

# Lifetime Support Authority of South Australia

Financial report  
for the year ended  
30 June 2020



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## To the Chair of the Board Lifetime Support Authority of South Australia

### Opinion

I have audited the financial report of Lifetime Support Authority of South Australia for the financial year ended 30 June 2020.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Lifetime Support Authority of South Australia as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chair, the Acting Chief Executive, and the Acting Director Corporate.

### **Emphasis of Matter – Significant inherent uncertainty – provision for participant treatment, care and support**

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

## **Basis for opinion**

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

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

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

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

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

## **Auditor's responsibilities for the audit of the financial report**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 21(2) of the *Motor Vehicle Accident (Lifetime Support Scheme) Act 2013*, I have audited the financial report of Lifetime Support Authority of South Australia for the financial year ended 30 June 2020.

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and

obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lifetime Support Authority of South Australia's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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



Andrew Richardson

**Auditor-General**

24 September 2020

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

**Financial Statements  
For the year ended  
30 June 2020**

**Lifetime Support Authority of South Australia**  
**Statement of Certification**  
*for the year ended 30 June 2020*

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We certify that the attached general purpose financial statements for the Lifetime Support Authority of South Australia (LSA):

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the authority; and
- present a true and fair view of the financial position of the LSA as at 30 June 2020 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the LSA for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



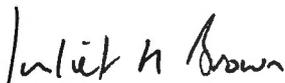
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Trudy Minett  
Acting Chief Executive  
18 September 2020



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Boris Petrovic  
Acting Director Corporate  
18 September 2020



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Juliet Brown  
Chair  
18 September 2020

**Lifetime Support Authority of South Australia**  
**Statement of Comprehensive Income**  
*for the year ended 30 June 2020*

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	Note	2020 \$'000	2019 \$'000
<b>Income</b>			
Revenues from LSS Fund levy		160 651	156 186
Investment revenues/ (losses)	2.1	(10 232)	55 210
Other revenues	2.2	2	2
Resources received free of charge	2.3	82	-
<b>Total income</b>		<b>150 503</b>	<b>211 398</b>
<b>Expenses</b>			
Participant treatment, care and support expenses	4.1	125 479	122 093
Duty on LSS Fund levy		15 921	15 478
Reinsurance		3 047	2 730
Employee benefits expenses	3.3	8 324	6 743
Service delivery and corporate expenses	4.2	3 541	3 805
Research, education and programs		2 630	2 227
Depreciation and amortisation	4.3	378	306
Borrowing costs	4.4	29	-
<b>Total expenses</b>		<b>159 349</b>	<b>153 382</b>
<b>Net result</b>		<b>(8 846)</b>	<b>58 016</b>
<b>Total comprehensive result</b>		<b>(8 846)</b>	<b>58 016</b>

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

**Lifetime Support Authority of South Australia**  
**Statement of Financial Position**  
*as at 30 June 2020*

	Note	2020 \$'000	2019 \$'000
<b>Current assets</b>			
Cash and cash equivalents	6.1	10 840	1 848
Receivables	6.2	1 467	2 199
<b>Total current assets</b>		<b>12 307</b>	<b>4 047</b>
<b>Non-current assets</b>			
Financial assets at fair value	6.3	846 686	760 903
Property, plant and equipment	5.1	1 733	10
Intangible assets	5.3	137	226
<b>Total non-current assets</b>		<b>848 556</b>	<b>761 139</b>
<b>Total assets</b>		<b>860 863</b>	<b>765 186</b>
<b>Current liabilities</b>			
Payables	7.1	3 826	4 613
Employee benefits	3.4	832	574
Financial liabilities	7.2	258	-
Provisions	7.3	40 462	38 159
<b>Total current liabilities</b>		<b>45 378</b>	<b>43 346</b>
<b>Non-current liabilities</b>			
Payables	7.1	106	89
Employee benefits	3.4	1 148	973
Financial liabilities	7.2	833	-
Provisions	7.3	565 311	463 845
<b>Total non-current liabilities</b>		<b>567 398</b>	<b>464 907</b>
<b>Total liabilities</b>		<b>612 776</b>	<b>508 253</b>
<b>Net assets</b>		<b>248 087</b>	<b>256 933</b>
<b>Equity</b>			
Retained earnings		248 087	256 933
<b>Total Equity</b>		<b>248 087</b>	<b>256 933</b>

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

**Lifetime Support Authority of South Australia**  
**Statement of Changes in Equity**  
*for the year ended 30 June 2020*

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	<b>Retained earnings</b>	<b>Total equity</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Balance at 30 June 2018</b>	198 917	198 917
Net result for 2018-19	58 016	58 016
<b>Total comprehensive result for 2018-19</b>	<b>58 016</b>	<b>58 016</b>
<b>Balance at 30 June 2019</b>	<b>256 933</b>	<b>256 933</b>
Net result for 2019-20	(8 846)	(8 846)
<b>Total comprehensive result for 2019-20</b>	<b>(8 846)</b>	<b>(8 846)</b>
<b>Balance at 30 June 2020</b>	<b>248 087</b>	<b>248 087</b>

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

**Lifetime Support Authority of South Australia**  
**Statement of Cash Flows**  
*for the year ended 30 June 2020*

<b>Cash flows from operating activities</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>\$'000</b>	<b>\$'000</b>
<i><u>Cash inflows</u></i>			
LSS Fund levy		161 404	155 993
Interest received		21	39
GST recovered from the ATO		(4)	46
Other revenues		-	2
Receipts for Paid Parental Leave Scheme		2	5
<b>Cash generated from operations</b>		<b>161 423</b>	<b>156 085</b>
<i><u>Cash outflows</u></i>			
Duty on LSS Fund levy		(15 921)	(15 478)
Participant treatment, care and support expenses		(21 691)	(17 899)
Employee benefits expenses		(7 911)	(6 238)
Reinsurance		(2 978)	(2 115)
Service delivery and corporate expenses		(4 352)	(3 586)
Interest paid		( 29)	-
Research, education and programs		(2 628)	(2 171)
<b>Cash used in operations</b>		<b>(55 510)</b>	<b>(47 487)</b>
<b>Net cash provided by/(used in) operating activities</b>	<b>8.1</b>	<b>105 913</b>	<b>108 598</b>
<i><u>Cash flows from investing activities</u></i>			
<i><u>Cash outflows</u></i>			
Purchase of property, plant and equipment		(739)	-
Purchase of intangibles		(29)	(109)
Purchase of investments		(96 000)	(108 000)
<b>Cash used in investing activities</b>		<b>(96 768)</b>	<b>(108 109)</b>
<b>Net cash provided by/(used in) investing activities</b>		<b>(96 768)</b>	<b>(108 109)</b>
<i><u>Cash flows from financing activities</u></i>			
<i><u>Cash outflows</u></i>			
Repayment of leases		(153)	-
<b>Cash used in financing activities</b>		<b>(153)</b>	<b>-</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>8 992</b>	<b>489</b>
Cash and cash equivalents at the beginning of the reporting period		1 848	1 359
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>6.1</b>	<b>10 840</b>	<b>1 848</b>

The accompanying notes form part of these financial statements.

**Lifetime Support Authority of South Australia**  
**Notes to and forming part of the Financial Statements**  
*for the year ended 30 June 2020*

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# Lifetime Support Authority of South Australia

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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### 1. About the Lifetime Support Authority of South Australia

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

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

The Board is the governing body of the LSA, and was appointed by the Governor effective from 8 October 2013.

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

#### 1.1. Basis of preparation

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

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

For the 2019-20 financial statements the LSA adopted *AASB16 – Leases* and further information is provided in note 9.

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

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

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

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

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the authority has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

**Lifetime Support Authority of South Australia**  
**Notes to and forming part of the Financial Statements**  
*for the year ended 30 June 2020*

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## **1.2. Objectives**

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

The functions of the LSA under the Act are to:

- monitor the operation of the LSS
- provide advice to the Minister about the administration, efficiency and effectiveness of the LSS
- provide support and funding for programs that will provide high-quality services to participants in the LSS, and research and education in connection with services provided to participants in the LSS.

## **1.2 Objectives**

- disseminate information about the LSS
- keep the LSS Rules under review
- be responsible for the LSS Fund.

## **1.3. Impact of COVID-19 pandemic on the Lifetime Support Authority**

The COVID-19 pandemic has impacted on the operations of the Lifetime Support Authority and the impacts are included under the relevant disclosure notes. The key impacts in 2019-20 were:

- LSA investment strategy with Funds SA made a loss of \$10 200 000.
- Face to face meetings with LSA participants, service providers, family and/or decision-makers were kept to a minimum and occurred on a case by case basis.
- There has been some reduction in services provided to participants due to social distancing requirements, or service providers not being allowed to visit participants residing in shared accommodation facilities.
- The majority (>95%) of LSA's workforce was required to work from home.
- Several non-essential internal projects and business activities were delayed.
- A number of grants funded through LSA's Research, Education and Programs budget have sought an extension of time.

## **1.4. Significant transactions with government related entities**

Significant transactions with the SA Government are defined as exceeding \$5.0m in the financial year. In 2019-20, these comprise the below:

- The LSA is funded by the LSS Fund levy, paid on motor vehicle registrations in South Australia. During 2020 \$160.7m (2019: \$156.2m) was received by the Department of Planning, Transport and Infrastructure (DPTI) which was remitted to the LSA (refer to Statement of Comprehensive Income).
- Duty on the LSS Fund levy of \$15.9m (2019: \$15.5m) was paid to Revenue SA (refer to Statement of Comprehensive Income).

**Lifetime Support Authority of South Australia**  
**Notes to and forming part of the Financial Statements**  
*for the year ended 30 June 2020*

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**1.4. Significant transactions with government related entities (continued)**

- The LSA invests in Funds SA, the South Australian Government owned corporation, which invests and manages funds of approved authorities. As at 30 June 2020, the fair value of the investment was \$846.7m (2019: \$760.9m) as set out in note 6.3. The increase of \$85.8m (2019: \$163.1m) was comprised of funds invested of \$96.0m (2019: \$108.0m) and a loss on investments of \$10.2m (2019: return on investments of \$55.2m).
- The LSA has a Memorandum of Administrative Agreement with the Department for Health and Wellbeing and the Lifetime Support Authority in relation to the funding for Lifetime Support Scheme Participants receiving acute and non-acute services in Public Hospitals. The cost incurred under this agreement in 2020 was \$5.2m (2019: \$5.3m).

**Lifetime Support Authority of South Australia**  
**Notes to and forming part of the Financial Statements**  
*for the year ended 30 June 2020*

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**2. Income**

**2.1. Investment revenues**

	2020	2019
	\$'000	\$'000
Interest income/(loss)	(16)	74
Net gain/(loss) on financial assets designated at fair value through profit or loss	(10 216)	55 136
<b>Total investment revenues/ (losses)</b>	<b>(10 232)</b>	<b>55 210</b>

**2.2. Other revenues**

	2020	2019
	\$'000	\$'000
Other recoveries	2	2
<b>Total other revenues</b>	<b>2</b>	<b>2</b>

**2.3. Resources received free of charge**

	2020	2019
	\$'000	\$'000
Resources received free of charge	82	-
<b>Total Resources received free of charge</b>	<b>82</b>	<b>-</b>

**3. Board, committees and employees**

**3.1. Key management personnel**

Key management personnel of the LSA are the Minister for Health and Wellbeing, the Treasurer, the LSA Board, the Chief Executive Officer and other directors/members of the Executive Team who have responsibility for the strategic direction and management of the LSA.

Total compensation for key management personnel was \$1 617 000 in 2019-20 and \$1 202 000 in 2018-19.

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

	2020	2019
	\$'000	\$'000
<b>Compensation</b>		
Short term benefits	1 126	1 099
Post-employment benefits	491	103
<b>Total compensation</b>	<b>1 617</b>	<b>1 202</b>

**Lifetime Support Authority of South Australia**  
**Notes to and forming part of the Financial Statements**  
*for the year ended 30 June 2020*

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**3.2. Board and committee members**

Members during the 2020 financial year were:

<b>LSA Board</b>	<b>Applications and Rules Committee</b>
Juliet Brown (Chair)	Arabella Branson (Chair)
Arabella Branson	George Potter
Melinda OLeary	Joseph Ullianich
George Potter	
Joseph Ullianich	<b>Finance and Investment Committee</b>
Kenneth Williams	Kenneth Williams (Chair)
	Juliet Brown
<b>Audit Committee</b>	Melinda OLeary
Joseph Ullianich (Chair)	
Juliet Brown	
George Potter	
Kenneth Williams	

**Board and committee remuneration**

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

	2020	2019
\$40 000 - \$59 999	5	5
\$80 000 - \$99 999	1	1
<b>Total number of members</b>	<b>6</b>	<b>6</b>

The total remuneration received or receivable by members was \$348 000 (2019: \$346 000). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

**3.3. Employee benefits expenses**

	2020	2019
	\$'000	\$'000
Salaries and wages	5 789	4 566
Board and committee fees	319	315
Employment on-costs - superannuation	626	538
Employment on-costs - Payroll Tax	348	303
Long service leave	542	422
Annual leave	590	429
Targeted voluntary separation packages	-	130
Skills and experience retention leave	22	10
Other employee related expenses	88	30
<b>Total employee benefits expenses</b>	<b>8 324</b>	<b>6 743</b>

**Lifetime Support Authority of South Australia**  
**Notes to and forming part of the Financial Statements**  
*for the year ended 30 June 2020*

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**3.3. Employee benefits expenses (continued)**

**Employment on-costs – superannuation**

The superannuation employment on-cost charge represents the LSA's contributions to superannuation plans in respect of current services of current employees.

**Executive remuneration**

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

	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
\$154 001 - \$174 000	1	1
\$194 001 - \$214 000	-	2
\$254 001 - \$274 000	1	-
\$274 001 - \$294 000	-	1
\$534 001 - \$554 000	1	-
<b>Total</b>	<b>3</b>	<b>4</b>

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflect all costs of employment including salaries and wages, payments in lieu of leave, termination payments, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefit tax paid or payable in respect of those benefits. The total remuneration received by those employees for the year was \$966 000 (2019: \$840 000).

**Targeted voluntary separation packages**

The number of employees who received a TVSP during the reporting period was 0 (2019:1).

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Amount paid to separated employees:		
Targeted Voluntary Separation Packages	-	130
Less recovery from Department of Treasury and Finance	-	(130)
Leave paid to separated employees	-	61
<b>Net cost to the authority</b>	<b>-</b>	<b>61</b>

**Lifetime Support Authority of South Australia**  
**Notes to and forming part of the Financial Statements**  
*for the year ended 30 June 2020*

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**3.4. Employee benefits liability**

	2020	2019
	\$'000	\$'000
<b><u>Current</u></b>		
Accrued salaries and wages	195	122
Annual leave	585	408
Long service leave	39	27
Skills and experience retention leave	13	17
<b>Total current employee benefits</b>	<b>832</b>	<b>574</b>
<b><u>Non-current</u></b>		
Long service leave	1 148	973
<b>Total non-current employee benefits</b>	<b>1 148</b>	<b>973</b>
<b>Total employee benefits</b>	<b>1 980</b>	<b>1 547</b>

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

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

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

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

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

**Long service leave**

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Details about the measurement of long service leave liability is provided as note 11.1.

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**4. Expenses**

Employee benefits expenses are disclosed in note 3.3.

**4.1. Participant treatment, care and support expenses**

	2020	2019
	\$'000	\$'000
Hospital	5 481	5 193
Rehabilitation	3 181	3 264
Equipment	1 835	1 695
Attendant care	9 583	6 483
Home and vehicle modifications	617	473
Medical treatment services	596	568
Other	428	223
	<u>21 721</u>	<u>17 899</u>
 Movement in provision for participants' treatment, care and support services (refer note 7.3)	 <u>103 758</u>	 <u>104 194</u>
<b>Total participant treatment care and support</b>	<b><u>125 479</u></b>	<b><u>122 093</u></b>

**Participant treatment, care and support expenses**

People very seriously injured in motor vehicle accidents from 1 July 2014 are accepted as participants of the LSS under the eligibility criteria provided in the LSS Rules. Participant treatment, care and support expenses relate to the necessary and reasonable benefits provided to participants, related to the motor vehicle injury and in line with criteria detailed in the LSS Rules, from date of acceptance into the LSS. The costs reported represent the treatment, care and support expenses paid during 2019-20, and the movement in the provision consisting of the actuarially assessed liabilities associated with existing participants as well as new participants entering into the scheme in 2019-20.

**4.2. Service delivery and corporate expenses**

	2020	2019
	\$'000	\$'000
Professional fees	101	82
Information technology	710	555
Training and development	84	166
General administration and consumables	200	229
Accommodation and telecommunication	273	458
Consultants	980	669
Contractors and other outsourced services	475	924
Minor works maintenance and equipment	107	43
Service level agreement fees	377	297
Other expenses	234	382
<b>Total service delivery and corporate expenses</b>	<b><u>3 541</u></b>	<b><u>3 805</u></b>

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

Audit fees paid/payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act* were \$46 000 (2019: \$42 000). No other services were provided by the Auditor-General's Department.

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**4.2. Service delivery and corporate expenses (continued)**

**Consultants**

The number of consultancies and the dollar amount paid/payable (included in supplies and services expense) to consultants that fell within the following bands:

	No	2020 \$'000	No	2019 \$'000
Below \$10 000	2	5	-	-
\$10 000 or above	7	975	5	669
<b>Total</b>	<b>9</b>	<b>980</b>	<b>5</b>	<b>669</b>

**4.3. Depreciation and amortisation**

	2020 \$'000	2019 \$'000
Internally developed software	118	82
Plant and equipment	11	5
Leasehold improvements	-	219
Right-of-use buildings	249	-
<b>Total depreciation and amortisation</b>	<b>378</b>	<b>306</b>

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

**Review of accounting estimates**

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

**Useful life**

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

<b>Class of asset</b>	<b>Useful life (years)</b>
Leasehold Improvements	Life of lease
Right-of-Use buildings	Life of lease
Internally Developed Software	5 Years
Plant and equipment	3 - 5 Years

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

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**4.4. Borrowing costs**

	2020	2019
	\$'000	\$'000
Interest expense on lease liabilities	29	-
<b>Total borrowing costs</b>	<b>29</b>	<b>-</b>

**5. Non-financial assets**

**5.1. Property, plant and equipment by asset class**

	2020	2019
	\$'000	\$'000
Leasehold improvements at fair value	732	732
Work in progress	667	-
Accumulated amortisation at the end of the period	(732)	(732)
<b>Total leasehold improvements</b>	<b>667</b>	<b>-</b>
Plant and equipment at cost (deemed fair value)	87	15
Accumulated depreciation at the end of the period	(16)	(5)
<b>Total plant and equipment</b>	<b>71</b>	<b>10</b>
<b>Right-of-use buildings</b>		
Right-of-use buildings	1 244	-
Accumulated depreciation	(249)	-
<b>Total right-of-use buildings</b>	<b>995</b>	<b>-</b>
<b>Total property, plant and equipment</b>	<b>1 733</b>	<b>10</b>

**Acquisition and recognition**

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

Property, plant and equipment is recorded at fair value. Detail about the authority's approach to fair value is set out in note 11.2.

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**5.1. Property, plant and equipment by asset class (continued)**

**Impairment**

Property, plant and equipment have not been assessed for impairment as they are non-cash generating assets, that are specialised in nature and held for continual use of their service capacity and are subject to regular revaluation.

The LSA holds its property, plant and equipment and intangible assets for their service potential (value in use).

All non-current tangible assets are valued at fair value. Specialised assets would rarely be sold and typically any cost of disposal will be negligible, accordingly the recoverable amount will be close to or greater than fair value.

The LSA also expects for all other non-current tangible assets that any costs of disposal will be negligible, and the recoverable amount to be close to or greater than fair value.

There were no indications of impairment of property, plant and equipment at 30 June 2020.

**5.2. Property, plant and equipment owned by the authority**

**Reconciliation 2019-20**

	Leasehold improvements	Plant and equipment	Total
	\$'000	\$'000	\$'000
Carrying amount at 1 July 2019	-	10	10
Acquisitions	667	72	739
Depreciation and amortisation	-	(11)	(11)
<b>Carrying amount at 30 June 2020</b>	<b>667</b>	<b>71</b>	<b>738</b>

**Reconciliation 2018-19**

	Leasehold improvements	Plant and equipment	Total
	\$'000	\$'000	\$'000
Carrying amount at 1 July 2019	219	15	234
Depreciation and amortisation	(219)	(5)	(224)
<b>Carrying amount at 30 June 2019</b>	<b>-</b>	<b>10</b>	<b>10</b>

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**5.3. Property, plant and equipment leased by authority**

Property, plant and equipment leased by the authority is recorded at cost. Additions to leased property, plant and equipment during the year were \$1 244 000 (2019: \$0).

The authority leases two floors for staff office accommodation in Wakefield House at 30 Wakefield Street Adelaide (part of level 1 and level 5) from its landlord the Department of Planning, Transport and Infrastructure. The lease terms commenced 1 July 2019 for part level 1 for 5 years and 4 and a half years commencing 1 January 2020 for level 5 plus a 5 year right of renewal extension for both.

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

The Lease liabilities related to the right-of-use assets are disclosed in note 7.2. The authority's maturity analysis of the lease liabilities is disclosed in note 11.3. Expenses related to leases, including depreciation and interest expenses, are disclosed in note 4. Cash outflows relates to leases are disclosed in note 8.1.

**Impairment**

Property, plant and equipment leased by the authority has been assessed for impairment. There was no indication of impairment. No impairment loss or reversal of impairment loss was recognised.

**5.4. Intangible assets**

	2020	2019
	\$'000	\$'000
<b><u>Computer software</u></b>		
Internally developed software - work in progress	30	109
Internally developed software	520	412
Accumulated amortisation	(413)	(295)
<b>Total computer software</b>	<b>137</b>	<b>226</b>

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

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

The internally developed computer software relates to the authority's customer management system database and consolidated reporting package with a carrying amount of \$107 000 (2019: \$117 000).

There were no indications of impairment for Intangible assets as at 30 June 2020.

**Reconciliation 2019-20**

	Internally developed software	Work in progress	Total
	\$'000	\$'000	\$'000
Carrying amount at 1 July 2019	117	109	226
Acquisitions	-	29	29
Capital work in progress transfers	108	(108)	-
Amortisation	(118)	-	(118)
<b>Carrying amount at 30 June 2020</b>	<b>107</b>	<b>30</b>	<b>137</b>

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**5.4. Intangible assets (continued)**

Reconciliation 2018-19

	Internally developed software	Work in progress	Total
	\$'000	\$'000	\$'000
Carrying amount at 1 July 2018	199	-	199
Acquisitions	-	109	109
Amortisation	(82)	-	(82)
<b>Carrying amount at 30 June 2019</b>	<b>117</b>	<b>109</b>	<b>226</b>

**6. Financial assets**

**6.1. Cash and cash equivalents**

	2020	2019
	\$'000	\$'000
Special Deposit Account	10 840	1 848
<b>Total cash and cash equivalents</b>	<b>10 840</b>	<b>1 848</b>

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

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

**Lifetime Support Authority of South Australia**  
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**6.2. Receivables**

	2020	2019
	\$'000	\$'000
<u>Current</u>		
Accrued revenues	1 252	2 042
Receivables	91	-
GST input tax recoverable	44	40
Prepayments	80	117
<b>Total current receivables</b>	<b>1 467</b>	<b>2 199</b>
	<hr/>	<hr/>
<b>Total receivables</b>	<b>1 467</b>	<b>2 199</b>

Receivables include accrued revenue related to the LSS levy, prepayments, reinsurance recoveries and the net amount of GST payable to the ATO.

The LSS Fund levy is received by the LSA two days in arrears of collection by the Registrar of Motor Vehicles. The receivable represents the amount collected by the Registrar to 30 June 2020, but not yet received by the LSA.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts or provision for impairment is raised when there is objective evidence that the LSA will not be able to collect the amounts owed. Bad debts are written off when identified.

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

Prepayments and accrued revenues are non-interest bearing.

**6.3. Financial assets at fair value**

	2020	2019
	\$'000	\$'000
Funds SA LSA Strategy	846 686	760 903
<b>Total financial assets at fair value</b>	<b>846 686</b>	<b>760 903</b>

Categorisation of financial instruments and risk exposure information – refer to note 11.3.

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

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

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**7. Liabilities**

Employee benefits liabilities are disclosed in note 3.4.

**7.1. Payables**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b><u>Current</u></b>		
Accrued expenses	3 663	4 464
Trade payables	-	31
Employment on-costs	156	113
Paid Parental Leave Scheme payable	7	5
<b>Total current payables</b>	<b>3 826</b>	<b>4 613</b>
<b><u>Non-current</u></b>		
Employment on-costs	106	89
<b>Total non-current payables</b>	<b>106</b>	<b>89</b>
<b>Total payables</b>	<b>3 932</b>	<b>4 702</b>

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

***Employment on-costs***

Employment on-costs include payroll tax, ReturnToWorkSA levies and superannuation contributions and are settled when the respective employee benefits that they relate to is discharged.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave changed from the 2019 rate (41%) to 42% and the average factor for the calculation of employer superannuation cost on-cost has remained at the 2019 rate of 9.8%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is immaterial.

***Paid parent leave scheme***

Paid Parental Leave Scheme payable represents amounts which the LSA has received from the Commonwealth Government to forward onto eligible employees via the LSA's standard payroll processes. That is, the LSA is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

**7.2. Financial liabilities**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Lease liabilities	258	-
<b>Total current financial liabilities</b>	<b>258</b>	<b>-</b>
<b>Non-current</b>		
Lease liabilities	833	-
<b>Total non-current financial liabilities</b>	<b>833</b>	<b>-</b>
<b>Total financial liabilities</b>	<b>1 091</b>	<b>-</b>

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**7.2. Financial liabilities (continued)**

The authority measures financial liabilities including borrowings/debt at amortised cost.

All material cash outflows are reflected in the lease liabilities disclosure above. For 2018-19 the lease liabilities reflect only finance leases recognised in accordance with AASB 117.

The authority entered into a long-term lease with the Department of Planning, Transport and Infrastructure during the financial year relating to office accommodation at 30 Wakefield Street, Adelaide. The lease had a remaining term of 4 years relating to accommodation on level 1, and a remaining term of 3 years and 6 months relating to accommodation on level 5 at the application date, with a right of renewal for a further 5 years. As at 30 June 2020 it is not reasonably certain that the authority will take up an option to extend the lease due to uncertainty regarding office space requirements as a result of ongoing growth in staff numbers, and ongoing considerations of alternative accommodation models which incorporate a flexible approach to working arrangements.

**7.3. Provisions**

	2020	2019
	\$'000	\$'000
<b>All provisions</b>		
<b><u>Current</u></b>		
Provision for participant treatment, care and support	40 452	38 151
Provision for workers' compensation - current	10	8
<b>Total current provisions</b>	<b>40 462</b>	<b>38 159</b>
<b><u>Non-current</u></b>		
Provision for participant treatment, care and support	565 290	463 833
Provision for workers' compensation - non current	21	12
<b>Total non-current provisions</b>	<b>565 311</b>	<b>463 845</b>
<b>Total provisions</b>	<b>605 773</b>	<b>502 004</b>
	2020	2019
	\$'000	\$'000
<b>Provision for participant treatment, care and support only</b>		
<b><u>Current</u></b>		
Provision for participant treatment, care and support	40 452	38 151
<b>Total current provisions</b>	<b>40 452</b>	<b>38 151</b>
<b><u>Non-current</u></b>		
Provision for participant treatment, care and support	565 290	463 833
<b>Total non-current provisions</b>	<b>565 290</b>	<b>463 833</b>
<b>Total provisions</b>	<b>605 742</b>	<b>501 984</b>

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**7.3. Provisions (continued)**

	2020	2019
	\$'000	\$'000
Not later than one year	40 452	38 151
Later than one year but not later than five years	106 421	93 164
Later than five years but not later than ten years	108 169	88 731
Later than ten years	350 700	281 938
<b>Total provisions</b>	<b>605 742</b>	<b>501 984</b>

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

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

**Movement in provisions**

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

	2020	2019
	\$'000	\$'000
<b>Carrying amount at the beginning of the period</b>	501 984	397 790
Payments	(19 078)	(16 791)
Changes in Actuarial Assumptions	142	14 226
Additional provisions recognised	122 694	106 759
<b>Carrying amount at the end of the period</b>	<b>605 742</b>	<b>501 984</b>

**Sensitivity analysis for the valuation as at 30 June 2020**

The liability represents the best estimate and is based on standard actuarial assessment. The table below shows sensitivities to some of the key actuarial assumptions used in the valuation. Significant uncertainty exists in the estimate due to the long-term nature of the liability, and the ultimate liability is subject to the outcomes of events yet to occur.

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

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**7.3. Provisions (continued)**

	30 June 2020 Liability	Effect on Liability	Percentage Effect
	\$m	\$m	%
<b>Central estimate of provisions</b>	605.7		
<b>Different long term gap assumptions</b>			
a. One per cent per annum lower for all future years	523.8	(81.9)	(14%)
b. One per cent per annum higher for all future years	714.1	108.4	18%
<b>Mortality assumptions</b>			
a. One percent per annum increase in mortality improvement	657.2	51.4	8%
b. One percent per annum decrease in mortality improvement	562.1	(43.7)	(7%)
<b>Other assumptions</b>			
a. All participants with a brain injury decrease by 1 score on the CANS scale	476.6	(129.1)	(21%)
b. Long term attendant care rate (in 2020/21 dollars) is equivalent to NDIS rate	620.3	14.6	2%

**Actuarial assumptions and methods**

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

	<b>2020</b>	<b>2019</b>
<b>Weighted mean term</b>	<b>Years</b>	<b>Years</b>
Uninflated, undiscounted	20.8	20.3
Inflated, discounted	16.4	15.9
	<b>2020</b>	<b>2019</b>
<b>Equivalent single rate (all future years)</b>	<b>%</b>	<b>%</b>
Inflation rate	4.25	4.25
Investment return rate	6.25	6.25

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**7.3. Provisions (continued)**

**Definitions**

*Inflated mean term*

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

*Discounted mean term*

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

*Inflation*

Wage inflation is adopted as the base for the inflation of projected future payments and is set by reference to long term economic indicators. Inflation is with reference to wage inflation (a key driver of attendant care costs and rehabilitation type services). A wages growth rate of 3.5% p.a. has been adopted.

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

- medical inflation costs to grow faster than underlying inflation (0.75% p.a. for all services plus an additional 0.5% per annum for medical services for participants with a brain injury)
- attendant care costs to grow faster than underlying inflation (market supply and demand for services) by 0.75% per annum.

*Discount rates*

The adopted discount rate reflects the expected long term return for the LSA's portfolio of assets.

***Provision for workers compensation***

	2020 \$'000	2019 \$'000
<b><u>Current</u></b>		
Provision for workers compensation - current	10	8
<b>Total current provisions</b>	<b>10</b>	<b>8</b>
<b><u>Non-current</u></b>		
Provision for workers compensation - non current	21	12
<b>Total non-current provisions</b>	<b>21</b>	<b>12</b>
<b>Total provisions for workers compensation</b>	<b>31</b>	<b>20</b>

A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2020 provided by a consulting actuary engaged through the Office of the Commissioner for the Public Sector. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

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

**Lifetime Support Authority of South Australia**  
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**8. Other disclosures**

**8.1. Cash flow**

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

	2020 \$'000	2019 \$'000
<b>Leases</b>		
Right-Of-Use buildings	182	-
<b>Net cash outflow for leases</b>	<u>182</u>	<u>-</u>

	2020 \$'000	2019 \$'000
<b><u>Reconciliation of cash and cash equivalents at the end of the reporting period</u></b>		
Cash and cash equivalents disclosed in the Statement of Financial Position	10 840	1 848
<b>Balance as per the Statement of Cash Flows</b>	10 840	1 848

<b><u>Reconciliation of net cash provided by operating activities to net cost of providing services</u></b>		
Net cash provided by/(used in) operating activities	105 913	108 598

<b><u>Add / (less) non-cash Items</u></b>		
Depreciation and amortisation expense of non-current assets	(378)	(306)
Net gain/(losses) on financial assets designated at fair value through profit or loss	(10 216)	55 136

<b><u>Movement in assets and liabilities</u></b>		
Increase/(decrease) in receivables	(732)	(489)
(Increase)/decrease in payables	769	(294)
(Increase)/decrease in employee benefits	(433)	(415)
(Increase)/decrease in provisions	(103 769)	(104 214)
<b>Net result from operating activities</b>	<u>(8 846)</u>	<u>58 016</u>

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**9. Changes in accounting policy**

**9.1. AASB 16 Leases**

AASB 16 sets out a comprehensive model for lessee accounting that addresses recognition, measurement, presentation and disclosure of leases. Lessor accounting is largely unchanged. AASB 16 Leases replaces AASB 117 Leases and related interpretations.

The adoption of AASB 16 Leases from 1 July 2019 resulted adjustments to the amounts recognised from a lessee perspective in the financial statements:

- AASB 117 Leases only required the recognition of an asset and lease liability in relation to finance leases. *AASB 16 Leases* applies a comprehensive model to all leases. Applying AASB 16 will result in leases previously classified as operating leases having right-of-use assets and related lease liabilities being recognised in the Statement of Financial Position.
- AASB 117 Leases resulted in operating lease payments being recognised as an expense under Supplies and Services. AASB 16 Leases largely replaces this with depreciation expenses that represents the use of the right-of-use asset and borrowing costs that represent the cost associated with financing the right-of-use asset.

As at 1 July 2019 there was no impact to retained earnings.

**Accounting policies on transition**

AASB 16 sets out accounting policies on transition in its transitional provisions. The Treasurer's Instructions (Accounting Policy Statements) requires certain choices in those transitional provisions to be taken. The LSA has adopted the following accounting policies:

- the initial measurement of lease liability was the present value of the remaining leases payments discounted using the relevant incremental borrowing published by the Department of Treasury and Finance rate as at 1 July 2019 based on the SA Government's cost of borrowing. The average weighted incremental borrowing rate for this purpose was 2.48%.
- the initial measurement of right-of-use assets has been calculated as an amount equal to the lease liability on transition adjusted for prepaid or accrued lease payments and lease incentive liabilities.
- the initial measurement of lease liabilities and right-of-use assets excludes all leases that ended by 30 June 2020, except for vehicles leased from SAFA.
- to apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard was recognised at 1 July 2019. Comparatives have not been restated.
- at 1 July 2019 AASB 16 was applied only to contracts that were previously identified as containing a lease under AASB 117 and related interpretations.

# Lifetime Support Authority of South Australia

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#### 9.1. AASB 16 Leases (continued)

##### Ongoing accounting policies

The Treasurer's Instructions (Accounting Policy Statements) specify required accounting policies for public authorities in applying AASB 16. These requirements are reflected in the authority's accounting policies as follows:

- AASB 16 is not applied to leases of intangible assets.
- right-of-use assets and lease liabilities are not recognised for leases of low value assets, being assets which have a value of \$15 000 or less, nor short-term leases, being those with a lease term of 12 months or less.
- the authority, in the capacity of a lessee, does not include non-lease components in lease amounts.
- right-of-use assets are not measured at fair value on initial recognition for leases that have significantly below-market terms and conditions principally to enable the public authority to further its objectives.
- right-of-use assets are subsequently measured applying a cost model.

Significant accounting policies relate to the application of AASB 16 are disclosed under relevant notes and are referenced at note 5.3.

#### 9.2. AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts with Customers establishes a revenue recognition model for revenue arising from contracts with customers. It requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 supersedes AASB 111 Construction contracts, AASB 118 Revenue and related Interpretations and applies to all revenue arising from contracts with customers.

##### Impact on retained earnings

The total impact on the authority's retained earnings as at 1 July 2019 is nil.

##### Accounting policies on transition

The authority has adopted AASB 15 on 1 July 2019. The Treasurer's Instructions (Accounting Policy Statements) require certain choices in those transitional provisions to be taken. The authority has on transition:

- recognised the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance of retained earnings as at 1 July 2019. Therefore, the comparative information has not been restated.
- not adopted the completed contract expedient, and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former revenue and income accounting standards
- elected not to restate retrospectively contracts for modifications that occurred before 1 July 2019. Such contract modifications were minor so this is expected to have little impact on the financial statements.

Impacts on the financial statements are explained below together with impacts from adoption of AASB 1058 Income of Not-for-Profit Entities.

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**9.2. AASB 15 Revenue from Contracts with Customers (continued)**

**Ongoing accounting policies**

The Treasurer's Instructions (Accounting Policy Statements) specify requirements for public authorities in applying AASB 15. These requirements are reflected in the authority's accounting policies as follows:

- AASB 15 is applied to a portfolio contracts with similar characteristics.
- there is no adjustment to the promised amount of consideration for the effects of a significant financing component if the period between the transfer of goods/services and the payment date is one year or less.
- the incremental costs of obtaining a contract are expensed when incurred when the amortisation period of the asset that the authority would have recognised is one year or less.
- for measuring progress towards satisfaction of performance obligations when the output method is applied, revenue is recognised in the amount to which there is a right to invoice corresponding directly to the value to the customers of the authority's performance completed to date.

**9.3. Presentation of Financial Statements**

Treasurer's Instructions (Accounting Policy Statements) issued on 1 June 2020 removed the previous requirement for financial statements to be prepared using the net cost of services format. The net cost of services is the total cost of services less any revenue retained by public authorities involved in the provision of services but does not include items classified as revenues from and payments to the South Australian Government.

Presentation of the Statement of Comprehensive Income on an 'income and expense' basis allows information to be presented in such a way that eliminates potential confusion as to the source of funding for the authority. As well as changes to the format of the Statement of Comprehensive Income, there are presentational changes to remove the net cost of services format from the Statement of Cash Flows. These statements now show income before expenses, and cash receipts before cash payments. Related disclosures also reflect this changed format.

**9.4. Taxation Equivalent Regime**

In accordance with Treasurer's Instruction 22 Tax Equivalent Payments, LSA is required to pay to the SA Government an Income Tax Equivalent (ITE) payment. The LSA received an exemption from paying ITE payments, in the five year period from the commencement of the LSS to 30 June 2019. This exemption has now expired and the Treasurer has determined to apply the same ITE regime that is in place for ReturnToWorkSA, the State's statutory body responsible for work injury insurance. An ITE may be payable in financial years in which LSA has achieved a funding level of at least 100% (with its outstanding claims liabilities at a 75% probability of sufficiency) and has achieved a profit from insurance operations. The income tax liability is based on the State Taxation Equivalent Regime, which requires the corporate income tax rate (30%) to be applied to the operating profit. The current income tax liability, if applicable, relates to the income tax expense outstanding for the current period.

The Treasurer maintains the right to determine (following consultation with LSA) that from a prudential perspective, no ITE payment (or a revised ITE payment) be made by LSA for a given year.

Primarily, due to an adverse investment climate resulting from the impacts of COVID-19, the LSA has not made an accounting profit this financial year. Accordingly, no provision has been made in these accounts for an ITE payment.

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## 10. Outlook

### 10.1. Unrecognised contractual commitments

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

#### Expenditure commitments

	2020	2019
	\$'000	\$'000
Within one year	3 511	3 865
Later than one year but no longer than five years	354	3 126
<b>Total expenditure commitments</b>	<b>3 865</b>	<b>6 991</b>

Unrecognised grant commitments in 2020 total \$3 283 000 (2019: \$5 772 000).

#### Operating lease commitments

	2020	2019
	\$'000	\$'000
Within one year	-	29
<b>Total operating lease commitments</b>	<b>-</b>	<b>29</b>

Operating lease commitments is provided for the comparative year only as AASB 16 Leases does not distinguish between operating and finance leases for the lessee.

### 10.2. Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

The LSA is not aware of any contingent assets or contingent liabilities as at 30 June 2020.

### 10.3. Impact of standards and statements not yet effective

The LSA has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not yet effective.

#### AASB 17 Insurance Contracts

The Australian Accounting Standards Board is currently consulting on expanding the scope of AASB 17 to include Government injury insurance schemes like the LSA. If this occurs, the LSA will have to comply with AASB 17 for the reporting period beginning 1 July 2023.

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**10.3 Impact of standards and statements not yet effective (continued)**

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

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

Adopting AASB 17 would increase LSA's liability for participant treatment, care and support as at 30 June 2020 to \$1,274.5 million. This is made up of \$1,125.2 million for participant treatment, care and support and \$149.3 million for unexpired levy liability.

**10.4. Events after the reporting period**

No circumstance has arisen that has affected or may significantly affect the LSA's operations since 30 June 2020.

**11. Measurement and risk**

**11.1. Long service leave liability - measurement**

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

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

AASB 119 *Employee Benefits* requires the use of the yield on long-term Commonwealth Government bonds as the discount rate for long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from 2019 (1.25%) to 2020 0.75%.

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

The net financial effect of the changes to actuarial assumptions in the current financial year is decrease in the long service leave liability of \$108 000 and employee benefits expense of \$108 000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

The current portion of long service liability is calculated using actuarial modelling on the last three years actual long service leave payments made by the authority.

The actuarial assessment performed by the Department of Treasury and Finance has decreased the salary inflation rate from 4% to 2.5% for long service leave liability. The net financial effect resulting from changes in the salary inflation rate has resulted in a decrease in the long service leave liability.

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## 11.2. Fair value

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

### Initial recognition

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

### Revaluation

Property, plant and equipment are subsequently measured at fair value after allowing for accumulated depreciation.

Non-current tangible assets are valued at fair value and revaluation of non-current assets or a group of assets is only performed when the fair value at the time of acquisition is greater than \$1.5 million and estimated useful life is greater than three years.

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

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

### Fair value hierarchy

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

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

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

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

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

All non-financial assets are classified as Level 3 for fair value measurement, using significant unobservable inputs. The following is a reconciliation of movements:

	2020	2019
	\$'000	\$'000
<b>Property plant and equipment</b>		
Carrying amount at the beginning of the year	10	234
Acquisitions	739	-
Depreciation and amortisation	(11)	(224)
<b>Total property plant and equipment</b>	<b>738</b>	<b>10</b>

### *Plant and equipment*

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

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**11.3. Financial instruments**

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

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

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

Refer to table 11.2 for the carrying amounts of each of the categories of financial assets and liabilities.

The authority's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

**Fair value measurement**

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

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

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

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

The table below presents LSA's financial assets, consisting of investments managed by Funds SA, and measured and recognised at fair value.

**Table 11.1 LSA Categories of fair value measurement**

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets at fair value 30 June 2020</b>				
Funds SA LSA Strategy	-	846 686	-	846 686
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets at fair value 30 June 2019</b>				
Funds SA LSA Strategy	-	760 903	-	760 903

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**11.3. Financial instruments (continued)**

Categorisation of financial instruments:

Table 11.2: Categorisation and maturity analysis of financial assets and liabilities

Category of financial asset and financial liability	Note	Carrying amount / fair value \$'000	2020 Contractual maturities			
			Current \$'000	Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
<b>Financial assets</b>						
<b>Cash and equivalents</b>						
Cash and cash equivalents	6.1	10 840	10 840			
<b>Financial assets at cost</b>						
Receivables	6.2	1 252	1 252			
Financial assets at fair value	6.3	846 686	846 686			
<b>Total financial assets</b>		<b>858 778</b>	<b>858 778</b>	-	-	-
<b>Financial liabilities</b>						
<b>Financial liabilities at cost</b>						
Payables	7.1	2 306	2 306			
Lease liabilities	7.2	1 091		258	833	
<b>Total financial liabilities</b>		<b>3,397</b>	<b>2 306</b>	-	-	-

Category of financial asset and financial liability	Note	Carrying amount / fair value \$'000	2019 Contractual maturities			
			Current \$'000	Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
<b>Financial assets</b>						
<b>Cash and equivalents</b>						
Cash and cash equivalents	6.1	1 848	1 848	-	-	-
<b>Financial assets at cost</b>						
Receivables	6.2	2 042	2 042	-	-	-
Financial assets at fair value	6.3	760 903	760 903	-	-	-
<b>Total financial assets</b>		<b>764 793</b>	<b>764 793</b>	-	-	-
<b>Financial liabilities</b>						
<b>Financial liabilities at cost</b>						
Payables	7.1	3 245	3 245	-	-	-
<b>Total financial liabilities</b>		<b>3 245</b>	<b>3 245</b>	-	-	-

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**11.3. Financial instruments (continued)**

**Impairment of financial assets**

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. The authority uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors which comprise a number of small balances.

To measure the expected credit losses, receivables are grouped based on shared risks characteristics and the days past due. When estimating expected credit loss, the authority considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the authority's historical experience and informed credit assessment, including forward-looking information.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the authority is exposed to credit risk.

The expected credit loss of government debtors is considered to be nil based on the external credit ratings and nature of the counterparties.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a payment plan with the authority.

The authority considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and therefore the expected credit loss is nil.

All of the authority's debt investments at amortised cost are considered to have low credit risk and the consideration of expected credit loss was limited to 12 months expected losses. The expected credit loss is nil.

Impairment losses on the authority's receivables arising from the authority's contracts with customers were nil. No impairment losses were recognised in relation to contract assets during the year.

**Receivables and payables**

Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (for example, Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents, etc. they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

Receivable amount disclosed here excludes prepayments. Prepayments are presented in note 6.2.

The LSA invests in Funds SA's untaxed funds. The intention is to hold the investments on a long term basis, however, investments are available for a withdrawal at call.

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

**Liquidity risk**

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

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

The carrying amount of financial liabilities recorded in table 11.2 represent the LSA's maximum exposure to financial liabilities.

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**11.3. Financial instruments (continued)**

**Market risk**

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

The LSA does not trade in foreign currency, enter into transactions for speculative purposes, nor for hedging. The LSA does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the Government's risk management strategy articulated in Treasurer's Instruction 23 *Management of Foreign Currency Exposures*.

**Sensitivity disclosure analysis**

A sensitivity analysis for a movement in the unit price of the investments with Funds SA is provided in the table below. The sensitivity analysis uses historically based volatility information collected over a 10 year period, quoted at two standard deviations (that is, 95% probability). A reasonably possible change is based on the percentage change in unit price multiplied by the redemption value as at 30 June 2020.

	Change in unit price		Impact on profit and loss		Impact on equity	
	2020	2019	2020	2019	2020	2019
	%	%	\$'000	\$'000	\$'000	\$'000
Funds SA Investment	27.9 (12.2)	28.3 (12.9)	236 225 (103 296)	215 335 (98 156)	236 225 (103 296)	215 335 (98 156)

**Capital management**

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

The LSA has adopted for the LSS a minimum probability of sufficiency of 75% (the chance that the capital of the LSS is expected to be adequate to cover actual outcomes) through a solvency margin in excess of actuarial provisions. As at 30 June 2020, the probability of sufficiency for the LSS was 81%.

The Board continually reviews the LSA's funding position, and assesses the policy on an annual basis to ensure it remains appropriate.

**Expected credit loss**

The total outstanding debt for LSA is immaterial and there is no material credit loss risk.