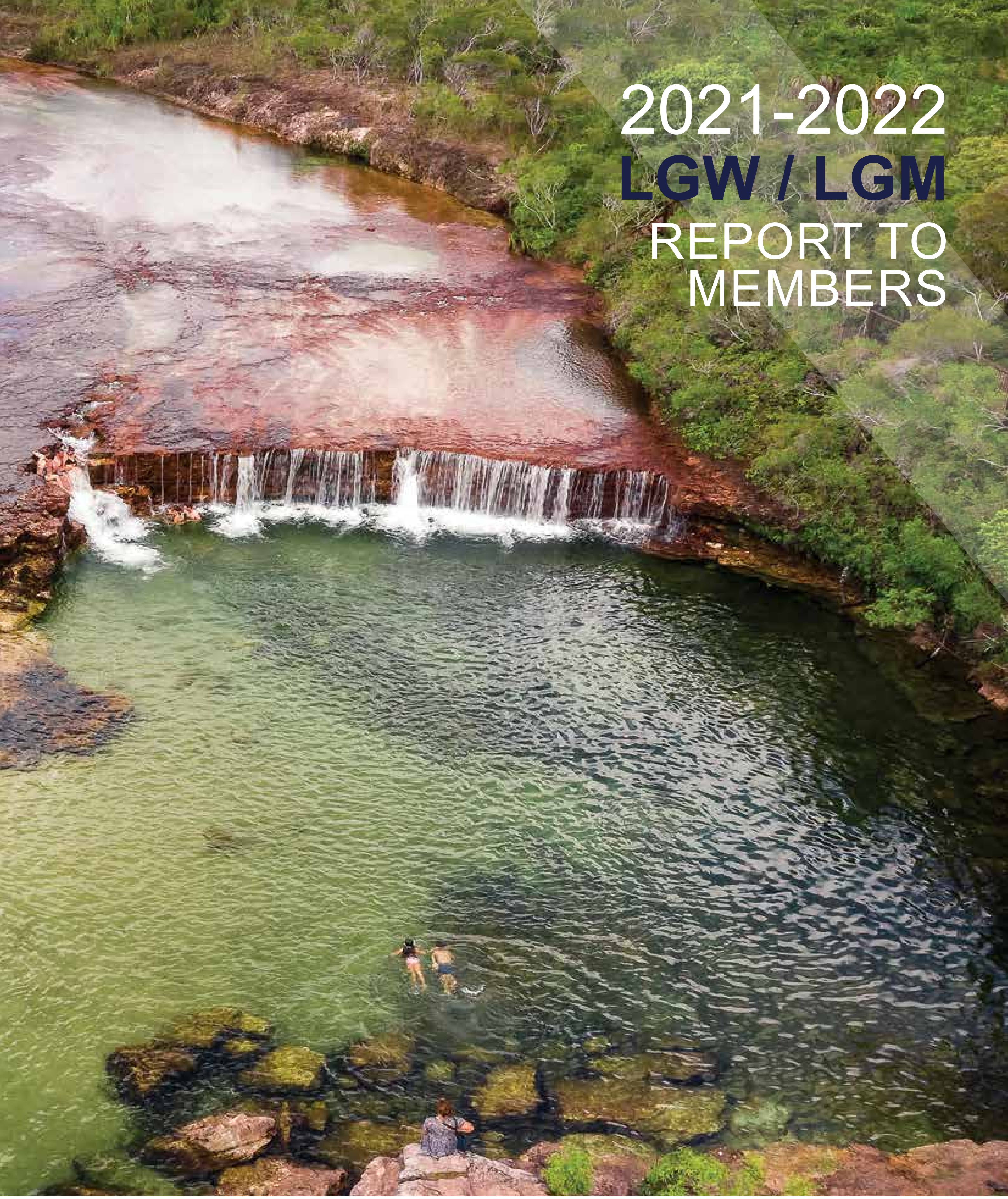

2021-2022 LGW / LGM REPORT TO MEMBERS

LGM LIABILITY
LGM ASSETS
LGW WORKCARE
LGMS LOCAL GOVERNMENT MUTUAL SERVICES

RISK SPECIALISTS | UNRIVALLED VALUE | OWNED BY MEMBERS

2021-2022

REPORT TO MEMBERS

QUEENSLAND LOCAL GOVERNMENT MUTUAL

QUEENSLAND LOCAL GOVERNMENT WORKERS COMPENSATION SELF-INSURANCE SCHEME

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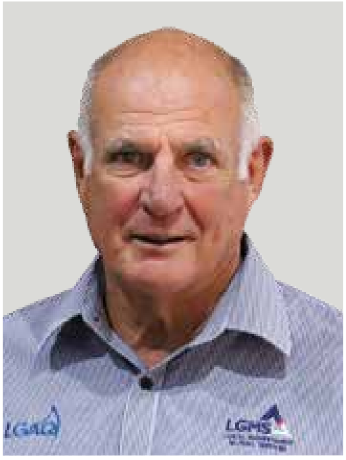
Chairman's message



IAN LECKENBY

Chair, LGM Board of Management
Chair, LGW Management Committee

> *It is our relationships, long-term strategy and commitment that continues to enable the mutual model to provide ongoing sustainability of contributions for our members, and without this, councils may again find themselves captive to a single insurance market.*

The Report to Members for 2021-2022 year sets out the financial performance and achievements for Local Government Mutual Services (LGMS) over the previous 12-month period.

There have been a number of ongoing challenges over the past year including the COVID-19 pandemic and its impact on insurance market conditions and investments for the schemes generally. Whilst these challenges have impacted the scheme's financial performance this year, we are grateful that the efforts of our members, and their continued focus to improve risk management practices, has held the schemes in relatively good stead, which benefits all scheme members.

When the LGMS mutual schemes were established by the LGAQ as Trustee more than 25 years ago, it was to enable Queensland local government to exercise control over, and manage, their liability, workers' compensation and asset-based risk exposures, and provide councils with specialist covers for their insurable risks whilst delivering risk management solutions through proven mutual arrangements.

Now, more than ever, this control should provide our member councils with a level of comfort and stability in these uncertain times, which have seen increased cost pressures on the commercial insurance markets.

It is the collective bargaining power of the LGMS member-owned mutuals that enables our member councils to better withstand all claims and market cycles. It is our relationships, long-term strategy and commitment that continue to enable the mutual model to provide ongoing sustainability of contributions for our members and, without this, councils may again find themselves captive to a single insurance market.

LGMS continuously looks for opportunities to further enhance the mutual schemes and provide the support and services that our members need. This year we encouraged members to complete an LGMS Member Survey, which is of critical importance to gain valuable feedback and insights from members in terms of their satisfaction, quality of products, service levels and the regard in which the mutual schemes are held. It also helps to provide LGMS with a greater level of understanding of the accountability, transparency and governance, as well as member's expectations, for the schemes, and if additional resources, support services or professional development training initiatives are required.

Despite the ongoing impacts of the COVID-19 pandemic, which has created greater uncertainty for the global insurance markets and increased insurance costs, LGM Liability was able to keep the majority of contributions for members stable this year. LGM was also able to return a $2.45 million distribution directly to LGM scheme members, while annual operations continued to deliver a healthy surplus result and modest returns from our scheme investments despite market conditions.

The LGM Assets mutual scheme saw an ongoing increase in costs for covers in 2021-2022, which has resulted in reduced capacity from insurers in the market due to global climate related

catastrophes and weather events. LGM Assets has continued work hard for members in these market conditions to provide comprehensive covers for their asset-based risk exposures to achieve the long-term goal of ongoing sustainable costs.

The current commercial insurance market remains a challenge for the mutual to not only obtain covers, but at a sustainable cost given a significant increase in pricing as a result of the global economy and inflationary pressures, along with the ongoing impact of the COVID-19 pandemic. This is where the mutual pool model, and in particular LGM Assets, benefits members, as increases across the breadth of the scheme in the 2021-2022 period have been kept at relatively sustainable levels. This is in comparison to local government outside the scheme in Queensland which has, in some instances, seen significant increases in cost or refusal of covers, even when claims performance has been good.

This year LGM Assets recorded a deficit which is primarily due to a number of catastrophic weather events during the period. We have also seen increasing claim costs and inflationary pressures impacting the insurances markets, however, the capping of the mutuals' direct exposure to events, prudent reinsurance arrangements, and spreading of risk across supporting insurers minimises the impact on member contributions.

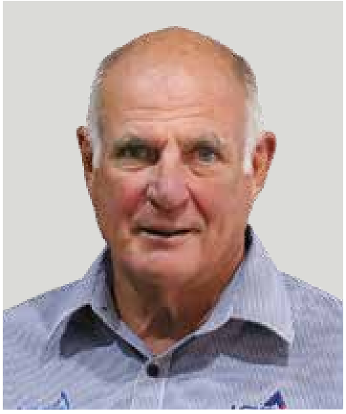
Each year, LGW receives comprehensive actuarial advice on the scheme and makes a range of forecasts and assumptions on costs and on claims based on current and historical claims data. In 2021-2022, actuarial advice for the LGW scheme indicated that costs and claims were continuing to increase, and it was recommended that members' workers compensation contributions increase from a stable scheme rate of 1.3% over recent years, to a rate of 1.35% for 2022-2023. LGW will continue to closely monitor these trends and the scheme's performance for the coming year. LGW returned a $2.45 million distribution directly to scheme members, however, annual operations produced a deficit which was also impacted by reduced investment returns.

This year, LGW has introduced several initiatives as a result of a number of legal and legislative changes to ensure councils can continue to meet the scheme's licence conditions. These initiatives include a LGW Mutual Risk Obligations Program (including accredited audits), WHS Workshops and Psychosocial Hazards Masterclass Sessions, which provide valuable professional development and training for local government.

It remains that the sole purpose of the LGMS mutual schemes is to provide our Queensland councils with comprehensive and tailored covers for their insurable risks, not otherwise available in the commercial insurance market, at a sustainable cost. This minimises the impact of challenging insurance market conditions, by local government collectively working together to achieve positive outcomes.

I appreciate our members' ongoing support of the mutual schemes. ■

LGM Board of Management



MR IAN LECKENBY
Chair

MS ANNE LENZ
Divisional Manager, Organisational Services Brisbane City Council

MS RACHEL CHAMBERS
Former North Burnett Regional Council Mayor

MS ALISON SMITH
Chief Executive Officer, LGAQ

MR DARREN LECKENBY
Chief Financial Officer and Company Secretary, LGAQ is delegate for Chief Executive Officer, LGAQ

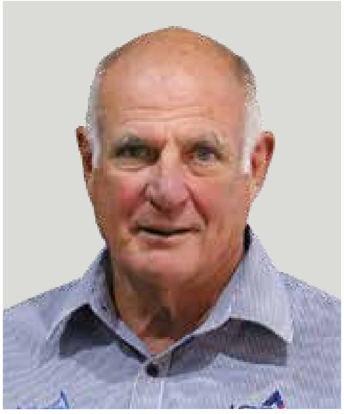
MAYOR KAREN WILLIAMS
Redland City Council

MR TERRY BRENNAN
Chief Executive Officer Burdekin Shire Council

MR JOHN SHARMAN
Legal Consultant

MAYOR SAMANTHA O'TOOLE
Balonne Shire Council

LGW Management Committee



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Chief Executive Officer, LGAQ

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Chief Financial Officer and Company Secretary, LGAQ is delegate for Chief Executive Officer, LGAQ

MAYOR SAMANTHA O'TOOLE
Balonne Shire Council

MR TERRY BRENNAN
Chief Executive Officer
Burdekin Shire Council

Manager's message

CRAIG HINCHLIFFE
General Manager Queensland & NT
JLT Public Sector

While it feels trite to say it, as we approach the 30th year of LGMS member-owned mutuals operation, 2021-2022 has proved to be as challenging an operating environment as has been encountered.

In a world where the only certainty appears to be greater uncertainty, LGM Liability, LGW Workcare and LGM Assets have continued to act as an effective and compelling buffer to provide Queensland Local Government with consistency and stability in the face of more frequent and severe weather events and, even more broadly, increasingly challenging societal expectations and divisions in relation to an increasingly broad spectrum of risks.

This capacity continues to be drawn from the owner members' commitment to substantive risk improvement, aggregated information and collective action in engaging with regulators and global markets. A particular feature of 2021-2022 has been the ability to maintain access to appropriate insurance to support the risks retained by the LGMS mutuals into the future. While other significant commercial and public entities have experienced extreme challenges in being able to access necessary insurance covers at all, the LGMS mutuals have been able to access favourable terms as risk driven global market influencers. This allows the LGMS mutuals access to covers simply not available to individual entities acting as market led price takers.

JLT Public Sector continues to be equally committed to contributing regulatory accreditation, industry knowledge, capacity and commercial influence to the mutual model on the basis of the sustainable benefits which continue to delivered to Queensland local governments. The diversely qualified JLT Public Sector team acknowledges the LGM Board of Management, the LGW Management Committee and the LGAQ for the ongoing opportunities to make these contributions for member councils. Thanks also to all representatives of Queensland member councils at elected and officer levels for their personal goodwill and engagement toward our endeavours on behalf of their councils and other local government body members. ■

While other significant commercial and public entities have experienced extreme challenges in being able to access necessary insurance covers at all, the LGMS mutuals have been able to access favourable terms as risk driven global market influencers.

LGMS Member Services

LGMS delivers unrivalled value and substantial benefits to our members through our collective buying power, which enables covers of a standard and value that Queensland councils could not find in the commercial insurance market. This provides our members with contribution stability, which assists their budgeting requirements.

LGMS is member-owned and primarily focusses on assisting its member councils with reducing risk exposure, reducing their claims and ensuring ongoing sustainable contributions. LGMS continues to watch the emerging risk landscape in local government to ensure councils are provided with the best covers and services, including:

Member services include:

- Risk Management Systems
- Injury Management
- Workplace Health & Safety
- Risk Management Guides
- Enterprise Risk Management Programs
- Asset Surveys
- Claims Management
- Risk and Safety Audits
- Community Group Insurance Programs
- Risk Management Advice

The LGMS Regional Risk Coordinator Program and the LGW Workplace Health and Safety Team assist member councils by providing support and advice to achieve the common goal of minimising the liability and workcare exposures of local government. Our LGMS Member Centre is the dedicated, member only portal that provides up-to-date information and tools to assist with continuous improvement.

Benefits and value for members:

- LGMS Regional Risk Coordinators (RRCs)
- LGW WHS Team
- LGM Assets Account Managers
- LGMS Website
- LGMS Member Centre
- Local Government Regional Risk Focus Groups
- LGW WHS Conference and Regional Forums
- Dedicated Queensland-based claims professionals across all mutuals to ensure optimal resolution of councils' claims
- Initiatives including LGMS Risk Excellence Awards, LGW WHS Conference, LGW Skytrust Program (currently subsidised for two years), LGM Assets Valuation Program and LGW Mutual Risk Obligations Program, which includes an audit component.

LGMS Member Engagement

LGMS continues to further enhance its engagement with members and provide greater transparency and communication to Queensland councils since the introduction of the Stakeholder Engagement Strategy in 2019.

With the regional lockdowns of the COVID-19 pandemic behind us, 2021-2022 saw LGMS re-engage with its member councils via many face-to-face events, workshops, forums and meetings.

LGMS facilitated three Local Government Risk Management Focus Group (LGRMFG) meetings with subject matter experts from both local government and the private sector. With a second successive La Niña forecast, the LGM Assets team facilitated an emergency response planning session ahead of the 2021-2022 storm season, plus a presentation by a risk engineer at one of the LGRMFGs on the risk engineering program and the progress made by councils.

LGMS were proud sponsors of many Queensland local government events throughout 2021-2022, including the LGAQ Bush Councils Convention, LGMA Annual Conference, the LGAQ Coastal Leaders Forum, LGAQ Annual Conference and Local Government Finance Professionals Annual Conference – which included the sponsorship and facilitation of an educational session by the Swiss Re Group on climate resilience. These sponsorships included various opportunities to tell the story of how LGMS benefits and supports its member councils, and trade booth representation gets our team face-to-face with our member councils to discuss the many issues facing local government.

LGMS representatives also attended 28 of the LGAQ's Elected Member Updates (EMUs) across the state. ■

- **LGMA Annual Conference booth and sponsorship**
- **LGAQ EMU sessions**
- **LGAQ Bush Councils Convention booth and sponsorship**
- **LGFP Annual Conference booth and sponsorship**
- **LGAQ Annual Conference booth and sponsorship**
- **LGAQ CEO inductions**
- **LGMS Council Leader articles**
- **LGMS eNews editions**
- **LGAQ Coastal Futures Webinar**
- **LGW Safety Management System Masterclasses**
- **LGW Regional Safety Forums**
- **LGM LGRMFG meetings**
- **LGAQ Coastal Leaders Forum booth and sponsorship**
- **LGAQ Indigenous Leaders Forum**
- **LGW Incident Investigations training**

LGAQ EMU - Moreton Bay Regional Council

LGAQ ELECTED MEMBER UPDATES (EMU) AND CEO INDUCTIONS

LGAQ EMU - Toowoomba Regional Council

LGAQ CEO Induction - Townsville City Council

LGAQ EMU - Mount Isa City Council

2022 LGAQ BUSH COUNCILS CONVENTION

LGMS Update to members by LGMS Chair, Ian Leckenby.


Left to right: Rachael Lindsay (Principal Governance Advisor - Insurance Services, LGAQ), Ian Leckenby (LGMS Chair), Ian Barton (LGMS Regional Risk Coordinator) and David Royston-Jennings (LGMS Regional Risk Coordinator)

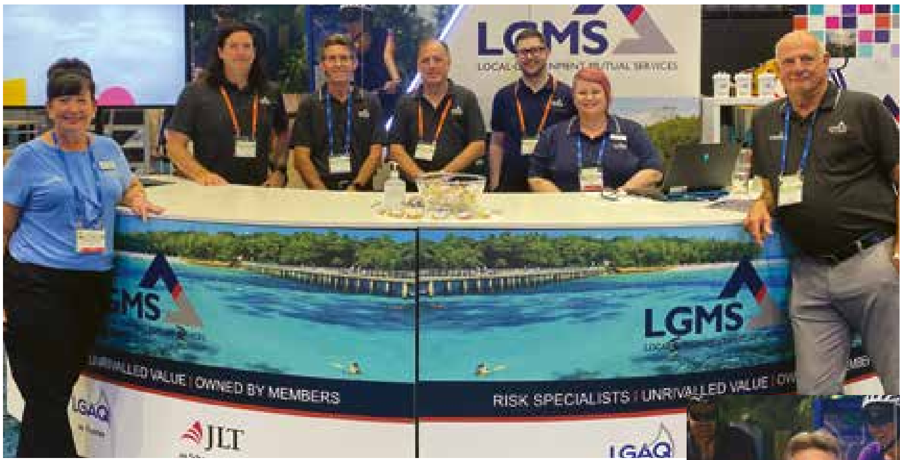
Ian Leckenby (LGMS Chair) and Samantha O'Toole, Mayor - Balonne Shire Council (LGMS Board Member) at the 2022 Bush Councils Convention in Barcaldine

Justin Hancock (CEO - Quilpie Shire Council) and Rachael Lindsay (Principal Governance Advisor - Insurance Services, LGAQ)

Left to right: Rachael Lindsay (Principal Governance Advisor - Insurance Services, LGAQ), Sean Dillon, Mayor - Barcaldine Regional Council and David Royston-Jennings (LGMS Regional Risk Coordinator)

LGMS Member Engagement

LGAQ 2022 ANNUAL CONFERENCE



Left to right: Rachael Lindsay (Principal Governance Advisor - Insurance Services, LGAQ), Paul Bright (LGMS Regional Risk Coordinator), Ian Barton (LGMS Regional Risk Coordinator), Dean Campbell (Divisional Manager - LGW), Nathan Turner (Divisional Manager - LGM Assets), Renee Dickens (Marketing Advisor - LGMS) and Ian Leckenby (LGMS Chair)

Left to right: Ian Barton (LGMS Regional Risk Coordinator), Rachael Lindsay (Principal Governance Advisor - Insurance Services, LGAQ), Sally O'Neil (Mayor - Barcoo Shire Council) and Mike Lollback (CEO - Barcoo Shire Council)

LGMA 2022 ANNUAL CONFERENCE

Left to right: Rachael Lindsay (Principal Governance Advisor - Insurance Services, LGAQ), Craig Hinchliffe (General Manager Queensland & NT - JLT) and Nathan Turner (Divisional Manager - LGM Assets).

Left to right: Nathan Turner (Divisional Manager - LGM Assets), Shane Gray (CEO - Barcaldine Regional Council), Craig Hinchliffe (General Manager Queensland & NT - JLT Public Sector) and Rachael Lindsay (Principal Governance Advisor - Insurance Services, LGAQ)

LGW NORTH QUEENSLAND SAFETY FORUM 2021

Oliver Bodak (Director - Safety Circle) presenting at the LGW North Queensland Safety Forum

2022 LGW PSYCHOLOGICAL HEALTH AND SAFETY MASTERCLASS

Damian Hegarty (Workplace Health and Safety and Insurance Lawyer - HBA Legal) presenting at the 2022 LGW Psychological Health and Safety Masterclass

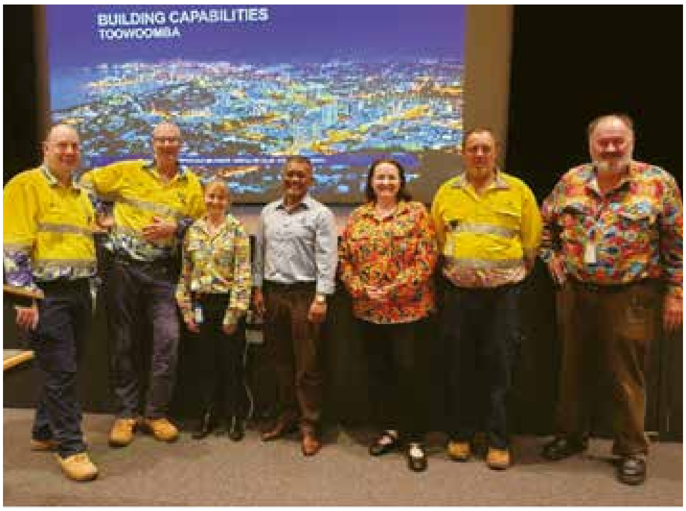
LGAQ COASTAL LEADERS FORUM

Left to right: Rachael Lindsay (Principal Governance Advisor - Insurance Services, LGAQ) and Nathan Turner (Divisional Manager, LGM Assets)

LOCAL GOVERNMENT RISK MANAGEMENT FOCUS GROUP

Local Government Risk Management Focus Group (LGRMFG) session at Ipswich City Council, focusing on cyber security

LGW WORKCARE - SUPERVISOR TRAINING DAY



Hanida Brady (LGW Manager - Injury Management Services) provides Supervisor Training at Toowoomba Regional Council

2022 LGFP ANNUAL CONFERENCE

Left to right: David Royston-Jennings (LGMS Regional Risk Coordinator), Cherie Gray (Global Lead, Sustainability & Market Development - Swiss Re), Jon Guarna (LGAQ Communications Manager) and David Munro (LGMS Regional Risk Coordinator)

Cherie Gray (Global Lead, Sustainability & Market Development - Swiss Re) presenting on behalf of LGMS at the 2022 LGFP Annual Conference in Cairns

LGM Liability and Claim Statistics

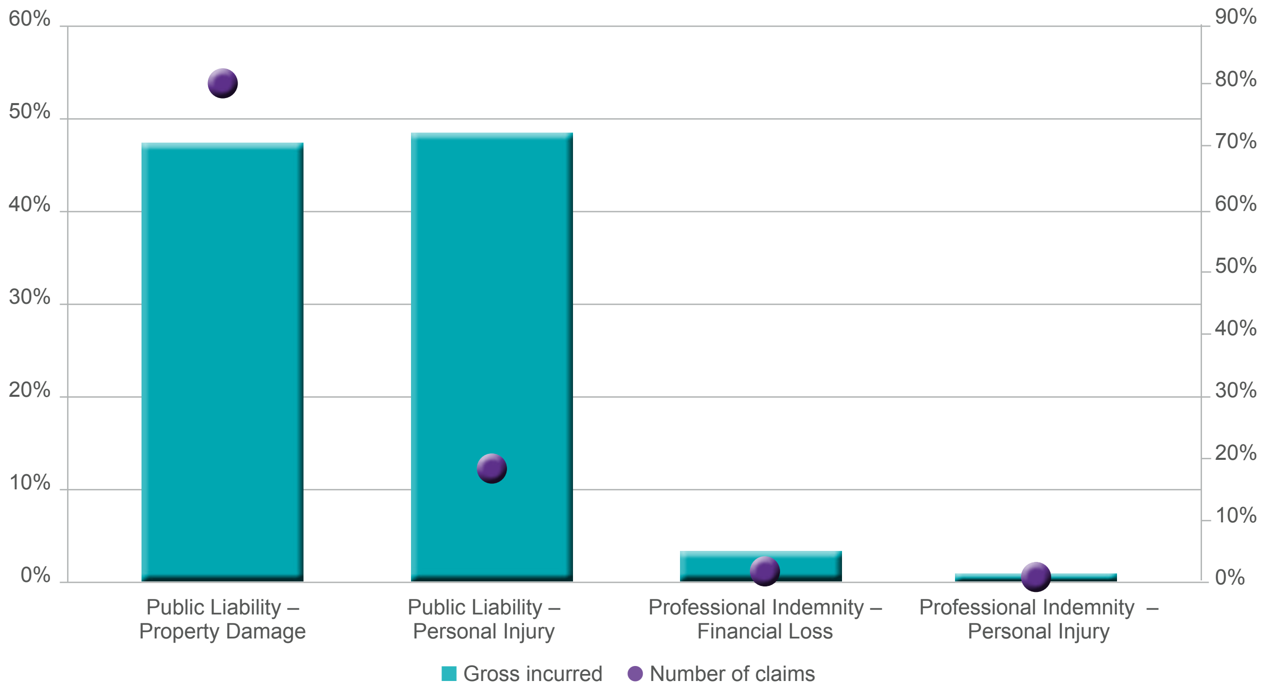
ENTERPRISE RISK MANAGEMENT:
LGM provides support and encouragement for all member councils. This is supplemented by liability guidance materials based on identified risk exposures specific to local government.

MITIGATE RISKS:
Risk learnings from actual claims experience across the mutual provided to all members.

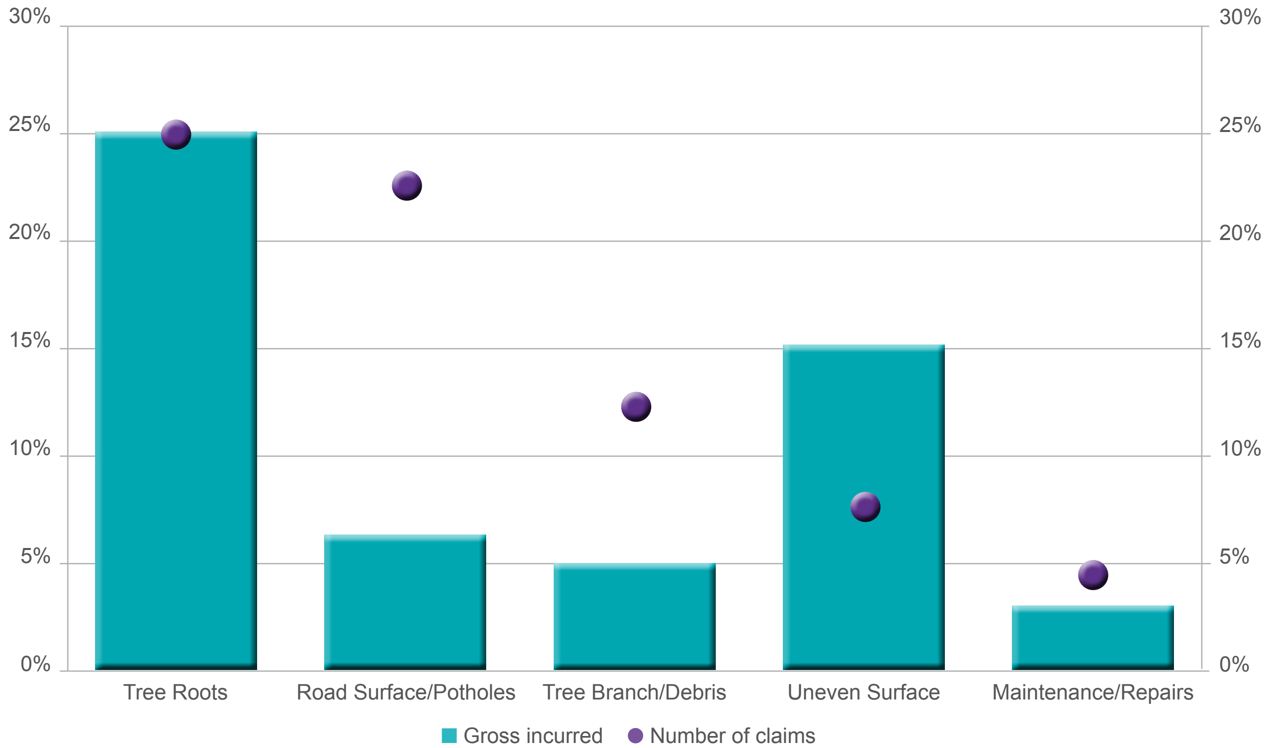
BEST CLAIMS PRACTICE:
Queensland-based legally qualified claims professionals managing claims on behalf of members to achieve the right result.

What were the top reasons for council claims?

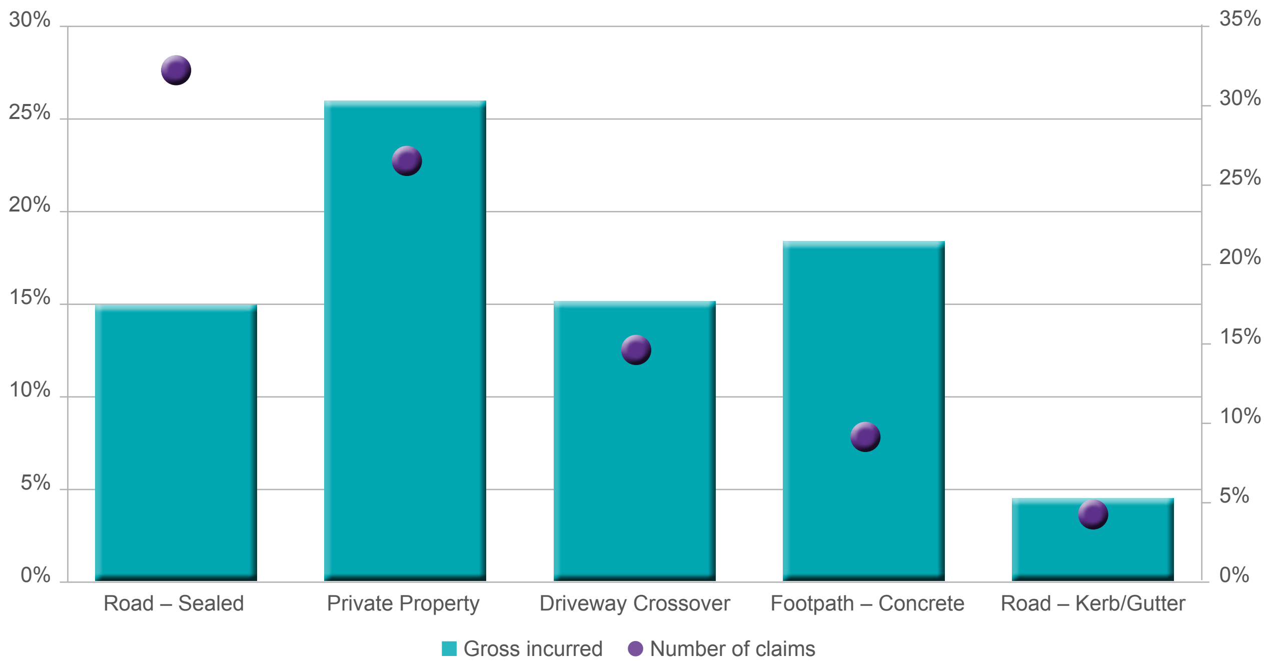
Types of cover 2021-2022 by number of claims and claims cost



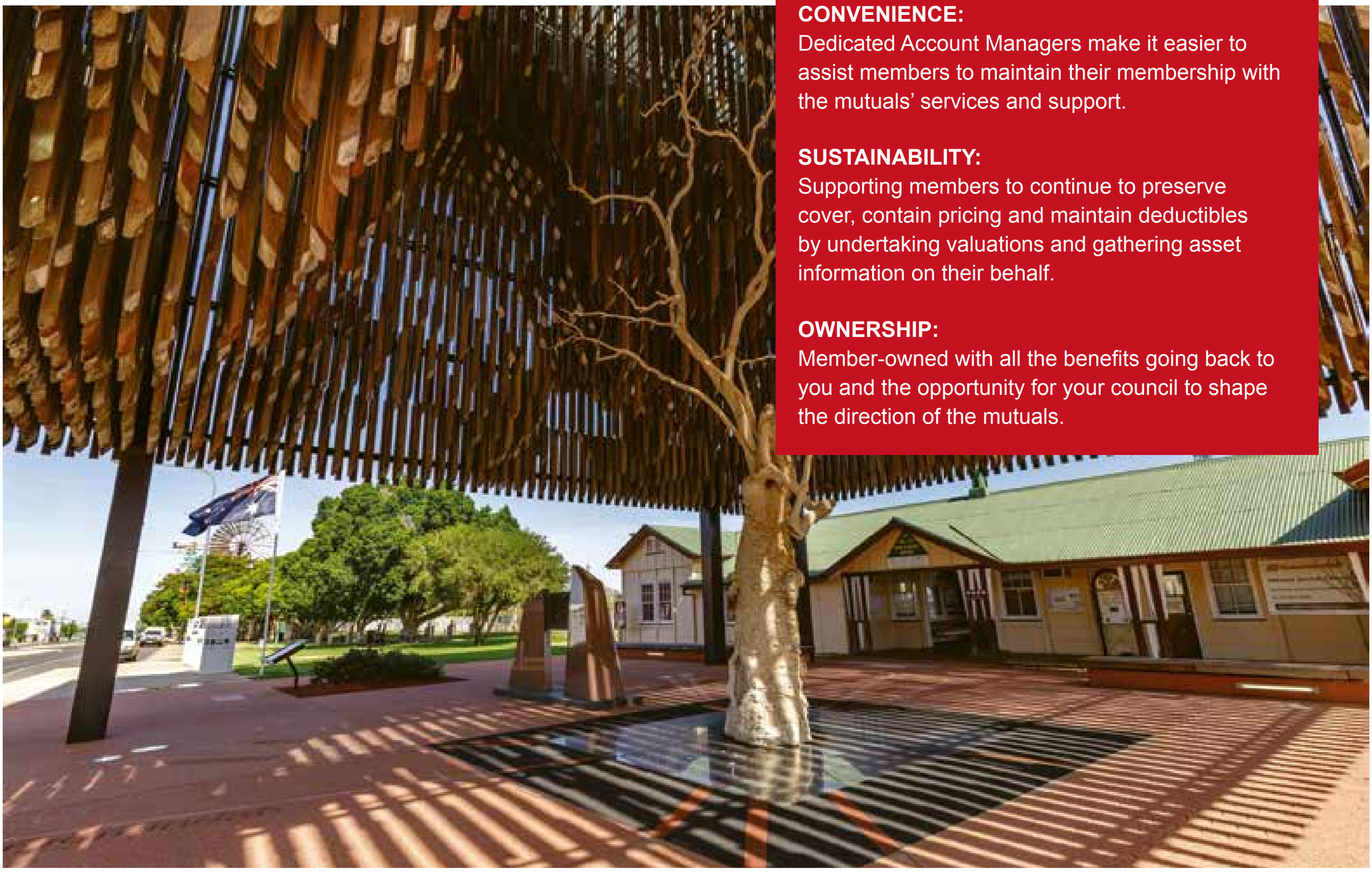
Top 5 liability claim causes 2021-2022 by number of claims and claims cost



Top 5 liability claim locations 2021-2022 by number of claims and claims cost



LGM Assets and Claims Statistics



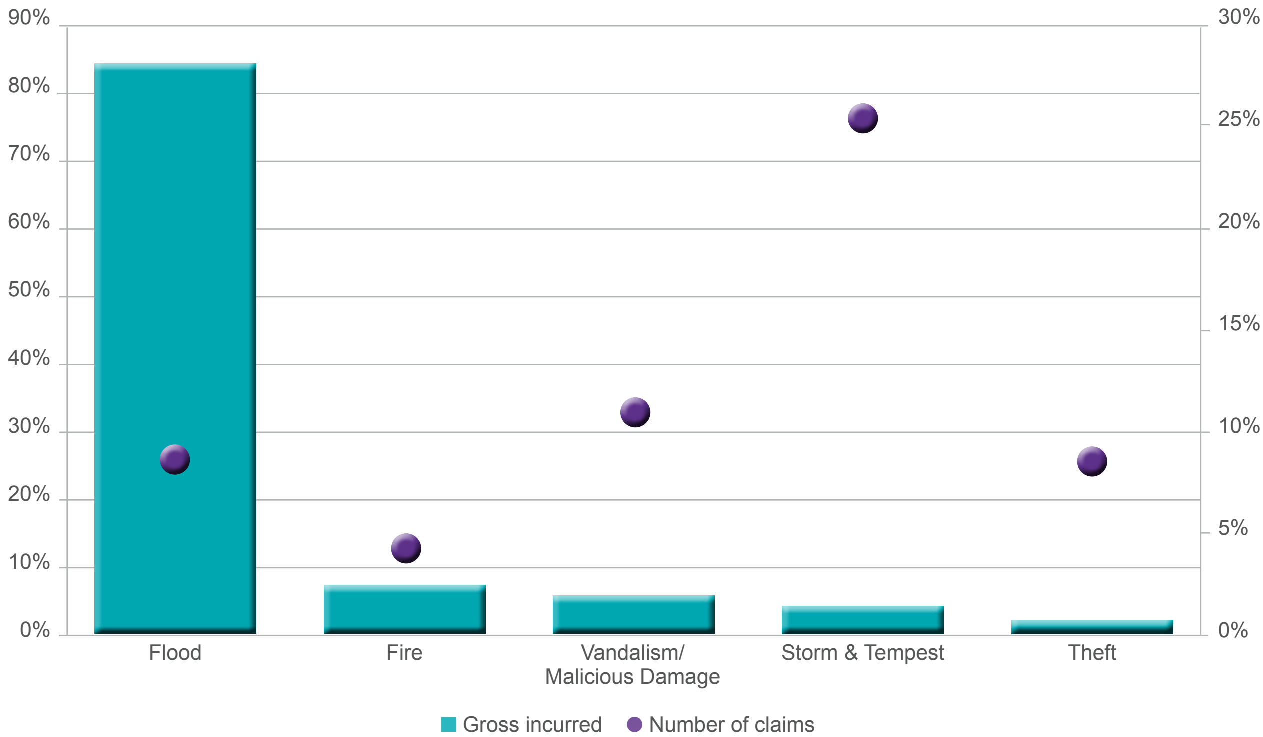
CONVENIENCE:
Dedicated Account Managers make it easier to assist members to maintain their membership with the mutuals' services and support.

SUSTAINABILITY:
Supporting members to continue to preserve cover, contain pricing and maintain deductibles by undertaking valuations and gathering asset information on their behalf.

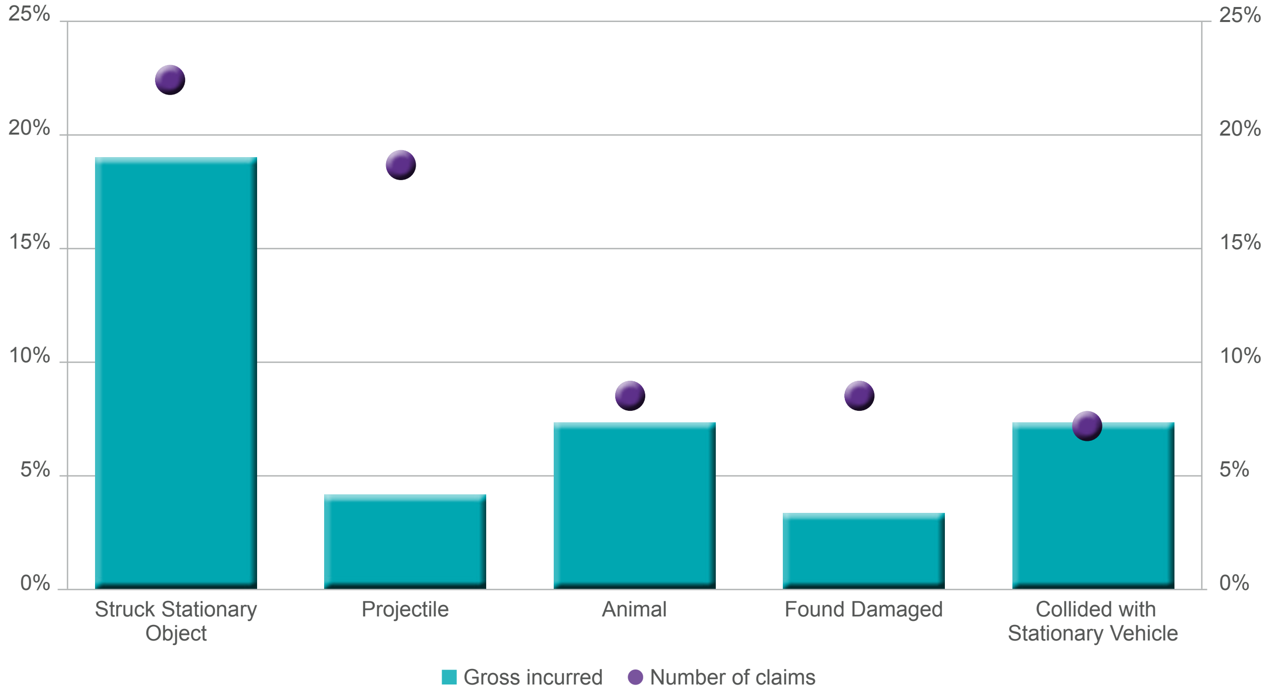
OWNERSHIP:
Member-owned with all the benefits going back to you and the opportunity for your council to shape the direction of the mutuals.

What were the top reasons for council claims?

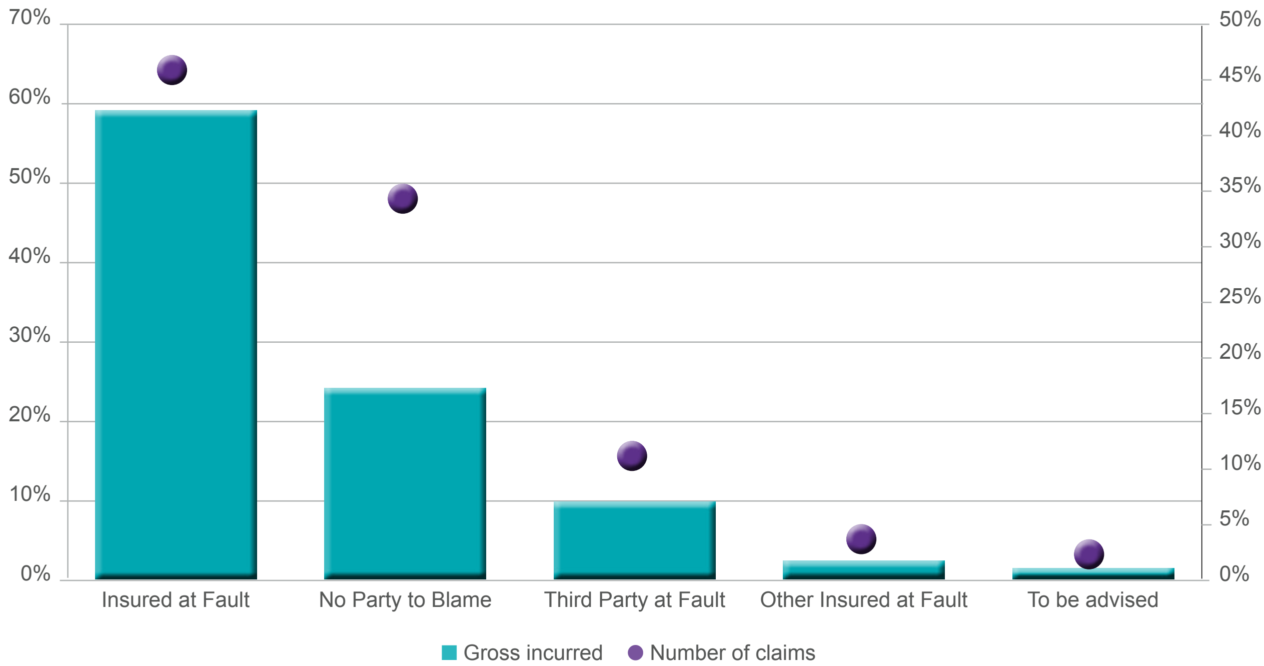
Top 5 general property claim causes by number of claims and claims cost



Top 5 motor claim causes by number of claims and claims cost



Top 5 party responsible for motor vehicle claims by number of claims and claims cost



LGW Workcare and Claims Statistics

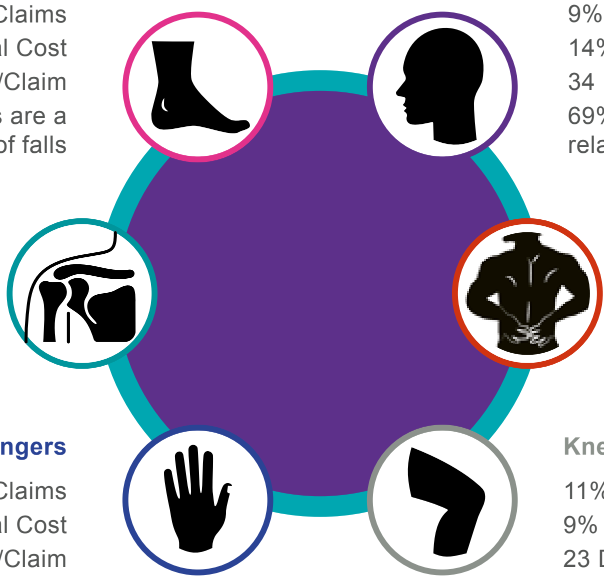
DEDICATED ALLIED HEALTH PROFESSIONALS:
Guide and ensure best claims practice for the benefit of the worker and the council.

WHS ADVICE AND SUPPORT
Tailored to local government specific risks to reduce claims.

MUTUAL RISK OBLIGATIONS
LGW collaborate with member councils to ensure legislative requirements are met including development of a contemporary Local Government Safety Management System.

What were the injuries sustained by council workers?

Most Common Causes by claims, cost, and days lost per claims



Ankle
5% Total Claims
2% Total Cost
11 Day Lost/Claim
49% Claims are a result of falls

Psychological
9% Total Claims
14% Total Cost
34 Days Lost/Claim
69% Claims are caused by work-related harrassment/bullying

Shoulder
9% Total Claims
12% Total Cost
37 Days Lost/Claim
73% Claims are caused by muscular stress

Lower Back
12% Total Claims
10% Total Cost
20 Days Lost/Claim
88% Claims are caused by muscular stress

Fingers
5% Total Claims
2% Total Cost
8 Days Lost/Claim
57% Claims are a result of being hit by moving object

Knee
11% Total Claims
9% Total Cost
23 Days Lost/Claim
57% Claims are caused by muscular stress

Note:
Data is based on claims incurred within the 2021-2022 financial period.
Psychological, Lower Back, Shoulder, Knee, Fingers and Ankle related injuries make up 50% of the total cost of claims.
Psychological, Lower Back, Shoulder, Knee, Fingers and Ankle related injuries make up 51% of the total number of claims.

What were the injuries sustained by council workers?

Most Common Causes by claims, cost, and days lost per claims

Muscular Stress

47% Total Claims
39% Total Cost
21 Days Lost/Claim

Biological Factors

1% Total Claims
6% Total Cost
35 Days Lost/Claim

Vehicle Accident

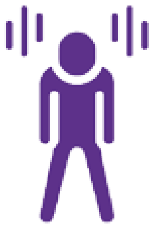
7% Total Claims
12% Total Cost
29 Days Lost/Claim

Hit by Moving Object

13% Total Claims
6% Total Cost
15 Days Lost/Claim

Falls

14% Total Claims
14% Total Cost
27 Days Lost/Claim

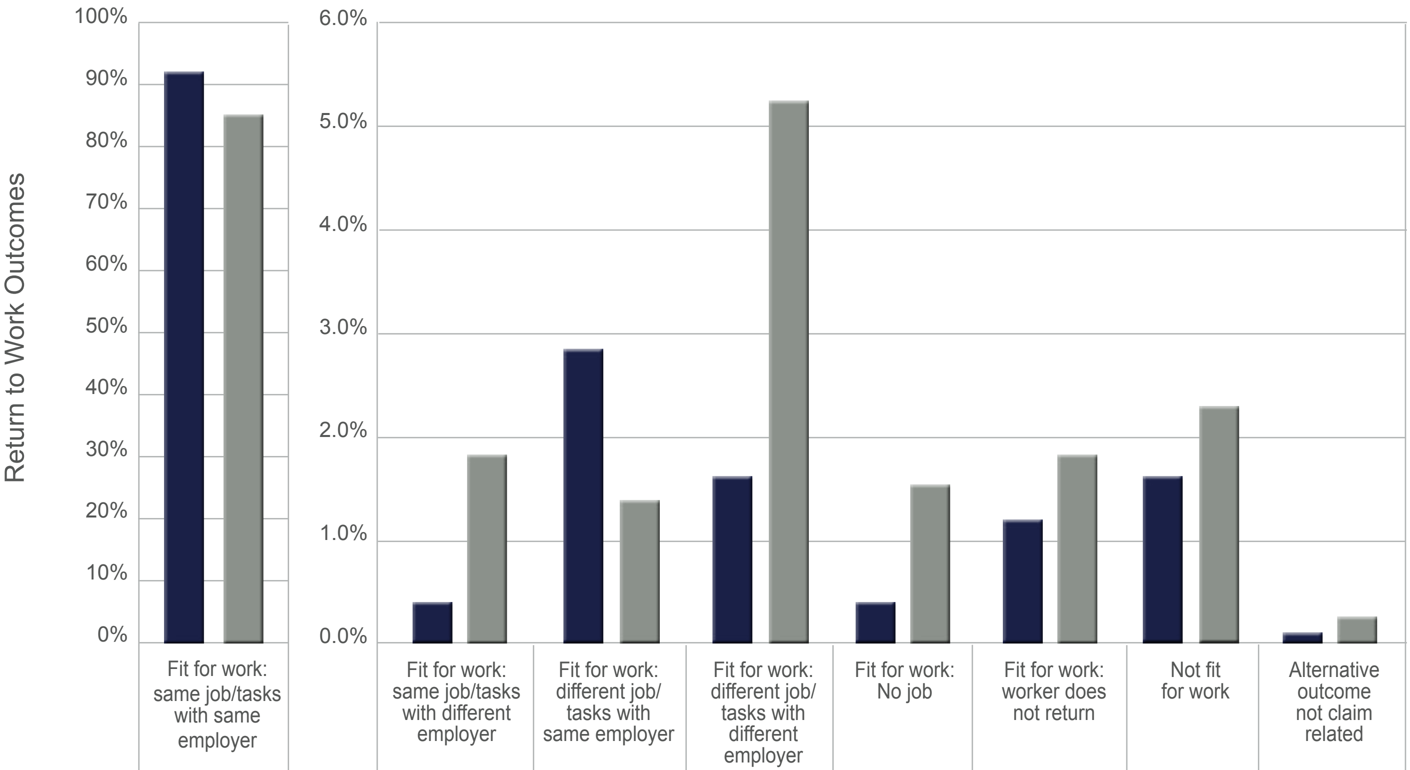


Workplace Bullying / Harrassment / Violence / Pressure

9% Total Claims
13% Total Cost
30 Days Lost/Claim

Data is based on claims incurred within the 2021-2022 financial period.

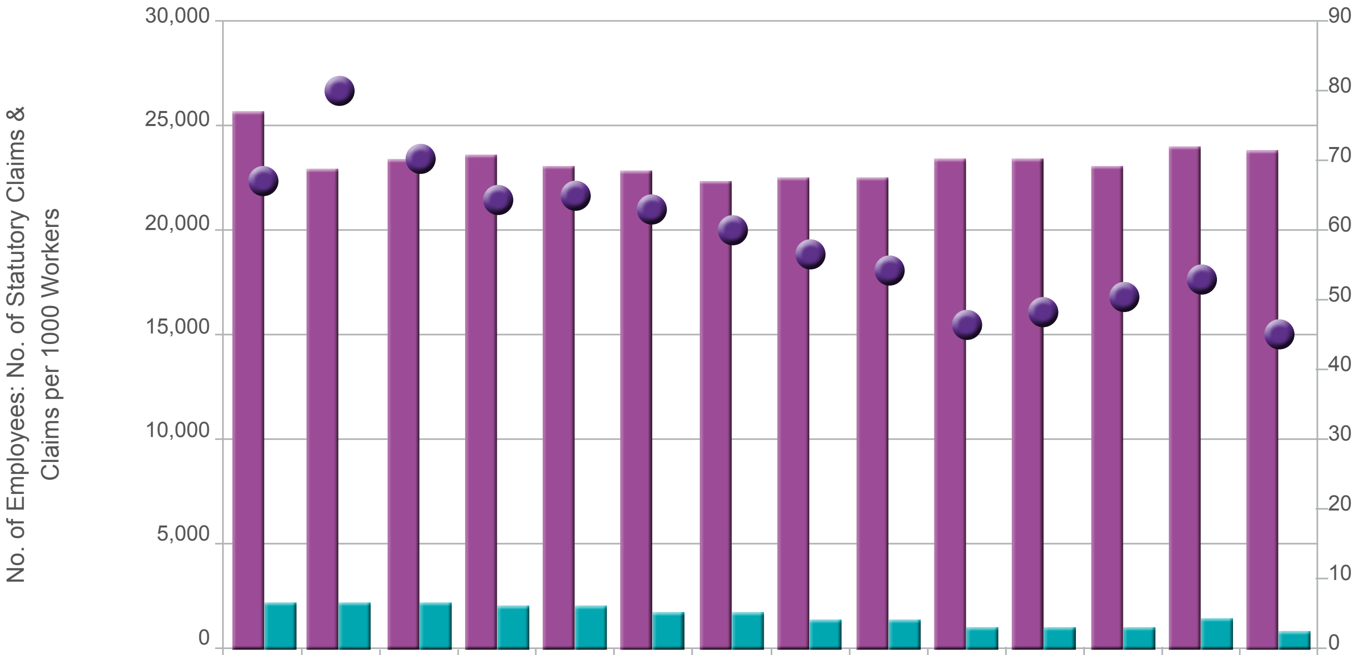
LGW vs WorkCover – Return to work outcomes 2021-2022



	Fit for work: same job/tasks with same employer	Fit for work: same job/tasks with different employer	Fit for work: different job/ tasks with same employer	Fit for work: different job/ tasks with different employer	Fit for work: No job	Fit for work: worker does not return	Not fit for work	Alternative outcome not claim related
LGW	91.8%	0.3%	2.9%	1.7%	0.3%	1.2%	1.7%	0.1%
WorkCover	85.5%	1.9%	1.4%	5.2%	1.6%	1.9%	2.3%	0.2%

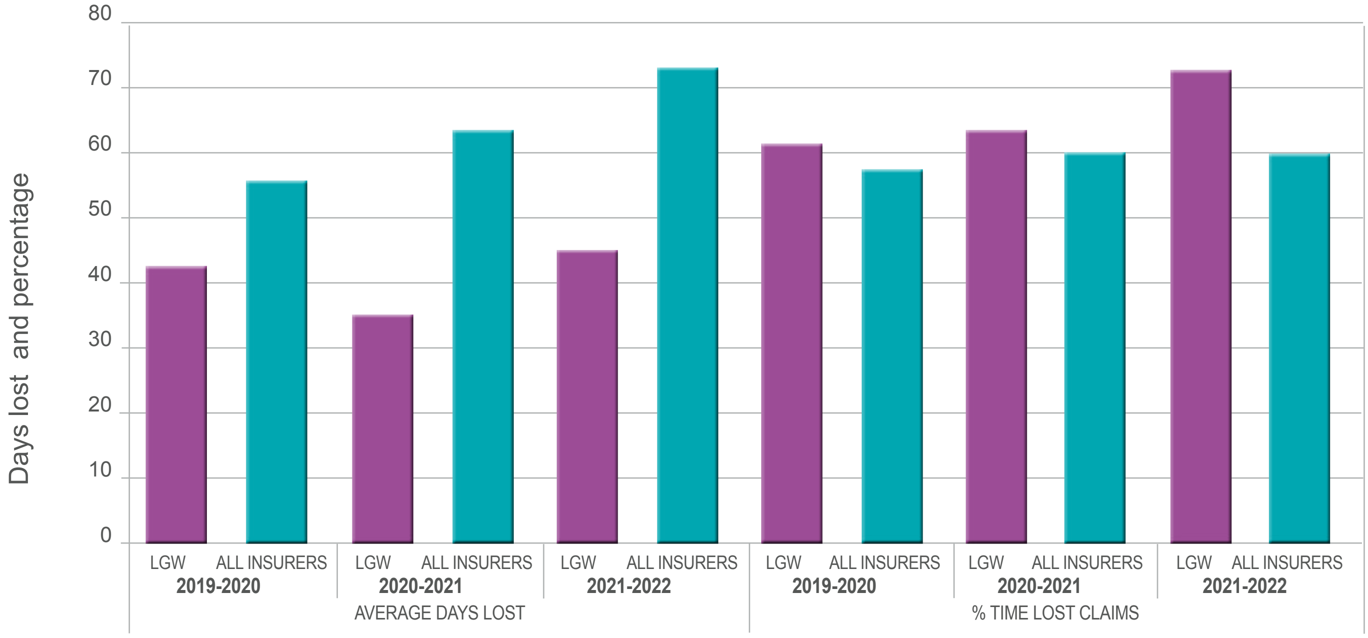
LGW Workcare and Claims Statistics

Claims frequency by injury year

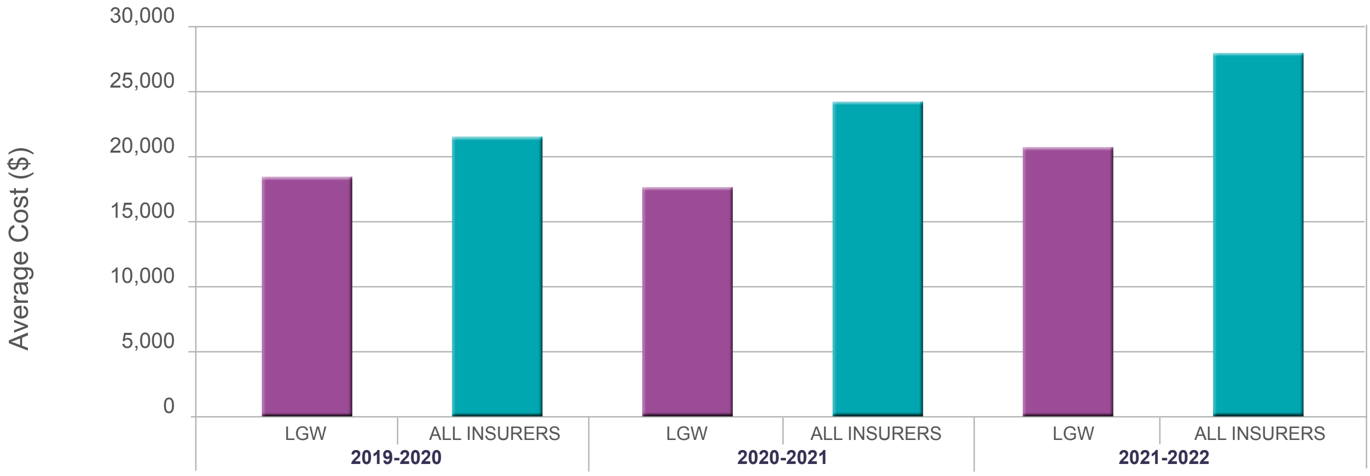


	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
No. of Employees	25,307	22,826	23,392	23,433	23,001	22,606	22,270	22,494	22,469	23,381	23,429	23,255	23,837	23,749
No. of Statutory Claims	1665	1761	1607	1444	1501	1365	1353	1232	1218	1134	1156	1167	1246	1095
Claims per 1,000 workers	67.8	80.0	70.7	64.0	66.3	62.0	60.2	55.7	54.2	48.5	49.3	50.2	52.3	46.1

Time lost claim indicators 2021-2022



Average cost of time lost claims 2021-2022



LGMS Risk Excellence Awards 2021-2022

The 2021-2022 LGMS Risk Excellence Awards recognise the efforts of member councils who have achieved excellent ongoing improvements in risk management.

The winners of the 2021-2022 LGMS Risk Excellence Awards were announced at the LGAQ Annual Conference in Cairns in October 2022. The Awards aim to encourage collaboration and the sharing of insights across LGMS member councils and provide a $20,000 prize in each of four council regions to support the awarded councils in their continuous risk mitigation journey. This initiative recognises the importance of excellence in risk management in supporting the LGMS objectives and the importance of celebrating our members' successes.

Congratulations to Diamantina Shire Council, Douglas Shire Council, Noosa Shire Council and Western Downs Regional Council, you were able to meet the criteria for the LGMS Risk Excellence Award with numerous great initiatives.

2021-2022 LGMS Risk Excellence Award winner Douglas Shire Council. Left to right: CEO Rachel Brophy, Paul Hoye (Manager Environment & Planning), Jamie Kleinhans (Disaster Management Officer), Deputy Mayor Lisa Scomazzon, and Ian Leckenby (LGMS Board Chair)

Diamantina Shire reached out to LGMS in late 2020, seeking support and assistance to improve its risk management policy, framework and risk register, which were due for review. Throughout the first half of 2021, Council worked with their LGMS Regional Risk Coordinator (RRC) to review existing documents and ascertain their level of risk maturity (utilising the new LGMS Risk Maturity Assessment Framework).

This review was followed by a workshop in May 2021 – facilitated

Congratulations to the following LGMS Risk Excellence Award 2021-2022 winners:

NORTH QLD	CENTRAL QLD	SOUTH WEST QLD	SOUTH EAST QLD
Douglas Shire Council	**Diamantina Shire Council**	**Western Downs Regional Council**	**Noosa Shire Council**
Extra flood-related assets have boosted the Douglas Local Disaster Management Group's decision-making, with flood cameras and rain gauges providing an accurate picture of the flood status at various high-risk/impassable locations in Douglas Shire. Councils rain gauges supply data to Bureau of Meteorology (BoM) hydrologists to help run flood models. Council also installed two flood cameras, streaming images to the Douglas Dashboard – enhancing the community's ability to monitor river levels.	Diamantina Regional Council worked with its LGMS Regional Risk Coordinator (RRC) to review existing documents and ascertain their level of risk maturity (utilising the new LGMS Risk Maturity Assessment Framework). This review was followed by a workshop where Council reviewed its risk maturity and practices and amended its policy and framework.	Western Downs Regional Council established a framework that clearly defines the roles and responsibilities of elected members and council administration roles and responsibilities, along with financial, legal and ethical considerations. Council has developed a comprehensive document outlining a simple and transparent review of corporate risks, along with an update on the progress of Council's annual operational plan.	Noosa Shire Council stands out for the level of engagement the executive team, with the support of the risk/governance team, has been able to foster at the elected member level. In 2022 alone, Council held two comprehensive strategic risk management workshops with its elected members. These workshops covered strategic risk management and refinement of Council's risk appetite to ensure it aligns with its strategy and drives decision-making efficiencies.

2021-2022 LGMS Risk Excellence Award winner Diamantina Regional Council. Left to right: Mayor Robbie Dare and Ian Leckenby (LGMS Chair)

2021-2022 LGMS Risk Excellence Award winner Noosa Shire Council (Left to right: CEO Scott Waters, Mayor Clare Stewart, and Ian Leckenby (LGMS Chair)

2021-2022 LGMS Risk Excellence Award winner Western Downs Regional Council. Left to right: Mayor Paul McVeigh, CEO Jodie Taylor, and Ian Leckenby (LGMS Chair)

by the RRC with Council's Executive Management Team – where Council reviewed its risk maturity and practices and amended its policy and framework to a position and process which would be considered 'established', in line with the Queensland Audit Office model – a substantial achievement.

Under the revised framework, Council worked with their RRC to revise its risk register and successfully distinguish between strategic and operational risks throughout the organisation. These documents were further finessed in subsequent internal meetings and consultations with the RRC, with the revised policy and framework adopted by Council in August 2021.

Extra flood-related assets have boosted the Douglas Local Disaster Management Group's decision-making, with flood cameras and rain gauges providing an accurate picture of the flood status at various high-risk/impassable locations in Douglas Shire.

The drive for continual improvement by increasing flood assets followed the 2018/19 monsoon trough and performance of the systems then in place. The Daintree River recorded its highest major flood level in 118 years, damaging property and isolating many communities. Impacts included an estimated loss of $3.75 million in tourism spending in the month following, closure of 32 roads and the Cairns Regional Electricity Board (CREB) Track, eight weeks' suspension from normal duties as civil works crews toiled to mitigate impacts, disruption to transport routes loss of local services and supplies.

Council has installed tipping bucket rain gauges around the shire, supplying data to Bureau of Meteorology (BoM) hydrologists who can use it to run flood models. Council also has two rain gauges registered on the BoM website.

Council installed two flood cameras at the Daintree River Ferry crossing, streaming images to the Douglas Dashboard – enhancing the community's ability to monitor river levels – and early warning signs at the Daintree Ferry southern bank (northbound) and Cow Bay (southbound).

Meanwhile, good governance is important and impacts councils as a whole and all sectors of the community. Western Downs Regional Council established a framework that clearly defines the roles and responsibilities of elected members and council administration roles and responsibilities, along with financial, legal and ethical considerations.

Over several years, Council has developed a comprehensive document outlining a simple and transparent review of Council's corporate risks, along with an update on the progress of Council's annual operational plan. Council has not only invested time in developing its risk framework, but also invested the same time and energy in developing its reporting and communication framework, believing it important to identify and record Council's risks – but even more important to meet community expectations.

Noosa Shire Council has continued to excel in its risk management maturity over the past year. Noosa stands out for the level of engagement the executive team, with the support of the risk/governance team, has been able to foster at the elected member level. In 2022 alone, Council held two comprehensive strategic risk management workshops with its elected members. The first was a strategic risk session and the second a detailed and comprehensive risk appetite session, as Council continued to refine its risk appetite and make it more aligned with its strategy and drive decision-making efficiencies.

This level of elected member engagement is the acme for SEQ councils and Council has continued to refine and improve all elements of its risk management framework and foster a risk-aware culture, but one that is not afraid of innovating at the same time.

Congratulations to the LGMS Risk Excellence Award 2021-2022 winners! ■

QUEENSLAND LOCAL
GOVERNMENT MUTUAL

Financial Statements

for the year ended 30 June 2022

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Financial Statements

For the year ended 30 June 2022

Statement of Profit or Loss and other Comprehensive Income

for the year ended 30 June 2022

This statement should be read in conjunction with the notes to the financial statements set out on pages 25-39.

	Note	2022 $	2021 $
REVENUE			
Member contributions	3	73,734,583	59,367,919
Reinsurance and other recoveries revenue	3	8,472,739	6,364,135
Other income	3	1,923,947	1,285,780
Investment income	3	7,442,000	2,216,640
Changes in the fair value of investments	3	-	8,491,874
Interest revenue	3	226,260	234,363
Total revenue		**91,799,529**	77,960,711
EXPENSES			
Claims expense	3	(26,005,776)	(22,822,953)
Outwards risk premium expense	3	(52,718,647)	(39,060,856)
Other underwriting expenses	3	(7,939,820)	(7,219,236)
Changes in the fair value of investments		(11,460,808)	-
General expenses	3	(1,386,872)	(963,480)
Total expenses		**(99,511,923)**	(70,066,525)
Operating result		(7,712,394)	7,894,186
Other comprehensive income		**-**	-
Total comprehensive(loss) / income for the year attributable to members		**(7,712,394)**	7,894,186

Statement of Financial Position

as at 30 June 2022

This statement should be read in conjunction with the notes to the financial statements set out on pages 25-39.

	Note	2022 $	2021 $
CURRENT ASSETS			
Cash and cash equivalents	7(a)	45,254,974	41,131,261
Trade and other receivables		681,249	1,566,815
Reinsurance and other recoveries receivables		8,996,456	8,624,955
Financial assets		109,542,933	113,958,125
Total current assets		**164,475,612**	165,281,156
NON-CURRENT ASSETS			
Reinsurance and other recoveries receivables		18,595,012	17,947,613
Total non-current assets		18,595,012	17,947,613
Total assets		**183,070,624**	183,228,769
CURRENT LIABILITIES			
Trade and other payables		735,789	303,140
Unearned contributions		19,837,793	19,019,826
Distribution payables	18	715,767	606,715
Future claims and associated costs	9	36,261,474	28,114,823
Total current liabilities		**57,550,823**	48,044,504
NON-CURRENT LIABILITIES			
Future claims and associated costs	9	56,063,929	55,566,000
Total non-current liabilities		56,063,929	55,566,000
Total liabilities		113,614,752	103,610,504
NET ASSETS		**69,455,872**	79,618,265
EQUITY			
Retained surplus		69,455,872	79,618,265
TOTAL EQUITY		**69,455,872**	79,618,265

Statement of Changes in Equity

for the year ended 30 June 2022

This statement should be read in conjunction with the notes to the financial statements set out on pages 25-39.

	Note	2022 $	2021 $
Total equity at the beginning of the financial year		79,618,265	74,664,079
Other comprehensive income		-	-
Operating result for the year		(7,712,394)	7,894,186
Total comprehensive (loss) / income		(7,712,394)	7,894,186
Surplus distribution	18	(2,450,000)	(2,940,000)
Total equity at the end of the financial year		**69,455,872**	79,618,265

Statement of Cash Flows

for the year ended 30 June 2022

This statement should be read in conjunction with the notes to the financial statements set out on pages 25-39.

	Note	2022 $	2021 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Member contributions		74,764,206	63,129,207
Outwards risk premium expense		(52,718,647)	(39,060,856)
Claims expense		(18,699,196)	(19,843,267)
Other underwriting and general expenses		(8,714,949)	(8,303,483)
Interest revenue		222,898	238,098
Reinsurance and other recoveries revenue		8,791,839	6,250,152
GST collected from members		7,626,863	6,231,586
GST paid to suppliers and ATO		(7,893,557)	(6,097,172)
Other income		2,688,820	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	7(b)	**6,068,277**	2,544,264
CASH FLOWS FROM INVESTING ACTIVITIES			
(Payments for) / distributions from Investments		(7,045,616)	8,164,631
Investment income received		7,442,000	2,216,641
NET CASH PROVIDED BY INVESTING ACTIVITIES		396,384	10,381,272
CASH FLOWS FROM FINANCING ACTIVITIES			
Surplus distribution paid		(2,340,948)	(3,095,414)
NET CASH USED IN FINANCING ACTIVITIES		(2,340,948)	(3,095,414)
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,123,713	9,830,123
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		41,131,261	31,301,138
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		**45,254,974**	41,131,261

1. Background

Queensland Local Government Mutual (LGM) is a Trust which has been established in Australia by the Local Government Association of Queensland Ltd under a Trust Deed dated 3 December 1993.

The Queensland Local Government Mutual is a self-insurance scheme.

LGM was renamed from Queensland Local Government Mutual Liability Pool to Queensland Local Government Mutual as part of the Trust Deed amendment dated 21 May 2015 that continued a fund for civil liability and established a separate Asset Fund.

The Liability Fund and Asset Fund are both established under the one Trust Deed to spread public liability, professional indemnity and asset risk between the Members, and provide risk management services for the local governments in Queensland who elect to become members. Although there are two separate funds, these funds are not 'individual reporting entities'. There is one legal entity, Queensland Local Government Mutual, which controls both funds. The Asset Fund commenced operations on 1st July 2015. The principal activity of Queensland Local Government Mutual is the provision of cover for civil liability (Liability Fund) and asset loss (Asset Fund) incurred by member local governments and member local government controlled entities within Queensland and the management of associated claims.

The principal place of business of Queensland Local Government Mutual is:

Local Government House
27 Evelyn Street
Newstead QLD 4006

All employees are employed by the Scheme Manager, JLT Risk Solutions Pty Ltd, formerly known as Jardine Lloyd Thompson Pty Ltd, and their associated costs are recharged to LGM through a monthly scheme management fee. This fee is disclosed in the Statement of Profit or Loss and other Comprehensive Income as 'Other underwriting expenses'.

2. Statement of significant accounting policies

a) Basis of preparation

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, (including the Australian Accounting Interpretations) to satisfy reporting responsibilities under the Queensland Local Government Mutual (LGM) Trust Deed. LGM is a not for profit entity and the Australian Accounting Standards includes requirements for not for profit entities which are inconsistent with International Financials Reporting Standards (IFRS). Therefore in some instances these financial statements do not comply with IFRS. They have been prepared on the basis of historical costs except where stated.

The accounting policies are consistent with those of the previous year unless otherwise stated. The functional and presentation currency of LGM is Australian Dollars.

b) Rounding

Figures in the financial statements are rounded to the nearest dollar unless otherwise indicated.

c) Taxation

LGM is subject to Goods and Services Tax (GST). The net amount of GST recoverable from or payable to the Australian Taxation Office is shown as an asset or liability respectively.

LGM is not a separate legal entity, and is not a partnership. It operates under a contractual relationship between its members, all of which are local governments or other local government/statutory entities, and all of which are exempt from income tax. All assets of LGM, including surpluses of contributions over claims costs and expenses, remain the directly-owned property of the members. Under the mutuality principle, therefore, LGM does not generate "income" for taxation purposes, except in relation to its investments. The investment income is directly owned property of the tax-exempt members. For these reasons, no provision has been made for income tax.

d) Estimates and judgements

In the process of applying the significant accounting policies, certain critical accounting estimates and assumptions are used and certain judgements are made.

The areas where the estimates and assumptions involve a high degree of judgement or complexity, and are considered significant to the financial statements, are:

- Reinsurance and other recoveries on outstanding claims, refer notes 3 and 10.
- Future claims and associated costs, refer notes 3 and 9.

e) Impact of Coronavirus (COVID-19) on estimates and judgements

The ongoing COVID-19 pandemic has increased estimation uncertainty in the preparation of these financial statements. LGM has developed various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 30 June 2022 about future events that LGM believe reasonable in the circumstances.

There is a considerable degree of judgment involved in preparing these forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of LGM. Accordingly, actual economic conditions may be different from those forecasts since anticipated events may not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financials statement at the date of the report.

The significant accounting estimates particularly impacted by these associated uncertainties are predominantly related to the valuation of the outstanding claims liability and fair value measurement of investments.

Fair value measurement of investments

LGM's investments are designated at fair value through profit and loss, and for the vast majority of the investment, the fair value is determined based on observable market data. This measurement basis has not changed as a result of COVID-19. Refer to Note 8 for further details on investments.

Future claims and associated costs

There has been no changes in the valuation of claims and related costs due to COVID-19 as the impact has been considered to be relatively minor. Changes is assumptions relating to the Future claims and associated costs not related to COVID-19 are detailed in Note 9.

3. Revenue and expenses

	Total Liability & Asset Funds 2022 $	Total Liability & Asset Funds 2021 $	Liability Fund 2022 $	Liability Fund 2021 $	Asset Fund 2022 $	Asset Fund 2021 $
REVENUE						
Member contributions	73,734,583	59,367,919	26,008,339	23,215,951	47,726,244	36,151,968
Reinsurance and other recoveries revenue	8,472,739	6,364,135	8,430,144	6,304,007	42,595	60,128
Other income	1,923,947	1,285,780	25,198	-	1,898,749	1,285,780
Investment income	7,442,000	2,216,640	7,442,000	2,216,640	-	-
Changes in the fair value of investments	-	8,491,874	-	8,491,874	-	-
Interest revenue	226,260	234,363	63,000	63,625	163,260	170,738
Total revenue	**91,799,529**	77,960,711	**41,968,681**	40,292,097	**49,830,848**	37,668,614

Revenue recognition

Member contributions

Contributions comprise amounts charged to Members of LGM for liability and property protection. Contributions are earned from the date of attachment of risk. The pattern of recognition over the period of cover is based on time, which is considered to closely approximate the pattern of risks undertaken.

Investment revenue

Investment revenue is recognised as it accrues, taking into account the effective yield on the financial asset. Investment distributions are recognised when the right to receive payment is established. The investment revenue comprises of distributions from the investment funds and the interest received from term deposits.

Distribution of $5.93 million from investment funds pertaining to 2020-2021 but received in July 2021 has been accounted as Investment income in 2021-2022.

The revenue received from cash and cash equivalents is recognised as interest revenue. It is recognised as it accrues on the cash and cash equivalents. The interest revenue comprises of the interest received from the QTC cash fund and ANZ bank.

	Total Liability & Asset Funds 2022 $	Total Liability & Asset Funds 2021 $	Liability Fund 2022 $	Liability Fund 2021 $	Asset Fund 2022 $	Asset Fund 2021 $
EXPENSES						
Claims expense	(26,005,776)	(22,822,953)	(14,975,042)	(19,782,693)	(11,030,734)	(3,040,260)
Outwards risk premium expense	(52,718,647)	(39,060,856)	(13,376,283)	(11,464,238)	(39,342,364)	(27,596,618)
Other underwriting expenses	(7,939,820)	(7,219,236)	(4,783,391)	(4,710,220)	(3,156,429)	(2,509,016)
Changes in the fair value of investments	(11,460,808)	-	(11,460,808)	-	-	-
General expenses*	(1,386,872)	(963,480)	(747,698)	(714,620)	(639,174)	(248,860)
Total expenses	**(99,511,923)**	(70,066,525)	**(45,343,222)**	(36,671,771)	**(54,168,701)**	(33,394,754)
*General expenses include as per below						
Investment fees and charges	411,158	392,057	373,942	360,215	37,216	31,842
Administration expenses	975,714	571,423	373,756	354,405	601,958	217,018
	1,386,872	963,480	**747,698**	714,620	**639,174**	248,860

Claims expense and future claims and associated costs liability

Claims expense and a liability for future claims are recognised as losses occur for the Liability and Asset fund. The liability for future claims includes claims incurred but not yet paid, incurred but not reported (IBNR), incurred but not enough reported (IBNER) and the anticipated costs of settling those claims.

The liability for future claims for both the funds are measured as the present value of the expected future payments, reflecting the fact that all claims do not have to be paid out in the immediate future. The Trust takes all reasonable steps to ensure that it has appropriate information regarding its claim exposures, with estimates and judgements continually being evaluated and updated based on historical experience and other factors. The liability for future claims for both the funds is calculated using a central estimate with no explicit bias towards over or under estimation.

Liability fund

The liability for future claims includes a prudential margin to increase the probability that the overall provision for claims will be adequate. The liability has been set having regard to independent actuarial advice.

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 a present value at the reporting date using market determined risk adjusted discount rates. The details of rates applied are included in Note 9.

Outwards risk premiums

Premiums ceded to insurers and reinsurers are recognised as expenses in accordance with the pattern of services received, being on a daily pro-rata basis.

4. Financial position

	Total Liability & Asset Funds 2022 $	Total Liability & Asset Funds 2021 $	Liability Fund 2022 $	Liability Fund 2021 $	Asset Fund 2022 $	Asset Fund 2021 $
CURRENT ASSETS						
Cash and cash equivalents	45,254,974	41,131,261	21,781,738	21,594,219	23,473,236	19,537,042
Trade and other receivables	681,249	1,566,815	129,116	250,247	552,133	1,316,568
Reinsurance and other recoveries receivables	8,996,456	8,624,955	8,996,456	8,624,955	-	-
Financial assets	109,542,933	113,958,125	109,542,933	113,958,125	-	-
Total current assets	**164,475,612**	165,281,156	**140,450,243**	144,427,546	**24,025,369**	20,853,610
NON-CURRENT ASSETS						
Reinsurance and other recoveries receivables	18,595,012	17,947,613	18,595,012	17,947,613	-	-
Total non-current assets	18,595,012	17,947,613	18,595,012	17,947,613	-	-
Total assets	**183,070,624**	183,228,769	**159,045,255**	162,375,159	**24,025,369**	20,853,610
CURRENT LIABILITIES						
Trade and other payables	735,789	303,140	136,924	94,802	598,865	208,338
Unearned contributions	19,837,793	19,019,826	19,837,793	19,019,826	-	-
Distribution payable	715,767	606,715	715,767	606,715	-	-
Future claims and associated costs	36,261,474	28,114,823	22,701,567	21,674,000	13,559,907	6,440,823
Total current liabilities	**57,550,823**	48,044,504	**43,392,051**	41,395,343	**14,158,772**	6,649,161
NON-CURRENT LIABILITIES						
Future claims and associated costs	56,063,929	55,566,000	56,063,929	55,566,000	-	-
Total non-current liabilities	56,063,929	55,566,000	56,063,929	55,566,000	-	-
Total liabilities	113,614,752	103,610,504	99,455,980	96,961,343	14,158,772	6,649,161
NET ASSETS	**69,455,872**	79,618,265	**59,589,275**	65,413,816	**9,866,597**	14,204,449
EQUITY						
Retained surplus	69,455,872	79,618,265	59,589,275	65,413,816	**9,866,597**	14,204,449
TOTAL EQUITY	**69,455,872**	79,618,265	**59,589,275**	65,413,816	**9,866,597**	14,204,449

Unearned contributions

Member contributions billed for the next financial year but received in bank in the current financial year are recognised as unearned contributions in the Statement of Financial Position.

Reinsurance, insurance, and other recoveries

Liability Fund

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid, IBNRs and IBNERs are recognised as revenue.

Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Recoveries receivable are measured at the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

Asset Fund

The Asset Fund is supported by an appropriate insurance policy. The Asset Fund is subject to an aggregate fund. In the event that the aggregate fund is exhausted all claims will be paid by insurers.

5. Underwriting result

	Total Liability & Asset Funds 2022 $	Total Liability & Asset Funds 2021 $	Liability Fund 2022 $	Liability Fund 2021 $	Asset Fund 2022 $	Asset Fund 2021 $
Member contributions	73,734,583	59,367,919	26,008,339	23,215,951	47,726,244	36,151,968
Outwards risk premium expense	(52,718,647)	(39,060,856)	(13,376,283)	(11,464,238)	(39,342,364)	(27,596,618)
Net contribution revenue	21,015,936	20,307,063	12,632,056	11,751,713	8,383,880	8,555,350
Claims expense	(26,005,776)	(22,822,953)	(14,975,042)	(19,782,693)	(11,030,734)	(3,040,260)
Reinsurance and other recoveries revenue	8,472,739	6,364,135	8,430,144	6,304,007	42,595	60,128
Net claims expense	(17,533,037)	(16,458,818)	(6,544,898)	(13,478,686)	(10,988,139)	(2,980,132)
Other underwriting expenses*	(7,939,820)	(7,219,236)	(4,783,391)	(4,710,220)	(3,156,429)	(2,509,016)
Underwriting result	**(4,456,921)**	(3,370,991)	**1,303,767**	(6,437,193)	**(5,760,688)**	3,066,202

*Other underwriting expenses pertain to management fees of the Trust.

6. Cash flows

Cash and cash equivalents

Cash and cash equivalents include cash deposits held with a financial institution, and a capital guaranteed investment held with QTC that is subject to a low risk of change in value and is readily convertible to cash on hand.

	Total Liability & Asset Funds 2022 $	Total Liability & Asset Funds 2021 $	Liability Fund 2022 $	Liability Fund 2021 $	Asset Fund 2022 $	Asset Fund 2021 $
CASH FLOW FROM OPERATING ACTIVITIES						
Member contributions	74,764,206	63,129,207	27,037,898	26,934,743	47,726,308	36,194,464
Outwards risk premium expense	(52,718,647)	(39,060,856)	(13,376,283)	(11,464,238)	(39,342,364)	(27,596,618)
Net claims expense	(18,699,196)	(19,843,267)	(14,787,546)	(16,950,066)	(3,911,650)	(2,893,201)
Other underwriting and general expenses	(8,714,949)	(8,303,483)	(5,309,873)	(5,609,919)	(3,405,076)	(2,693,564)
Interest revenue	222,898	238,098	62,686	64,145	160,212	173,953
Reinsurance and other recoveries	8,791,839	6,250,152	8,749,244	6,045,807	42,595	204,345
GST collected from members	7,626,863	6,231,586	2,703,790	2,693,444	4,923,073	3,538,142
GST paid to suppliers and ATO	(7,893,557)	(6,097,172)	(2,973,031)	(2,541,398)	(4,920,526)	(3,555,774)
Other income	2,688,820	-	25,198	-	2,663,622	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	**6,068,277**	2,544,265	**2,132,083**	(827,482)	**3,936,194**	3,371,747
CASH FLOWS FROM INVESTING ACTIVITIES						
(Payments for) / distributions from Investments	(7,045,616)	8,164,631	(7,045,616)	8,164,631	-	-
Investment income received	7,442,000	2,216,641	7,442,000	2,216,641	-	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	396,384	10,381,272	396,384	10,381,272	-	-
CASH FLOWS FROM FINANCING ACTIVITIES						
Surplus Distribution Paid	(2,340,948)	(3,095,414)	(2,340,948)	(3,095,414)	-	-
NET CASH USED IN FINANCING ACTIVITIES	(2,340,948)	(3,095,414)	(2,340,948)	(3,095,414)	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,123,713	9,830,123	187,520	6,458,376	3,936,194	3,371,747
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	**41,131,261**	31,301,138	**21,594,219**	15,135,843	**19,537,042**	16,165,295
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**45,254,974**	41,131,261	**21,781,738**	21,594,219	**23,473,237**	19,537,042

7. Notes to the statement of cash flows

a) Reconciliation of cash

For the purposes of the statement of cash flows, cash and cash equivalents includes cash at bank and short term investment deposits at call.

Cash and cash equivalents at the end of the financial year, as shown in the statement of cash flows, is reconciled to the related items in the statement of financial position as follows:

	Total Liability & Asset Funds 2022 $	Total Liability & Asset Funds 2021 $	Liability Fund 2022 $	Liability Fund 2021 $	Asset Fund 2022 $	Asset Fund 2021 $
Cash at bank and in hand	6,669,516	6,702,629	2,282,633	5,137,754	4,386,883	1,564,875
Deposits at call	38,585,458	34,428,632	19,499,105	16,456,465	19,086,353	17,972,167
	45,254,974	41,131,261	**21,781,738**	21,594,219	**23,473,236**	19,537,042

b) Reconciliation of operating surplus to net cash provided by operating activities:

	Total Liability & Asset Funds 2022 $	Total Liability & Asset Funds 2021 $	Liability Fund 2022 $	Liability Fund 2021 $	Asset Fund 2022 $	Asset Fund 2021 $
Operating surplus	(7,712,394)	7,894,186	(3,374,541)	3,620,326	(4,337,853)	4,273,860
Non cash operating items						
Change in the fair value of investments	11,460,808	(8,491,874)	11,460,808	(8,491,874)	-	-
Investing income classified as investing activities	(7,442,000)	(2,216,640)	(7,442,000)	(2,216,640)	-	-
Increase in reinsurance and other recoveries	(1,018,900)	(2,669,583)	(1,018,900)	(2,669,583)	-	-
Decrease/(Increase) in trade and other payables	432,649	105,921	42,122	(32,692)	390,527	138,613
(Increase)/Decrease in trade and other receivables	885,566	(1,279,389)	121,131	(91,606)	764,435	(1,187,783)
Increase in unearned revenue	817,967	3,810,574	817,967	3,810,574	-	-
Increase in future claims and associated costs	8,644,580	5,391,067	1,525,496	5,244,010	7,119,084	147,057
NET CASH FROM OPERATING ACTIVITIES	**6,068,276**	2,544,263	**2,132,083**	(827,485)	**3,936,193**	3,371,747

8. Financial assets

Financial assets consist of investments in QIC managed funds, which upon initial recognition are classified at 'fair value through profit or loss' (FVTPL) and are subsequently measured at fair value with changes in carrying value being included in profit or loss in the period in which they arise. The QIC managed funds total $109.54 million at 30 June 2022 (2021: $113.96 million). Fair value for managed funds is based on the quoted bid price of the investment at reporting date.

Fair value measurements

Monetary financial assets and financial liabilities not readily traded in an organised financial market are initially measured as at the present value of contractual future cash flows on amounts due from customers or due to suppliers. The carrying amount is subsequently reduced for expected credit losses.

Investments are disclosed using a fair value hierarchy which reflects the significance of inputs to the determination of fair value.

Fair Value Hierarchy

The different levels have been defined as follows:

Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 valuation based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability.

Level 3 valuation techniques that are not based on observable market data. .

The fair value of investments is measured at market value based on QIC advice. As at 30 June 2022 LGM's financial assets are recognised as Level 2 (2021: Level 2).

9. Future claims and associated costs

	Total Liability & Asset Funds 2022 $	Total Liability & Asset Funds 2021 $	Liability Fund 2022 $	Liability Fund 2021 $	Asset Fund 2022 $	Asset Fund 2021 $
Expected future claims (undiscounted)	98,743,907	84,736,823	85,184,000	78,296,000	13,559,907	6,440,823
Discount to present value	(6,418,504)	(1,056,000)	(6,418,504)	(1,056,000)	-	-
Liability for outstanding claims	**92,325,403**	83,680,823	**78,765,496**	77,240,000	**13,559,907**	6,440,823
Current	36,261,474	28,114,823	22,701,567	21,674,000	13,559,907	6,440,823
Non-current	56,063,929	55,566,000	56,063,929	55,566,000	-	-
Liability for outstanding claims	**92,325,403**	83,680,823	**78,765,496**	77,240,000	**13,559,907**	6,440,823

Asset Fund

The Asset Fund provides protection for members property related risk exposures. Liabilities arising from these exposures are normally identified within the period of protection or shortly there after. Costs associated with those liabilities are brought to account within a short period and therefore no actuarial projections are warranted. A liability for future claims is recognised as losses occur and the liability for future claims includes claims incurred but not yet paid, IBNR, IBNERs and the anticipated costs of settling those claims.

In reference to the Asset Fund, the central estimate is determined, in principle, such that there is no bias to over or under estimation.The outstanding liabilities are established in accordance with appropriate reserving principles and based on management's estimations on the current notified claims and the aggregate level amounts (including catastrophe aggregates) before reinsurance.

Liability Fund – actuarial assumptions and methods

The Liability Fund actuary has increased projected future claims payments to allow for inflation and discounted the expected payments to 30 June 2022 to obtain the present value of the liability.

Liability adequacy test

In reference to the Liability Fund, the central estimate is determined, in principle, such that there is no bias to over or under estimation. However, an adequate provision for the outstanding liability requires a risk margin to be included such that the probability that the provision will prove to be sufficient is increased. An appropriate probability of sufficiency would usually be between 65% and 90%, depending on the acceptable level of risk to the insurer, whilst APRA requires a 75% (2021: 75%) probability of sufficiency for private sector insurers. LGM's Board of Management have determined to adopt a 75% (2021: 75%) probability of sufficiency.

Research undertaken on the variability of outstanding liabilities for public liability portfolios suggests that the required margin to achieve a 75% probability of sufficiency for a small portfolio such as that of LGM's lies in the range of 16% to 22%, depending on the individual characteristics of that portfolio.

The actuary has incorporated a risk margin of 20% (2021: 20%) of the central estimate of the outstanding liability plus claims handling expenses as the recommended provision at 30 June 2022. This provides a probability of sufficiency of approximately 75%.

Uncertainty

The actuary advised that there are many factors which can and will cause the ultimate cost of claims incurred to 30 June 2022 to deviate from the actuary's central estimate.

The sources of the uncertainty in the estimation of the outstanding liability are:

(a) The models adopted for analysis and projection will never exactly match the actual claim process,

(b) Assuming a perfect model could be constructed, past fluctuations in the experience cause uncertainty in estimating model parameters,

(c) Anomalies in the data may cause further undetected problems in estimating model parameters,

(d) Future claim fluctuations result in uncertainty in projected future payments, even if the true parameter values could be determined for a perfect model, and

(e) Future economic and environmental conditions are not known and may vary significantly from the assumptions adopted.

Actuarial Assumptions

The following assumptions have been made in determining the outstanding claims liabilities for the Liability fund.

Key Actuarial Assumptions	2022	2021
Inflation	3.5%	2.5%
Claim administration expense	12%	12%
Discount rate	3.2%	0.6%
Term to settlement (years)	2.7	2.5

Actuarial analysis for outstanding claim liability

The actuary has set out an analysis by incident year which shows changes in the outstanding claims liability during the reporting period.

Item	2022 $M	2021 $M
Estimated liability (net of reinsurance, recoveries, risk margin) at beginning of reporting period	42.5	40.1
Roll-forward of outstanding liability from prior reporting period	3.2	(2.4)
Experience for claims incurred to the end of prior reporting period	1.5	1.4
Experience for claims incurred during the current reporting period	(1.6)	4.8
Claim assumptions	0.1	(1.2)
Change in discount rate	(3.0)	(0.2)
Estimated liability (net of reinsurance, recoveries, risk margin) at end of reporting period	**42.7**	42.5

Method

The estimated outstanding liability at 30 June 2022 is required to be adjusted to allow for future investment returns by discounting expected future claim payments. Future expected claim payments are to be discounted "using risk-free discount rates that are based on current observable, objective rates that relate to the nature, structure and term of the future obligations" as per AASB 1023 *General Insurance Contracts*. The actuary has used the zero coupon yields on Commonwealth government bonds as the basis for determining a uniform risk-free discount rate. The discount rate is the average yield, weighted by the expected future cash flows. The future differences between returns on the LGM investment portfolio and the risk free rate adopted for discounting purposes will emerge as profit or loss when they arise.

Inflation

The valuation makes no explicit allowance for inflation, although the future development in the incurred claims costs makes allowance for the effects of inflation and superimposed inflation by assuming that future inflation and superimposed inflation will be similar to past experience. In the past it would be reasonable to assume that inflation has been of the order of 3.5% (2021: 2.5%) per annum. The overall level of payments can increase at a faster rate than inflation. This is referred to as superimposed inflation.

Claim administration (handling) expense

In accordance with accounting requirements, claims administration expenses have been included. The claims manager of the portfolio has estimated that the claims administration expenses comprise approximately 40% (2021: 40%) of management fees. As members manage their own claims up to their excess, the actuary has provided the comparison of claims administration expenses, estimated as 40% (2021: 40%) of management fees to claims expenses net of non reinsurance recoveries.

The claims administration expenses have been averaged approximately 17% (2021: 14%) of the payments made since 1 July 2013 although higher in more recent years and 16% (2021: 16%) of claims incurred net of non reinsurance recoveries. Taking into account that a significant proportion of the claims administration costs are incurred early in the life of a claim, the actuary has assumed that future claims administration expenses will be 12% (2021: 12%) of future payments net of non reinsurance recoveries.

Discount rate

The combination of the expected net payments by payment year with the future payments for the run-off of LGM's net liabilities (excluding administration expenses), together with the yields available on Government bonds of equivalent durations produces a uniform discount rate for all future years of 3.2% (2021: 0.6%) per annum. The difference is due to the movements in market yields since the previous valuation.

Term to settlement

The actuary has assumed an expected term to settlement of 2.7 years (2021: 2.5 years) based on historical experience and the results of historical claims..

Sensitivity analysis

The outstanding claims liabilities included in the reported results are calculated based on the key actuarial assumptions as disclosed above. The movement in any of the above key actuarial assumptions will impact the performance and total accumulated funds of LGM. The following sensitivity analysis evaluates the impact of a +/- 1 percent movement in the discount, inflation and expense rates and a +/-10 percent movement in the cost of claims for the outstanding provisions.

Liability Fund

Inflation assumption

	2022 Carrying Amount $	2022 -1% Movement	2022 1% Movement	2021 Carrying Amount $	2021 -1% Movement	2021 1% Movement
Future claims and associated costs	78,767,000	(1,907,000)	1,907,000	77,240,000	(1,935,000)	1,935,000
Reinsurance and other recoveries receivables	(27,541,000)	583,000	(583,000)	(26,203,000)	618,000	(618,000)
Potential Impact		**(1,324,000)**	**1,324,000**		(1,317,000)	1,317,000

Discount rate assumption

	2022 Carrying Amount $	2022 -1% Movement	2022 1% Movement	2021 Carrying Amount $	2021 -1% Movement	2021 1% Movement
Future claims and associated costs	78,767,000	1,812,000	(1,812,000)	77,240,000	1,840,000	(1,840,000)
Reinsurance and other recoveries receivables	(27,541,000)	(556,000)	556,000	(26,203,000)	(587,000)	587,000
Potential Impact		**1,256,000**	**(1,256,000)**		1,253,000	(1,253,000)

Expense rate assumption

	2022 Carrying Amount $	2022 -1% Movement	2022 1% Movement	2021 Carrying Amount $	2021 -1% Movement	2021 1% Movement
Future claims and associated costs	78,767,000	(499,000)	499,000	77,240,000	(506,000)	506,000
Reinsurance and other recoveries receivables	(27,541,000)	-	-	(26,203,000)	-	-
Potential Impact		**(499,000)**	**499,000**		(506,000)	506,000

Increase in cost of claims assumption

	2022 Carrying Amount $	2022 -10% Movement	2022 10% Movement	2021 Carrying Amount $	2021 -10% Movement	2021 10% Movement
Future claims and associated costs	78,767,000	(1,976,000)	1,976,000	77,240,000	(2,592,000)	2,592,000
Reinsurance and other recoveries receivables	(27,541,000)	936,000	(936,000)	(26,203,000)	821,000	(821,000)
Potential Impact		**(1,040,000)**	**1,040,000**		(1,771,000)	1,771,000

10. Net claims incurred

Current period claims relate to the risks borne in the current financial year. Prior period claims relate to a reassessment of the risks borne in all the previous financial years.

Liability Fund	**2022 $**	**2021 $**
Net claims expense (note 5)	**6,544,898**	13,478,686

2022 – Details of net incurred claims are as follows:

	Current Year $'000	**Prior Years $'000**	**Total $'000**
Claims incurred and related expenses – undiscounted	23,583	(1,907)	21,676
Reinsurance and other recoveries – undiscounted	(12,466)	1,092	(11,374)
Net claims incurred – undiscounted	11,117	(815)	10,302
Discount – Claims incurred and related expenses	(1,632)	(3,730)	(5,362)
Discount – Reinsurance and other recoveries	704	901	1,605
Net discount movement	(928)	(2,829)	(3,757)
Net incurred claims	**10,189**	(3,644)	**6,545**

2021 – Details of net incurred claims are as follows:

	Current Year $'000	**Prior Years $'000**	**Total $'000**
Claims incurred and related expenses – undiscounted	28,561	(5,994)	22,567
Reinsurance and other recoveries – undiscounted	(13,075)	4,228	(8,847)
Net claims incurred – undiscounted	15,486	(1,766)	13,720
Discount – Claims incurred and related expenses	(355)	(18)	(373)
Discount – Reinsurance and other recoveries	153	(22)	131
Net discount movement	(202)	(40)	(242)
Net incurred claims	**15,284**	(1,806)	**13,478**

Asset Fund	**2022 $**	**2021 $**
Net claims expense (note 5)	**10,988,139**	2,980,132

2022 – Details of net incurred claims are as follows:

	Current Year $'000	**Prior Years $'000**	**Total $'000**
Claims incurred and related expenses – undiscounted	11,550	(520)	11,030
Reinsurance and other recoveries – undiscounted	-	(42)	(42)
Net claims incurred – undiscounted	**11,550**	(562)	**10,988**

2021 – Details of net incurred claims are as follows:

	Current Year $'000	**Prior Years $'000**	**Total $'000**
Claims incurred and related expenses – undiscounted	2,638	402	3,040
Reinsurance and other recoveries – undiscounted	(6)	(54)	(60)
Net claims incurred – undiscounted	**2,632**	348	**2,980**

11. Related parties

a) Key Management Personnel (KMP)

KMP include members of the Board of Management and Directors of the Trustee.

Board of Management

The Trust Deed provides for the business of LGM to be managed by a Board of Management. The Board is responsible to the LGAQ Board for achieving the Trust's objectives and for financial management. The members of the Board of Management have been listed as key management personnel and receive meeting fees and reimbursement of the costs of travel expenses associated with attending the Board of Management meetings.

The names of the members of the Board of Management at any time during the financial year are:

Mr Ian Leckenby - Chairman
Mr Greg Hallam* (delegate Darren Leckenby)
Mr Bill Lyon**
Mr Terry Brennan
Cr Karen Williams
Ms Rachel Chambers***
Ms Anne Lenz – appointed 10 March 2022
Mr John Sharman
Ms Alison Smith – appointed as LGAQ CEO 1 November 2021 (delegate Darren Leckenby)
Mr Darren Leckenby

* Mr Greg Hallam resigned as LGAQ CEO and from the LGM Board on 29 October 2021.
** Mr Bill Lyon resigned 26 November 2021
*** Ms Rachel Chambers resigned as Mayor of North Burnett Regional Council 11 December 2021 and remains on LGM Board.

No committee meeting fees were paid to the following members:

Mr Greg Hallam
Ms Alison Smith
Mr Darren Leckenby
Ms Anne Lenz
Mr Bill Lyon

KMP Category / Position	Short-Term Employee Benefits 2022 $	Short-Term Employee Benefits 2021 $
Chairman	37,500	37,500
Board of Management	19,500	15,300
Total	**57,000**	52,800

No member of the Board of Management has entered into a material contract with LGM during the current or previous financial year.

Directors of the Trustee

LGAQ is acting through its Board, in its capacity as a trustee of the Trust under the Trust Deed. The Directors of the Trustee of the Trust which have been listed below are also key management personnel as they are responsible for the ultimate oversight of the business of the Trust. No remuneration has been paid to them.

Cr Mark Jamieson
Cr Jenny Hill
Cr Karen Williams
Cr Matt Burnett

b) Transactions with related parties

Related parties include LGAQ and its controlled entities. The following are transactions within the group:

	2022 $	2021 $
Purchase of services from LGAQ and its controlled entities on a commercial basis	92,702	116,790
Cost recovery transactions paid to LGAQ and its controlled entities	26,745	5,272
Asset Fund remuneration paid to LGAQ	219,485	215,816
Liability Fund remuneration paid to LGAQ	890,363	875,480
Surplus distribution paid to LGAQ for the LG Sherlock's funding	-	490,000

Surplus distribution for the LG Sherlock was paid to LGAQ in accordance with the terms and conditions of the Trust Deed for the benefit of scheme members, with the necessary approvals by the LGAQ Board and LGM Board of Management.

Services provided by LGAQ are on a cost recovery basis and represent transactions paid on behalf of LGM. Services provided by Local Buy relate to conference sponsorship and are on commercial terms. The amount owing to LGAQ as at 30 June 2022 for services provided is NIL (2021: $1,080). Liability and Asset Fund remuneration is paid to LGAQ as per the new Pool management agreement effective from 1 January 2020.

c) Transactions with other related parties

Other related parties include the close family members of KMP and any entities controlled or jointly controlled by KMP or their close family members. Close family members include a spouse, child and dependent of a KMP or their spouse.

d) Loans and guarantees to / from related parties

LGM does not make loans to or receive loans from related parties. No guarantees have been provided.

e) Transactions with related parties that have not been disclosed

Some of LGM's KMP are also KMP of their respective Councils. These Councils transact with LGM on a regular basis as members of the Funds. Examples include:

- Member contributions
- Other recoveries revenue
- Claims expenses
- Distributions

LGM has not included these transactions in its disclosures, where they are made on the same terms and conditions available to all other members of LGM.

12. Financial instruments

Financial instruments

(i) Recognition and initial measurement

Financial assets are recognised when the entity becomes a party to receive cash and cash equivalents or other financial assets from another entity, and securities issued by another entity. Financial liabilities are recognised when the entity becomes a party to the contractual obligations to pay cash or deliver other financial assets. For financial assets, this is equivalent to the date that LGM commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are included in profit or loss immediately.

(ii) Impairment of Financial assets

LGM recognises loss allowances for an Expected Credit Loss (ECL) on financial assets measured at amortised cost. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to LGM and the cash flows that LGM expects to receive).

At each reporting date, LGM also assesses whether financial assets carried at amortised costs are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, LGM 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 LGM's historical experience, informed credit assessment and forward-looking information.

No expected credit loss allowance was recognised on the financial assets carried at amortised cost for the year ended 30 June 2022 (2021: nil).

(iii) Classification and subsequent measurement

Financial instruments are subsequently measured at either their fair value or amortised cost using the effective interest rate method. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value.

Amortised cost is calculated as:

- the amount at which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

Financial instruments - Fair values

Accounting classifications and fair values

Financial assets and financial liabilities are recognised in the Statement of Financial Position when LGM becomes party to the contractual provisions of the financial instrument. LGM has the following categories of financial assets and financial liabilities:

	Total Liability & Asset Funds 2022 $	Total Liability & Asset Funds 2021 $	Liability Fund 2022 $	Liability Fund 2021 $	Asset Fund 2022 $	Asset Fund 2021 $
FINANCIAL ASSETS						
Current						
Cash and cash equivalents	45,254,974	41,131,261	21,781,738	21,594,219	23,473,236	19,537,042
Financial assets at amortised cost:						
Trade and other receivables	681,249	1,566,815	129,116	250,247	552,133	1,316,568
Reinsurance and other recoveries receivables	8,996,456	8,624,955	8,996,456	8,624,955	-	-
	9,677,705	10,191,770	**9,125,572**	8,875,202	**552,133**	1,316,568
Financial assets at fair value through profit or loss:						
Other financial assets	**109,542,933**	113,958,125	**109,542,933**	113,958,125	-	-
Non-current						
Financial assets at amortised cost:						
Reinsurance and other recoveries receivables	**18,595,012**	17,947,613	**18,595,012**	17,947,613	-	-
Total financial assets	**183,070,624**	183,228,769	**159,045,255**	162,375,159	**24,025,369**	20,853,610
FINANCIAL LIABILITIES						
Current						
Financial liabilities at amortised cost:						
Trade and other receivables	735,789	303,140	136,924	94,802	598,865	208,338
Distribution payables	715,767	606,715	715,767	606,715	-	-
Total financial liabilities	**1,451,556**	909,855	**852,691**	701,517	**598,865**	208,338

13. Risk management

Membership is available to local government councils and local government controlled entities. LGM operates in Queensland to provide cover and a claims management service to members in respect of their potential and actual liabilities. A member may seek indemnity from LGM in respect of a claim. Under the Trust Deed, LGM's Board of Management may in its sole and absolute discretion determine whether indemnity will be granted in respect of a claim.

Actuarial models, using information from LGM's management information systems, are used to confirm contributions and monitor claim patterns. Past experience and statistical methods are used as part of the process. The principal risk is that the frequency and severity of claims is greater than expected. Insurable risk events are, by their nature, random and the actual number and size of events during any one-year may vary from those estimated using established statistical techniques.

Objectives in managing risk and policies for mitigating those risks

LGM has an objective to control risk, thus reducing the volatility of its operating surplus. In addition to the inherent uncertainty of civil liability and asset risks, which can lead to variability in the loss experience, operating surpluses can also be affected by external factors such as competition and movements in asset values.

LGM relies on a strong relationship with its members and actively encourages them to adopt practices of risk management that reduce the incidence of claims to LGM.

Risk transfer strategy

LGM adopts a conservative approach towards management of risk and does this by utilising risk transfer options. The Board determines the level of risk, which is appropriate for LGM having regards to ordinary concepts of prudence and regulatory constraints. The risk transfer arrangements adopted by LGM utilise commercial insurance and reinsurance arrangements. These risk transfer arrangements assist LGM to limit its exposures. These programs are regularly reviewed to ensure that they continue to meet the risk needs of LGM.

Management of Risks

The key risks that affect LGM are contribution risk and claims experience risk.

Contribution risk is the risk that LGM does not charge contributions appropriate for the indemnity cover it provides. LGM partially manages contribution risk through its proactive approach to risk management that addresses material risks, both financial and non-financial. There are no specific terms and conditions that are expected to have a material impact on the financial statements.

Claims experience risk is managed through the non-financial risk assessment and risk management and risk transfer management process. Claims experience is monitored on an ongoing basis to ensure that any adverse trending is addressed. LGM is able to reduce the claims experience risk of severe losses through the reinsurance program and by managing the concentration of risks.

Market Risk

Market risk is the risk that changes in market prices will affect LGM's income or the value of its financial instruments.

In addition to cash and cash equivalents, the investment portfolio contains exposures to equity markets through managed funds held in QIC. These investments, integral to insurance activities, are measured at market value at each reporting date and changes in market value are immediately reflected in the statement of profit or loss and other comprehensive income. Any overall downturn in the equities market may impact on future results of LGM. The impact of any significant movement is managed by ensuring that the investment portfolio consists of a diverse holding of investments. The Liability Fund holds $109,542,933 worth of units with QIC as at 30 June 2022 (2021: $113,958,125).

LGM does not trade in foreign currency and is not materially exposed to commodity price changes.

Interest Rate Risk

LGM is exposed to interest rate risk through its investments with QTC and ANZ bank account. LGM has access to a mix of variable and fixed rate funding options with QTC and so that the interest rate risk exposure can be minimised. The interest rate risk exposure with ANZ bank is immaterial.

Interest on cash is charged at prevailing market rates being approximately 0.90% at 30 June 2022 (2021: 0.25%). Interest on QTC investments is charged at prevailing market rates which is approximately 1.10% for the Liability Fund and 0.62% for the Asset Fund at 30 June 2022 (2021: 0.51%) for both funds.

Interest rate sensitivity analysis

Interest rate sensitivity depicts what effect a reasonably possible change in interest rates of +/- 1% would have on the profit and equity, based on the carrying value of financial assets and liabilities. With all other variables held constant, the Liability Fund would have surplus increase/decrease of $217,667 (2021: $215,942) for interest rate risk. The Asset Fund would have a surplus increase/(decrease) of $234,732 (2021: $195,370) for interest rate risk.

Unit price sensitivity analysis

Unit price sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss if interest rates and unit prices would change by +/- 1% for the QIC Cash Enhanced Fund and by +/-5% for the QIC Long Term Diversified Fund and QIC Short Term Income Fund from the year-end rates applicable to LGM's financial assets and liabilities. With all other variables held constant, the Liability Fund would have a surplus increase/(decrease) of $166,722 (2021: $167,591) for unit price risk for the QIC Cash Enhanced Fund and surplus increase/(decrease) of $4,643,534 (2021: $4,859,952) for unit price risk for the QIC Long Term Diversified Fund and QIC Short Term Income Fund.

Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. These obligations are principally from LGM's investments and receivables.

The maximum exposure to credit risk at reporting date in relation to each class of recognised assets is the gross carrying amount of those assets inclusive of any impairment.

The credit risk arising from LGM's exposure to individual entities in investment portfolios is monitored and controlled through risk management strategies implemented by LGM's fund manager, QIC.

LGM considers that all of the financial assets at amortised cost that are not impaired for each of the reporting dates under review are of low credit risk due to the high quality credit rating of the parties involved. No collateral is held as security and no credit enhancements relate to financial assets held by LGM.

Liquidity risk

Liquidity risk is the risk that LGM will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

LGM is exposed to liquidity risk in respect of its payables being trade and other payables and distribution payables, refer note 4.

14. Auditor's remuneration

Fees payable to the auditors for the audit of LGM's financial statements for 2021-2022 is $52,675. Liability Fund - $42,140 and Asset Fund - $10,535 (2020-2021: $47,000. Liability Fund - $35,250 and Asset Fund - $11,750). There are no non-audit services included in this amount.

15. Commitments for expenditure

Commitments for payment of Trust management fees and Valuations program fees are payable as follows. (Commitments for payments of the Regional Risk Co-ordinator programme have been incorporated in the Trust management fees).

	Total Liability & Asset Funds 2022 $	Total Liability & Asset Funds 2021 $	Liability Fund 2022 $	Liability Fund 2021 $	Asset Fund 2022 $	Asset Fund 2021 $
Within one year	8,835,777	7,330,933	4,986,305	4,783,391	3,849,472	2,547,542
Later than one year but not later than 5 years	1,190,000	7,444,360	-	4,857,701	1,190,000	2,586,659
	10,025,777	14,775,293	**4,986,305**	9,641,092	**5,039,472**	5,134,201

16. New accounting standards for application in future periods

AASB 17 *Insurance Contracts* establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The AASB has issued Exposure Draft 319 to add public sector guidance around the identification of insurance contracts with a proposed effective date of 1 July 2025. On this date, AASB 1023 *General Insurance Contracts* will be superseded by AASB 17.

Based on current arrangements, LGM does not issue insurance contracts, however does measure and disclose its future claims and associated costs under AASB 1023. LGM will continue to evaluate the implications of Exposure Draft 319 and assess whether AASB 17 may be applicable to LGM when it becomes effective.

17. Authorisation of financial statements for issue

The financial statements are authorised for issue by the Board of Management at the date of signing the Board of Management's Certificate.

18. Distributions

In May 2022 the Board of Management noted and approved the proposed $2,450,000 surplus distribution to be distributed to individual Liability Fund members in 2021-2022. Out of that $1,734,233 has been already taken up by the members who have paid their contributions for 2022-2023 year before 30 June 2022. As a result, there is an amount of $715,767 as a surplus distribution payable amount in the Statement of Financial Position for 2021-2022.

In May 2021 the Board of Management noted and approved the proposed $2,450,000 surplus distribution to be distributed to individual Liability Fund members in 2020-2021. Out of that $1,843,285 has been already taken up by the members who have paid their contributions for 2021-2022 year before 30 June 2021. As a result, there is an amount of $606,715 as a surplus distribution payable amount in the Statement of Financial Position for 2020-2021.

In May 2021 the Board of Management noted and approved a surplus distribution of $490,000 for the LG Sherlock funding requirements which was paid to LGAQ in June 2021.

19. Subsequent Events

No transaction or event of a material or unusual nature, in the opinion of LGM's Board of Management, has arisen in the interval between the end of the financial year and the date of these financial statements to affect significantly the operations of LGM, the results of those operations, or the state of affairs of LGM, in future financial years.

Board of Management's Certificate

QUEENSLAND LOCAL
GOVERNMENT MUTUAL

Queensland Local Government Mutual

Queensland Local Government Mutual
Board of Management's Certificate

In the opinion of the Board of Management of Queensland Local Government Mutual:

a) the financial statements and notes, set out on pages 3 to 24:

- i) present fairly the financial position of Queensland Local Government Mutual as at 30 June 2022 and its performance, as represented by the results of its operations and its cash flows, for the year ended on that date;
- ii) comply with Accounting Standards in Australia; and
- iii) are drawn up in accordance with the provisions of the revised Trust Deed dated May 2015;

b) there are reasonable grounds to believe that Queensland Local Government Mutual will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board:

Mr Ian Leckenby Chairman	25 November 2022 Date

Queensland Audit Office
Better public services

INDEPENDENT AUDITOR'S REPORT

To the Trustee, Board of Management and Members of Queensland Local Government Mutual

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Queensland Local Government Mutual (the trust).

In my opinion, the financial report:

a) gives a true and fair view of the trust's financial position as at 30 June 2022, and its financial performance and cash flows for the year then ended

b) complies with the trust deed of Queensland Local Government Mutual dated 19 May 2017 (as amended) and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the certificate given by the board of management.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of my report.

I am independent of the trust in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*.

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

Responsibilities of the trustee and board of management for the financial report

The trustee and board of management are responsible for the preparation of the financial report that gives a true and fair view in accordance with the trust deed of Queensland Local Government Mutual dated 19 May 2017 (as amended) and Australian Accounting Standards, and for such internal control as the trustee and board of management determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The trustee and board of management are also responsible for assessing the trust's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the trust or to cease operations, or has no realistic alternative but to do so.

Independent

Auditor's Report

QUEENSLAND LOCAL
GOVERNMENT MUTUAL

Queensland Audit Office
Better public services

Auditor's responsibilities for the audit of the financial report

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 the 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 this financial report.

As part of an audit in accordance with the 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 expressing an opinion on the effectiveness of the trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trust.
- Conclude on the appropriateness of the trust's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the trust's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the trustee and board of management 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.

29 November 2022

Brydie Morris
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Financial Statements

for the year ended 30 June 2022

QUEENSLAND LOCAL GOVERNMENT
WORKERS COMPENSATION
SELF-INSURANCE SCHEME

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Financial Statements

For the year ended 30 June 2022

Statement of Profit or Loss and other Comprehensive Income

for the year ended 30 June 2022

This statement is to be read in conjunction with the notes to the financial statements set out on pages 47 to 58.

	Note	2022 $	2021 $
REVENUE			
Member contributions		**29,308,966**	28,510,347
Other Income		**10,175**	-
Reinsurance and other recoveries	3	**183,494**	417,374
Interest revenue		**82,222**	134,417
Investment revenue	3	**4,780,832**	1,459,610
Changes in the fair value of investments		-	6,064,010
Total revenue		**34,365,689**	36,585,758
EXPENSES			
Claims expense	3	**(29,929,039)**	(30,532,186)
Outwards reinsurance expense	3	**(593,134)**	(496,711)
Other underwriting expenses	3	**(9,476,860)**	(8,937,405)
Changes in the fair value of investments		**(6,201,330)**	-
General expenses	4	**(1,186,569)**	(942,784)
Total expenses		**(47,386,932)**	(40,909,086)
Operating result from continuing operations		**(13,021,243)**	(4,323,328)
Other Comprehensive Income/(loss)		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO MEMBERS		**(13,021,243)**	(4,323,328)

Statement of Financial Position

as at 30 June 2022

This statement is to be read in conjunction with the notes to the financial statements set out on pages 47 to 58.

	Note	2022 $	2021 $
CURRENT ASSETS			
Cash and cash equivalents		**6,391,454**	6,217,390
Trade and other receivables		**658,866**	604,984
Reinsurance and other recoveries receivables		**2,479,678**	843,652
Other financial assets	5	**58,896,012**	74,545,377
Total current assets		**68,426,010**	82,211,403
NON-CURRENT ASSETS			
Reinsurance and other recoveries receivables		**1,178,322**	1,579,348
Total non-current assets		**1,178,322**	1,579,348
Total assets		**69,604,332**	83,790,751
CURRENT LIABILITIES			
Trade and other payables		**960,185**	867,362
Distribution payables	13	**2,450,000**	2,450,000
Future claims and associated costs	6	**21,180,000**	17,534,000
Total current liabilities		**24,590,185**	20,851,362
NON-CURRENT LIABILITIES			
Future claims and associated costs	6	**30,041,001**	30,045,000
Total non-current liabilities		**30,041,001**	30,045,000
Total liabilities		**54,631,186**	50,896,362
NET ASSETS		**14,973,146**	32,894,389
EQUITY			
Retained surplus		**14,973,146**	32,894,389
TOTAL EQUITY		**14,973,146**	32,894,389

Statement of Changes in Equity

for the year ended 30 June 2022

This statement is to be read in conjunction with the notes to the financial statements set out on pages 47 to 58.

	Note	2022 $	2021 $
Total equity at the beginning of the financial year		**32,894,389**	42,162,717
Other comprehensive loss		-	-
Operating result for the year		**(13,021,243)**	(4,323,328)
Total comprehensive loss		**(13,021,243)**	(4,323,328)
Surplus distributions	13	**(4,900,000)**	(4,945,000)
Total equity at the end of the financial year		**14,973,146**	32,894,389

Statement of Cash Flows

for the year ended 30 June 2022

This statement is to be read in conjunction with the notes to the financial statements set out on pages 47 to 58.

	Note	2022 $	2021 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt of contributions from members		**29,352,544**	29,119,646
Reinsurance premiums paid		**(593,134)**	(496,711)
Claims paid		**(27,522,039)**	(23,328,645)
Other underwriting and general expenses paid		**(10,759,828)**	(9,812,348)
Interest received		**80,984**	141,752
Other recoveries received		**183,494**	417,374
GST collected from members		**2,935,315**	2,911,965
GST paid to suppliers and ATO		**(2,832,139)**	(2,738,566)
NET CASH USED IN OPERATING ACTIVITIES		**(9,154,803)**	(3,785,533)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment redemptions		**14,000,000**	-
Payments for investments		**(4,551,966)**	(1,203,878)
Investment revenue received		**4,780,832**	1,459,610
NET CASH PROVIDED BY INVESTING ACTIVITIES		**14,228,866**	255,732
CASH FLOWS FROM FINANCING ACTIVITIES			
Surplus distribution paid		**(4,900,000)**	(4,945,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES		**(4,900,000)**	(4,945,000)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS HELD		**174,063**	(8,474,801)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		**6,217,390**	14,692,191
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		**6,391,453**	6,217,390

1. Background

Queensland Local Government Workers Compensation Self-Insurance Scheme (the Scheme) is a Trust which has been established in Australia by the Local Government Association of Queensland Ltd (LGAQ) under a Trust Deed dated 19 June 1997.

LGAQ is acting through its Executive, in its capacity as a trustee of the Scheme under the Trust Deed.

The Scheme was established as a result of receiving a self-insurance licence from the Workers' Compensation Regulator. The Scheme consists of local governments and local government controlled entities that jointly hold a group employer workers' compensation self-insurance licence under the *Workers Compensation and Rehabilitation Act 2003*. Each Scheme member is considered to be a joint holder of the self-insurance licence.

LGAQ acts as the agent of the licence holders. As a licensed self-insurer, the Scheme is required to comply with a range of legislative and licensing conditions. Compliance is overseen by the Workers' Compensation Regulator. The LGAQ is considered by the Regulator to be the licence manager and as such is ultimately responsible for ensuring compliance with licence conditions. It is governed by contractual arrangements between the local governments, local government controlled entities and the LGAQ.

The principal activity of the Scheme during the course of the financial year was the provision of workers' compensation cover and the management of associated workers' compensation claims made against scheme members.

The principal place of business of the Scheme is:

Local Government House
27 Evelyn Street
Newstead QLD 4006

All employees involved in the management of workers' compensation claims for the Scheme are employed by JLT Risk Solutions Pty Ltd, (formerly known as Jardine Lloyd Thompson Pty Ltd), and their associated costs are recharged to the Scheme through a monthly scheme management fee which is disclosed in the statement of Profit or Loss and Other Comprehensive Income in 'Other underwriting expenses'.

2. Statement of significant accounting policies

a) Basis of preparation

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, (including the Australian Accounting Interpretations) to satisfy reporting responsibilities under Queensland Local Government Workers Compensation Self-Insurance Scheme (the Scheme) Rules. The Scheme is a not for profit entity and the Australian Accounting Standards includes requirements for not for profit entities which are inconsistent with International Financials Reporting Standard (IFRS). Therefore in some instances these financial statements do not comply with IFRS. They have been prepared on the basis of historical costs except where stated. The Scheme actuary has increased projected future claims payments to allow for inflation and discounted the expected payments to 30 June 2022 to obtain the present value of the liability.

The accounting policies are consistent with those of the previous year unless otherwise stated. The functional and presentational currency of the Scheme is Australian Dollars.

b) Taxation

Queensland Local Government Workers Compensation Self-Insurance Scheme (the Scheme) is not a separate legal entity, and is not a partnership. It operates under a contractual relationship between its members, all of which are local governments or other statutory entities, and all of which are exempt from income tax. All assets of the Scheme, including surpluses of contributions over claims costs and expenses, remain the directly-owned property of the members. Under the mutuality principle, therefore, the Scheme does not generate "income" for taxation purposes, except in relation to its investments. The investment income is directly owned property of the tax-exempt members. For these reasons, no provision has been made for income tax.

The Scheme is subject to Goods and Services Tax (GST). The net amount of GST recoverable from or payable to the Australian Taxation Office is shown as an asset or liability respectively.

(c) Rounding

Figures in the financial statements are rounded to the nearest dollar unless otherwise indicated.

(d) Estimates and judgements

In the process of applying the significant accounting policies, certain critical accounting estimates and assumptions are used and certain judgements are made.

The areas where the estimates and assumptions involve a high degree of judgement or complexity, and are considered significant to the financial statements are:

- Future claims and associated costs, refer Note 6
- Reinsurance and other recoveries on outstanding claims, refer Note 3 and 7.

Impact of Coronavirus (COVID-19) on estimates and judgements

The ongoing COVID-19 pandemic has increased estimation uncertainty in the preparation of these financial statements. The Scheme has developed various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 30 June 2022 about future events that the Scheme believe reasonable in the circumstances.

There is a considerable degree of judgement involved in preparing these forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the Scheme. Accordingly, actual economic conditions may be different from those forecasts since anticipated events may not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements at the date of the report.

The significant accounting estimates particularly impacted by these associated uncertainties are predominantly related to the valuation of the outstanding claims liability and fair value measurement of investments.

The impact of the COVID-19 pandemic on each of these accounting estimates is discussed further below.

Fair value measurement of investments

The Scheme's investments are designated at fair value through profit and loss, and for the vast majority of the investments, the fair value is determined based on observable market data. This measurement basis has not changed as a result of COVID-19. Refer to Note 5 for further details on investments.

3. Underwriting result

a) Revenue recognition

Member contributions

Contributions comprise amounts charged to Scheme members for liability protection. Contributions are earned from the date of attachment of risk. The pattern of recognition over the period of cover is based on time, which is considered to closely approximate the pattern of risks undertaken.

Reinsurance and other recoveries

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid, incurred but not reported claims (IBNRs) and incurred but not enough reported (IBNERs) are recognised as revenue. Reinsurance and other recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Reinsurance and other recoveries receivable are measured at the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

Investment revenue

Investment revenue is recognised as it accrues, taking into account the effective yield on the financial asset. Investment distributions are recognised when the right to receive payment is established. The investment revenue comprises of the distribution from the investment trusts. Distribution of $4.20 million from investment funds pertaining to 2020-2021 but received in July 2021 has been accounted as Investment income in 2021-2022.

Interest revenue

The revenue received from cash and cash equivalents is recognised as interest revenue. It is recognised as it accrues on the cash and cash equivalents. The interest revenue comprises of the interest received from QTC cash fund and cash held with ANZ Bank.

b) Outwards reinsurance

Premiums ceded to reinsurers are recognised as expenses in accordance with the pattern of reinsurance services received, being on a daily pro-rata basis.

	2022 $	2021 $
Member contributions	**29,308,966**	28,510,347
Outward reinsurance premium expense	**(593,134)**	(496,711)
Net contributions revenue	**28,715,832**	28,013,636
Claims expense	**(29,929,039)**	(30,532,186)
Reinsurance and other recoveries revenue	**183,494**	417,374
Net claims expense	**(29,745,545)**	(30,114,812)
Other underwriting expenses*	**(9,476,860)**	(8,937,405)
Underwriting result	**(10,506,573)**	(11,038,581)
*Other underwriting expenses include:		
Regulator Levy	**(1,124,161)**	(993,875)
Scheme expenses management fee	**(8,352,699)**	(7,943,530)
	(9,476,860)	(8,937,405)

4. General expenses

	2022 $	2021 $
Investment fees and charges	**244,513**	288,482
Administration expenses	**942,056**	654,302
	1,186,569	942,784

5. Other financial assets

Other financial assets consist of investments in QIC managed funds which, upon initial recognition are classified at 'fair value through profit or loss' (FVTPL) and are subsequently measured at fair value with changes in carrying value being included in profit or loss in the period in which they arise. The QIC managed funds total $58.90 million at 30 June 2022 (2021: $74.54 million). Fair value for managed funds is based on the quoted bid price of the investment at reporting date.

Fair Value Hierarchy

Investments are disclosed using a fair value hierarchy which reflects the significance of inputs to the determination of fair value.

The different levels have been defined as follows:

Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 valuation based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability.

Level 3 valuation techniques that are not based on observable market data.

The carrying amount of cash, receivables and payables approximates their net fair value. The fair value of investments is measured at market value based on QIC advice. As at 30 June 2022 the Scheme's other financial assets are recognised as Level 2 (2021: Level 2).

6. Future claims and associated costs

	2022 $	2021 $
Expected future claims (undiscounted)	**54,938,001**	48,504,000
Discount to present value	**(3,717,000)**	(925,000)
Liability for outstanding claims	**51,221,001**	47,579,000
Current	**21,180,000**	17,534,000
Non - current	**30,041,001**	30,045,000
Liability for outstanding claims	**51,221,001**	47,579,000

Claims

Claims expense and a liability for future claims are recognised as losses occur. The liability for future claims includes claims incurred but not yet paid, IBNRs, IBNERs, and the anticipated costs of settling those claims.

The liability for future claims is measured as the present value of the expected future payments, reflecting the fact that all claims do not have to be paid out in the immediate future. The liability has been set having regard to independent actuarial advice.

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".

The expected future payments are then discounted to their present value at the reporting date using market determined risk adjusted discount rates. The Scheme takes all reasonable steps to ensure that it has appropriate information regarding its claim exposures with estimates and judgements continually being evaluated and updated based on historical experience and other factors.

The liability for future claims is calculated using a central estimate with no explicit bias towards over or under estimation.

The liability for future claims includes a prudential margin of 15% (2021:15%) to increase the probability that the overall provision for claims will be adequate.

Uncertainty

The actuary advised that there are many factors which can and will cause the ultimate cost of claims incurred to 30 June 2022 to deviate from the actuary's central estimate.

The sources of the uncertainty in the estimation of the outstanding liability are:

(a) The models adopted for analysis and projection will never exactly match the actual claim process;

(b) Assuming a perfect model could be constructed, past fluctuations in the experience cause uncertainty in estimating model parameters;

(c) Anomalies in the data may cause further undetected problems in estimating model parameters;

(d) Future claim fluctuations result in uncertainty in projected future payments, even if the true parameter values could be determined for a perfect model; and

(e) Future economic and environmental conditions are not known and may vary significantly from the assumptions adopted.

Liability adequacy test

The central estimate is determined, in principle, such that there is no bias to over or under estimation. However, an adequate provision for the outstanding liability under AASB 1023 *General Insurance Contracts* requires a risk margin to be included such that the probability that the provision will prove to be sufficient is increased. An appropriate probability of sufficiency would usually be between 65% and 90%, depending on the acceptable level of risk to the insurer, whilst APRA requires a 75% probability of sufficiency for private sector insurers. The Scheme's Management Committee have determined to adopt a 75% (2021: 75%) probability of sufficiency

Actuarial assumptions and methods

The following assumptions have been made in determining the outstanding claims liabilities. A description of the assumptions and the material variances for those assumptions has been detailed below.

Key Actuarial Assumptions	2022	2021
Claims administration expenses	7%	7%
Wage inflation	3.3%	2.5%
Discount rate	3.2%	0.8%
Term to settlement (years)	2.10	2.45

The actuary has set out an analysis by accident year of the increase in the outstanding liability from $39.3 million as at 30 June 2021 to $41.4 million as at 30 June 2022, that is, an increase of $2.1 million.

There was an increase of $6.26 million in the outstanding liability from $33.0 million as at 30 June 2020 to $39.3 million as at 30 June 2021.

Process used to determine actuarial assumptions

In conducting the valuation, the actuary has inflated past claim payments, estimates and remuneration for wage inflation to express monetary amounts in consistent dollar values as at 30 June 2022 (“current values”). In applying the various actuarial valuation methods, the actuary has investigated underlying trends in the experience, allowing them to determine the appropriate assumptions for projecting future payments associated with the outstanding claims liability. Subsequently, the actuary has inflated (allowing for future cost escalation) and discounted (allowing for future investment returns) the projected outstanding claims costs to arrive at the outstanding claims liability estimates. To determine the provision, the actuary has then added claims administration expenses and risk margin to the liability estimate.

In the actuarial analysis, all Statutory claim benefits (except those related to latent onset claims) are included in the valuation of statutory benefits, whilst the common law benefits only considers the common law elements (again except those related to latent onset claims). In other words, for workers who have lodged a common law intimation, their statutory claim payments are allowed for in the modelling of statutory benefits. The analysis of claim payments is based on payments net of GST. Latent onset claims are recognised at the time of the injury, regardless whether they have been diagnosed or not. For latent onset claims, all their benefits are modelled together and are treated as a standalone segment.

Different methods have been used to project the outstanding claims payments for each payment type.

The methods used are:

a) For statutory weekly and medical - payments per claim active.
b) For statutory other - payments per unit (wages) exposure.
c) For common law disbursements - payments per (common law) claims intimated.
d) For common law damages - payments per (common law) claims settled.
e) Latent onset claims - average size by projected frequency.
f) Non-reinsurance recoveries - payments per unit (wages) exposure.

The actuary has assessed an incurred but not reported (IBNR) liability allowance, to be included in the outstanding claims liability provision for balance sheet purposes. The projected numbers and claim costs are based on the Scheme’s portfolio and other portfolios as well as asbestos and silicosis related statistics in general.

Claim administration expense

In addition to future payments to claimants and other providers such as doctors, solicitors and investigators, the Scheme also has to meet future internal administration costs of handling and settling those claims still outstanding. The assessment has to include an allowance for these internal claims handling costs to ensure that it is fully funded for all future costs associated with the Scheme.

Taking into account an estimate of the administration costs expected to be incurred to finalise or settle the outstanding claims from the claims manager, the actuary considers that it is reasonable to set aside 7% (2021: 7%) of the gross future claims payments as adopted in the previous valuation.

Inflation

Statutory weekly benefits have increased in line with wage inflation. Other costs such as statutory medical expenses are also expected to rise broadly in line with inflation. The actuary has set out the future payments for the run-off of the Scheme’s liabilities together with assumed inflation rate for each future year. The combination of these payments and assumed inflation rates produces a uniform inflation rate for all future years of 3.3% (2021: 2.5%) per annum. The increase in the assumed inflation rate is due to changes in the level of inflation expectations over the year.

The overall level of payments can increase at a faster rate than inflation. This is referred to as superimposed inflation and it arises from such things as precedent setting court awards and a tendency for claimants to stay on benefits longer as the scheme becomes better understood.

At the current valuation, the actuary has reviewed the presence of superimposed inflation for all payment types and concluded that there continues to be a presence of superimposed inflation in the statutory benefits (amongst weekly and medical). To reflect the same, the actuary has allowed for 3% (2021: 3%) superimposed inflation in both statutory weekly and medical benefits projections at the current valuation.

Discount rate

Future expected claim payments are to be discounted “using risk-free discount rates that are based on current observable, objective rates that relate to the nature, structure and term of the future obligations”. The actuary has used the zero coupon yields on the Commonwealth Government bonds as the basis for determining a uniform risk-free discount rate.

The discount rate is the average yield, weighted by the expected future cash flows. The actuary notes that the assets backing the Scheme’s portfolio are required to be invested in Queensland Treasury approved products. The future differences between returns on the Scheme’s portfolio and the risk free rate adopted for discounting purposes will emerge as profit or loss when they arise.

The actuary sets out the future payments for the run-off of the Scheme's liabilities (excluding administration expenses), together with the yields available on Government bonds of equivalent durations. The combination of these payments and yields produces a uniform discount rate for all future years of 3.2% (2021: 0.8%). The increase in the discount rate reflects changes in the general level of market interest rates and the inclusion of long latency claims that are not yet reported, which has increased the payments made at longer durations where Government bond yields are higher.

Term to Settlement

The actuary has assumed an expected term to settlement of 2.10 years (2021: 2.45 years) based on the historical experience and the results of historical claims.

Inflation rate, discount rate, expense rate and estimated cost of claims sensitivity analysis

The following sensitivity analysis evaluates the impact of a +/- 1 per cent movement in the discount, inflation and expense rate and a +/- 10 per cent movement in the estimated cost of claims for the outstanding provisions.

Inflation assumption

2022

Financial Instruments	Carrying Amount $	-1% Movement	1% Movement
Future claims and associated costs	51,221,000	(1,063,000)	1,063,000
Other recoveries receivables	(3,657,000)	38,000	(38,000)
Potential Impact		**(1,025,000)**	**1,025,000**

2021

Financial Instruments	Carrying Amount $	-1% Movement	1% Movement
Future claims and associated costs	47,579,000	(1,375,000)	1,375,000
Other recoveries receivables	(2,423,000)	44,000	(44,000)
Potential Impact		**(1,331,000)**	**1,331,000**

Discount rate assumption

2022

Financial Instruments	Carrying Amount $	-1% Movement	1% Movement
Future claims and associated costs	51,221,000	1,014,000	(1,014,000)
Other recoveries receivables	(3,657,000)	(36,000)	36,000
Potential Impact		**978,000**	**(978,000)**

2021

Financial Instruments	Carrying Amount $	-1% Movement	1% Movement
Future claims and associated costs	47,579,000	1,099,000	(1,099,000)
Other recoveries receivables	(2,423,000)	(41,000)	41,000
Potential Impact		**1,058,000**	**(1,058,000)**

Expense rate assumption

2022

Financial Instruments	Carrying Amount $	-1% Movement	1% Movement
Future claims and associated costs	51,221,000	(479,000)	479,000
Other recoveries receivables	(3,657,000)	-	-
Potential Impact		**(479,000)**	**479,000**

2021

Financial Instruments	Carrying Amount $	-1% Movement	1% Movement
Future claims and associated costs	47,579,000	(445,000)	445,000
Other recoveries receivables	(2,423,000)	-	-
Potential Impact		**(445,000)**	**445,000**

Estimated cost of claims assumption

2022

Financial Instruments	Carrying Amount $	-10% Movement	10% Movement
Future claims and associated costs	51,221,000	(2,085,000)	2,085,000
Other recoveries receivables	(3,657,000)	-	-
Potential Impact		**(2,085,000)**	**2,085,000**

2021

Financial Instruments	Carrying Amount $	-10% Movement	10% Movement
Future claims and associated costs	47,579,000	(1,857,000)	1,857,000
Other recoveries receivables	(2,423,000)	-	-
Potential Impact		**(1,857,000)**	**1,857,000**

7. Net claims incurred

Current period claims relate to risks borne in the current financial year. Prior period claims relate to a reassessment of the risks borne in all previous financial years.

	2022 $	2021 $
Net claims expense (Note 3)	**29,745,545**	30,114,812

2022

Details of net incurred claims are as follows:

	Current Year $'000	Prior Years $'000	Total $'000
Claims incurred and related expenses – undiscounted	29,359	4,596	33,955
Reinsurance and other recoveries – undiscounted	(560)	(947)	(1,507)
Net claims incurred – undiscounted	**28,799**	3,649	32,448
Discount – Claims incurred and related expenses	(2,411)	(380)	(2,791)
Discount – Reinsurance and other recoveries	36	53	89
Net discount movement	**(2,375)**	(327)	(2,702)
Net incurred claims	**26,424**	**3,322**	**29,746**

2021

Details of net incurred claims are as follows:

	Current Year $'000	Prior Years $'000	Total $'000
Claims incurred and related expenses – undiscounted	31,841	(709)	31,132
Reinsurance and other recoveries – undiscounted	(793)	500	(293)
Net claims incurred - undiscounted	**31,048**	(209)	30,839
Discount – Claims incurred and related expenses	(717)	(8)	(725)
Discount – Reinsurance and other recoveries	8	(7)	1
Net discount movement	**(709)**	(15)	(724)
Net incurred claims	**30,339**	**(224)**	**30,115**

8. Notes to the statement of cash flows

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank and short term investment deposits at call net of bank overdraft.

Cash and cash equivalents include cash deposits held with a financial institution, and a capital guaranteed investment held with QTC that is subject to a low risk of change in value and is readily convertible to cash on hand.

Reconciliation of operating surplus to net cash provided by operating activities:

	2022 $	2021 $
Operating surplus	**(13,021,243)**	(4,323,328)
Add non-cash items		
Changes in fair value of investments - unrealised	**6,201,330**	(6,064,010)
Investing income classified as investing activities	**(4,780,832)**	(1,459,610)
Net cash used by operating activities before change in assets and liabilities	**(11,600,745)**	(11,846,948)
Change in assets and liabilities		
Decrease/(Increase) in reinsurance and other recoveries receivable	**(1,235,000)**	125,000
Decrease/(Increase) in trade and other receivables	**(53,883)**	589,906
Increase in trade and other payables	**92,824**	267,968
Increase in future claims and associated costs	**3,642,001**	7,078,541
Net cash used by operating activities	**(9,154,803)**	(3,785,533)

9. Related parties

a) Key Management Personnel (KMP)

Management Committee

The day to day business of the Scheme is managed by a Management Committee appointed by LGAQ. The Management Committee is responsible to the LGAQ for achieving the scheme's objectives and for financial management. KMP include members of the Management Committee and Directors of the Trustee.

The members of the Management Committee have been listed as key management personnel and receive Committee meeting fees and reimbursement of the costs of travel expenses associated with attending the Committee meetings.

The names of the members of the Management Committee during the financial year are:

Mr Ian Leckenby
Mr Terry Brennan
Mr Greg Hallam* (delegate Darren Leckenby)
Ms Rachel Chambers**
Mr John Sharman
Ms Alison Smith - appointed as LGAQ CEO 1 November 2021 (delegate Darren Leckenby)
Mr Darren Leckenby

KMP Category / Position	Short-Term Employee Benefits 2022 $	Short-Term Employee Benefits 2021 $
Chairman	37,500	37,500
Management Committee Members	10,200	9,600
Total	**47,700**	**47,100**

No committee meeting fees were paid to the following members:
Mr Greg Hallam
Ms Alison Smith
Mr Darren Leckenby

* Mr Greg Hallam resigned as LGAQ CEO and from the LGW Management Committee on 29 October 2021.

**Ms Rachel Chambers resigned as Mayor of North Burnett Regional Council 11 December 2021 and remains on LGW Management Committee

Mr Stephen Fynes-Clinton ceased being a member of the Management Committee effective 27 August 2020.

No member of the Management Committee has entered into a material contract with the Scheme during the current or previous financial year.

Directors of the Trustee

LGAQ is acting through its Board, in its capacity as a trustee of the Trust under the Trust Deed. The Directors of the Trustee of the Trust which have been listed below are also key management personnel as they are responsible for the ultimate oversight of the business of the Trust. No remuneration has been paid to them.

Cr Mark Jamieson

Cr Jenny Hill

Cr Karen Williams

Cr Matt Burnett

The Trust does not make loans to or receive loans from related parties. No guarantees have been provided.

b) Transactions with related parties

Related parties include LGAQ and its controlled entities. The following are transactions within the group:

Purchase of services from LGAQ and its controlled entities on a commercial basis - $98,802 (2021: $114,660)

Cost recovery transactions paid to LGAQ and its controlled entities - $27,219 (2021: $11,238)

Workcare Scheme remuneration paid to LGAQ - $978,364 (2021: $962,010)

Surplus distribution paid to LGAQ for LGAQ Projects - $2,450,000 (2021: $2,495,000)

Services provided by LGAQ are on a cost recovery basis and represent transactions paid on behalf of the Scheme. Services provided by Local Buy (LGAQ controlled entity) relate to conference sponsorship and are on commercial terms. Workcare Scheme remuneration is paid to LGAQ as per the new Scheme management agreement effective from 1 January 2020.

c) Transactions with other related parties

Other related parties include the close family members of KMP and any entities controlled or jointly controlled by KMP or their close family members. Close family members include a spouse, child and dependent of a KMP or their spouse. There have been no such transactions during the year.

d) Transactions with related parties that have not been disclosed

Some of the Scheme's key management personnel (KMP) are also KMP of their respective councils, these councils do transact with the Scheme on a regular basis as members of the Scheme. Examples include:

- Member contributions
- Other recoveries revenue
- Claims expenses
- Distributions

The Scheme has not included these transactions in its disclosures, where they are made on the same terms and conditions available to all other members of the Scheme.

10. Financial instruments

Initial recognition and measurement

Financial assets are recognised when the entity becomes a party to receive cash and cash equivalents or other financial assets from another entity, and securities issued by another entity. Financial liabilities are recognised when the entity becomes a party to the contractual obligations to pay cash or deliver other financial assets. For financial assets, this is equivalent to the date that the Scheme commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are included in profit or loss immediately.

Impairment of Financial assets

The Scheme recognises loss allowances for an Expected Credit Loss ("ECL") on financial assets measured at amortised cost. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Scheme and the cash flows that the Scheme expects to receive).

At each reporting date, the Scheme also assesses whether financial assets carried at amortised costs are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Scheme 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 Scheme's historical experience, informed credit assessment and forward-looking information.

No expected credit loss allowance was recognised on the financial assets carried at amortised cost for the year ended 30 June 2022 (2021: nil).

Classification and subsequent measurement

Financial instruments are subsequently measured at either their fair value or amortised cost using the effective interest rate method. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value.

Amortised cost is calculated as:

- the amount at which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

Financial instruments - Fair values

Accounting classifications and fair values

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Scheme becomes party to the contractual provisions of the financial instrument. The Scheme has the following categories of financial assets and financial liabilities:

	2022 $			2021 $		
	Current	Non-current	Total	Current	Non-current	Total
FINANCIAL ASSETS						
Cash and cash equivalents	6,391,454	-	6,391,454	6,217,390	-	6,217,390
Financial assets at amortised cost:						
Trade and other receivables	658,866	-	658,866	604,984	-	604,984
Reinsurance and other recoveries receivables	2,479,678	1,178,322	3,658,000	843,652	1,579,348	2,423,000
	3,138,544	1,178,322	4,316,866	1,448,636	1,579,348	3,027,984
Financial assets at fair value through profit or loss:						
Other financial assets	58,896,012	-	58,896,012	74,545,377	-	74,545,377
Total financial assets	**68,426,010**	**1,178,322**	**69,604,332**	82,211,403	**1,579,348**	**83,790,751**
FINANCIAL LIABILITIES						
Financial liabilities at amortised cost:						
Trade and other payables	960,185	-	960,185	867,362	-	867,362
Distribution payables	2,450,000	-	2,450,000	2,450,000	-	2,450,000
Total financial liabilities	**3,410,185**	-	**3,410,185**	3,317,362	-	3,317,362

11. Risk management

Risk management objectives and policies for mitigating risk

The Scheme operates in Queensland to provide services to members in respect of their potential and actual workers compensation liabilities. Subject to the Scheme Rules, the Scheme meets the costs of workers compensation claims against members that are accepted in accordance with the *Workers Compensation and Rehabilitation Act 2003*.

Actuarial models, using information from the Scheme's management information systems, are used to confirm contributions and monitor claim patterns. Past experience and statistical methods are used as part of the process.

The principal risk is that the frequency and severity of claims is greater than expected. Workers Compensation liability events are, by their nature, random, and the actual number and size of events during any one-year may vary from those estimated using established statistical techniques.

The Scheme has an objective to control risk thus reducing the volatility of its operating surplus. In addition to the inherent uncertainty of liability risks, which can lead to variability in the loss experience, operating surpluses can also be affected by external factors such as competition and movements in asset values.

The Scheme relies on a strong relationship with its members and actively encourages them to adopt Workplace Health and Safety practices that reduce the incidence of claims to the Scheme.

Reinsurance strategy

The Scheme adopts a conservative approach towards the management of risk and does this by utilising risk transfer options. The Management Committee determines the level of risk, which is appropriate for the Scheme having regards to ordinary concepts of prudence and regulatory constraints. The risk transfer arrangements adopted by the Scheme utilise commercial reinsurance arrangements. These risk transfer arrangements assist the Scheme to limit its exposures. These programs are regularly reviewed to ensure that they continue to meet the risk needs of the Scheme.

Management of risks

The key risks that affect the Scheme are contribution risk and claims experience risk.

Contribution risk is the risk that the Scheme does not charge contributions appropriate for the indemnity cover it provides. The Scheme partially manages contribution risk through its proactive approach to risk management, which addresses all material risks, both financial and non-financial. There are no specific terms and conditions that are expected to have a material impact on the financial statements.

Claims experience risk is managed through the non-financial risk assessment, and risk management and reinsurance management process. Claims experience is monitored on an ongoing basis to ensure that any adverse trending is addressed. The Scheme is able to reduce the claims experience risk of severe losses through the reinsurance program and by managing the concentration of risks.

Concentration of risks

Risk is managed by taking a long-term approach to setting the annual contribution rates that minimise price fluctuations, adopting an appropriate investment strategy, implementing a reinsurance program and by maintaining an active state-wide risk management profile. It is vital that the Scheme keeps abreast of changes in the general economic, legal and commercial environment in which it operates.

Market risk

Market risk is the risk that changes in market prices will affect the Scheme's income or the value of its financial instruments.

In addition to cash and cash equivalents, the investment portfolio contains exposures to equity markets through managed unit trusts held in QIC. These investments, integral to insurance activities, are measured at net market value at each reporting date and changes in market value are immediately reflected in the Statement of Profit or Loss and Other Comprehensive Income. Any overall downturn in the equities market may impact on future results of the Scheme. The impact of any significant movement is managed by ensuring that the investment portfolio consists of a diverse holding of investments. The Scheme holds $58,896,012 worth of units with QIC as at 30 June 2022 (2021: $74,545,377).

The Scheme does not trade in foreign currency and is not materially exposed to commodity price changes.

Interest rate risk

The Scheme is exposed to interest rate risk through its investments with QTC and ANZ bank account. The Scheme has access to a mix of variable and fixed rate funding options with QTC so that the interest rate risk exposure can be minimised. The interest rate risk exposure with ANZ bank is immaterial.

Interest on cash is charged at prevailing market rates being approximately 0.90% at 30 June 2022 (2021: 0.25%). Interest on QTC investments is charged at prevailing market rates which is approximately 0.69% at 30 June 2022 (2021: 0.52%).

Interest Rate Sensitivity Analysis

Interest rate sensitivity depicts what effect a reasonably possible change in interest rates of +/- 1% would have on the profit and equity, based on the carrying value of financial assets and liabilities. With all other variables held constant, the Scheme would have surplus increase/decrease of $63,914 (2021: $62,174) for interest rate risk.

Unit Price Sensitivity Analysis

Unit price sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss if interest rates and unit prices would change by +/- 1% for the QIC Cash Enhanced Fund, by +/-5% for the QIC Short Term Income Fund and QIC Long Term Diversified Fund from the year-end rates applicable to the Scheme's financial assets and liabilities. With all other variables held constant, the Scheme would have a surplus increase/(decrease) of $101,102 (2021: $41,600) for unit price risk for the QIC Cash Enhanced Fund and surplus increase/(decrease) of $2,439,291 (2021: $3,519,266) for unit price risk for the QIC Long Term Diversified Fund and QIC Short Term Income Fund.

Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument to meet its contractual obligations. These obligations are principally from Scheme's investments and receivables.

The maximum exposure to credit risk at reporting date in relation to each class of recognised assets is the gross carrying amount of those assets inclusive of any impairment.

The credit risk arising from Scheme's exposure to individual entities in investment portfolios is monitored and controlled through risk management strategies implemented by the Scheme's fund manager, QIC.

The Scheme considers that all of the financial assets at amortised cost that are not impaired for each of the reporting dates under review are of low credit risk due to the high quality credit rating of the parties involved. No collateral is held as security and no credit enhancements relate to financial assets held by the Scheme.

Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Scheme is exposed to liquidity risk in respect of its payables being trade and other payables, and distribution payables. Refer to the Statement of Financial Position.

The Scheme manages liquidity risk by continuously monitoring cash flows. The Scheme's financial liabilities comprise of trade and other payables of $960,186 (2021: $867,361), which are non-interest bearing with maturity date of less than one year.

12. Auditor's remuneration

	2022 $	2021 $
Audit of financial statements	**45,500**	40,000

There are no non-audit services included in this amount.

13. Distribution payables

In May 2022, the Management Committee noted and approved the proposed $2,450,000 (2021: $2,450,000 declared in May 2021) surplus distributions to individual members which will be paid in 2022-2023.

The surplus distribution of $2,450,000 which was declared in May 2021 was paid to the members in the financial year 2021-2022.

In June 2022, the Management Committee noted and approved a surplus distribution of $2,450,000 for LGAQ projects funding requirements which was paid to LGAQ in June 2022 (2021: $2,495,000).

14. Commitments for expenditure

Commitments for payments of Scheme Management Fees are payable as follows:

	2022 $	2021 $
Within one year	8,907,222	8,066,033
Later than one year but not later than 5 years	-	8,190,368
	8,907,222	16,256,401

The Regional Risk Co-ordinator programme has been incorporated in the new Scheme Management Agreement which commenced on 1 January 2020 and has therefore been included in the commitments for payments of Scheme Management Fees.

15. Contingent liabilities

The Scheme holds bank guarantees worth $52,858,000 with QTC (2021: $47,722,000). The Scheme's members have provided an indemnity towards this bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds to cover outstanding liabilities. Only the Queensland Government's worker compensation authority may call on any part of the guarantee should the above circumstances arise.

16. New accounting standards for application in future periods

AASB 17 *Insurance Contracts* establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The AASB has issued Exposure Draft 319 to add public sector guidance around the identification of insurance contracts with a proposed effective date of 1 July 2025. On this date, AASB 1023 *General Insurance Contracts* will be superseded by AASB 17.

Based on current arrangements, the Scheme does not issue insurance contracts, however does measure and disclose its future claims and associated costs under AASB 1023. The Scheme will continue to evaluate the implications of Exposure Draft 319 and assess whether AASB 17 may be applicable to the Scheme when it becomes effective.

17. Authorisation of financial statements for issue

The financial statements are authorised for issue by the Management Committee at the date of signing the Management Committee's Certificate.

18. Subsequent events

No transaction or event of a material or unusual nature, in the opinion of the Scheme's Management Committee, has arisen in the interval between the end of the financial year and the date of these financial statements to affect significantly the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years..

Queensland Local Government Workers Compensation Self-Insurance Scheme Management Committee's Certificate

In the opinion of the Management Committee of Queensland Local Government Workers Compensation Self-Insurance Scheme:

a) the financial statements and notes, set out on pages 2 to 22:

- ii present fairly the financial position of Queensland Local Government Workers Compensation Self-Insurance Scheme as at 30 June 2022 and its performance, as represented by the results of its operations and its cash flows, for the year ended on that date;
- ii) comply with Accounting Standards in Australia; and
- iii) are drawn up in accordance with the provisions of the Scheme Rules;

b) there are reasonable grounds to believe that the Queensland Local Government Workers Compensation Self-Insurance Scheme will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Management Committee:

Mr Ian Leckenby
Chairman

Date 25 November 2022

Independent

Auditor's Report

QUEENSLAND LOCAL GOVERNMENT
WORKERS COMPENSATION
SELF-INSURANCE SCHEME

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INDEPENDENT AUDITOR'S REPORT

To the Trustee, management committee and members of Queensland Local Government Workers Compensation Self-Insurance Scheme

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Queensland Local Government Workers Compensation Self-Insurance Scheme (the trust).

In my opinion, the financial report:

a) gives a true and fair view of the trust's financial position as at 30 June 2022, and its financial performance and cash flows for the year then ended

b) complies with the trust deed of Queensland Local Government Workers Compensation Self-Insurance Scheme dated 6 April 2004 (as amended) and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the certificate given by the management committee.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of my report.

I am independent of the trust in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*.

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

Responsibilities of the trustee and management committee for the financial report

The trustee and management committee are responsible for the preparation of the financial report that gives a true and fair view in accordance with the trust deed of Queensland Local Government Workers Compensation Self-Insurance Scheme dated 19 June 1997 (as amended) and Australian Accounting Standards, and for such internal control as the trustee and management committee determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The trustee and management committee are also responsible for assessing the trust's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the trust or to cease operations, or has no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the financial report

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 the 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 this financial report.

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

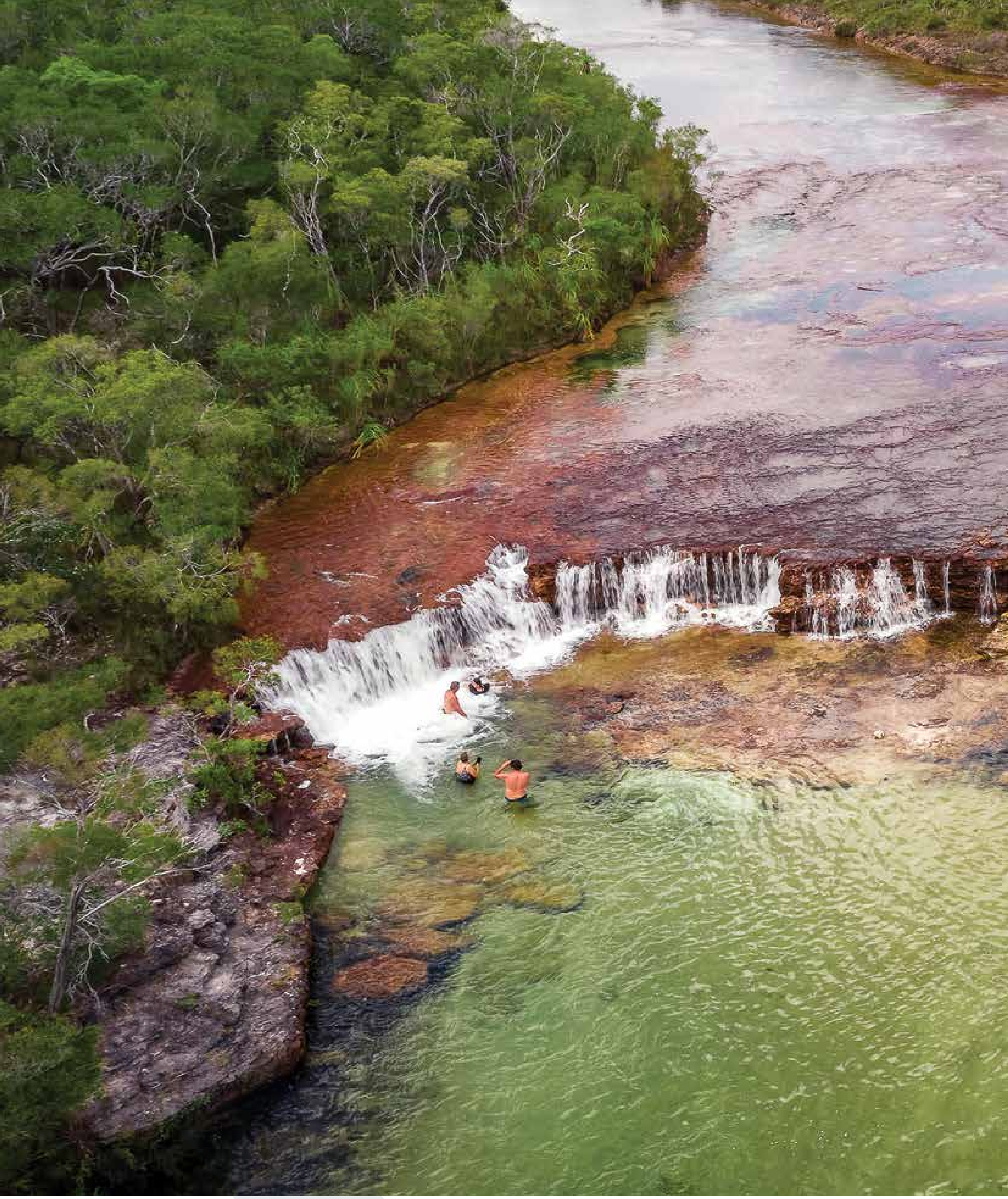
- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material 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 expressing an opinion on the effectiveness of the trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trust.
- Conclude on the appropriateness of the trust's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the trust's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the trustee and board of management 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.

30 November 2022

Brydie Morris
as delegate of the Auditor-General

Queensland Audit Office
Brisbane



2021-2022
LGW / LGM
REPORT TO MEMBERS

RISK SPECIALISTS | UNRIVALLED VALUE | OWNED BY MEMBERS