimating changes in the ultimate cost of settling claims, IBNRs and associated settlement costs using statistics based on past experience and trends.

The *Motor Accident Injuries (MAI) Act 2019* came into effect on 1 February 2020 and applies to all ACT motor accidents occurring on or after this date. This scheme covers anyone who is injured in a motor vehicle accident in the ACT and individuals are entitled to claims expenses to be paid to them for treatment, care and lost income benefits for up to five years – no matter who was at fault. This legislation replaced the previous at fault Compulsory Third Party (CTP) insurance scheme. Claims expenses relating to accidents that happened before 1 February 2020 continue to be managed by the Fund under the previous scheme.

NOTE 9. CLAIMS EXPENSES - CONTINUED

	2023 $'000	2022 $'000
Settlements [a]	2,539	1,822
Medical and Investigation Costs [a]	379	744
Income Replacement [a]	381	391
Legal Costs [a]	1,473	807
Provision for Claims Payable [b]	(4,328)	(5,186)
Total Claims Expenses	**444**	**(1,422)**

[a] Higher settlement costs compared to the previous year were mainly due to shorter processing times for settlements and claims related payments as the benefits and protection offered by the new MAI Scheme legislation is defined and facilitates faster processing of claims.

[b] The decrease in provision for claims payable is mainly due to a significant release of claims reserve liabilities (provision for claims payable) related to better than previously estimated claims experiences as well as changes in actuarial methodology and weightings with higher weighting placed on MAI Scheme claims than the previous CTP Scheme claims, along with higher discount rates applied to estimated future claims. Refer to actuarial assumptions and reconciliations of gross outstanding claims under Note 13 'Provisions for Claims Payable.'

NOTE 10. SUPPLIES AND SERVICES

Description and Material Accounting Policies relating to Supplies and Services

Audit fees
Auditor's remuneration consists of financial statements audit services provided to the Fund by the ACT Audit Office. No other services were provided by the ACT Audit Office.

Administration Expenses
Administration expenses includes actuarial fees, Public Trustee and Guardian fees for investments, bank charges and the Fund's claims management system.

Support Services
Support services are charged by the ACT Insurance Authority for the administration and management of the Fund.

	2023 $'000	2022 $'000
Administration Expenses	156	166
Audit Fees	35	58
Support Services [a]	555	587
Total Supplies and Services [a]	**746**	**811**

[a] Lower supplies and services expenses were mainly due to a lower support services charges from the ACT Insurance Authority to align with a new operating structure and cost sharing for their claims management system. Higher audit fee in 2021-22 was due to a missing accrual for 50% of audit fee related to 2020-21 that was paid in 2021-22.

MATERIAL ACCOUNTING POLICIES – ASSETS

ASSETS – CURRENT AND NON-CURRENT

Assets are classified as current or non-current in the Balance Sheet and in the relevant notes. Assets are classified as current where they are expected to be realised within twelve months after the reporting date. Assets which do not fall within the current classification are classified as non-current.

NOTE 11. CASH AND INVESTMENTS

Description and Material Accounting Policies relating to Cash and Investments

The Cash Equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash at Bank

The Fund holds one bank account with the Westpac Bank as part of the whole-of-government banking arrangements. As part of these arrangements, the Fund earns variable interest on credit balances (4.95% annual interest rate effective as at 30 June 2023 for balances up to $20 million).

Investments - Government Cash Trust Fund account

The Fund holds short-term investments with the Public Trustee and Guardian in a Government Cash Trust Fund account managed by an external fund manager. The investment earned a floating interest rate of 2.55% (0.79% in 2021-22). The investments held with the Public Trustee and Guardian Government Cash Trust Fund account are classified as Cash Equivalents and are measured at fair value.

Investment – Government Fixed Interest Trust Fund account

Non-Current - The fixed interest investment is held with the Public Trustee and Guardian and is measured at fair value with any adjustments to the carrying amount being recorded in the operating statement. Fair value is based on an underlying pool of investments which have a quoted market price at the reporting date.

The investments are held in a unit trust called the Government Fixed Interest Trust Fund account. The prices of units in the Government Fixed Interest Trust Fund account fluctuate in value. The net gain or loss on investments consist of the fluctuation in price of the units held in the investment between the end of the last reporting period and the end of this reporting period as well as any profit on the sale of units in the unit trust (the gain or loss being the difference between the price at the end of the last reporting period and the sale price). The net gain or loss do not include interest or dividend income.

Long-term investments are measured at fair value with any adjustments to the carrying amount being recorded in the Operating Statement. Fair value is based on an underlying pool of investments which have quoted market prices at reporting date.

Distributions from investments with the Public Trustee and Guardian are paid quarterly.

NOTE 11. CASH AND INVESTMENTS - CONTINUED

(a) Cash and Investment Balances

	2023 $'000	2022 $'000
Current Cash and Investments		
Cash at Bank [a]	16,177	14,243
Investments - Government Cash Trust Fund Account	17,587	17,541
Total Current Cash and Investments [b]	**33,764**	**31,784**
Non-Current Investments		
Investments – Government Fixed Interest Trust Fund Account [c]	5,481	5,444
Total Non-Current Investments	**5,481**	**5,444**

[a] The increase in cash at bank is the result of net cash inflows from operating activities.

[b] This represents total Cash and Cash equivalents for the purpose of the Cash Flow Statement.

[c] The slight increase in investments is due to a change in the unit price of the Government Fixed Interest Trust Fund account, which slightly increased from $0.9212 at 30 June 2022 to $0.9271 at 30 June 2023. The increase in unit price is due to volatilities in the investment market.

Cashflow Reconciliation

(b) Reconciliation of Cash and Cash Equivalents at the End of the Reporting Period in the Statement of Cash Flows to the Equivalent Items in the Balance Sheet	**2023 $'000**	**2022 $'000**
Total Cash and Cash Equivalents Recorded in the Balance Sheet	33,764	31,784
Cash and Cash Equivalents at the End of the Reporting Period as Recorded in the Statement of Cash Flows	**33,764**	**31,784**

(c) Reconciliation of the Operating Surplus to the Net Cash Inflows from Operating Activities	**2023 $'000**	**2022 $'000**
Operating Result	6,728	7,220
Items Classified as Investing or Financing		
Gain/(Loss) on Investments	(37)	782
Cash before Changes in Operating Assets and Liabilities	**6,691**	**8,002**
Changes in Operating Assets and Liabilities		
(Increase) in Receivables	(2)	(93)
(Decrease)/Increase in Payables	(380)	128
(Decrease) in the Provision for Claims Payable	(4,329)	(5,185)
Net Changes in Operating Assets and Liabilities	**(4,711)**	**(5,150)**
Net Cash Inflows from Operating Activities	**1,980**	**2,852**

NOTE 12. RECEIVABLES

Description and Material Accounting Policies relating to Receivables

Accounts Receivable are measured at fair value on initial recognition and subsequently measured at amortised cost, with any adjustments to the carrying amount being recorded in the Operating Statement.

Receivables include interest, goods and services taxation (GST) and accrued fines and levies.

	2023 $'000	2022 $'000
Current Receivables		
Goods and Services Tax Receivable	27	47
Accrued Fees and Fines for Unregistered Vehicles and Unregistered Vehicle Permits	57	48
Accrued Levies	1,512	1,499
Total Receivables [a]	**1,596**	**1,594**

[a] *No receivables are past due or impaired.*

MATERIAL ACCOUNTING POLICIES – LIABILITIES

LIABILITIES – CURRENT AND NON-CURRENT

Liabilities are classified as current or non-current in the Balance Sheet and in the relevant notes. Liabilities are classified as current when they are due to be settled within twelve months after the reporting date or the Fund does not have an unconditional right to defer the settlement of the liability for at least twelve months after the reporting date. Liabilities which do not fall within the current liability classification are classified as non-current liabilities.

NOTE 13. PROVISION FOR CLAIMS PAYABLE

Description and Material Accounting Policies relating to Provision for Claims Payable

Recoveries

The Fund may receive recoveries from uninsured drivers, third parties, interstate insurers and court ordered associated recoveries. The recoveries are included in the actuarial calculations and are netted off from the value of outstanding claims.

Measurement of the Provision for Outstanding Claims

Liabilities are reported under AASB 137: '*Provisions, Contingent Liabilities and Contingent Assets*'. The measurement of liabilities under AASB 137 is based on an actuarial assessment, in the context of the Fund's claims, equating to the central estimate of claim liabilities without an explicit risk margin.

Provision for Claims Payable

An estimate of the provision for claims payable is completed annually by an independent actuary. The Fund has used the services of KPMG to provide a full assessment of the provision for claims payable at 30 June 2023. The movement in the provision for claims payable can either reduce claims expense in the case of a reduction or increase claims expense in the case of an increase.

NOTE 13. PROVISION FOR CLAIMS PAYABLE - CONTINUED

The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal inflation and 'superimposed inflation'. Superimposed inflation refers to factors such as trends in court awards, for example increases in the level and period of compensation for injury. The expected future payments are then discounted to present value using the Commonwealth Government Bond risk free rates.

The provision for claims payable estimated to fall due within a twelve-month period is classified as a current liability and all other claims payable are classified as a non-current liability.

Changes in Actuarial Assumptions

Assumptions are based on past claims experience, risk exposure and projections of economic variables. The estimate of the provision for claims payable will change each time the provision is assessed by the actuaries. As a result of experience during the year and changes in valuation assumptions, the provision for claims payable has decreased by $4.328 million. In comparison, in 2021-22 the provision increased by $5.186 million (refer to Note 9: 'Claims Expense').

Actuarial Assumptions

The actuarial process for estimating the provision for claims payable comprises:

- future compensation payments on open reported claims;
- future compensation payments for claims that have been incurred but not reported (IBNR) and for claims that have been incurred where not enough is reported (IBNER);
- any recoveries, including input tax credits, recoveries from owners of unregistered vehicles and sharing recoveries, where relevant;
- an estimate of the costs associated with managing the claims, such as the staff costs for employees managing the claims; and
- claims inflated and discounted to a 'present value' basis.

Analysis and estimates are considered in aggregate, without being subdivided by claim types.

The approaches used to estimate the liability for all claims were as follows:

Method 1 Payment per Claims Incurred

- The number of IBNR claims was projected by selecting a reporting pattern based on analysis of the ratio of the cumulative numbers of claims reported for each accident year at successive year ends;
- Historical claim payments were inflated to 2022-23 money values using historical inflation indices;
- The pattern of payments per number of claims incurred was analysed for each accident year, and an assumption made regarding a base future average claim size (implicitly incorporating reported to date, IBNR and IBNER) and payment pattern for the run-off of claims incurred to 30 June 2023; and
- The average claim size and pattern was applied to the reported and projected future reported claim numbers to derive projected payments. These were then discounted to present value, allowing for the expected timing of those payments.

NOTE 13. PROVISION FOR CLAIMS PAYABLE - CONTINUED

Method 2 Paid Chain Ladder

- Historical claim payments were summarised by accident year and payment year;
- The ratio of these numbers for a given accident year at successive year ends was considered, to select a prospective ratio for future claims development; and
- A payment pattern for the run off of claims incurred to 30 June 2023 was estimated based on these selected ratios, with the timing of future payments allowed for via adjustments for future claims inflation and discounting.

Method 3 Bornhuetter-Ferguson / Cost Per Vehicle

- Paid to date amounts along with the ultimate claims cost results from the Payment per Claims Incurred and Paid Chain Ladder methods are each divided by the provided exposure measure, in this case, number of vehicles, to obtain the cost per vehicle;
- The patterns of cost per vehicle based on the different metrics were considered, and an assumption made regarding the ultimate cost per vehicle for the most recent accident years;
- For each accident year, the selected cost per vehicle assumption was applied to the number of vehicles, with the paid to date amounts then subtracted, resulting in the outstanding claims cost.
- The Paid Chain Ladder development pattern is then used to inform the timing of future payments, with inflation and discounting applied.

A blend of the three payment-based methods is adopted reflecting the relative strengths of each method in projecting liabilities at different stages of development.

Table 1 – Selected Actuarial Assumptions – outlines the main assumptions that were made in estimating the provision for claims payable.

Assumption	**2023**	**2022**
Gross average claim size current year values (Method 1)	$140,557	$146,676
Paid development factors (Method 2)	Peak of 4.00 reducing to 1	Peak of 4.00 reducing to 1
Cost per vehicle (Method 3)	$19 in the most recent accident year Between $15 to $19 in previous years	NA
Claims inflation – wage inflation	5.0% p.a. in year 1 4.0% p.a. in year 2 3.5% p.a. thereafter	3.5% p.a.
Claims inflation – superimposed inflation	2.5% p.a.	2.5% p.a.
Discount rate	4.08%	3.15%
Discounted average term to settlement	2.4 years	2.6 years
Claims handling expenses	15.9%	12.1%

NOTE 13. PROVISION FOR CLAIMS PAYABLE - CONTINUED

Gross Average Claim Size

For those accident years with reliance on Method 1, the average claim size has been determined based on analysis of the quantum of payments at each stage of development relative to the number of claims ultimately incurred. The current values are then inflated to the estimated date of payments and discounted for the time value of money.

Paid Development Factors

For those accident years with reliance on Method 2, the payments are projected to change by a factor of up to 4.0 (i.e. an increase of 300%) in any particular development year.

Cost Per Vehicle

For those accident years with reliance on Method 3, a priori assumption is selected for the ultimate claims cost, based on observed levels of payments to date and ultimate projections from other payment methods.

Claims Inflation Rate

A base wage inflation rate of 5.0% p.a. for the next year, 4.0% p.a. for the second year, and 3.5% p.a. thereafter has been selected. However, claims costs have a tendency to increase above the rate of wage inflation over time. A rate of 2.5% per annum for additional (i.e. superimposed) inflation has been adopted. Method 1 and Method 3 use these assumptions explicitly, while inflation is implicitly incorporated in Method 2.

Discount Rate

The estimate of the Fund's liability is provided on both a discounted (i.e. allowing for future investment income) and undiscounted basis. To discount the liability, the Fund has used the market yield at 30 June 2023 on Commonwealth bonds, which gives a weighted average discount rate of 4.08%.

Discounted Average Term to Settlement

The discounted average term to settlement has been determined based on weighted average historic settlement patterns.

Claims Handling Expenses

Based on a review of the Fund's expenses in recent years, the Fund has adopted a claims handling expenses rate of 15.9% of the gross provision for claims payable.

NOTE 13. PROVISION FOR CLAIMS PAYABLE - CONTINUED

Sensitivity Analysis

The provision for outstanding claims liabilities relies on three key methods, each of which relies on certain assumptions about the future development of claims which are already incurred, but not yet fully paid. To understand the impact of variations in these assumptions, the Fund made changes to each assumption and quantified the impact on the outstanding claims result for the Fund.

Table 2 – Selected Assumption Sensitivity

Assumption Sensitivity	Change	Provision for claims payable $'000	Difference from net provision for claims payable $'000	Difference %
Net provision for claims payable		20,586		
Payment development – first factor	+10%	20,604	19	0.1
Payment per claim incurred – average claim size	+5%	20,959	373	1.8
Cost per vehicle – latest accident year	+5%	20,898	313	1.5
Claims inflation rate	+1%	20,828	243	1.2

Explanation of Scenario Assumptions:

- The net provision for claims payable is net of any recoveries, inclusive of claims handling expenses and 'central' in the sense that it is not intentionally over or underestimated (i.e. the estimate does not include a margin for uncertainty).
- The payment per claim incurred method relies on an assumption regarding the average payment made in each period for each claim that was incurred. An increase in assumption implies a higher average claim cost and therefore a higher estimate of liabilities.
- The paid chain ladder method relies on stability in the development of the payments over time. 'Development factors' are assumed to reflect the expected development in the reported claim payments in each future year.
- The inflation and discounting scenarios reflect the impact that a deviation of economic assumptions from current forecasts has on the liability.

Impact of Movement in Variables

Average claim size

The provision for claims payable relies on the average claim size assumptions. An increase in the base average claim size from which future payments are derived would have a proportionate impact on those periods relying on this method.

NOTE 13. PROVISION FOR CLAIMS PAYABLE - CONTINUED

Paid chain ladder

The provision for claims payable relies in part on the assumed development of the claim payments. An increase in assumed development factors would result in an increase in the claims provision for those periods relying on this method. In addition, changes to this development pattern also impact the timing of claim payment for Method 3.

Cost per vehicle

The provision for claims payable relies in part on the assumed cost per vehicle. An increase in the assumed cost per vehicle would result in an increase in the claims provision for those periods relying on this method.

Inflation and superimposed inflation rates

Expected future payments are inflated to take account of inflationary increases. In addition to the general economic inflation rate, an amount is superimposed to account for non-economic inflationary factors, such as increases in court awards. Such rates of superimposed inflation are specific to the model adopted. An increase in the assumed levels of either economic or superimposed inflation would have a corresponding and magnified impact on claims expense, given the long-tail nature of these liabilities.

Discount rate

The provision for claims payable is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. A decrease in the assumed discount rate will increase the total claims expense.

Uncertainty

General sources of uncertainty

General areas of uncertainty include:

- data error – the base data can contain material errors or may not be representative of the current portfolio of claims;
- model error – incorrect or inappropriate models may be used to project the future claims;
- parameter error – the selected values for various assumptions within the valuation are in some cases based on judgement and may not accurately represent the future values for the parameters;
- random error – claims development is, by its nature, subject to random variation; and
- unforeseen developments due to events including jury decisions, court interpretations, legislative changes, public attitudes, potential sources of ‘latent claims’ (e.g. child claims in the context of compulsory third party), and social/economic conditions such as inflation.

NOTE 13. PROVISION FOR CLAIMS PAYABLE - CONTINUED

Fund specific sources of uncertainty

Specific sources of uncertainty of note include:

- The uncertainty of the COVID-19 Pandemic and any restrictions from potential future waves. For example, COVID-19 may result in favourable claims frequency experience due to lower exposure (fewer vehicles on the road during the lockdown period). However, there may be a potential offset from higher average claim costs from higher speed collisions accidents (lower traffic volumes may increase the average speed of vehicles). At 30 June 2023, the valuation removed previously applied additional overlays that explicitly allowed for operational uncertainties resulting from COVID-19. However, it should be noted that there still remains a level of uncertainty of future impacts of COVID-19 on the portfolio.
- The MAI scheme was introduced effective 1 February 2020 in the ACT. It is difficult to quantify an explicit allowance for the impact of these changes given the uncertainty in the emergence of these claims.
- The identification of the liable entity, particularly for MAI claims (accident periods 1 February 2020 onwards). For claims relating to the new MAI Scheme, the valuation identified claims which the Fund expects to ultimately not be liable for. While this is something that has happened in the past and is not unique to the MAI Scheme, the number of claims that are fully paid for by an entity other than the Fund (whether that be a private insurer or another state's compensation scheme) is not easily nor consistently identifiable for pre-MAIS claims. The Fund manages these claims and expects or has received recoveries from the liable insurer for the full amount associated with these claims. Noting the uncertainty of the total number of claims under the new MAI Scheme, the differences in claiming behaviour and processing of MAIS claims compared to pre-MAIS, and the number of non-liable MAIS claims compared to pre-MAIS, the Fund has continued to conduct the valuation on two bases and adopted a blended result.
- The small number of claims in each year leads to significant volatility. Separating trends from volatility can be challenging. The size of the portfolio also means that having more or fewer large claims will lead to significant variations in incurred cost between injury years. Models based on continuation of past averages will not necessarily reflect this variability.
- The change in administration of the portfolio. Although there is now a number of years of data, payments can continue for many years after the initial accident. Therefore, the impact of any changes in claims management on the experience in the "tail" (i.e. later durations) remains subject to some uncertainty. In particular, there are a number of larger claims for recent years and there are no sufficient history to know whether the strength of reserving of those claims is similar to what would have been the case in the past.
- Input errors and the currency of the data. Delays or errors in entering data into the database will affect how reliable the data is. The need for manual adjustments introduces additional risk to the process. Due to the migration to the new claims management system over the last few years, there has been an increase in errors and inconsistencies in the data. While sufficient data queries and discussions, along with adjustments made to the actuarial methodology and data reliance, have taken place to address this risk, this continues to be an area of uncertainty that the Fund is currently working to improve.

NOTE 13. PROVISION FOR CLAIMS PAYABLE - CONTINUED

	2023 $'000	2022 $'000
Inflated and Discounted Liability		
Gross Central Estimate	19,248	24,132
Recoveries	(1,724)	(2,144)
Claims Handling Expense	3,062	2,926
Net Central Estimate	**20,586**	**24,914**
Current Provision for Claims Payable		
Provision for Claims Payable	5,097	6,557
Non-Current Provision for Claims Payable		
Provision for Claims Payable	15,488	18,357
Total Provision for Claims Payable	**20,586**	**24,914**

The table below compares the estimates as at 30 June 2023, gross central estimate at 30 June 2023 compared with those projected from the 30 June 2022 valuation, expected gross central estimate at 30 June 2023 thereby explaining the movement between the two estimates.

Reconciliation to 30 June 2023 Gross Outstanding Claims	**$'000**
Net central estimate including claims handling expenses at 30 June 2022	**24,914**
Adjustment to claims handling expenses, input tax credit and recoveries	(781)
Gross central estimate at 30 June 2022	**24,133**
Less expected payments (1 July 2022 to 30 June 2023)	(6,399)
Plus unwind of discount	660
Expected gross central estimate at 30 June 2023	**18,394**
Add/(Less) impact of:	
- Actual vs expected claim payments [a]	2,428
- Change in actuarial basis and other experience impacts [b]	(6,363)
- Change in economic assumptions [c]	(967)
Revised gross central estimate at 30 June 2023 (prior periods)	**13,492**
Outstanding amounts arising from accident period from 1 July 2022 to 30 June 2023 [d]	5,756
Gross central estimate at 30 June 2023	**19,248**
Adjustment to claims handling expenses, input tax credit and recoveries	1,338
Net central estimate including claims handling expenses at 30 June 2023	**20,586**

The expected gross central estimate as at 30 June 2022 of $18.4 million compares to gross central estimate as at 30 June 2023 of $19.2 million, indicating a total increase of $0.8 million.

The increase in the gross central estimate is the result of the following changes:

[a] *$2.4 million increase due to actual payments being lower than expected over the 12 months assuming the ultimate liabilities remain unchanged, with these liabilities being required to be paid in the future;*

[b] *$6.4 million decrease in the liability due to other experience impacts as well as changes in actuarial assumptions, primarily in recognition of favourable payment experience this year as well as the change in actuarial methodology weightings;*

[c] *$1.0 million decrease as a result of increases in discount rates increasing the discount for the time value of money; and*

[d] *$5.8 million increase as the result of new incurred claims from the 2022-23 accident year.*

NOTE 14. FINANCIAL INSTRUMENTS

Description and Material Accounting Policies relating to Financial Instruments

Details of the significant 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 and financial liability are disclosed in relevant notes for assets classes.

The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB 7.

(a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Most of the Fund's financial assets are held in floating interest rate arrangements and all of its financial liabilities are non-interest bearing. This means that the Fund is not exposed to movements in interest payable, however, it is exposed to movements in interest receivable.

Interest rate risk for financial assets is managed by only investing in floating interest rate investments that are low risk. There have been no changes in risk exposure or processes for managing risk since the last reporting period.

Sensitivity Analysis

Taking into account past performance, future expectations and economic forecasts, the impact on profit or loss and the impact on equity in the table below is reasonably possible over the next twelve months if interest rates change by -/+ 1% per annum.

	Carrying Amount $'000	Profit/(Loss) Impact $'000	Profit/(Loss) Impact $'000
2022		(1%)	1%
Financial Assets:			
Cash and Cash Equivalents	**33,764**	**(338)**	**338**
2021		(1%)	1%
Financial Assets:			
Cash and Cash Equivalents	**31,784**	**(318)**	**318**

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund's credit risk is limited to the amount of the financial assets it holds net of any allowance for impairment.

Credit risk is managed for cash at bank by holding bank balances with the ACT Government's bank, Westpac Banking Corporation (Westpac). Westpac holds a AA issuer credit rating with Standard and Poors. A 'AA' credit rating is defined as a 'very strong capacity to meet financial commitments'.

Credit risk for investments is managed by only investing surplus funds with the Public Trustee and Guardian. The Public Trustee and Guardian has set appropriate investment criteria for the external fund manager it has engaged to manage the funds of agencies, resulting in an insignificant credit risk.

NOTE 14. FINANCIAL INSTRUMENTS – CONTINUED

The Fund also manages the credit risk for receivables by undertaking an assessment of the credit worthiness of debtors. A large proportion of the Fund's receivables are from major Australian insurers, the ACT and Commonwealth Governments, which means that the credit risk of these receivables going into default is low.

There have been no changes in credit risk exposure since the last reporting period.

(c) Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. To limit its exposure to liquidity risk, the Fund ensures that it has sufficient cash and cash equivalents to meet its estimated financial liabilities. The MAI Commission may raise additional levies at any time to meet the cost of any unexpected increase in the Fund's financial liabilities that may arise.

The Fund's exposure to liquidity risk in relation to its financial instruments and the management of this risk has not changed since the previous reporting period.

(d) Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether these changes are caused by factors specific to individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market.

The price risk to which the Fund is exposed results from its investment with the Public Trustee and Guardian. The Fund has units in the Government Fixed Interest Trust Fund which fluctuate in value. The price fluctuations in the units of the Government Fixed Interest Trust Fund are caused by movements in the underlying investments of the Fund. The underlying investments are managed by an external fund manager who invests in a variety of different bonds, including bonds issued by the Commonwealth Government, the State Government guaranteed Treasury corporations and semi-government authorities, as well as investment-grade corporate issues. To limit price risk, all bonds that make up the underlying investments of the fixed interest fund must have a long-term credit rating of BBB- or greater. Anything rated BBB- or greater is considered investment grade.

The Public Trustee and Guardian aims to manage the Fund's investments to match the total return of the UBS Australian Composite Board Index before taking into account fund fees and expenses. The Fund's exposure to price risk and the management of this risk has not changed since the last reporting period.

NOTE 14. FINANCIAL INSTRUMENTS – CONTINUED

Sensitivity Analysis

Taking into account past performance, future expectations and economic forecasts, the estimated impact on profit or loss and the impact on equity in the table below is reasonably possible over the next twelve months if unit values change by -/+ 5.8% per annum (+/-4.1% in 2021-22) for investments with the Public Trustee and Guardian.

	Number of Units Held	Unit Value $	Carrying Amount $'000	Profit/(Loss) Impact $'000	Profit/(Loss) Impact $'000
2023				(5.79%)	5.79%
Financial Assets:					
Investments with the Public Trustee and Guardian	5,909,583.37	0.9271	5479	**(317)**	**317**
2022				(4.10%)	4.10%
Financial Assets:					
Investments with the Public Trustee and Guardian	5,909,583.37	0.9212	5444	**(223)**	**223**

(e) Fair Values of Financial Assets and Liabilities

The carrying amounts for all financial assets and liabilities reflect their fair value.

(f) Carrying Amount of Each Category of Financial Asset and Financial Liability

	2023 $'000	2022 $'000
Carrying Amount of Each Category of Financial Assets		
Financial Assets		
Financial Assets at Fair Value through Operating Statement Designated upon Initial Recognition	5,481	5,444
Financial Assets Measured at Amortised Cost	1,569	1,548
Financial Liabilities		
Financial Liabilities Measured at Amortised Cost	55	420
Gains/(Losses) on Each Category of Financial Asset		
Financial Assets at Fair Value through Operating Statement Designated upon Initial Recognition	37	(782)

NOTE 15. RELATED PARTY DISCLOSURES

Description and Material Accounting Policies Relating to Related Party Disclosures

A related party is a person that controls or has significant influence over the reporting entity, or is a member of the Key Management Personnel (KMP) of the reporting entity or its parent entity, and includes their close family members and entities in which the KMP and/or their close family members individually or jointly have controlling interests.

NOTE 15. RELATED PARTY DISCLOSURES - CONTINUED

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly.

KMP of the Fund are the Under Treasurer, Deputy Under Treasurer, Economic, Revenue, Insurance, Property and Shared Services and the General Manager of the ACT Insurance Authority.

The Head of Service and the ACT Executive comprising the Cabinet Ministers are KMP of the ACT Government and therefore related parties of the Fund.

This note does not include typical citizen transactions between the KMP and the Fund that occur on terms and conditions no different to those applying to the general public.

(a) Controlling Entity

The Fund is an ACT Government related entity.

(b) Key Management Personnel

Compensation of Key Management Personnel

Compensation of all Cabinet Ministers, including the Portfolio Minister, is disclosed in the note on related party disclosures included in the ACT Executive's financial statements for the year ended 30 June 2023. Compensation of the Head of Service is included in the note on related party disclosures included in the Chief Minister, Treasury and Economic Development Directorate's (CMTEDD) financial statements for the year ended 30 June 2023.

Two of the KMP of the Fund are employees of CMTEDD and are compensated by CMTEDD, the information is disclosed in CMTEDD's financial statements. The other KMP of the Fund is an employee of the ACT Insurance Authority and is compensated by the ACT Insurance Authority. This information is disclosed in the ACT Insurance Authority's financial statements contained in its Annual Report. There were no transactions between the Fund and its KMP and no KMP were compensated by the Fund.

(c) Transactions with ACT Government Controlled Entities

The Fund has entered into transactions with ACT Government entities in 2023 and 2022 consistent with day-to-day business operations provided under varying terms and conditions. The notes to the Financial Statements provide the details of transactions with ACT Government Entities. Below is a summary of the material transactions with ACT Government entities.

Revenue

- Levies (Note: 6) – The Fund received $51,000 in 2022-23 for MAI Scheme levies against self-insured vehicles from the ACT Government entities.
- Fees and Recoveries (Note: 7) – The Fund received $305,000 for Unregistered Vehicle Permits and $309,000 for Unregistered Vehicle Fines in 2022-23 collected and remitted by Access Canberra, CMTEDD.

Expenses

- Supplies and Services (Note: 10) – The Fund incurred $643,000 for Administration and Support Services charges in 2022-23 for the fund management services provided by the ACT Insurance Authority and $35,000 for Audit Fees for the financial statements audit service provided by the ACT Audit Office in 2022-23.

Public Sector Workers Compensation Fund

Public Sector Workers Compensation Fund
Management Discussion and Analysis
For the year ending 30 June 2023

General Overview

The Public Sector Workers Compensation Fund (PSWC Fund) was established under the *Public Sector Workers Compensation Fund Act 2018* (PSWC Fund Act) and commenced operations on 1 March 2019.

The PSWC Fund Act provides a financial and prudential governance framework to support the Territory's workers' compensation self-insurance arrangements for public sector employees, which are delivered under a licence issued by the Safety Rehabilitation and Compensation Commission in accordance with the *Safety Rehabilitation and Compensation Act 1988* (SRC Act).

The PSWC Fund has been designed to ensure the effective management of the Territory's workers' compensation assets and features governance and management arrangements in relation to those assets. The PSWC Fund is integral to the Territory's compliance with its self-insurance licence.

The PSWC Fund is administered by the Public Sector Workers Compensation Commissioner (PSWC Commissioner) who is responsible for:

- managing the PSWC Fund;
- advising the Minister about the administration, efficiency, and effectiveness of the Fund; and
- in relation to a licence granted to the Territory under section 103 of the SRC Act:
  - managing the Territory's liability under the SRC Act; and
  - managing claims under the SRC Act.

The PSWC Fund is funded by the Territory, including from premium contributions apportioned by the PSWC Commissioner amongst Territory agencies (directorates and entities). Assets are invested, with earnings retained to help meet workers' compensation costs.

The functions of the PSWC Fund are performed by officers of the Chief Minister, Treasury and Economic Development Directorate (CMTEDD). The PSWC Fund may reimburse CMTEDD for expenses associated with the staff allocated to carry out the PSWC Fund functions.

Claims Administration

In October 2018, the Territory entered a Third Party-Administrator Agreement with Employers Mutual Limited (EML). The Third Party-Administrator Agreement requires EML to provide public sector workers compensation claims administration services, from 1 March 2019 in line with the Territory's self-insurance licence commencement. Service and Performance renumeration are paid to EML for each year in the period of services. Currently, the term of the agreement is six years, until 27 February 2025 with a total contract value of $62.3 million.

Investment through Territory Banking Account

In January 2022, the PSWC Fund commenced investment through the Territory Banking Account with target return of CPI plus 1.5 percent in line with the *Public Sector Workers Compensation Fund (Investment and Funding Ratio) Management Guidelines 2019 (No 1)*.

Risk Management

The PSWC Fund has developed and implements a risk management plan in accordance with the ACT Government's Risk Management Framework. The PSWC Fund's plan takes into consideration the variability of the PSWC Fund's capital position that may result from changes in claims experience, actuarial assessment of claims liabilities, movement in investment returns and changes in the market value of investments. The PSWC Fund's plan also identifies and details risks in financial, business and information technology dependencies.

The PSWC Fund's key risks are the impact of adverse movements in inflation and discount factors on long tail claim liabilities and claim continuance rates moving adversely to actuarial projections. A proportion of the PSWC Fund's surplus assets are invested with the Territory Banking Account, as such, the PSWC Fund is also subject to potentially adverse movements in market conditions.

To manage these risks, the PSWC Fund uses professional actuarial services to provide support and advice that aligns premium contributions with claims experience and is actively monitoring the performance of the third-party claims administrator (TPA). In addition, the PSWC Fund invests in a relatively low volatility profile of assets and is actively monitoring market positions.

Financial Performance

Current Year Operating Result

For the year ending 30 June 2023, the PSWC Fund's operating result is a surplus of $55.6 million.

The current year operating result mainly consists of underwriting gain of $29.9 million plus other revenue of $12.5 million and net gains (from fair value revaluations) on investments held with the Territory Banking Account of $14.8 million, and less supplies and services of $1.4 million, and other expenses of $0.1 million.

Comparison to Prior Year

The current year operating result represents a $0.8 million decrease compared to a surplus of $56.4 million for the prior year.

The current year underwriting gain represents a $20.0 million decrease compared to the same period in the prior year mainly due to lower actuarial releases from prior years' outstanding claims liabilities and higher net incurred claims. The higher claims costs are partially offset by a $6.2 million increase in earned contributions largely attributed to growth in the workforce.

Other income for the current year is $20.2 million lower compared to the prior year mainly due the additional revenue earned in the prior year relating to the Comcare settlement.

Net gains (from fair value revaluations) on investments held with the Territory Banking Account represent a $39.5 million increase compared to prior year mainly due to favourable market movements.

Comparison to Original Budget

The current year operating result represents a $42.5 million increase compared to a surplus of $13.1 million projected in the Original Budget.

The current year underwriting gain represents a $28.3 million increase compared to the Original Budget. For budgetary purposes, net incurred claims are assumed to be equal to actuarial estimates of the expected net lifetime costs of new claims. That is assuming a breakeven underwriting result with no deterioration or improvement in the expectations for prior years' claims.

Adjusting for the mapping of claims administration costs, the current year supplies and services are on level compared to the Original Budget. The Original Budget included $6.9 million relating to claims administration costs included in underwriting expenses in the current year underwriting result.

Public Sector Workers Compensation Fund
Management Discussion and Analysis
For the year ending 30 June 2023

In the Original Budget, an allowance for investment revenue was made assuming an investment distribution rate equivalent to the average interest rate received from Westpac on Cash at Bank. Overall actual investment (distributions) and interest revenue for the current year is $2.9 million higher than allowed for in the Original Budget mainly due to rising interest rates.

In the Original Budget, an allowance for capital return on investments was made based on the long term target return rate of CPI plus 1.5 percent. The current year net gains on investments represents a $11.3 million increase compared to the Original Budget due to favourable market movements.

Financial Position

Position at 30 June 2023

Statement of Assets and Liabilities

At 30 June 2023, the PSWC Fund held a total equity (net assets) position of $186.0 million with a total assets position of $454.5 million and a total liabilities position of $268.5 million.

The PSWC Fund held $158.3 million of assets in cash, $292.9 million in investments held with the Territory Banking Account, and $2.1 million in current receivables. The PSWC Fund also held $1.2 million in claims related recoveries.

The PSWC Fund held gross outstanding claims liabilities of $256.2 million ($44.5 million current and $211.7 million non-current). The PSWC Fund also held $12.3 million in current payables and other liabilities mainly relating to accrued expenses and claims reimbursements not yet paid.

Capital Funding and Liquidity

At 30 June 2023, the ratio of total assets to total liabilities is 169 percent, and the ratio of cash and cash equivalents to total current liabilities is 279 percent. That is the PSWC Fund holds sufficient assets to meet its liabilities and sufficient liquid assets to make payments expected over the next 12 months.

Comparison to Prior Year

Statement of Assets and Liabilities

The total asset position at 30 June 2023 is $38.0 million higher compared to at 30 June 2022. Overall, cash holdings increased by $10.7 million, current receivables decreased by $0.2 million and investment holdings increased by $27.5 million compared to at 30 June 2022.

The total liabilities position at 30 June 2023 is $17.6 million lower compared to at 30 June 2022. Overall, total gross outstanding claims liabilities decreased by $20.0 million mainly due to better than expected claims experience and the overall impact of changes in actuarial assumptions including discount. Current payables and liabilities increased by $2.4 million mainly due to accrued expenses including allowances for performance and incentive fees for year 4 of the TPA agreement.

Capital Funding and Liquidity

At 30 June 2023, the ratio of total assets to total liabilities is 24 percent higher and the ratio of cash and cash equivalents to total current liabilities is 9 percent higher compared to at 30 June 2022, in absolute terms.

Public Sector Workers Compensation Fund
Management Discussion and Analysis
For the year ending 30 June 2023

Comparison to Original Budget

Statement of Assets and Liabilities

The total asset position at 30 June 2023 is $19.1 million higher compared to the Original Budget. Overall, cash holdings are $42.0 million higher while investment holdings are $24.9 million lower than anticipated, mainly attributed to the volatility in market conditions and the decision to withhold making new investments from December 2022.

The total liabilities position at 30 June 2023 is $53.8 million lower compared to the Original Budget mainly attributed to releases in the Outstanding Claims Liabilities. For budgetary purposes, outstanding claims liabilities are assumed to remain the same with provisions for new claims being offset by provisions used during the year plus any changes in actuarial assumptions. Better than expected actual claims experience and changes in actuarial assumptions resulted in an overall reduction in gross outstanding claims liabilities over the year not allowed for in the Original Budget.

Capital Funding and Liquidity

At 30 June 2023, the ratio of total assets to total liabilities is 34 percent higher and the ratio of cash and cash equivalents to total current liabilities is 18 percent higher compared to the Original Budget, in absolute terms.

Future Trends

The ongoing long-term expectation for the PSWC Fund operating result continues to be primarily from return on investments held with the Territory Banking Account with a breakeven underwriting result. With rising interest rates, interest revenue is also expected to contribute to the operating result.

The proportion of surplus assets invested with the Territory Banking Account will continue to take into consideration actuarial projections of future claims payments and liquidity requirements, actuarial projections of total outstanding claims liabilities and capital funding requirements, and the monitoring of market conditions.

In December 2022, planned investments were paused, to ensure adequate asset liquidity in anticipation of increased claim costs arising from legislative changes in presumptive cancer cover for firefighters, administrative expenses from creating an in-house work rehabilitation service and additional TPA expenses associated with increasing the number of ACT based employees engaged by the TPA to deliver services to the Territory. These additional PSWCF costs and expenses were not allowed for in the 2022-23 Original Budget. In light of the year’s actual results planned investments have recommenced from July 2023.

Total equity would be expected to accumulate in line with the CPI plus 1.5 percent target return for the investments. However, variations may arise due to volatile claims experience and economic conditions.

Public Sector Workers Compensation Fund

Financial Statements for the year ended 30 June 2023

ACT Audit Office

AUDITOR-GENERAL AN OFFICER OF THE ACT LEGISLATIVE ASSEMBLY

INDEPENDENT AUDITOR'S REPORT

To the Members of the ACT Legislative Assembly

Opinion

I have audited the financial statements of the Public Sector Workers Compensation Fund (Fund) for the year ended 30 June 2023 which comprise the statement of income and expenses on behalf of the Territory, statement of assets and liabilities on behalf of the Territory, statement of changes in equity on behalf of the Territory, statement of cash flows on behalf of the Territory, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

(i) present fairly, in all material respects, the Fund's financial position as at 30 June 2023, and its financial performance and cash flows for the year then ended; and

(ii) are presented in accordance with the *Financial Management Act 1996* and comply with Australian Accounting Standards.

Basis for opinion

I conducted the audit in accordance with the Australian Auditing Standards. My responsibilities under the standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of this report.

I am independent of the Fund in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (Code). I have also fulfilled my other ethical responsibilities in accordance with the Code.

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

Responsibilities of the Fund for the financial statements

The Director-General of Chief Minister, Treasury and Economic Development Directorate as the Director-General responsible for Public Sector Workers Compensation Fund is responsible for:

- preparing and fairly presenting the financial statements in accordance with the *Financial Management Act 1996*, and relevant Australian Accounting Standards;
- determining the internal controls necessary for the preparation and fair presentation of the financial statements so that they are free from material misstatements, whether due to error or fraud; and
- assessing the ability of the Fund to continue as a going concern and disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting in preparing the financial statements.

Auditor's responsibilities for the audit of the financial statements

Under the *Financial Management Act 1996*, the Auditor-General is responsible for issuing an audit report that includes an independent opinion on the financial statements of the Fund.

My objective is to obtain reasonable assurance about whether the financial statements as a whole are 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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 statements, 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 controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Fund's internal controls;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund;
- conclude on the appropriateness of the Fund's use of the going concern basis of accounting and, based on audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in this report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of this report. However, future events or conditions may cause the Fund to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether they represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Director-General of Chief Minister, Treasury and Economic Development Directorate, the responsible Director-General of Public Sector Workers Compensation Fund regarding, 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 my audit.

Ajay Sharma
Assistant Auditor-General, Financial Audit
26 September 2023

Public Sector Workers Compensation Fund
Financial Statements
For the Year Ended 30 June 2023

Statement of Responsibility

In my opinion, the Public Sector Workers Compensation Fund's financial statements fairly reflect the financial operations for the year ended 30 June 2023 and its financial position on that date.

Kathy Leigh
Director-General
Chief Minister, Treasury and Economic Development
Directorate 21 September 2023

Public Sector Workers Compensation Fund
Financial Statements
For the Year Ended 30 June 2023

Statement by the Commissioner

In my opinion, the Public Sector Workers Compensation Fund’s financial statements have been prepared in accordance with the Australian Accounting Standards, are in agreement with its accounts and records and fairly reflect its financial operations for the year ended 30 June 2023 and the financial position on that date.

Michael Young
Public Sector Workers Compensation Commissioner
20 September 2023

Public Sector Workers Compensation Fund
Content of Territorial Financial Statements

Public Sector Workers Compensation Fund
Statement of Income and Expenses on Behalf of the Territory
For the Year Ended 30 June 2023

	Note No.	Actual 2023 $'000	Original Budget 2023 $'000	Actual 2022 $'000
Income				
Underwriting Result				
Underwriting Revenue	5	65,108	65,108	58,875
Less: Underwriting Expenses	5	35,253	56,683	9,051
Underwriting Gain	**5**	**29,855**	**8,425**	**49,825**
Plus				
Resources Received Free of Charge	6	350	350	350
Investment and Interest Revenue	7	12,132	9,220	8,756
Other Gains	8	-	-	23,555
Total Income		**42,337**	**17,995**	**82,486**
General and Administrative Expenses				
Supplies and Services	10	1,424	8,425	1,269
Other Expenses		81	-	178
Total General and Administrative Expenses		**1,505**	**8,425**	**1,447**
Net Gains/(Losses) on Investments	11	14,813	3,516	(24,673)
Operating Result		**55,645**	**13,086**	**56,366**

The above Statement of Income and Expenses on Behalf of the Territory is to be read in conjunction with the accompanying notes.

Public Sector Workers Compensation Fund
Statement of Assets and Liabilities on Behalf of the Territory
As at 30 June 2023

	Note No.	Actual 2023 $'000	Original Budget 2023 $'000	Actual 2022 $'000
Assets				
Current Assets				
Cash	12	158,326	116,312	147,601
Investments	12	-	317,742	-
Receivables	13	2,105	801	2,301
Claims Related Recoveries	14	211	-	200
Total Current Assets		**160,642**	**434,855**	**150,103**
Non-Current Assets				
Investments	12	292,860	-	265,327
Claims Related Recoveries	14	1,006	593	1,032
Total Non-Current Assets		**293,866**	**593**	**266,359**
Total Assets		**454,508**	**435,448**	**416,462**
Liabilities				
Current Liabilities				
Gross Outstanding Claims	15	44,498	41,615	44,918
Payables	16	10,225	3,012	5,693
Other Liabilities	16	2,092	-	4,206
Total Current Liabilities		**56,815**	**44,627**	**54,817**
Non-Current Liabilities				
Gross Outstanding Claims	15	211,706	277,708	231,303
Total Non-Current Liabilities		**211,706**	**277,708**	**231,303**
Total Liabilities		**268,521**	**322,335**	**286,120**
Net Assets		**185,987**	**113,113**	**130,342**
Equity				
Accumulated Funds		185,987	113,113	130,342
Total Equity		**185,987**	**113,113**	**130,342**

The above Statement of Assets and Liabilities on Behalf of the Territory is to be read in conjunction with the accompanying notes.

Public Sector Workers Compensation Fund
Statement of Changes in Equity on Behalf of the Territory
For the Year Ended 30 June 2023

	Accumulated Funds Actual 2023 $'000	Total Equity Actual 2023 $'000	Original Budget 2023 $'000
Balance at 1 July 2022	**130,342**	**130,342**	**100,027**
Comprehensive Result			
Operating Result	55,645	55,645	13,086
Total Comprehensive Result	**55,645**	**55,645**	**13,086**
Balance at 30 June 2023	**185,987**	**185,987**	**113,113**

	Accumulated Funds Actual 2022 $'000	Total Equity Actual 2022 $'000
Balance at 1 July 2021	**73,976**	**73,976**
Comprehensive Result		
Operating Result	56,366	56,366
Total Comprehensive Result	**56,366**	**56,366**
Balance at 30 June 2022	**130,342**	**130,342**

The above Statement of Changes in Equity on Behalf of the Territory is to be read in conjunction with the accompanying notes.

Public Sector Workers Compensation Fund
Statement of Cash Flows on Behalf of the Territory
For the Year Ended 30 June 2023

	Note No.	Actual 2023 $'000	Original Budget 2023 $'000	Actual 2022 $'000
Cash Flows from Operating Activities				
Receipts				
Contributions from Territory entities for claim costs		65,123	65,108	58,874
Interest received		5,402	924	13,627
Investment receipts		6,742	8,296	1,012
Other receipts		173	-	328,761
Goods and Services Tax Input Tax Credits collected from Customers		598	598	34,681
Goods and Services Tax Input Tax Credits received from the Australian Taxation Office		1,162	801	1,640
Total Receipts from Operating Activities		**79,200**	**75,727**	**438,595**
Payments				
Workers' compensation claims payments		48,203	56,683	44,094
Claim management fees		4,519	-	7,225
Supplies and services		1,026	1,205	950
Other payments		259	6,870	86
Goods and Services Tax Input Credits paid to Suppliers		1,503	1,152	1,852
Goods and Services Tax Input Credits paid to the Australian Taxation Office		245	598	34,357
Total Payments from Operating Activities		**55,755**	**66,508**	**88,564**
Net Cash Inflows from Operating Activities	**12(c)**	**23,445**	**9,219**	**350,031**
Cash Flows from Investing Activities				
Payments				
Purchase of investments		12,720	35,000	290,000
Total Payments from Investing Activities		**12,720**	**35,000**	**290,000**
Net Cash (Outflows) from Investing Activities		**(12,720)**	**(35,000)**	**(290,000)**
Net Cashflows from Financing Activities		**-**	-	-
Net Increase/(Decrease) in Cash		**10,725**	**(25,781)**	**60,031**
Cash at the Beginning of the Reporting Period		147,601	142,093	87,570
Cash at the End of the Reporting Period	**12(a)**	**158,326**	**116,312**	**147,601**

The above Statement of Cash Flows on Behalf of the Territory is to be read in conjunction with the accompanying notes.

Public Sector Workers Compensation Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2023

General Notes

Note 1. Objectives of the PSWC Fund

Description and Material Accounting Policies Relating to Risk Management Policies and Procedures

Overview

The Public Sector Workers Compensation Fund (PSWC Fund) is established by the *Public Sector Workers Compensation Fund Act 2018* (the PSWCF Act) and commenced operations on 1 March 2019.

The PSWCF Act provides a financial and prudential governance framework to support the Territory's workers' compensation self-insurance arrangements for public sector employees, which are delivered under a licence issued by the Safety Rehabilitation and Compensation Commission in accordance with the *Safety Rehabilitation and Compensation Act 1988* (SRC Act).

The PSWC Fund has been designed to ensure the effective management of the Territory's workers' compensation assets and features governance and management arrangements in relation to those assets. The PSWC Fund is integral to the Territory's compliance with its self-insurance licence.

The PSWC Fund is administered by the Public Sector Workers Compensation Commissioner (PSWC commissioner) who is responsible for:

- managing the PSWC Fund;
- advising the Minister about the administration, efficiency and effectiveness of the PSWC Fund; and
- in relation to a licence granted to the Territory under section 103 of the SRC Act:
    - managing the Territory's liability under the SRC Act; and
    - managing claims under the SRC Act.

The PSWC Fund is funded by the Territory, including from premium contributions apportioned by the PSWC commissioner amongst Territory agencies (directorates and entities). Assets are invested, with earnings retained to help meet workers' compensation costs.

The functions of the PSWC Fund are performed by officers of the Chief Minister, Treasury and Economic Development Directorate (CMTEDD).

The strategic and operational priorities of the PSWC Fund include:

- developing and deploying best practice health, wellbeing and return to work strategies, policies and interventions for the ACT public sector;
- ensuring the effective and efficient management of new and existing ACT public sector workers' compensation claims;
- ensuring the effective and efficient management of the PSWC Fund assets in accordance with the PSWC Fund investment guidelines; and
- continuously improving injured worker and directorate satisfaction with workers' compensation insurance and rehabilitation services.

The financial condition and operation of the PSWC Fund are affected by several key risks. The PSWC Fund's policies and procedures in respect of managing insurance risks are set out in this note.

The PSWC Fund's objective is to support the ACT Government by protecting the budget from financial loss through management of the ACT Government self-insured workers' compensation liabilities.

The PSWC Fund has developed, implemented, and maintains a sound and prudent risk management plan. The plan outlines strategies that incorporate the PSWC Fund's policies and procedures, processes and controls for risk management. These strategies address all material risks, financial and non-financial, likely to be faced by the PSWC Fund.

Note 1. Objectives of the PSWC Fund – Continued

Description and Material Accounting Policies Relating to Risk Management Policies and Procedures – Continued

Objectives and Policies for Managing Insurance Risks - Continued

A key area of risk identified by the PSWC Fund is that annual premiums are not geared to fully fund claims over the claim development period.

Processes established to manage the risk of not being fully funded include:

- actuarial models are used to calculate premiums and monitor claim patterns. Past experience and statistical methods are also used as part of this process;
- documented procedures are followed for the management of claims; and
- a valuation of outstanding claims liabilities is conducted by skilled actuaries at the end of each insurance year. Changes in the estimate of the liabilities are outlined in Note 15 Gross Outstanding Claims Liabilities.

Note 2. Basis of Preparation of the Financial Statements

Legislative Requirements

The PSWC Fund has been established as a separate directorate under the *Financial Management Act 1996* (FMA), in accordance with section 8 of the PSWCF Act and the *Financial Management (Directorates) Guidelines 2019 (No 2)*.

The FMA requires the preparation of annual financial statements for ACT Government agencies. The FMA and the Financial Management Guidelines issued under the FMA require the PSWC Fund's financial statements to include:

(i) a Statement of Income and Expenses on Behalf of the Territory for the year;

(ii) a Statement of Assets and Liabilities on Behalf of the Territory at the end of the year;

(iii) a Statement of Changes in Equity on Behalf of the Territory for the year;

(iv) a Statement of Cash Flows on Behalf of the Territory for the year;

(v) the significant accounting policies adopted for the year; and

(vi) other statements as necessary to fairly reflect the financial operations of the PSWC Fund during the year and its financial position at the end of the year.

These general-purpose financial statements have been prepared in accordance with:

(i) Australian Accounting Standards (as required by the FMA); and

(ii) ACT Accounting and Disclosure Policies.

Accrual Accounting

The financial statements have been prepared using the accrual basis of accounting. The financial statements are prepared according to historical cost convention, except for financial instruments which are valued at fair value in accordance with (re)valuation policies applicable to the PSWC Fund during the reporting period.

Currency

These financial statements are presented in Australian dollars, which is the PSWC Fund's functional currency.

Individual Not-for-Profit Reporting Entity

The PSWC Fund is an individual not-for-profit reporting entity.

Note 2. Basis of Preparation of the Financial Statements - Continued

Territorial Items

The PSWC Fund only produces territorial financial statements. The territorial financial statements include income, expenses, assets and liabilities that the PSWC Fund administers on behalf of the ACT Government, but does not control.

Reporting Period

These financial statements state the financial performance, changes in equity and cash flows of the PSWC Fund for the year ended 30 June 2023 together with the financial position of the PSWC Fund as at 30 June 2023.

Comparative Figures

Budget Figures

To facilitate a comparison with the Budget Papers, as required by the FMA, budget information for 2022-23 has been presented in the financial statements. Budget numbers in the financial statements are the original budget numbers that appear in the Budget Papers.

Prior Year Comparatives

Comparative information has been disclosed in respect of the previous period for amounts reported in the financial statements, except where an Australian Accounting Standard does not require comparative information to be disclosed. Comparative information may include immaterial restatements.

Where the presentation or classification of items in the financial statements is amended, the comparative amounts have been reclassified where practical. Where a reclassification has occurred, the nature, amount and reason for the reclassification is provided.

Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars ($'000). Use of "-" represents zero amounts or amounts rounded down to zero.

Going Concern

The 2022-23 financial statements have been prepared on a going concern basis as the PSWC Fund has sufficient assets to fully meet its current and non-current liabilities. The 2023-24 Budget Papers include forward estimates for the PSWC Fund.

COVID-19 Impact

The PSWC Fund has assessed the impact of the COVID-19 pandemic on its financial statements. From this assessment the PSWC Fund has concluded that COVID-19 has not had a material impact on its operations.

At the reporting date there have been fewer than five workers' compensation claims for COVID-19 by ACT Government employees which are allowed for in the current valuation of outstanding claims liabilities as at 30 June 2023.

Note 3. Impact of accounting standards issued but yet to be applied

In December 2022, the Australian Accounting Standards Board (AASB) released AASB 2022-8 *Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments* and AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector.*

AASB 2022-8 applies to annual periods beginning on or after 1 January 2023. AASB-8 defers the mandatory application date of AASB 17 *Insurance Contracts* for public sector entities to annual periods beginning on or after 1 July 2026. AASB 17 contains some specific considerations for not-for-profit public sector entities in relation to pre-requisites, indicators and other considerations in identifying arrangements that fall within the scope of the standard.

Note 3. Impact of accounting standards issued but yet to be applied – Continued

AASB 2022-9 amends AASB 17 to include modifications that apply to not-for-profit public sector entities. AASB 2022-9 also amends AASB 1050 *Administered Items* to provide an accounting policy choice for government agencies to apply either AASB 17 or AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* in determining the information to be disclosed about administered captive insurer activities. AASB 2022-9 applies to annual reporting periods beginning on or after 1 July 2026 with earlier application permitted. The PSWC Fund will not adopt AASB 2022-9 earlier than its application and expect to continue to apply AASB 1058 *Income for Not-for-Profit Entities* to recognise underwriting revenue from premium contributions apportioned by the PSWC commissioner, and AASB 137 to value claims provisions and associated claims expenses.

The PSWC Fund has assessed other accounting standards and standard amendments that have been issued but are yet to be applied are not expected to have a material impact on financial performance or position of the PSWC Fund. These will be adopted from their application date.

Note 4. Change in Accounting Policy and Accounting Estimates

Change in Accounting Policy

The PSWC Fund had no material changes in accounting policy in 2022-23.

Change in Accounting Estimates

The PSWC Fund's changes in accounting estimates relate to changes in actuarial assumptions for estimating Gross Outstanding Claims Liabilities and Expected Claims Related Recoveries.

Refer to the Appendix A – Changes in Actuarial Assumptions for the notes comprising changes in accounting estimates.

Income Notes

Note 5. Underwriting Result

Description and Material Accounting Policies relating to the Underwriting Result

The PSWC Fund's obligations under the PSWC Fund Act and under the requirements of the self-insurance licence issued by the Safety Rehabilitation and Compensation Commission in accordance with the SRC Act exhibit some characteristics of an insurance business. However, the PSWC Fund's relationship with Territory agencies is not of the nature of an insurance contract as defined under AASB 1023 *General Insurance Contracts*.

The PSWC Fund applies AASB 1058 *Income for Not-for-Profit Entities* to recognise underwriting revenue from premium contributions apportioned by the PSWC commissioner, and AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* to value claims provisions and associated claims expenses.

The earned premium contributions are shown in Note 6 Contributions Revenue and the claims expenses are shown in Note 9 Net Incurred Claims.

In October 2018, the Territory entered a Third Party-Administrator Agreement with Employers Mutual Limited (EML). The Third Party-Administrator Agreement requires EML to provide public sector workers compensation claims administration services, from 1 March 2019 in line with the Territory's self-insurance licence commencement. Service and Performance renumeration are paid to EML for each year in the period of services. These claim administrator costs are recognised in the Statement of Income and Expenses on Behalf of the Territory as part of underwriting expenses.

All underwriting revenues and expenses relate to operating activities.

Underwriting Result

	Note No.	2023 $'000	2022 $'000
Underwriting Revenue			
Earned premium contributions	6	65,108	58,875
Total Underwriting Revenue		**65,108**	**58,875**
Underwriting Expenses			
Discounted net incurred claims	9	26,132	(695)
Claims administrator remuneration for managing claims		9,118	9,718
Movement in claim reimbursements outstanding		-	28
Movement in PAYG withholding tax payable		3	-
Total Underwriting Expenses		**35,253**	**9,051**
Underwriting revenue		**65,108**	58,875
Less: Underwriting expenses		35,253	9,051
Underwriting Gain		**29,855**	**49,825**

Note 6. Contributions Revenue

Description and Material Accounting Policies relating to the Contributions Revenue

Earned Premium Contributions

Premium contributions are in the scope of AASB 1058 *Income of Not-for-Profit Entities*. Premium contributions comprise amounts charged to Territory agencies, but exclude Goods and Services Tax (GST).

Premium contributions are normally assessed on an annual basis and cover the period from 1 July to 30 June each year. No hindsight adjustments are made to the contribution. They are fully earned in the year that they are raised and no allowance for unearned contributions is required to be made.

Revenue is recognised at the fair value of the consideration received or receivable in the Statement of Income and Expenses on Behalf of the Territory.

Resources Received Free of Charge

Where the PSWC Fund receives an asset or services for significantly less than fair value then the transaction is in the scope of AASB 1058 and revenue is recognised on receipt of the asset/services. The related expense and/or asset is recognised in the line item to which it relates, when the services are received.

Goods and services received free of charge from ACT Government agencies are recognised as resources received free of charge, whereas goods and services received free of charge from entities external to the ACT Government are recognised as grants, donations or contributions.

The functions of the PSWC Fund are performed by officers of the CMTEDD free of charge. CMTEDD provides the PSWC Fund with the fair value of the support services provided. These services are recognised in the Statement of Income and Expenses on Behalf of the Territory as appropriate as resources received free of charge given they are reliably measurable and would have been purchased if not provided to the PSWC Fund free of charge.

Earned Premium Contributions

All premium contributions are written and earned in the current reporting period as all premium contributions cover the period from 1 July 2022 to 30 June 2023.

	2023	2022
	$'000	$'000
Premium contributions (Territory agencies)	65,108	58,875
Total Premium Contributions	**65,108**	**58,875**
Total Earned Premium Contributions	**65,108**	**58,875**

Resources Received Free of Charge

	2023	2022
	$'000	$'000
Support services received free of charge from CMTEDD	350	350
Total Resources Received Free of Charge	**350**	**350**

Note 7. Investment and Interest Revenue

Description and Material Accounting Policies relating to Investment and Interest Revenue

Interest revenue

The PSWC Fund receives interest revenue on Cash at Bank and is recognised using the effective interest method.

Distribution revenue

Distribution revenue is received from investments with the Territory Banking Account. This is recognised when the PSWC Fund's right to receive payment is established.

Investment and Interest Revenue

	2023	2022
	$'000	$'000
Interest on Cash at bank	5,444	1,228
Distribution from investments with the Territory Banking Account	6,688	2,937
Other interest revenue #	-	4,592
Total Investment and Interest Revenue	**12,132**	**8,756**
Split of Investment and Interest Revenue		
Investment revenue	6,688	2,937
Interest revenue	5,444	5,820
Total Investment and Interest Revenue	**12,132**	**8,756**

The transitional arrangements with Comcare concluded in 2021-22 with no further receipts in 2022-23.

Note 8. Other Gains

Description and Material Accounting Policies relating to Other Gains

General – Other Gains

Other Gains are transactions that are not part of the PSWC Fund's core activities and tend to be one off, more unusual transactions.

Other Gains

	2023	2022
	$'000	$'000
Additional amounts received from Comcare#	-	23,555
Total Other Gains	**-**	**23,555**

The transitional arrangements with Comcare concluded in 2021-22 with no further receipts in 2022-23.

Expenses Notes

Note 9. Net Incurred Claims

Description and Material Accounting Policies Relating to Incurred Claims

Gross incurred claims

Gross incurred claims consist of the change in the provision for outstanding claims liabilities and are recognised in the Statement of Income and Expenses on Behalf of the Territory. Both undiscounted and discounted gross incurred claims are presented and are separated into those contributed from claims occurring in the most recent financial insurance year and those contributed from claims occurring in prior financial insurance years, which are impacted by changes in economic factors and the assumptions used to derive the outstanding claims liabilities in the actuarial valuation.

The change in the outstanding claims liabilities is presented in Note 15 Gross Outstanding Claims Liabilities.

Claims related recoveries

The PSWC Fund does not reinsure its liabilities and the Safety, Rehabilitation and Compensation Commission has confirmed that reinsurance is not required for the PSWC Fund to meet financial obligations under the SRC Act.

Claims related recoveries include the change in the expected recoveries from third parties. Both undiscounted and discounted claims related recoveries are presented and are separated into those related to claims occurring in the most recent financial insurance year and those related to claims occurring in prior financial insurance years, which are impacted by changes in economic factors and the assumptions used to derive the expected recoveries in the actuarial valuation.

The change in the expected claims related recoveries is presented in Note 14 Expected Claims Related Recoveries.

Net incurred Claims

The expense relating to incurred claims is presented in Note 5 Underwriting Result on a discounted basis, net of the claims related recoveries.

Net Incurred Claims

2023	**Note No.**	**Current Year $'000**	**Prior Years $'000**	**Total $'000**
Undiscounted gross incurred claims		67,547	(40,208)	27,339
Less: Undiscounted claims related recoveries (incurred)		360	(207)	153
Undiscounted Net Incurred Claims		**67,187**	**(40,001)**	**27,186**
Discounted gross incurred claims	15(b)	53,294	(27,033)	26,261
Less: Discounted claims related recoveries (incurred)	14(b)	313	(184)	130
Discounted Net Incurred Claims	**5**	**52,981**	**(26,849)**	**26,132**

2022	**Note No.**	**Current Year $'000**	**Prior Years $'000**	**Total** $'000
Undiscounted gross incurred claims		73,849	(25,205)	48,644
Less: Undiscounted claims related recoveries (incurred)		359	487	846
Undiscounted net incurred claims		**73,490**	**(25,692)**	**47,798**
Discounted gross incurred claims	15(b)	58,870	(58,810)	61
Less: Discounted claims related recoveries (incurred)	14(b)	320	436	755
Discounted net incurred claims	**5**	**58,551**	**(59,246)**	**(695)**

Note 10. Supplies and Services

Description and Material Accounting Policies Relating to Supplies and Services

General - Supplies and Services

Purchases of Supplies and Services generally represent the day-to-day running costs incurred in normal operations, recognised in the reporting period in which these expenses are incurred.

Audit Fees

Auditor remuneration consists of financial audit services provided to the PSWC Fund by the ACT Audit Office. The PSWC Fund's audit fees for the audit of its 2022-23 financial statements were $65,869 ($63,795 in 2021-22). No other services were provided by the ACT Audit Office.

Claims Handling Expenses

Amounts relating to claim handling and the Third Party-Administrator are included in Note 5 'Underwriting Result'.

Licence Fees

Licence fees are the fees paid each year to Comcare in relation to the self-insurance licence that the Territory holds under the SRC Act.

Supplies and Services

	2023	2022
	$'000	$'000
Actuarial Costs	238	225
Audit Fees	66	60
Licence Fees	568	536
Support services received free of charge from CMTEDD	350	350
Other	202	98
Total Supplies and Services	**1,424**	**1,269**

Note 11. Net Gains/Losses from Remeasurement of Assets

Description and Material Accounting Policies relating to Gains/Losses from Remeasurement of Assets

Gains/Losses on Investments

PSWC Fund investments with the Territory Banking Account are held at fair value through profit and loss (FVTPL). The fair value of these investments is remeasured at the end of each reporting period. Net Gain/Loss from any increase/decrease that fair value is shown in the Statement of Income and Expenses on Behalf of the Territory for that reporting period.

Net Gains/(Losses) on Investments

	2023	2022
	$'000	$'000
Net Gains/(Losses) on Investments Held at Fair Value Through Profit and Loss	14,813	(24,673)
Total Net Gains/(Losses) on Investments	**14,813**	**(24,673)**

Asset Notes

Material Accounting Policies – Assets

Assets – Current and Non-Current

Assets are classified as current where they are expected to be realised within 12 months after the reporting date. Assets, which do not fall within the current classification, are classified as non-current.

Note 12. Cash and Investments

Description and Material Accounting Policies Relating to Cash and Investments

Cash

The PSWC Fund holds a general operating bank account and a claim payments bank account which is used to pay claims costs. Both of these accounts are held with Westpac Banking Corporation as part of the whole-of-government banking arrangements. As part of these arrangements, the PSWC Fund receives a variable interest on credit balances.

A bank account is held by the PSWC Fund's third party claims administrator to enable payments to be made on behalf of the PSWC Fund to injured workers and entities who provide services to these injured workers. This account is replenished weekly as claims costs are paid by the claims administrator. These monies are held by the claims administrator with the ANZ bank and are recorded as cash under the control of the PSWC Fund.

Investments

Investments by the PSWC Fund are made in accordance with the Treasurer's approved PSWC Fund Investment Plan. The Investment Plan for the PSWC Fund outlines the PSWC Fund's investment strategy and objectives in relation to investing its funds with the Territory Banking Account. The long-term investment return objective for the PSWC Fund's financial investments is Consumer Price Index (CPI) plus 1.5 per cent per annum.

The PSWC Fund makes long-term investments with the Territory Banking Account by acquiring units in the Territory Banking Account's financial investments portfolio. The unit value changes in response to the underlying market value of the financial investments held by the Territory Banking Account. All unitised investments are designated at fair value through profit or loss with the carrying amount measured at fair value.

Fair value is the price that would be received to sell the units in an orderly transaction between market participants at the measurement date and reflects the best available prices of the underlying financial investments. Subsequent to initial measurement, investments are re-measured to fair value with changes in their fair value (gains/loss) recognised in the Statement of Income and Expenses on Behalf of the Territory.

All the PSWC Fund investments with the Territory Banking Account are classified as non-current investments as they are not expected to be realised, sold or consumed in the normal operating cycle. However, the invested funds are able to be withdrawn upon request, if required.

Note 12. Cash and Investments – Continued

(a) Cash and Investment Balances

	2023 $'000	2022 $'000
Current Cash and Investments		
Cash at Bank	158,326	147,601
Total Current Cash and Investments	**158,326**	**147,601**
Non-Current Cash and Investments		
Investments with the Territory Banking Account	292,860	265,327
Total Non-Current Cash and Investments	**292,860**	**265,327**
Total Cash and Investments	**451,186**	**412,928**

The total value of investments reflects investment deposit or redemption transactions during the year as well as the movement in the fair value of the underlying financial investment exposures in the market. The PSWC Fund commenced investing with the Territory Banking Account partway through 2021-22. For the financial year ended 30 June 2023, investments generated an investment gain of 7.9 percent (2021-22: 7.8 percent loss) in light of strong market performance.

(b) Reconciliation of Cash at the End of the Reporting Period in the Statement of Cash Flows on Behalf of the Territory to the related Statement of Assets and Liabilities on Behalf of the Territory

	2023 $'000	2022 $'000
Total Cash Disclosed on the Statement of Assets and Liabilities on Behalf of the Territory	158,326	147,601
Cash at the End of the Reporting Period as Recorded in the Statement of Cash Flows on Behalf of the Territory	**158,326**	**147,601**

(c) Reconciliation of the Operating Result to Net Cash Inflows from Operating Activities

	2023 $'000	2022 $'000
Operating Result	**55,645**	**56,366**
Add/(Less) Non-Cash Items		
(Gain)/Loss from remeasurement of investments held at fair value through profit and loss	(14,813)	24,673
Movement in Outstanding Claims Liabilities (net)	(20,001)	(47,722)
Cash Before Changes in Operating Assets and Liabilities	**20,831**	**33,317**
Changes in Operating Assets and Liabilities		
Decrease in Receivables	196	311,057
Increase in Payables	4,531	2,697
Increase/(Decrease) in Other Liabilities	(2,113)	2,961
Net Changes in Operating Assets and Liabilities	**2,614**	**316,715**
Net Cash Inflows from Operating Activities	**23,445**	**350,031**

Note: The movement in Outstanding Claim Liabilities (net) consists of the movement in gross outstanding claim liabilities less the movement in claim-related expected recoveries covered as non-cash items as opposed to changes in operating assets/liabilities to provide improved information to users.

Note 13. Receivables

Description and Material Accounting Policies Relating to Receivables

General Receivables Accounting Policy

The PSWC Fund's receivables usually arise from distributions receivable from the Territory Banking Account. Distributions receivable are generally due within 30 days.

Other receivables may arise from other operating activities including Goods and Services Tax (GST) Receivable from the Australian Taxation Office and are generally due within 30 days.

Receivables

	2023 $'000	2022 $'000
Current Receivables		
Goods and Services Tax Receivable	234	188
Distributions receivable from Territory Banking Account	1,871	1,924
Other receivables	1	188
Total Current Receivables	**2,105**	**2,301**
Total Receivables	**2,105**	**2,301**

Note 14. Claims Related Recoveries

Description and Material Accounting Policies Relating to Expected Claims Related Recoveries

Claims related recoveries include the amounts that may be recoverable from third parties, such as Medicare, Centrelink and other injury schemes, in relation to the provisions shown in Note 15 Gross Outstanding Claims Liabilities. In accordance with *AASB 137,* the value of these amounts is treated as a separate asset and does not exceed the amount of the gross provision.

The value of claims related recoveries is estimated by the independent actuary based on the underlying estimated future gross claims payments and historical recoveries. The recoveries are assumed to be received in the period when the related claims payments are made. That is changes in the outstanding claims liabilities also result in corresponding changes in the claims related recoveries.

Claims related recoveries are split into current and non-current assets based on the actuarial assessment of expected claims payments over the next 12 months.

The overall movement in claims related recoveries reduces the gross incurred claims expense during the reporting period recognised in the Statement of Income and Expenses on Behalf of the Territory and is presented as claims related recoveries in Note 9 Net Incurred Claims.

(a) Claims Related Recoveries Balances

The Claims Related Recoveries are a best estimate of the present value of amounts that may be recoverable from third parties for events occurring before 30 June 2023.

	Note No.	2023 $'000	2022 $'000
Undiscounted estimate of expected recoveries from third parties		1,337	1,328
Total undiscounted claims related recoveries		**1,337**	**1,328**
Less: Discount to present value		119	96
Total discounted claims related recoveries	**14(b)**	**1,218**	**1,233**

Note 14. Claims Related Recoveries – Continued

(a) Claims Related Recoveries Balances – Continued

	Note No.	2023 $'000	2022 $'000
Split between current and non-current assets			
Current		211	200
Non-Current		1,006	1,032
Total discounted claims related recoveries	**14(b)**	**1,218**	**1,233**

(b) Reconciliation of Movement in Claims Related Recoveries

	Note No.	2023 $'000	2022 $'000
Claims related recoveries at the beginning of the year	**14(a)**	**1,233**	**691**
Plus: additional provisions for new claims costs and expenses		364	222
Plus: change due to the passage of time (discount unwind)		35	-
Less: amounts used during the period (actual recoveries)		145	214
Plus: impact of change in actuarial assumptions		*(270)*	533
Claims related recoveries at the end of the year	**14(a)**	**1,218**	**1,233**
Movement in claims related recoveries		(15)	542
Actual amounts recovered during the period		145	214
Discounted claims related recoveries (incurred)	**9**	**130**	**755**

(c) Actuarial Assumptions

As the claims related recoveries are estimated by the actuary based on the underlying estimated gross claims payments, the discounted mean term to settlement, inflation and discount rates, and other actuarial assumptions shown in Note 15 Gross Outstanding Claims Liabilities also apply to the expected claims recoveries.

Liabilities Notes

Material Accounting Policies – Liabilities

Liabilities – Current and Non-Current

Liabilities are classified as current when they are due to be settled within 12 months after the reporting date or the PSWC Fund does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Liabilities that do not fall within the current classification are classified as non-current.

Note 15. Gross Outstanding Claims Liabilities

Description and Material Accounting Policies Relating to Gross Outstanding Claims Liabilities

General Provisions Accounting Policy

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

The expense relating to changes in provisions includes:

- additional provisions made in the period, including increases to existing provisions;
- amounts used (i.e. incurred and charged against the provision) during the period;
- unused amounts reversed during the period; and
- the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate.

Gross Outstanding Claims Liabilities

Gross outstanding claims liabilities are in the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. The provision covers claims reported but not yet paid; incurred but not yet reported (IBNR); incurred but not enough reported (IBNER) and the anticipated direct and indirect costs of settling those claims. Gross outstanding claims liabilities are actuarially assessed by reviewing claim data and estimating changes in the ultimate cost of settling claims, IBNRs and associated settlement costs using statistics based on past experience and trends. The estimation of IBNR and IBNER are subject to a greater degree of uncertainty than the estimation of the cost of settling claims already reported, as the cost of these claims may often not be apparent until many years after the claim occurs.

The PSWC Fund engages an actuary, Finity Consulting Pty Limited (Finity), to independently determine the estimate of outstanding claims liabilities (cost of unpaid claims). Finity uses a variety of estimation techniques, generally based upon analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowances are made for factors that may cause these to change, including:

- changes in the PSWC Fund’s processes that might accelerate or slow down the development and/or recording of paid or incurred claims, compared with previous periods;
- changes in the claims management model, particularly where this has impacted claim reporting patterns, claim acceptance rates, the levels of disputation or continuance rates;
- changes in the legal environment;
- the effects of inflation;
- movements in industry benchmarks;

Note 15. Gross Outstanding Claims Liabilities – Continued

Description and Material Accounting Policies Relating to Gross Outstanding Claims Liabilities – Continued

Outstanding Claims Liabilities - Continued

- medical and technological developments; and
- the impact of the COVID-19 Pandemic on claim numbers and duration.

The PSWC Fund takes all reasonable steps to ensure that it has appropriate information regarding its claim exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original estimate of the liability.

Provisions for outstanding claims liabilities are calculated on a best estimate basis, gross of any recoveries. A separate estimate is made of the amounts that may be recoverable based upon the gross provisions.

Outstanding claims liabilities are split into current and non-current liabilities based on the actuarial assessment of expected claims payments over the next 12 months.

The overall movement in outstanding claims liabilities represents the gross incurred claims expense during the reporting period recognised in the Statement of Income and Expenses on Behalf of the Territory and is presented in Note 9 Net Incurred Claims.

(a) Gross Outstanding Claims Liabilities Balances

The Gross Outstanding Claims Liabilities are a best estimate of the present value of future payments in respect of gross claims costs and related expenses for events occurring before 30 June 2023.

	Note No.	2023 $'000	2022 $'000
Undiscounted estimate of expected future gross claims payments		314,589	335,901
Undiscounted estimate of expected claims handling costs		39,324	36,949
Total Undiscounted Gross Outstanding Claims Liabilities		**353,913**	**372,851**
Less: Discount to present value		97,708	96,630
Total Discounted Gross Outstanding Claims Liabilities	**15(b)**	**256,204**	**276,221**
Split between current and non-current liabilities			
Current		44,498	44,918
Non-Current		211,706	231,303
Total Discounted Gross Outstanding Claims Liabilities	**15(b)**	**256,204**	**276,221**

Note 15. Gross Outstanding Claims Liabilities - Continued

(b) Reconciliation of Movement in Gross Outstanding Claims Liability

	Note No.	2023 $'000	2022 $'000
Gross outstanding claims liabilities at the beginning of the year	**15(a)**	**276,221**	**323,401**
Plus: additional provisions for new claims costs and expenses		**63,715**	**59,101**
Plus: change due to the passage of time (discount unwind)		**7,506**	**(1)**
Less: amounts used during the period (actual payments)		**46,278**	**47,241**
Less: impact of changes in actuarial assumptions:		***44,959***	**59,041**
- Actual vs expected claims payments (including Claims Handling Expenses)		8,439	5,755
- Actual vs expected actives and claims numbers		19,715	28,757
- Change in discount assumptions		2,975	40,288
- Change in inflation assumptions (including Actual vs expected inflation)		5,495	(24,465)
- Change in other actuarial assumptions (including the expense rate)		8,335	8,705
Gross outstanding claims liabilities at end of the year	**15(a)**	**256,204**	**276,221**
Movement in gross outstanding claims liabilities		**(20,016)**	**(47,180)**
Actual gross claims costs amounts paid during the period		46,278	47,241
Discounted gross incurred claims	**9**	**26,261**	**61**

(c) Inflation and Discount Rates

For the succeeding and subsequent years, inflation assumptions are set with reference to economic forecasts (short-term inflation assumptions). The long-term assumption is set using methodology, which assumes a constant gap of adopted future inflation to the long-term discount rates and will increase or decrease as discount rates increase and decrease. Inflation rates in 2022-23 and 2023-24 reflect wage increases as a result of approved enterprise agreements. Long term forecasts reflect actuarial assumptions.

The following average inflation (normal and superimposed) rates and discount rates were used in the measurement of outstanding claims:

	2023 (%)
For the succeeding year (2022-23)	
Inflation rate	4.16%
Discount rate	4.39%
For the subsequent year (2023-24)	
Inflation rate	3.41%
Discount rate	4.04%
For long term assumptions	
Inflation rate	3.75%
Discount rate	4.50%

Note 15. Gross Outstanding Claims Liabilities – Continued

(d) Discounted Mean Term to Settlement

The discounted mean term to settle outstanding claims from the balance date is estimated to be 6.52 years in 2022-23 (6.72 years in 2021-21). The discounted mean term to settlement has been calculated using the projected cash flows from the valuation.

(e) Actuarial Assumptions

The actuarial process for estimating the net outstanding claims liabilities is:

- estimates of claims the PSWC Fund is liable for but not yet reported at the balance date (IBNR claims) are made by analysing past reporting patterns and applying assumed development patterns to numbers of claims already reported to the PSWC Fund;
- past numbers of claims in receipt of payment sizes, payment types and claim duration are analysed and used to form a basis for projection of future payments;
- allowances are made for all future claims' escalation, whether from external inflation or superimposed inflation;
- allowances are made for amounts that may be recoverable from third parties; and
- projected payments are discounted to present values to reflect the time value of money.

Key assumptions used are shown in Appendix A – Changes in Actuarial Assumptions.

The following describe the assumptions used and how they are determined, and analyse sensitivity to their variability.

Assumptions Used

Discounted mean term

The projected cashflows are estimated based on historic settlement patterns. The discounted mean term to settlement is a weighted average term, the weights being the present values of the cash flows.

All else being equal, a decrease in the discounted mean term to settlement would indicate an expectation that more claims will be paid sooner than in previous estimates.

Claim numbers

The ultimate number of claims is the estimated total number of claims expected to emerge from each insurance year. The ultimate number of claims is estimated by analysing historical claim reporting rates and applying them to the observed claims reported to date to project the timing and number of future claims reported. All else being equal, an increase in the ultimate number of claims will increase the liability.

The projected numbers of claims in receipt of payments are similarly estimated by analysing historical numbers of such claims and the proportions of those claims which continue to receive payments over time. All else being equal, an increase in the projected number of claims receiving payments will increase the liability.

Average claim size

The average payments made per claim is based on past claims experience.

Expense rate

Claims handling expenses are calculated based on the PSWC Fund's expected payments to its claims administrator. An estimate for these claims handling expenses is included in the outstanding claims liability. An increase or decrease in the expense rate assumption would have a corresponding impact on claims expense.

Note 15. Gross Outstanding Claims Liabilities – Continued

(e) Actuarial Assumptions – Continued

Assumptions Used – Continued

Discount rate

The outstanding claims liability is discounted to adjust for the time value of money. Discount rates are derived from market yields on Commonwealth Government Bonds at the balance date.

All else being equal, an increase (or decrease) in the discount rate would have a corresponding change on claims expenses.

Inflation

Economic inflation assumptions are set by reference to current economic indicators. An increase or decrease in the assumed levels of economic inflation would have a corresponding increase or decrease on claims expense.

Superimposed inflation

Superimposed inflation is the tendency for certain payments to increase over time at a faster rate than a suitable standard measure of inflation. For example, medical cost superimposed inflation trends may be driven by factors such as changes in medical technology and treatments.

Sensitivity Analysis

The PSWC Fund's actuaries conducted a sensitivity analysis to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above.

Movement in any key variable will impact the gross outstanding claims liabilities, the expected claims related recoveries, the net incurred claims, and accordingly the financial performance and equity position of the PSWC Fund.

2023	**Note No.**	**Provision $'000**	**Difference $'000**	**%**
Gross Outstanding Claims Liabilities	15(a)	256,204		
Less: Expected Claims Related Recoveries	14(a)	1,218		
Net Outstanding Claims Liabilities		**254,987**		
Assumptions				
Discount rates increased by 1% #		240,094	(14,893)	(6%)
Discount rates decreased by 1% #		272,141	17,154	7%
Wage inflation rates increase by 1%		267,395	12,408	5%
Wage inflation rates decrease by 1%		243,849	(11,138)	(4%)
Medical inflation rates increase by 1%		260,266	5,279	2%
Increase in continuance rates *		277,755	22,768	9%
Decrease in continuance rates *		233,613	(21,374)	(8%)

A floor of 0% has been applied to forward discount rates.

* *For early to mid-durations where the selected continuance rates reflect the recent experience, a 1% change to the continuance rates was applied. For later durations where the selected continuance rates were slower to react to the recent experience, a 0.25% change to the continuance rates was applied.*

Note 15. Gross Outstanding Claims Liabilities – Continued

(e) Actuarial Assumptions – Continued

Sensitivity Analysis – Continued

2022	Note No.	Provision $'000	Difference $'000	%
Gross Outstanding Claims Liabilities	15(a)	276,221		
Less: Expected Claims Related Recoveries	14(a)	1,233		
Net Outstanding Claims Liabilities		**274,988**		
Assumptions				
Discount rates increased by 1% #		258,374	(16,614)	(6%)
Discount rates decreased by 1% #		294,147	19,159	7%
Wage inflation rates increase by 1%		292,006	17,018	6%
Wage inflation rates decrease by 1%		259,848	(15,140)	(6%)
Medical inflation rates increase by 1%		280,652	5,664	2%
Increase in continuance rates *		301,667	26,679	10%
Decrease in continuance rates *		252,626	(22,362)	(8%)

A floor of 0% has been applied to forward discount rates.

* *For early to mid-durations where the selected continuance rates reflect the recent experience, a 1% change to the continuance rates was applied. For later durations where the selected continuance rates were slower to react to the recent experience, a 0.25% change to the continuance rates was applied.*

<u>Economic Assumptions</u>

The net outstanding claims liability is sensitive to movements in the discount rate, with a 1% increase in the discount rate resulting in a decrease of $15 million (2022: $16 million) in the liability whereas a decrease in the discount rate of 1%, with a floor of 0% applied, would result in an increase of $17 million (2022: $19 million) in the liability.

The net outstanding claims liability is sensitive to movements in wage inflation, with a 1% increase in the wage inflation rate resulting in an increase of $12 million (2022: $17 million) in the liability whereas a decrease in the wage inflation rate of 1% would result in a decrease of $11 million (2022: $15 million) in the liability.

The net outstanding claims liability is sensitive to movements in the medical inflation rate, with a 1% increase in the medical inflation rate resulting in an increase of $5 million (2022: $6 million) in the liability.

<u>Continuance Rates Assumption</u>

The continuance rates assumption represents the rate at which claims persist in receiving incapacity and medical benefits over time. An increase in the continuance rates would result in an increase of $22 million (2022: $27 million) in the net outstanding claims liability, whereas a decrease in the continuance rates would result in a decrease of $21 million (2022: $22 million) in the liability. For early to mid-durations where the selected continuance rates reflect the recent experience, a 1% change to the continuance rates was applied. For later durations where the selected continuance rates would be slower to react to the recent experience, a 0.25% change to the continuance rates was applied.

Note 16. Payables and Other Liabilities

Description and Material Accounting Policies Relating to Payables and Other Liabilities

Accrued Expenses

The PSWC Fund accrues expenses in relation to the Third Party-Administrator annual service and performance fees including the tail claim fee, actuarial fees, and in relation to supplies and services expenses including audit fees, actuarial fees and licence fees.

Note 16. Payables and Other Liabilities – Continued

Description and Material Accounting Policies Relating to Payables and Other Liabilities – Continued

Payables

Payables are initially recognised at fair value based on the transaction cost, with any adjustments to the carrying amount being recorded in the Statement of Income and Expenses on Behalf of the Territory. All amounts are normally settled within 30 days after the invoice date.

Other Liabilities

Claims costs occurring after 1 March 2019 yet to be settled

Where an injured worker remains employed by a Territory agency, that agency makes income replacement payments to the injured worker utilising advice from the claims administrator in determining the appropriate amount. The PSWC Fund then makes payments direct to the Territory agency to reimburse them for the payment they made to the injured worker. The actuarial valuation assumes that all these payments are made, and they are not included in outstanding claims liability. Accordingly, amounts yet to be reimbursed are included in the accounts as other current liabilities.

Where the injured worker is no longer employed by the Territory entity, the claims manager makes the income replacement payment direct to the injured worker. The PSWC Fund reimburses the claims manager for these payments in the same period that they are made and no other liability is necessary.

The PSWC Fund pays PAYG withholding tax directly to the Australian Taxation Office on a fortnightly basis in relation to any income replacement paid to injured workers no longer employed by the Territory. A liability is recognised for any amounts payable at the end of the reporting period.

Other

At the establishment of the PSWC Fund, there were claims costs paid by Territory agencies yet to reimbursed by Comcare relating to claims events occurring prior to 1 March 2019. The PSWC Fund has recognised these amounts as a receivable and recognised an offsetting liability. The PSWC Fund received the amount receivable from Comcare on 30 November 2021 and passed on the monies to the relevant Territory directorates and agencies in 2022 23.

Payables

	2023 $'000	2022 $'000
Current Payables		
Accrued expenses [a]	10,100	5,449
Other payables	125	244
Total Current Payables	**10,225**	**5,693**
Total Payables	**10,225**	**5,693**

[a] *Accrued expenses include amounts accrued in relation to estimated performance-linked fees for the Third Party-Administrator (EML) yet to be calculated based on actual performance for year 4 of the agreement.*

Note 16. Payables and Other Liabilities – Continued

Other Liabilities

	2023 $'000	2022 $'000
Current Other Liabilities		
Claims costs occurring after 1 March 2019 yet to be settled [a, b]	2,092	3,990
Other [c]	-	216
Total Current Other Liabilities	**2,092**	**4,206**
Total Other Liabilities	**2,092**	**4,206**

[a] Claims costs occurring after 1 March 2019 yet to be settled were presented as 'Post 1 March 2019 claims costs yet to be reimbursed to Territory agencies' in the last reporting period.

[b] Claims costs occurring after 1 March 2019 yet to be settled include liabilities held in relation to income replacement reimbursements payable to Territory agencies and to PAYG withholding tax payable to the Australian Taxation Office.

[c] At the establishment of the PSWC Fund, there were claims costs paid by Territory agencies yet to reimbursed by Comcare relating to claims events occurring prior to 1 March 2019. The PSWC Fund recognised these amounts as a receivable and recognised an offsetting liability. The PSWC Fund received the amount receivable from Comcare in the prior reporting period and passed on the monies to the relevant Territory directorates in the current reporting period.

Other Notes

Note 17. Financial Instruments

Material Accounting Policies Relating to Financial Instruments

Details of the material 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 and financial liability are disclosed in the note to which they relate. In addition to these policies, the following are also accounting policies relating to financial assets and liabilities.

Financial assets are subsequently measured at 'amortised cost', 'fair value through other comprehensive income' or 'fair value through profit or loss (FVTPL)' on the basis of both:

(a) the business model for managing the financial assets; and

(b) the contractual cash flow characteristics of the financial assets.

The following are classifications of the PSWC Fund's financial assets under AASB 9 *Financial Instruments*:

Items	Business Model Held to collect principal and interest/sell	Solely for payment of Principal and Interest SPPI Test (basic lending characteristics)	Classification
Cash	Held to collect	Yes	Amortised cost
Receivables	Held to collect	Yes	Amortised cost
Investments with the Territory Banking Account	Held to collect/&sell	No	Fair value through profit and loss

Financial liabilities are measured at amortised cost.

Note 17. Financial Instruments – Continued

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The PSWC Fund is exposed to interest rate risk as a result of Cash at Bank. Mainly the PSWC Fund receives a variable interest on credit balances on cash held with Westpac Banking Corporation as part of the whole-of-government banking arrangements. The level of cash held at bank is impacted by considerations for the management of liquidity, credit and price risks described below.

There have been no changes in the processes for managing interest rate risk since the last financial reporting period.

Sensitivity Analysis

The following table summarises the sensitivity of the PSWC Fund's operating result and equity to interest risk.

		Profit/(Loss) Impact $’000	Equity Impact $’000	Profit/(Loss) Impact $’000	Equity Impact $’000
Cash Assets					
Cash at Bank	(+/- 1%)	1,583	1,583	(1,583)	(1,583)
Total Increase / (Decrease)		**1,583**	**1,583**	**(1,583)**	**(1,583)**

The expected volatility factor represents the estimated variance in Reserve Bank of Australia (RBA) cash rate.

The reasonably possible movements in the RBA cash rate are continually assessed and have been determined based on best estimates, having regard to a number of factors including RBA monetary policy and market expectations.

Actual movements in the RBA cash rate may be greater or less than anticipated due to a number of factors, including unusually large movements resulting from changes in economic and sociopolitical conditions.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The PSWC Fund’s credit risk is limited to the amount of the financial assets held less any provision for impairment. The PSWC Fund expects to collect all financial assets that are not past due or impaired.

Direct credit exposure for the PSWC Fund is mainly attributed to investments held with the Territory Banking Account and distributions receivable from the Territory Banking Account. The receivable at 30 June 2023 was mainly associated with distribution from investments with the Territory Banking Account (investment revenue) in relation to quarter ended 30 June 2023 and was received in July 2023. The PSWC Fund's credit risk exposure is assessed as very low and not significant. The PSWC Fund’s exposure to credit risk and management of the risk has not changed since the last reporting year.

Liquidity Risk

Liquidity risk is the risk that the PSWC Fund will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. To limit its exposure to liquidity risk, the PSWC Fund ensures that at any particular point in time it has a sufficient amount of current financial assets to meet its current financial liabilities. The PSWC Fund manages this risk by maintaining a sufficient cash balance which will allow payment of all current liabilities when they fall due. The investments made through the Territory Banking Account are intended to be held for a period longer than 12 months. However, the investments are redeemable and are able to be withdrawn upon request (convertible to cash), if required.

Note 17. Financial Instruments – Continued

Liquidity Risk – Continued

It is expected that the premium contributions from Territory agencies, which are determined every year by an independent actuary, together with the anticipated investment income will be sufficient to meet the expected PSWC Fund's liabilities when they become payable.

At the reporting date, the PSWC Fund has enough liquidity to meet its emerging financial liabilities.

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The PSWC Fund is exposed to price risk as a result of its investment unit holdings in the Territory Banking Account. The investment unit price fluctuates as a result of changes in value in the underlying investment portfolio exposures.

The Territory Banking Account manages the price risk arising from these investments by diversifying the portfolio in accordance with the PSWC Fund's investment plan. Exposures to asset class sectors comprising cash, money market securities, fixed income bonds (domestic and international), equities (domestic and international), property and infrastructure are maintained in line with the strategic asset allocation that has been structured to achieve the PSWC Fund's long term investment objective within acceptable risk tolerances. Under the investment structure, investments are diversified by geography, sector and financial instrument type to manage the risks associated with changing financial and economic conditions. More detail can be found in the financial statements of the Territory Banking Account.

The PSWC Fund's exposure to price risk and management of the risk has not changed since the last reporting year.

Sensitivity Analysis

The following table summarises the sensitivity of the PSWC Fund's operating result and equity to price risk.

		Profit/(Loss) Impact $'000	Equity Impact $'000	Profit/(Loss) Impact $'000	Equity Impact $'000
Investment Assets					
Investments with the Territory Banking Account	(+/- 5.5%)	16,107	16,107	(16,107)	(16,107)
Total Increase / (Decrease)		**16,107**	**16,107**	**(16,107)**	**(16,107)**

The expected volatility factor represents the estimated variance in return for the PSWC Fund's investment strategy.

The volatility of returns reflects the inherent risk in the investments. The reasonably possible movements in risk variables are continually assessed and have been determined based on best estimates, having regard to a number of factors including historical correlation of the investment strategy with relevant benchmarks and market volatility.

Actual movements in the price risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the underlying investments are invested.

Maturity Analysis

The PSWC Fund does not have any financial assets or liabilities which mature outside the following financial year. The investments with the Territory Banking Account do not have a defined term, they are intended to continue over the longer-term.

Note 17. Financial Instruments – Continued

Fair Value of Financial Assets and Liabilities

The carrying amounts for all financial assets reflect their fair value. The carrying amounts of each category of financial assets at balance date are:

	Note No.	2023 $'000	2022 $'000
Financial Assets Measured at Amortised Cost			
Cash	12	158,326	147,601
Receivables	13	2,105	2,301
Financial Assets Measured at Amortised Cost		**160,431**	**149,902**
Financial Assets Measured at fair value through profit and loss - Designated upon Initial Recognition			
Investments with the Territory Banking Account	12	292,860	265,327
Total Financial Assets Measured at fair value through profit and loss - Designated upon Initial Recognition		**292,860**	**265,327**
Total Financial Assets		**453,291**	**415,229**
Gains/(Losses) on Each Category of Financial Asset			
Financial Assets Measured at fair value through profit and loss - Designated upon Initial Recognition	11	14,813	(24,673)

The carrying amounts for all financial liabilities reflect their fair value. The carrying amounts of each category of financial liabilities at balance date are:

	Note No.	2023 $'000	2022 $'000
Financial Liabilities Measured at Amortised Cost			
Payables	16	10,225	5,693
Other Liabilities	16	2,092	4,206
Total Financial Liabilities Measured at Amortised Cost		**12,317**	**9,899**
Total Financial Liabilities		**12,317**	**9,899**

Fair Value Hierarchy

This classification of assets and liabilities in the Fair Value Hierarchy is based on the degree to which the fair value is observable considering the lowest level input that is significant to the fair value measurement as a whole. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

The PSWC Fund has investment assets with the Territory Banking Account whose carrying amount is measured at fair value through profit and loss. The fair value of the PSWC Fund's investments is measured at redemption price on a monthly basis reflecting the best available prices and valuation of the underlying investments and are classified as Level 2 Investments in the Fair Value Hierarchy.

All other financial assets and liabilities are measured, subsequent to initial recognition, at amortised cost.

Note 18. Related Party Disclosures

Description and Material Accounting Policies Relating to Related Party Disclosures

A related party is a person that controls or has significant influence over the reporting entity, or is a member of the Key Management Personnel (KMP) of the reporting entity or its parent entity, and includes their close family members and entities in which the KMP and/or their close family members individually or jointly have controlling interests.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the PSWC Fund, directly or indirectly.

The PSWC Fund KMP are its Portfolio Minister and certain employees of the Chief Minister, Treasury and Economic Development Directorate (CMTEDD):

- CMTEDD's Director-General (who is also the Head of Service) as the PSWC Fund Directorate Director-General;
- Deputy Director-General, Office of Industrial Relations and Workforce Strategy as delegated by CMTEDD's Director-General; and
- Executive Group Manager, Work Safety Group as the Public Sector Workers Compensation Commissioner.

The Head of Service and the ACT Executive comprising the Cabinet Ministers are KMP of the ACT Government and therefore related parties of the PSWC Fund.

This note does not include typical citizen transactions between the KMP and the PSWC Fund that occur on terms and conditions no different to those applying to the general public.

(a) Controlling Entity

The PSWC Fund is an ACT Government controlled entity.

(b) Key Management Personnel

Compensation of Key Management Personnel

Compensation of all Cabinet Ministers, including the Portfolio Minister, is disclosed in the note on related party disclosures included in the ACT Executive's financial statements for the year ended 30 June 2023.

Compensation of the Head of Service is included in the note on related party disclosures included in CMTEDD's financial statements for the year ended 30 June 2023.

Compensation provided to other PSWC Fund KMP, as per the criteria mentioned above, is set out below:

(c) Transactions with Other ACT Government Controlled Entities

The PSWC Fund has entered into transactions with other ACT Government entities in 2022-23 consistent with day-to-day business operations provided under varying terms and conditions. The notes to the Financial Statements provide the details of all transactions with other ACT Government Entities. Below is a summary of the Material transactions with Other ACT Government Entities.

Revenue

- Earned Premium Contributions (Note 6) – The PSWC Fund's main ongoing source of funding is in the form of premium contributions apportioned by the PSWC commissioner amongst and received from Territory agencies; and
- Distribution Revenue from Territory Banking Account (Note 7) – The PSWC Fund received $6.7 million in 2022-23 for investment distribution from the Territory Banking Account.

Expenses

- Net incurred claims (Note 9) – The PSWC Fund paid $19.1 million in 2022-23 to Territory agencies in workers' compensation claim costs, namely reimbursements for incapacity income replacement benefits paid to injured workers still employed with the Territory agencies.

Note 18. Related Party Disclosures – Continued

(c) Transactions with Other ACT Government Controlled Entities – Continued

Assets

- Cash and Investments (Note 12) – The PSWC Fund holds $292.9 million in investment unit holdings with the Territory Banking Account at 30 June 2023.

Liabilities

- Other Liabilities (Note 16) – The PSWC Fund holds $2.1 million in claims costs yet to be reimbursed to Territory agencies at 30 June 2023.

Note 19. Budgetary Reporting

Significant Accounting Judgements and Estimates – Budgetary Reporting – Territorial

Significant judgements have been applied in determining what variances are considered 'major variances. Variances are considered major if both of the following criteria are met:

- the line item is a significant line item: where either the line-item actual amount accounts for more than 10% of the relevant associated actual category amount (Income, Expenses, Assets, liabilities and Equity totals) or more than 10% of the sub-element (e.g. Current Liabilities and Receipts from Operating Activities totals) of the financial statements; and
- the variances (original budget to actual) are greater than plus (+) or minus (-) 10% and $15 million for the financial statement line item.

Original Budget refers to the amounts presented to the Legislative Assembly in the original budgeted financial statements in respect of the reporting period Budget Statements.

Statement of Income and Expenses on Behalf of the Territory Line Items

	Variance Explanation	Actual 2023	Original Budget 2023	Variance	Variance
		$'000	$'000	$'000	%
Underwriting Expenses	1	35,253	56,683	(21,430)	(61%)
Net incurred claims	2	26,132	56,683	(30,551)	(117%)
Claims administrator remuneration for managing claims	3	9,118	-	9,118	100%
Supplies and Services	3	1,424	8,425	(7,001)	(492%)
Investment and Interest Revenue	4	12,132	9,220	2,912	24%
Net Gains on Investments	5	14,813	3,516	11,297	76%

Variance Explanations

1. Actual Underwriting Expenses mainly comprise of net incurred claims costs plus claims administration costs. In the Original Budget, claims administration costs are included in Supplies and Services.

   Refer to variance explanations 2 and 3.
2. The Original Budget assumes net incurred claims equal to actuarial estimates of the expected net lifetime costs of new claims. That is assuming no deterioration or improvement in the expectations for prior years claims. In 2022-23, the favourable net incurred claims are mainly attributed to actual claims experience being better than expected for prior years and changes in actuarial estimates of outstanding claims liabilities at 30 June 2023.

Note: # in the Line-Item Variance % column represents a variance that is greater than 999 per cent or less than -999 per cent

Note 19. Budgetary Reporting – Continued

Significant Accounting Judgements and Estimates – Budgetary Reporting – Territorial – Continued

Statement of Income and Expenses on Behalf of the Territory Line Items – Continued

Variance Explanations – Continued

3. Claims administration costs of $6.870 million are included in Supplies and Services in the Original Budget. The variance in actual is mainly due to additional service fees paid in year 4 and the incentive fees relating to year 4 of the Third Party-Administrator agreement. The incentive fees are dependent on achieved improvements for prior years claims. As the Original Budget assumes no deterioration or improvement in the expectations for prior years claims, the Original Budget includes a nil allowance for these incentive fees.
4. Interest earned on Cash at Bank and distributions relating to the investments with the Territory Banking Account were higher than anticipated in the Original Budget mainly due to the rise in interest rates and market conditions.
5. Gains on investments with the Territory Banking Account were higher than anticipated in the Original Budget mainly due to favourable market conditions.

Statement of Assets and Liabilities on Behalf of the Territory Line Items

	Variance Explanation	Actual 2023	Original Budget 2023	Variance	Variance
		$'000	$'000	$'000	%
Cash	6	158,326	116,312	42,014	27%
Investments	6	292,860	317,742	(24,882)	(8%)
Current	7	-	317,742	(317,742)	(100%)
Non-Current	7	292,860	-	292,860	100%
Gross Outstanding Claims	8	256,204	319,323	(63,119)	(25%)
Current	8	44,498	41,615	2,883	6%
Non-Current	8	211,706	277,708	(66,002)	(31%)
Payables	9	10,225	3,012	7,213	74%
Other Liabilities	10	2,092	-	2,092	100%

Variance Explanations

6. The higher actual Cash compared to the Original Budget is mainly attributed to lower than planned investments during the year and lower than expected claims payments.
7. Investments during the year were lower than planned due to market conditions. For budgetary purposes investments with the Territory Banking Account were classified as current investments. Following further consideration of applicable accounting standards, investments with the Territory Banking Account are classified as non-current investments upon initial recognition.
8. For budgetary purposes, gross outstanding claims liabilities are assumed to remain the same with provisions for new claims being offset by provisions used during the year plus any changes in actuarial assumptions. Better than expected claims experience and changes in actuarial assumptions resulted in an overall reduction in gross outstanding claims liabilities over the year not allowed for in the Original Budget.
9. Payables mainly comprise of accrued expenses. For budgetary purposes expenses are largely assumed to be paid in the year. The variance is mainly related to the Third Party-Administrator agreement including an allowance for the incentive fee for year 4 not included in the Original Budget. Also a number of Third Party-Administrator invoices were issued late in June 2023 following the finalisation of the agreement extension for years 5 and 6.
10. Other liabilities mainly relate to reimbursements not yet paid to directorates usually paid one month in arrears. For budgetary purposes it is assumed that all reimbursements are paid in the same year.

Statement of Changes in Equity on Behalf of the Territory - these line items are covered in other financial statements

Statement of Cash Flows on Behalf of the Territory Line Items

	Variance Explanation	Actual 2023	Original Budget 2023	Variance	Variance
		$'000	$'000	$'000	%
Interest received	11	5,402	924	4,478	83%

Note: # in the Line-Item Variance % column represents a variance that is greater than 999 per cent or less than -999 per cent

Note 19. Budgetary Reporting – Continued

Significant Accounting Judgements and Estimates – Budgetary Reporting – Territorial – Continued

Statement of Cash Flows on Behalf of the Territory Line Items – Continued

	Variance Explanation	Actual 2023	Original Budget 2023	Variance	Variance
		$'000	$'000	$'000	%
Investment receipts	12	6,742	8,296	(1,554)	(23%)
Workers' compensation claims payments	13	48,202	56,683	(8,481)	(18%)
Claim management fees	14	4,519	-	4,519	100%
Other payments	14	259	6,870	(6,611)	#
Purchase of investments	15	12,720	35,000	(22,280)	(175%)

Variance Explanations

11. Interest received was higher than anticipated in the Original Budget due to the rise in interest rates and the higher than planned holding in Cash at Bank.
12. Investment receipts were lower than anticipated in the Original Budget mainly due to lower than planned investments.
13. Claims payments were lower than anticipated in the Original Budget mainly due to better than expected claims experience.
14. For budgetary purposes claims management fees were included in other payments. A number of Third Party-Administrator invoices were issued late in June 2023 following the finalisation of the agreement extension for years 5 and 6.
15. Investment purchases during the year were lower than planned due to market conditions.

Note: # in the Line-Item Variance % column represents a variance that is greater than 999 per cent or less than -999 per cent

Appendices

Appendix A – Changes in Actuarial Assumptions

The estimates of outstanding claims liabilities and expected claims related recoveries are based on actuarial assumptions and methods that consider past claims experience, risk exposure and projections of economic variables. The estimate of the net outstanding claims liabilities can change over time.

The following assumptions have been made in estimating the net outstanding claims liabilities.

	2023	2022
Discounted Mean Term (for Outstanding Claims)	6.52 years	6.72 years
Ultimate Claim Numbers [a]	599 ultimate reported	604 ultimate reported
Average Claim Size [b]	$80,273	$81,226
Expense Rate	12.50%	11.00%
Discount Rate [c]	4.21%	3.82%
Inflation and Superimposed Inflation [c]	4.07%	4.37%

[a] *Ultimate claims reported are the assumed number of claims incurred in the insurance year.*

[b] *Changes in Claim continuance rates are allowed for in the average claim size and discounted mean term assumptions.*

[c] *Inflation and discount rates are based on the payment pattern and the inflation/discount rate at the corresponding period of time.*

Overall, the changes in actuarial assumptions resulted in a decrease in the net outstanding claims liabilities and the net incurred claims expense in the current reporting period. Also refer to Note 9 Net Incurred Claims, Note 14 Expected Claims Related Recoveries and Note 15 Gross Outstanding Claims Liabilities.

Public Sector Workers Compensation Fund

Statement of Performance for the year ended 30 June 2023

ACT Audit Office

AUDITOR-GENERAL AN OFFICER OF THE ACT LEGISLATIVE ASSEMBLY

INDEPENDENT LIMITED ASSURANCE REPORT

To the Members of the ACT Legislative Assembly

Conclusion

I have undertaken a limited assurance engagement on the statement of performance of the Public Sector Workers Compensation Fund (Fund) for the year ended 30 June 2023.

Based on the procedures performed and evidence obtained, nothing has come to my attention to indicate the results of the accountability indicators reported in the statement of performance for the year ended 30 June 2023 are not in agreement with the Fund's records or do not fairly reflect, in all material respects, the performance of the Fund, in accordance with the *Financial Management Act 1996*.

Basis for conclusion

I have conducted the engagement in accordance with the Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. My responsibilities under the standard and legislation are described in the 'Auditor-General's responsibilities' section of this report.

I have complied with the independence and other relevant ethical requirements relating to assurance engagements, and the ACT Audit Office applies Australian Auditing Standard ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements.*

I believe that sufficient and appropriate evidence was obtained to provide a basis for my conclusion.

Fund's responsibilities for the statement of performance

The Director-General of Chief Minister, Treasury and Economic Development Directorate as the Director-General responsible for Public Sector Workers Compensation Fund is responsible for:

- preparing and fairly presenting the statement of performance in accordance with the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2019*; and
- determining the internal controls necessary for the preparation and fair presentation of the statement of performance so that the results of accountability indicators and accompanying information are free from material misstatements, whether due to error or fraud.

Auditor-General's responsibilities

Under the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2019*, the Auditor-General is responsible for issuing a limited assurance report on the statement of performance of the Fund.

My objective is to provide limited assurance on whether anything has come to my attention that indicates the results of the accountability indicators reported in the statement of performance are not in agreement with the Fund's records or do not fairly reflect, in all material respects, the performance of the Fund, in accordance with the *Financial Management Act 1996*.

In a limited assurance engagement, I perform procedures such as making inquiries with representatives of the Fund, performing analytical review procedures and examining selected evidence supporting the results of accountability indicators. The procedures used depend on my judgement, including the assessment of the risks of material misstatement of the results reported for the accountability indicators.

Limitations on the scope

The procedures performed in a limited assurance engagement are less in extent than those required in a reasonable assurance engagement and consequently the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, I do not express a reasonable assurance opinion on the statement of performance.

This limited assurance engagement does not provide assurance on the:

- relevance or appropriateness of the accountability indicators reported in the statement of performance or the related performance targets;
- accuracy of explanations provided for variations between actual and targeted performance due to the often subjective nature of such explanations; or
- adequacy of controls implemented by the Fund.

Ajay Sharma
Assistant Auditor-General, Financial Audit
28 September 2023

Public Sector Workers Compensation Fund
Statement of Performance
For the Year Ended 30 June 2023

Statement of Responsibility

In our opinion, the Statement of Performance is in agreement with the Public Sector Workers Compensation Fund's records and fairly reflects the service performance of the PSWC Fund during the period 1 July 2022 to 30 June 2023 and fairly reflects the judgements exercised in preparing it.

Kathy Leigh
Director-General
Chief Minister, Treasury and Economic Development Directorate

21 September 2023

Michael Young
Commissioner
Public Sector Workers Compensation Fund

20 September 2023

Public Sector Workers Compensation Fund
Statement of Performance
For the Year Ended 30 June 2023

The Public Sector Workers Compensation Fund (PSWC Fund) was established under the *Public Sector Workers Compensation Fund Act 2018* (PSWC Fund Act) to enhance public sector injury prevention and workers' compensation arrangements. It commenced on 1 March 2019.

The functions of the PSWC Fund are supported by the Chief Minister, Treasury and Economic Development Directorate (CMTEDD) Work Safety Group.

	Original Target 2022-23	Actual Result 2022-23	Variance from Original Target (%)	Explanation of Material Variances (+/- 5%)
TOTAL COST ($'000)	65,108	65,108	0	N/A
Accountability Indicator				
a. Reduce the ACT public sector incidence rate of serious workplace injury	8.72	8.98	3	The injury rate reduced year on year (down from 9.37 in 2021-22) but fell short of achieving the target by eight serious workplace injuries. An elevated rate of psychological injury, associated with exposure to occupational violence, is a key driver of the results.
b. Achieve a conformance rating of 85 percent or higher in the annual audit of the ACT workers compensation self- insurance rehabilitation management system	85%	100%	18	The target was exceeded in 2022-23 utilising outcomes of an independent audit conducted in year four of the self-insurance licence recording 100 percent compliance with the relevant rehabilitation standards and associated audit criteria.
c. Maintain a PSWC Fund asset to liability ratio greater than or equal to 100 percent	≥100%	≥100%	-	N/A
d. Achieve a conformance rating of 85 percent or higher in the annual audit of the ACT workers compensation self- insurance claims management system	85%	100%	18	The target was exceeded in 2022-23 utilising outcomes of an independent audit conducted in year 4 of the self-insurance licence recording 100 percent compliance with the relevant claim management standards and associated audit criteria.

The above Accountability Indicators were examined by the ACT Audit Office in accordance with the *Financial Management Act 1996*.

The Total Cost measure was not examined by the ACT Audit Office in accordance with the *Financial Management (Statement of Performance Scrutiny) Guidelines 2019*.

The above Statement of Performance should be read in conjunction with the following accompanying notes.

Public Sector Workers Compensation Fund
Statement of Performance
For the Year Ended 30 June 2023

Notes to Accountability Indicators

a. This accountability indicator covers public sector injury prevention activities and aligns with targets from the Safe Work Australia National WHS Strategy 2012-22. This accountability indicator measures the number of ACT public servant workers' compensation claims resulting in absence from the workplace of one week or more, expressed as a rate per 1,000 full time employees. A lower rate is a positive result.

b. It is a condition of the ACT Government's self-insurance licence under the *Safety Rehabilitation and Compensation Act 1988* (SRC Act) that the Territory maintains a rehabilitation management system that complies with the Commonwealth guidelines and that conformance be audited annually.

c. This accountability indicator aligns with requirements under the *Public Sector Workers Compensation Fund (Investment and Funding Ratio) Management Guidelines 2019 (No 2)*. An asset to liability ratio greater than 100 per cent indicates that the PSWC Fund has sufficient assets to be able to cover the expected lifetime costs of public sector workers' compensation claims and other liabilities it owes. As of 30 June 2022, the ratio of PSWC Fund total assets to total liabilities was 146 per cent.

d. It is a condition of the ACT Government's self-insurance licence under the SRC Act that the Territory maintains a claims management system that complies with the Commonwealth guidelines and that conformance be audited annually.

Annual Report 2022–23

Chief Minister, Treasury and Economic Development Directorate