2022-2023
LGW / LGM
REPORT TO MEMBERS

LGM LIABILITY | LGM ASSETS | LGW WORKCARE | LGMS LOCAL GOVERNMENT MUTUAL SERVICES

RISK SPECIALISTS | UNRIVALLED VALUE | OWNED BY MEMBERS

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2022-2023

REPORT TO MEMBERS

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Chairman's message

IAN LECKENBY

Chair, LGM Board of Management
Chair, LGW Management Committee

> *This year, the LGM Assets mutual scheme saw continued pressure on both cost and capacity, which reflects the impacts of global climate related catastrophes on the insurance/ reinsurance markets, as well as the broader macro-economic environment.*

In 2022-2023 the financial performance and achievements for Local Government Mutual Services (LGMS) schemes have been somewhat varied due to a number of ongoing challenges post the global COVID-19 pandemic and the impact this has had on insurance market conditions.

Despite these ongoing challenges, we commend our members on their continued focus to improve their risk management practices which is critical to keeping the schemes in good shape and of course benefits all our scheme members.

When the Local Government Association of Queensland (LGAQ) established the LGMS mutual schemes 30 years ago, it was to enable Queensland local governments to exercise control over and manage their liability, workers' compensation and asset-based risk exposures. No one knows Queensland council risks like Queensland councils, and it is now more than ever that this control should provide our member councils with comfort that the mutual schemes are continuing to offer stability and sustainability in these uncertain times, and despite the increasing cost pressures on the commercial insurance markets.

Councils asked LGMS to provide less volatility and more certainty in pricing of their covers for people, assets and public liability and it remains the case that the collective bargaining power of the member owned mutuals which enables our member councils to better withstand all claims and market cycles for the sole benefit of the local government. A key component to the mutual's success is our relationships, and it is this long-term strategy and commitment that continues to enable the mutual model to provide sustainability of contributions for our members on an ongoing basis.

LGMS continually looks for opportunities to further enhance the mutual schemes and provide the support and services that our members need. We regularly encourage our members to provide feedback which is of critical importance to us as it provides valuable insight in terms of member satisfaction, quality of

products, service levels and the esteem in which the mutual schemes are held.

During the past year, LGMS has continued to see soaring costs impact the schemes as a result of greater uncertainty in the global insurance markets which has increased insurance costs. Whilst there have been some challenges the LGM Liability scheme was able to keep contributions relatively stable for members this year and was also able to return a $4.45million distribution directly to scheme members.

In 2022-2023, the LGM Assets mutual scheme saw continued pressure on both cost and capacity, which reflects the impacts of global climate related catastrophes on the insurance/reinsurance markets, as well as the broader macro-economic environment. LGM Assets has continued to deliver for its members despite these challenges and uncertainties by providing them with comprehensive covers for their asset-based risk exposures at a sustainable cost.

The flood events in Queensland, New South Wales and Victoria at the beginning of 2022 were quantified to be Australia's costliest natural disaster, and along with a general escalation in claim costs owing to the impacts of inflation, this has undoubtedly had a significant impact on insurance market conditions during the 2022/23 period. Navigating this landscape has proven challenging for LGM Assets (whose members were also significantly impacted by the flood events in 2021/22), but also reinforces the benefits of the mutual model.

LGM Assets has recorded a small surplus in 2022-2023 which is primarily because we did not have a cyclone or a catastrophic weather event during the period, and the continuous improvement in risk management practices by scheme members further reinforces the benefits of the mutual model.

The LGW scheme has had some challenges this year which has impacted its financial position and this is primarily due a significant increase in claim costs, some of which can be attributed to delays in finalising claims due to the COVID-19 pandemic, and others are due to an increase in psychological claims which take much longer to settle and are generally more complex in nature. The LGW Management Committee are closely monitoring these claim costs and are conscious of this when considering and setting member contributions each year. LGW will continue to monitor these costs and any emerging trends which may impact the scheme's performance over the coming year. It is for this reason that LGW did not provide a distribution to scheme members this year, and why annual operations produced a deficit.

The LGMS mutual schemes remain committed to providing our member councils with comprehensive and tailored covers for their insurable risks, not otherwise available in the commercial insurance market. The mutual schemes also provide year-round support, education, and training to ensure that any risks for Queensland councils are well-managed. It is our sole purpose to provide members with the covers they need at a sustainable cost and on a long-term basis. This can only be achieved by local government collectively working together to achieve these 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

MR IAN LECKENBY
Chair

MR JOHN SHARMAN
Legal Consultant

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 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

> *In the 30th year of operation of LGMS, the mutual model remains the vehicle by which Queensland local government effectively harnesses and deploys this capacity and collaborative power to achieve relative consistency and certainty in the constantly changing risk context.*

Once again, 2022-2023 has presented challenging domestic and global conditions for the Queensland local government owned and operated mutuals protecting member councils' liability, assets and workers' compensation risks.

Developing risks as diverse as cyber attack, and the prevalence of psychological claims confirm that the underlying mutual fundamentals of risk aggregation, targeted risk improvement, considered claims management, informed retention and sharing, as well as judicious residual risk transfer acting as risk focussed collective capital market influencers, remain critical to the capacity for Queensland local government to effectively insulate against the most extreme outcomes.

In the 30th year of operation of LGMS, the mutual model remains the vehicle by which Queensland local government effectively harnesses and deploys this capacity and collaborative power to achieve relative consistency and certainty in the constantly changing risk context.

JLT Public Sector colleagues remain firmly committed to bringing to bear legislative regulatory compliance, industry insight and capacity, and commercial influence in concert with Queensland local government as a sector to maintain these advantages for LGMS member councils.

Thanks to the LGMS Board and Committees, and the LGAQ, for the continued opportunities to contribute for Queensland councils, and indeed to LGMS member council mayors, councillors and officers for their ongoing good faith and engagement with our efforts on behalf of their councils. ■

No one knows Queensland council risks like Queensland councils. LGMS not only provides coverage tailored to council needs, but also provides year-round support, education, training and assessments of councils across the state to ensure that any insurable risks are well-managed.

Councils were asking for less volatility and more certainty in pricing in their cover of people, assets and public liability – which is why LGMS was created by the LGAQ in 1994. Its collective buying power ensures cover of a standard and value that individual councils could not find in the commercial insurance market.

Access to LGMS is a valuable component of the LGAQ membership. The mutual schemes are owned by councils, with any profits returned to members or invested in initiatives to benefit local government.

LGMS continues to watch the emerging risk landscape in local government to ensure councils are provided with the best covers and services, including:

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

LGMS supports its members

LGMS provides support and advice to its members to achieve the common goal of minimising the liability and workcare exposures of local government. LGMS Regional Risk Coordinators provide Enterprise Risk Management (ERM) to all members, with LGM Asset members supported by Account Managers and the Divisional Manager. LGM Liability members are supported by Senior Risk Consultants and the Divisional Manager, and LGW Workcare members are supported by the Workplace Health & Safety (WHS) team and the Divisional Manager.

Claims consultants work across LGM Assets, LGM Liability, and LGW Workcare, with allied health professionals to assist with the rehabilitation of workers compensation claims. LGMS's other support functions include financial management, IT provision and maintenance (the member centre, claims dashboards, benchmarking tools, and questionnaire sites) and data analytics.

Our LGMS Member Centre is the dedicated, member only portal that provides up-to-date information and tools to assist with continuous improvement. Key benefits and value for members include:

- 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 Skytrust Program and LGW Mutual Risk Obligations Program, which includes an audit component. ■

In 2022-2023, LGMS was actively engaging with its member councils via face-to-face events, workshops, forums and meetings, and continues to enhance its engagement opportunities with members to provide greater transparency and communication to Queensland councils.

LGMS facilitated three Local Government Risk Management Focus Group (LGRMFG) meetings with subject matter experts from both local government and the private sector, and were proud sponsors of many Queensland local government events throughout 2022-2023, including the LGAQ Disaster Management Conference, LGAQ Bush Councils Convention, LGMA Annual Conference, LGAQ Annual Conference, the Western Queensland Alliance of Councils Assembly and the Local Government Finance Professionals (LGFP) Annual Conference. These sponsorships provided LGMS with valuable opportunities to share our member's great work and how LGMS provides benefits that support.

LGMS Step Your Way to $10K competition

LGMS conducted a health and wellbeing competition at the 2023 LGAQ Annual Conference in Gladstone, where delegates stepped their way to $10K for the chance to win $10,000 for a health and wellbeing project for their council or community. Kim Gaynor from Croydon Shire Council tracked her steps, visited the trade sponsors and found herself in the lead during the 3-day event to win a $10,000 prize to fund a suitable well-being initiative. Congratulations! We look forward to seeing the initiative come to life. ■

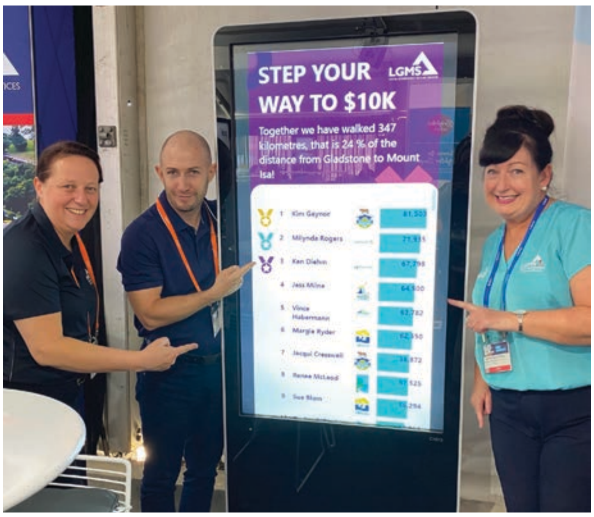
LGW WORKPLACE HEALTH AND SAFETY CONFERENCE 2023 (BRISBANE)

LGMS LGW WHS Conference 2023. Left to right: Angela Weldon (LGW WHS Consultant), David Royston-Jennings (LGMS Regional Risk Coordinator), Dean Campbell (Divisional Manager, Workers Compensation - LGW), Julian Soler (LGW WHS Consultant), Ian Leckenby (LGMS Board Chair), Adam Stevenson (LGW WHS Consultant), Rachael Lindsay (LGAQ Principal Governance Advisor – Insurance Services), and Paul Bright (LGMS Regional Risk Coordinator)

Mark Alston (Investigations Differently Executive Director) presenting at the 2023 LGW WHS Conference

LGMS STEP YOUR WAY TO $10K COMPETITION

LGMS Step Your Way to $10K competition winner. Left to right: Mayor Samantha O'Toole (LGM Board and LGW Management Committee member) and Councillor Kim Gaynor (Croydon Shire Council)



LGMS Step Your Way to $10K competition at the 2023 LGAQ Annual Conference. Left to right: Lesley Harpeng (LGW WHS Manager), David Royston-Jennings (LGMS Regional Risk Coordinator), and Rachael Lindsay (LGAQ Principal Governance Advisor - Insurance Services)

LGAQ DISASTER MANAGEMENT CONFERENCE 2023 (BRISBANE)

LGAQ 2023 Disaster Management Conference. Left to right: Paul Bright (LGMS Regional Risk Coordinator), Nick Rossman (LGM Manager Risk & Resilience), and Rachael Lindsay (LGAQ Principal Governance Advisor – Insurance Services)

LGAQ 2023 Disaster Management Conference. Left to right: Nick Rossman (LGM Manager Risk & Resilience), Rachael Lindsay (LGAQ Principal Governance Advisor – Insurance Services), and Paul Bright (LGMS Regional Risk Coordinator)

LGAQ ANNUAL CONFERENCE 2023 (GLADSTONE)

LGAQ 2023 Annual Conference. Left to right: Lesley Harpeng (LGW WHS Manager), Rachael Lindsay (LGAQ Principal Governance Advisor – Insurance Services), Kevin Johnson (Divisional Manager – Claims), and Craig Hinchliffe (General Manager Qld, JLT Public Sector)

LGMS trade booth at the 2023 LGAQ Annual Conference, showcasing the Step Your Way to $10K competition

LGAQ BUSH COUNCILS CONVENTION 2023 (GOONDIWINDI)

LGAQ 2023 Bush Councils Convention. Left to right: Rachael Lindsay (LGAQ Principal Governance Advisor – Insurance Services) and David Munro (LGMS Regional Risk Coordinator)

LGFP ANNUAL CONFERENCE 2023 (GOLD COAST)

LGFP Annual Conference 2023. Left to right: Paul Bright (LGMS Regional Risk Coordinator) and Ian Leckenby (LGMS Board Chair)

LOCAL GOVERNMENT RISK MANAGEMENT FOCUS GROUPS 2023

Local Government Risk Management Focus Group (LGRMFG) Cairns Regional Council

LGRMFG Bundaberg Regional Council

LGRMFG Brisbane

LGW WHS FORUM (CHARTERS TOWERS)

LGW WHS Forum at Charters Towers Regional Council.

WESTERN QUEENSLAND ALLIANCE OF COUNCILS ASSEMBLY 2023 (WINTON)

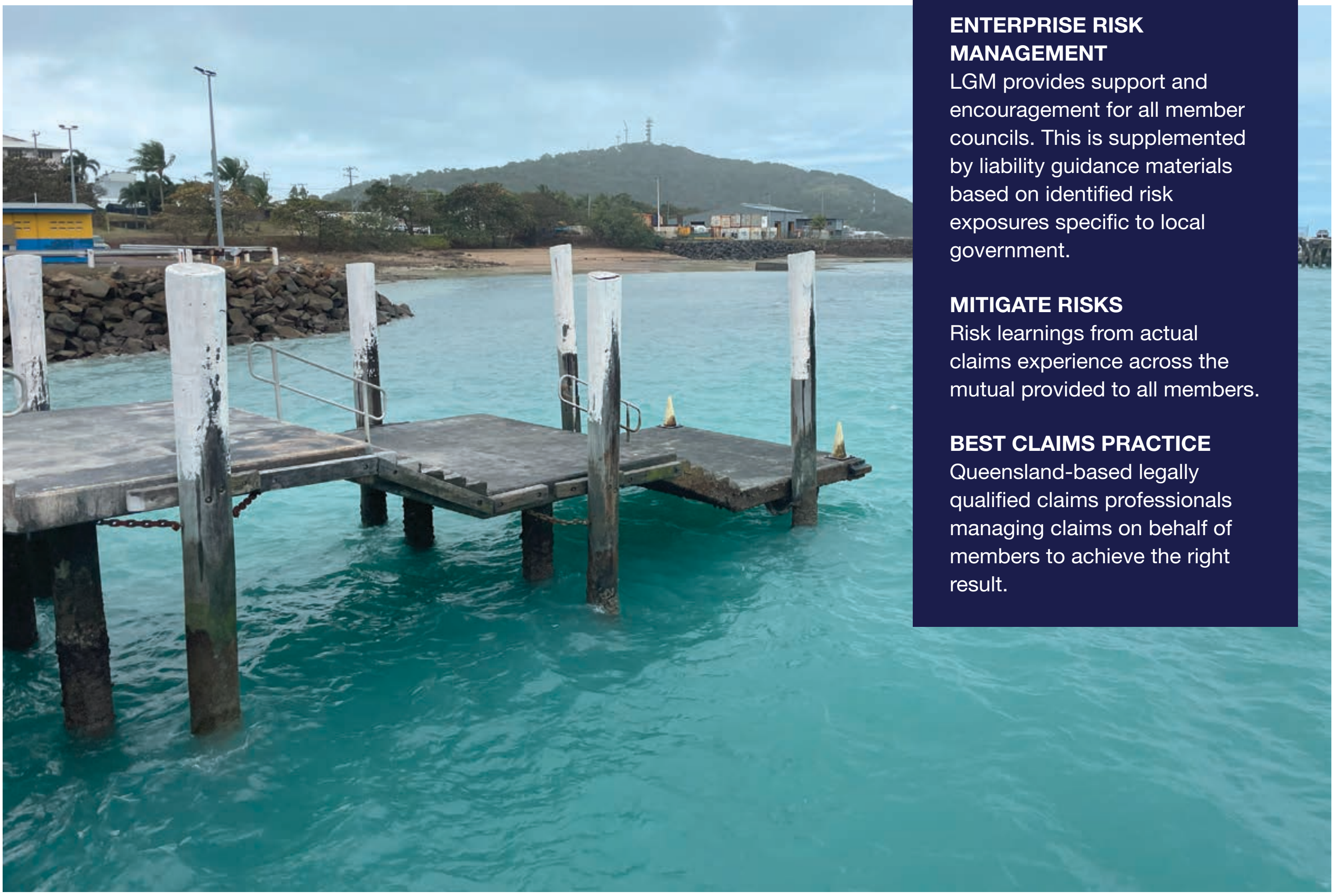
Western Queensland Alliance of Councils Assembly 2023. Left to right: Ian Leckenby (LGMS Board Chair), Rachael Lindsay (LGAQ Principal Governance Advisor – Insurance Services), and David Royston-Jennings (LGMS Regional Risk Coordinator).

LGMA ANNUAL CONFERENCE 2023 (CALOUNDRA)

Local Government Managers Association (LGMA) Annual Conference 2023. Pictured: Rachael Lindsay (LGAQ Principal Governance Advisor – Insurance Services).

- Western Queensland Alliance of Councils Assembly
- LGW WHS Conference
- LGW Regional WHS Forums
- LGMS Elected Member & CEO updates
- 6 x LGMS eNews Editions
- 3 x LGMS LGRMFG Sessions
- LGAQ Annual Conference
- LGAQ Disaster Management Conference
- Incident Investigations & Contractor Health & Safety Management Training
- LGAQ Indigenous Leaders Forum
- LGMA Annual Conference
- LGFP Annual Conference
- 4 x LGMS Council Leader Articles

LGM Liability and Claims Statistics



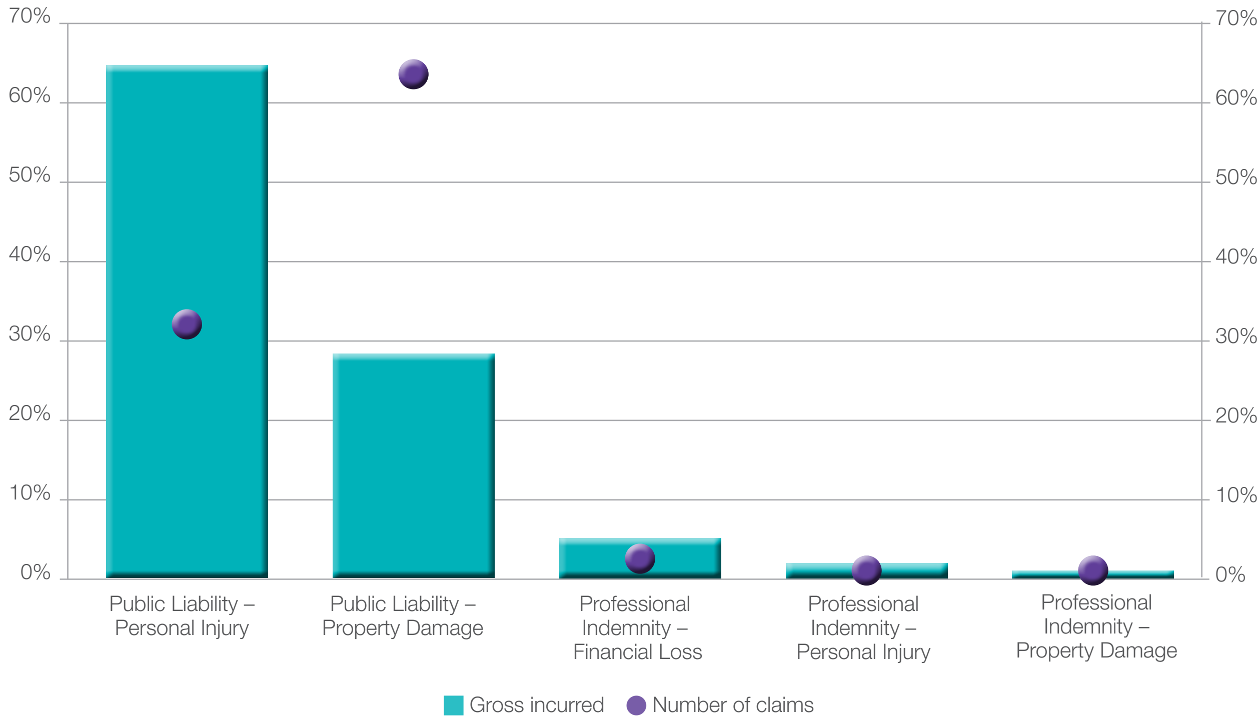
ENTERPRISE RISK MANAGEMENT
LGM provides support and encouragement for all member councils. This is supplemented by liability guidance materials based on identified risk exposures specific to local government.

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

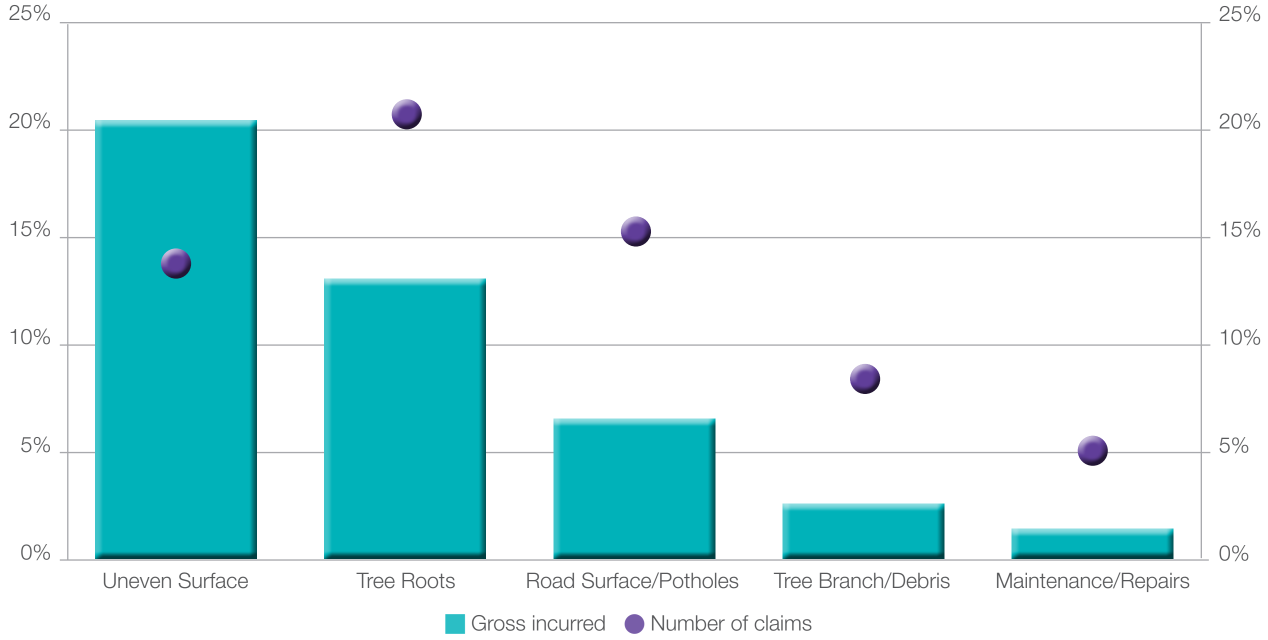
BEST CLAIMS PRACTICE
Queensland-based legally qualified claims professionals managing claims on behalf of members to achieve the right result.

What were the top reasons for council claims?

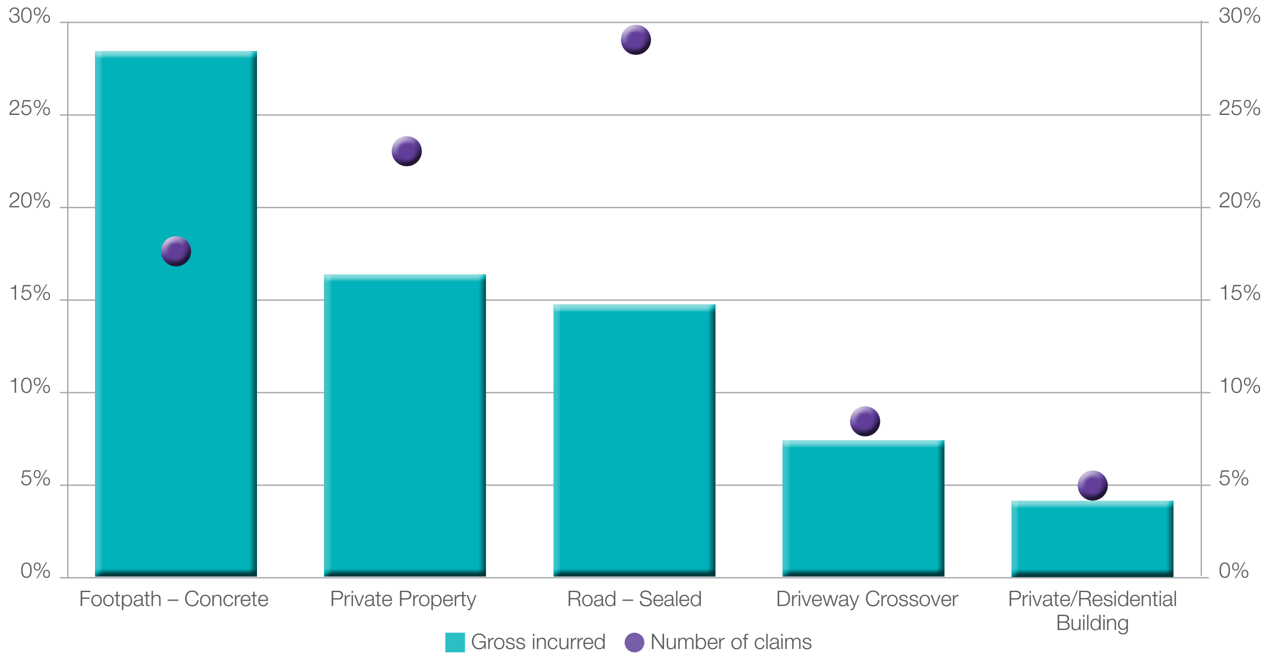
Types of cover 2022-2023 by number of claims and claims cost

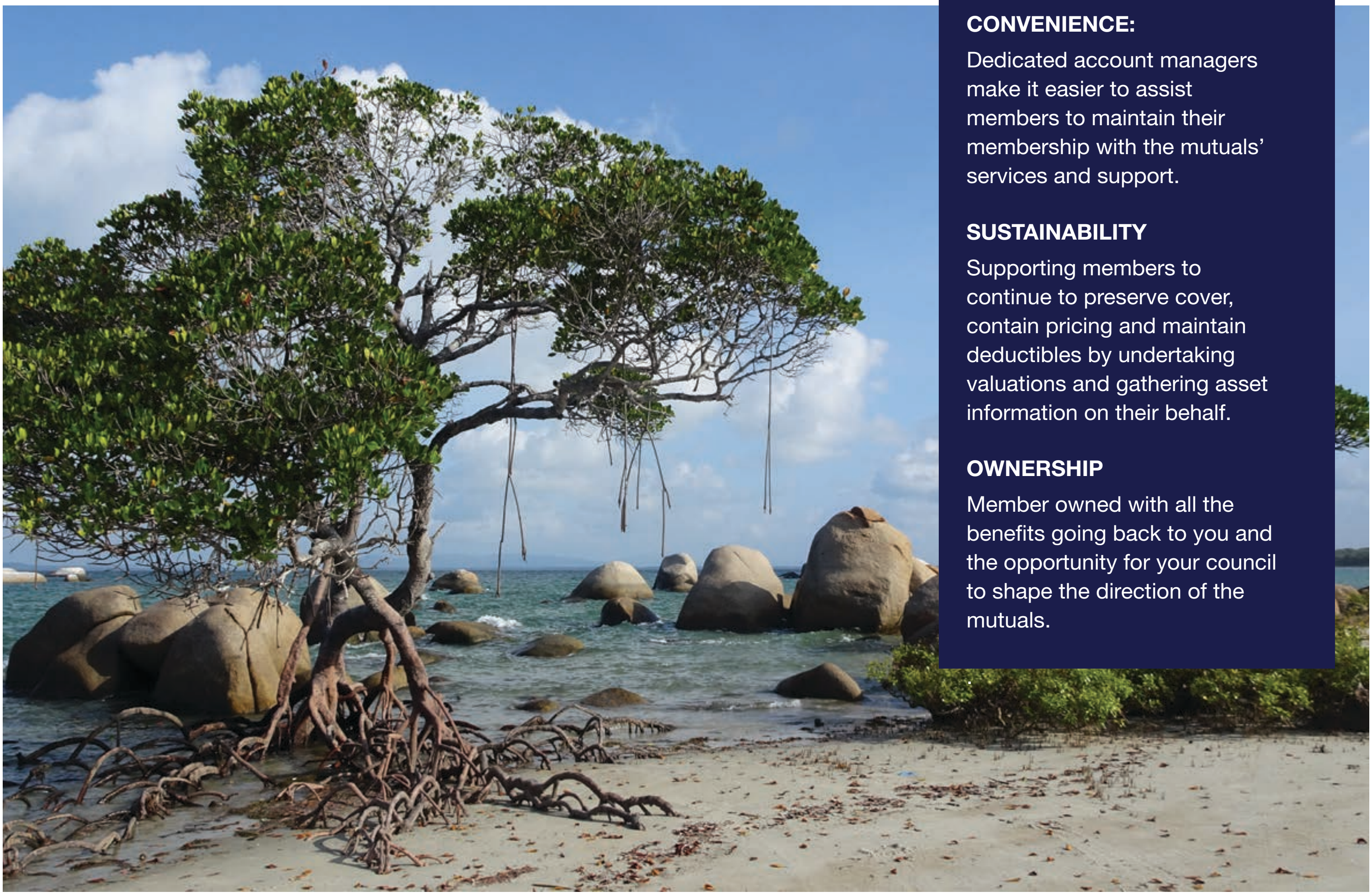


Top 5 liability claim causes 2022-2023 by number of claims and claims cost



Top 5 liability claim locations 2022-2023 by number of claims and claims cost





CONVENIENCE:

Dedicated account managers make it easier to assist members to maintain their membership with the mutuals' services and support.

SUSTAINABILITY

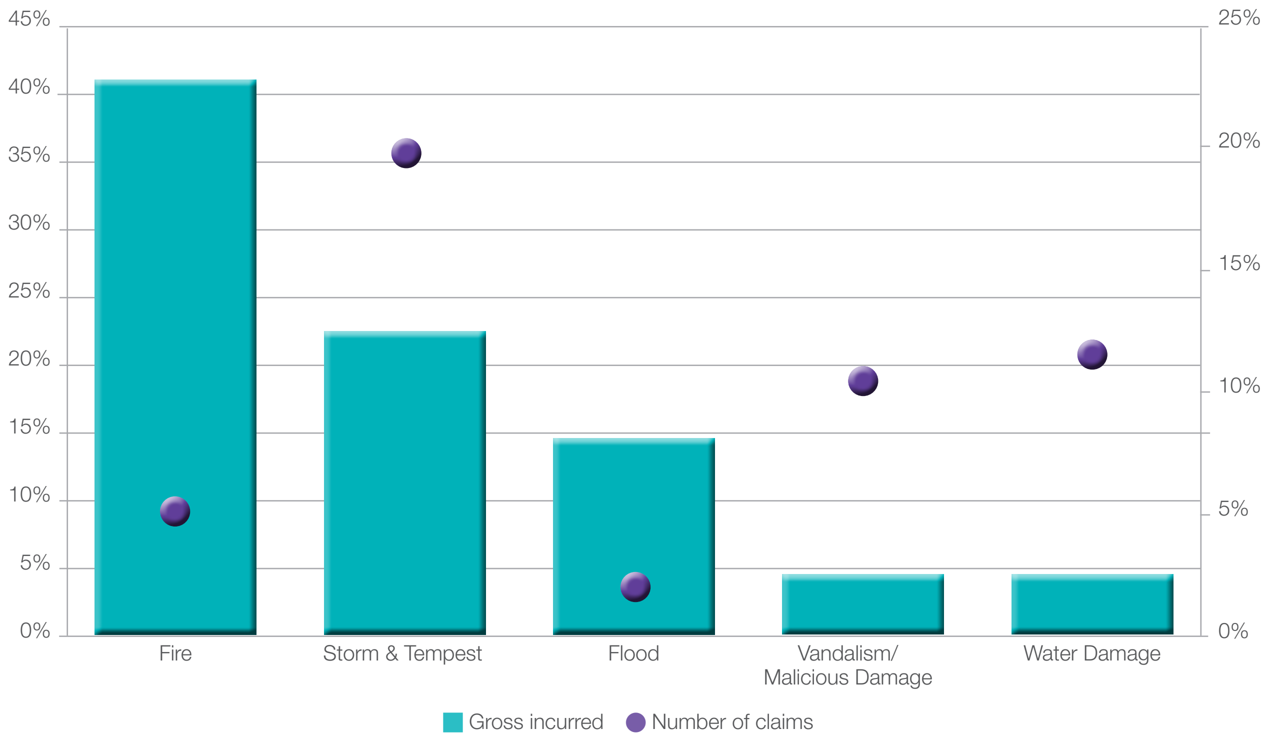
Supporting members to continue to preserve cover, contain pricing and maintain deductibles by undertaking valuations and gathering asset information on their behalf.

OWNERSHIP

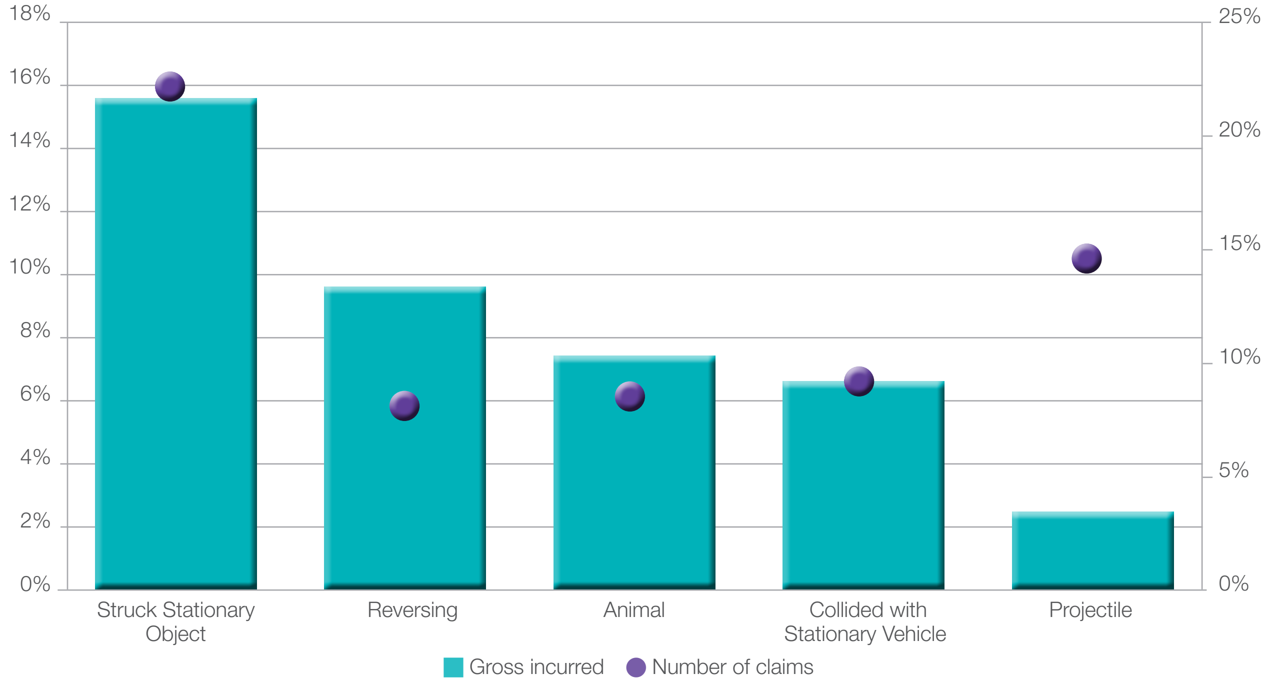
Member owned with all the benefits going back to you and the opportunity for your council to shape the direction of the mutuals.

What were the top reasons for council claims?

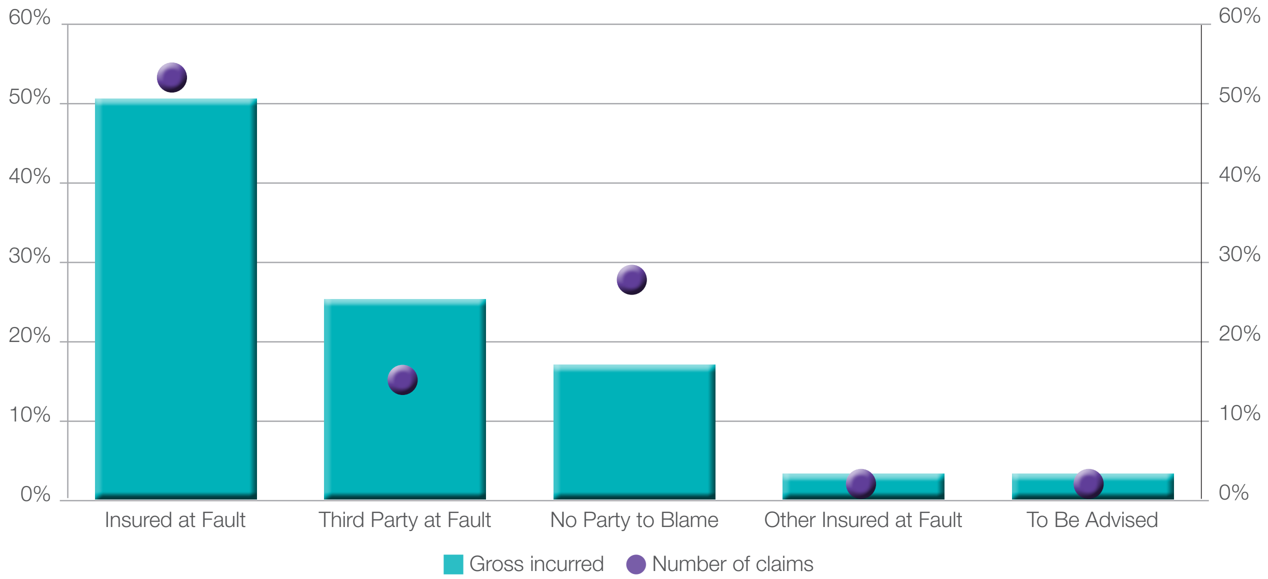
Top 5 general property claim causes by number of claims and claims cost



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



DEDICATED ALLIED HEALTH PROFESSIONALS

Guide and ensure best claims practice for the benefit of the worker and the council.

WHS ADVICE AND SUPPORT

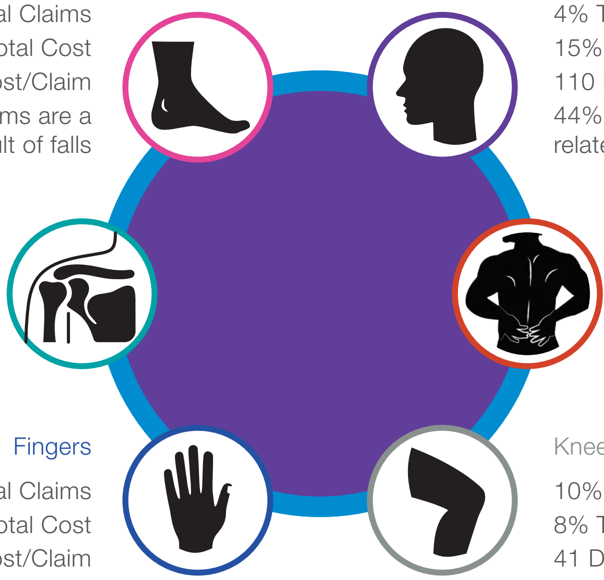
Tailored to local government specific risks to reduce injuries and claims.

LGW MUTUAL RISK OBLIGATIONS

LGW initiative working with member councils to ensure legislative requirements are met through accredited WHS audits and working with them on any remedial actions to be resolved.

What were the injuries sustained by council workers?

Most common injuries by claims, cost, and days lost per claims



Ankle
5% Total Claims
3% Total Cost
37 Day Lost/Claim
55% Claims are a result of falls

Psychological
4% Total Claims
15% Total Cost
110 Days Lost/Claim
44% Claims are caused by work-related harrassment/bullying

Shoulder
11% Total Claims
11% Total Cost
48 Days Lost/Claim
84% Claims are caused by muscular stress

Lower Back
14% Total Claims
12% Total Cost
30 Days Lost/Claim
79% Claims are caused by muscular stress

Fingers
5% Total Claims
2% Total Cost
13 Days Lost/Claim
31% Claims are a result of being hit by moving object

Knee
10% Total Claims
8% Total Cost
41 Days Lost/Claim
50% Claims are caused by muscular stress

Note:
Data is based on claims incurred within the 2022/2023 financial period.
Psychological, Lower Back, Shoulder, Knee, Fingers and Ankle related injuries make up 52% of the total cost of claims.
Psychological, Lower Back, Shoulder, Knee, Fingers and Ankle related injuries make up 48% 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

44% Total Claims
32% Total Cost
33 Days Lost/Claim

Biological Factors

2% Total Claims
0.3% Total Cost
6 Days Lost/Claim

Vehicle Accident

4% Total Claims
4% Total Cost
33 Days Lost/Claim

Hit by Moving Object

9% Total Claims
5% Total Cost
20 Days Lost/Claim

Falls

17% Total Claims
18% Total Cost
41 Days Lost/Claim

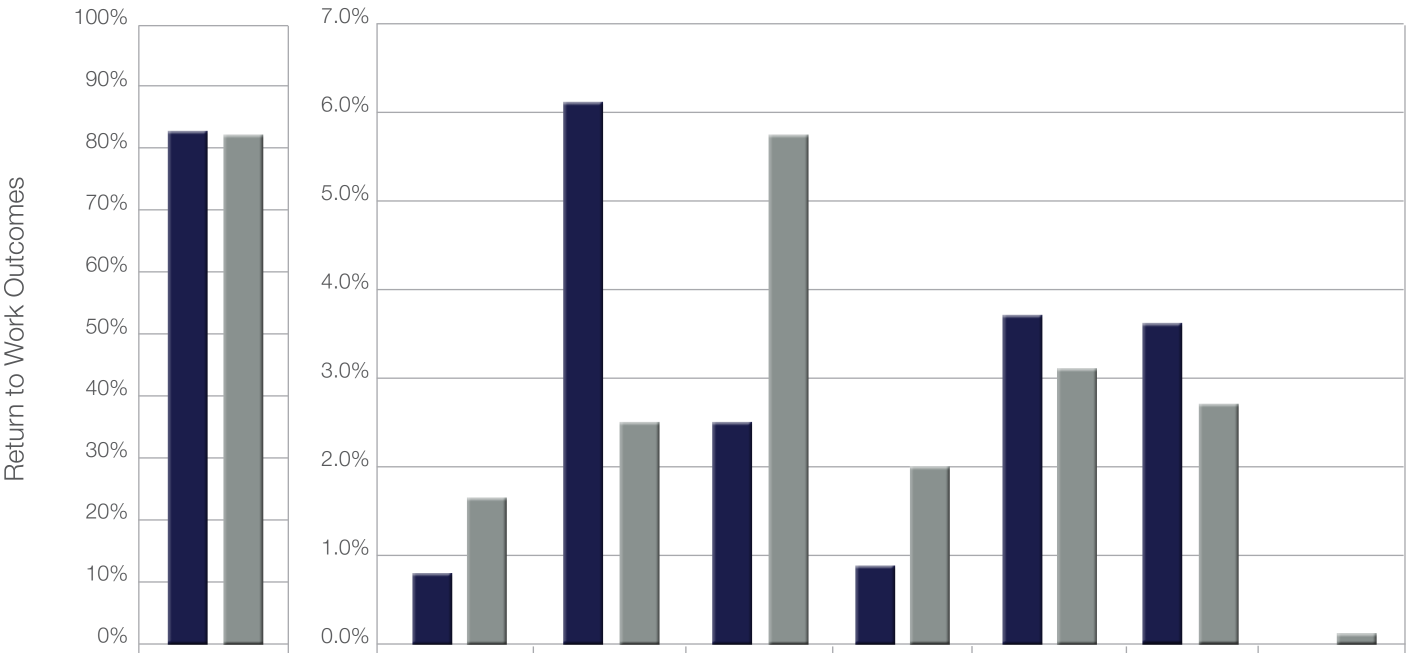
Workplace Bullying / Harrassment / Violence / Pressure

4% Total Claims
14% Total Cost
105 Days Lost/Claim

Data is based on claims incurred within the 2022-2023 financial period.

LGW vs WorkCover – Return to work outcomes 2022-2023

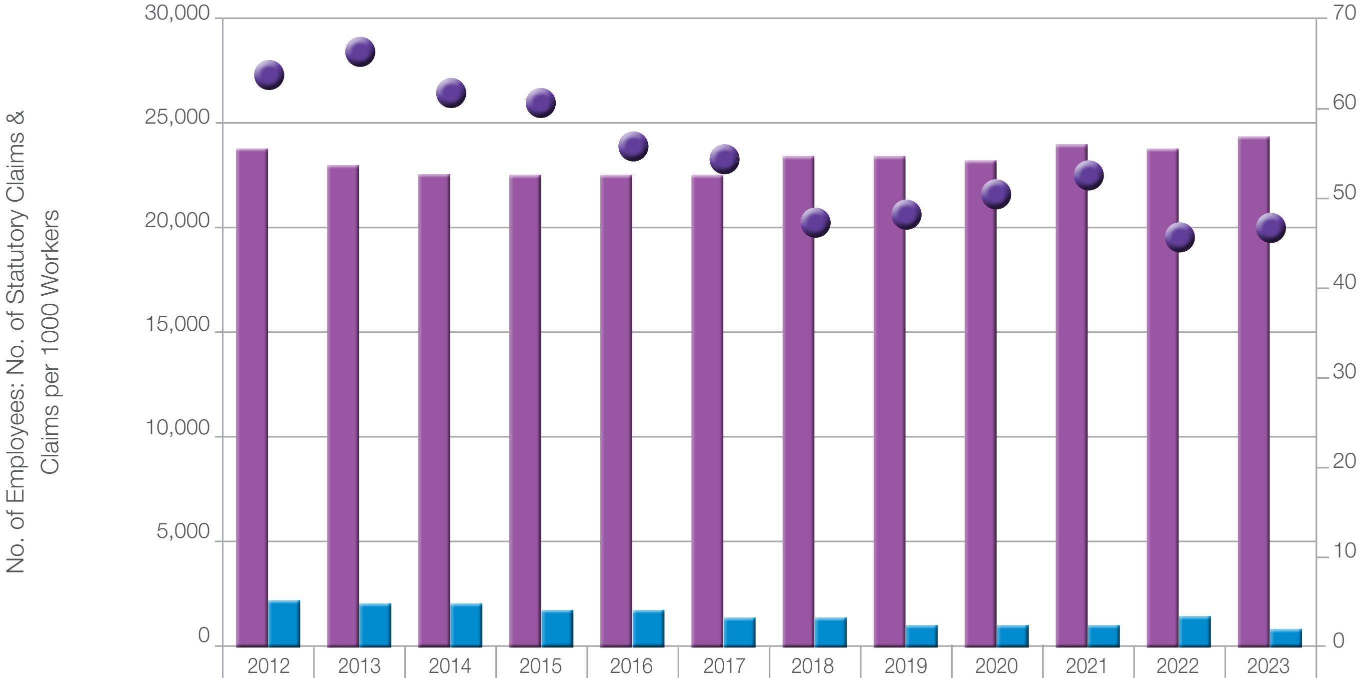
LGW's injured workers have a higher return to work rate for ongoing employment at Council than Workcover.



	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	82.4%	0.8%	6.1%	2.5%	0.9%	3.7%	3.6%	0.0%
WorkCover	82.0%	1.7%	2.5%	5.8%	2.0%	3.1%	2.8%	0.1%

LGW Workcare and Claims Statistics

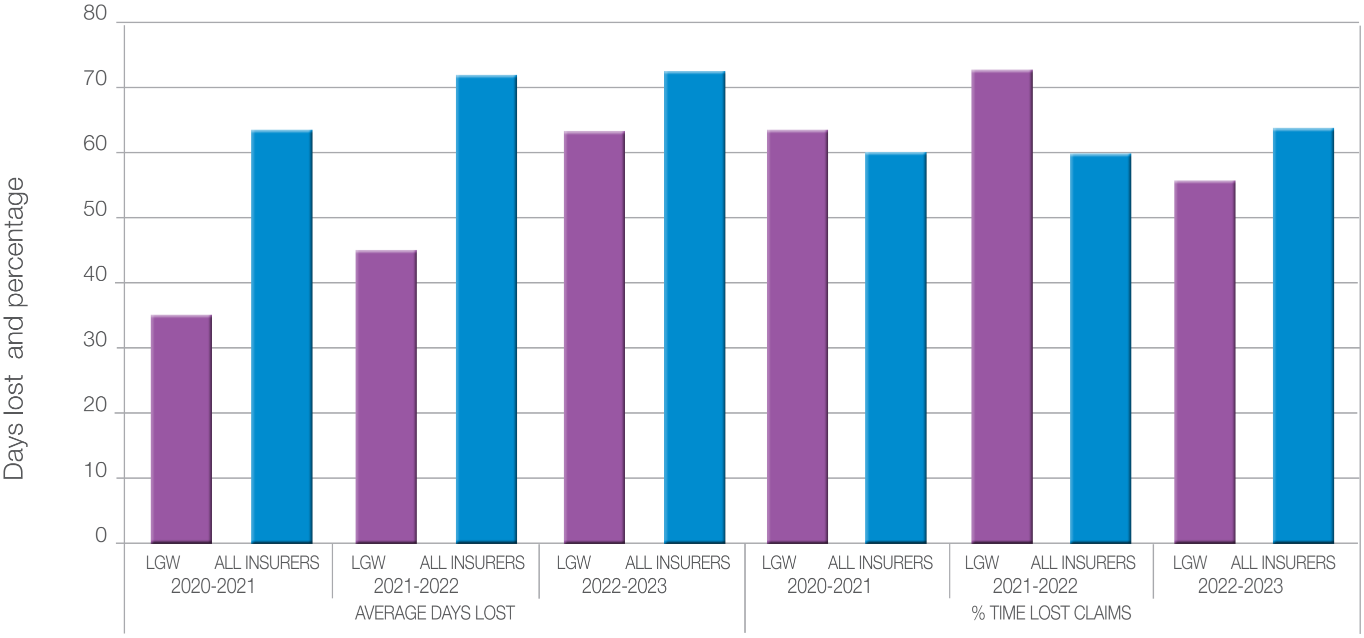
Claims frequency by injury year



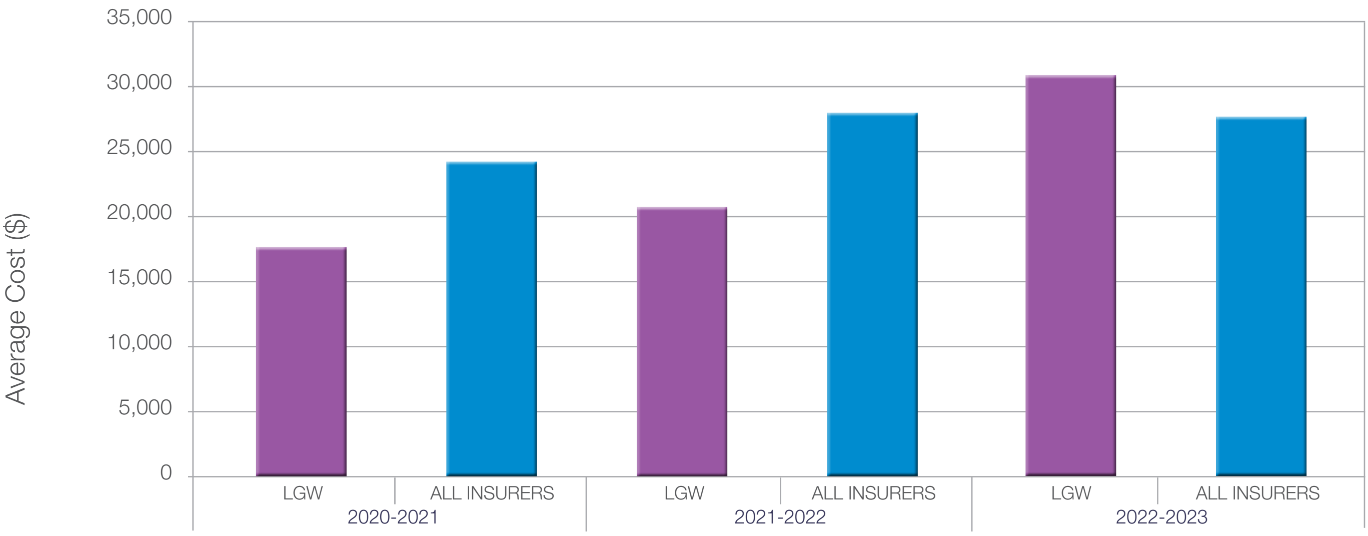
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
No. of Employees	23,433	23,001	22,606	22,270	22,494	22,469	23,381	23,429	23,255	23,837	23,749	24,463
No. of Statutory Claims	1,444	1,501	1,365	1,353	1,232	1,218	1,134	1,156	1,167	1,246	1,095	1,146
Claims per 1,000 workers	64.0	66.3	62.0	60.2	55.7	54.2	48.5	49.3	50.2	52.3	46.1	47.0

Time lost claim indicators 2022-2023

LGW achieves a lower duration of time lost claims than that of Workcover which get workers back to work sooner and reduces the overall cost of claims to Council. LGW also achieves a lower percentage of time lost claims than that of Workcover which also reduces the overall cost of claims to Council.



Average cost of time lost claims 2022-2023



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

The winners of the 2023 LGMS Risk Excellence Awards were announced at the LGAQ Annual Conference in Gladstone in October 2023. Congratulations to all of the councils and individual team members involved. It was certainly a difficult decision for the LGMS Board with a large number of exceptional nominations submitted.

Congratulations to Cairns Regional Council, Isaac Regional Council, City of Moreton Bay and Livingstone Shire Council, you were able to meet the criteria for the LGMS Risk Excellence Award with numerous great initiatives.

Mayor Anne Baker proudly accepted the Award for the Central Queensland district on behalf of Isaac Regional Council for its insurance guideline, developed to articulate the Council's commitment to risk management, and the linkage between Council's Enterprise Risk Management Framework and insurance, as one method (but not the only means) of mitigating risk. With the Council's insurance function transferred to the Governance Team's portfolio in 2021, an element of the integration was to review all existing policy, processes and tools to ensure that the framework reflected best practice and provided

2022-23 LGMS Risk Excellence Award North Queensland winner Cairns Regional Council. Left to right: Ian Leckenby (LGMS Board Chair), CEO Mica Martin, Mayor Terry James and Craig Hinchliffe (General Manager Qld, JLT Public Sector).

Congratulations to the following LGMS Risk Excellence Award 2022-2023 winners:

NORTH QLD	CENTRAL QLD	SOUTH WEST QLD	SOUTH EAST QLD
Cairns Regional Council	Isaac Shire Council	Livingstone Shire Council	City of Moreton Bay
Council endorsed an updated fire strategy that aims to improve risk mitigation procedures, formalise its responsibilities, and strengthen collaboration with other key agencies and provides clarity on agency responsibilities and identifies measures to reduce fire risks.	Council's insurance function was reviewed including all existing policy, processes and tools. A guideline was developed to provide guidance and assist staff with the understanding of the types of insurances held by Council, internal claim management processes, liability claim management, and the insurance requirements of third parties wishing to participate in business activities with Council.	Council collaborated with C3 Resilience to design and test a Business Continuity Planning (BCP) Management Framework. The primary objective was to ensure Council is appropriately prepared to mitigate against, and respond to, business interruptions which threaten its critical business objectives, functions and services to the community.	This project started with Council experiencing a significant amount of roof leaks across its buildings which took up significant time, resources and money to undertake required reactive repairs. Council developed a methodology to assess its 1,814 roofs across its portfolio. The team introduced drone technology to view roof conditions. This resulted in reducing the number of people required on roofs for inspection (which reduces Council's safety risk) and improved efficiencies and asset management.

2022-23 LGMS Risk Excellence Award Central Queensland winner Isaac Regional Council. Left to right: Mayor Anne Baker, Ian Leckenby (LGMS Board Chair), Craig Hinchliffe (General Manager Qld, JLT Public Sector), and CEO Ken Gouldthorp

2022-23 LGMS Risk Excellence Award South East Queensland winner City of Moreton Bay. Left to right: Ian Leckenby (LGMS Board Chair), Mayor Peter Flannery, and Craig Hinchliffe (General Manager Qld, JLT Public Sector

staff with the resources required to manage risks relative to their areas of responsibility through the application of insurance products. It also would assist Council in achieving its objectives and assist in the management of claims while contributing to the ongoing improvement of the risk management system.

Mayor Peter Flannery was in Gladstone to accept the Award for the South East Queensland district for City of Moreton Bay's rooftop AI asset management, drones and safety project.

This project was designed to reduce the number of people required on roofs for leak inspections, not only reducing Council's safety risks but improving efficiency and asset management as well. Drone technology was used to view roof conditions resulting in the reduction of people required on roofs for inspection (improving the safety risk) and improved efficiency and asset management.

Mayor Andrew Ireland proudly accepted the 2023 LGMS Risk Excellence Award for the South West Queensland district for Livingstone Shire Council's business continuity planning project, which saw Council collaborate with a provider to design and test a Business Continuity Planning (BCP) Management Framework. This framework was developed to ensure that Council is appropriately prepared to mitigate against, and respond to, business interruptions that threaten its critical business objectives, functions and services to the community.

With cyber related incidents continuing to be one of the top risks faced by local governments, Council's Executive Leadership Team focussed the annual BCP test exercise on a large-scale cyber incident.

Exercise IMPETUM was incepted to test a number of sub plans, along with the Activation Procedure, to validate the planning and documented processes for Council to follow in the event of a business interruption.

The large-scale cyber incident was developed to impact Council's systems, where actors accessed the network, controlled cloned data from servers, whilst accessing rate payers' information, and then deleting the contents of the server through a coordinated terrorism-based scenario.

Cairns Regional Council Mayor Terry James and CEO Mica Martin accepted the Award for the North Queensland district for Council's fire risk mitigation strategy, developed to provide clarity on agency responsibilities and identify measures to reduce fire risks, including

2022-23 LGMS Risk Excellence Award South West Queensland winner Livingstone Shire Council. Pictured: Mayor Andrew Ireland

the proper use of hazard reduction burns and fuel reduction.

An important consideration in fire management for the Cairns region is the close proximity and interface of hillslopes, vegetation and urban areas. With urban development continuing to encroach on vegetated and hillslope areas, the need to implement viable risk mitigation measures is increasingly important. The strategy also addresses the use of other fire mitigation measures, such as revegetation to support canopy thickening to suppress grass regrowth. ■

Financial Statements

for the year ended 30 June 2023

Contents

Statement of Profit or Loss and other Comprehensive Income

for the year ended 30 June 2023

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

	Note	2023 $	2022 $
REVENUE			
Member contributions	3	84,141,259	73,734,583
Reinsurance and other recoveries revenue	3	7,897,737	8,472,739
Other income	3	2,037,968	1,923,947
Investment income	3	3,195,525	7,442,000
Changes in the fair value of financial assets	3	3,366,191	-
Interest revenue	3	1,351,980	226,260
Total revenue		**101,990,660**	91,799,529
EXPENSES			
Claims expense	3	(26,794,996)	(26,005,776)
Outwards risk premium expense	3	(58,200,885)	(52,718,647)
Other underwriting expenses	3	(8,240,777)	(7,939,820)
Changes in the fair value of financial assets	3	-	(11,460,808)
General expenses	3	(1,900,489)	(1,386,872)
Total expenses		**(95,137,147)**	(99,511,923)
Operating result		6,853,513	(7,712,394)
Other comprehensive income		-	-
Total comprehensive income / (loss) for the year attributable to members		**6,853,513**	(7,712,394)

Statement of Financial Position

as at 30 June 2023

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

	Note	2023 $	2022 $
CURRENT ASSETS			
Cash and cash equivalents	7(a)	50,702,872	45,254,974
Trade and other receivables		649,259	681,249
Reinsurance and other recoveries receivables		8,934,241	8,996,456
Financial assets at fair value through profit or loss		17,246,861	16,672,244
Prepayments		135,500	-
Total current assets		**77,668,733**	71,604,923
NON-CURRENT ASSETS			
Financial assets at fair value through profit or loss		98,485,337	92,870,689
Reinsurance and other recoveries receivables		16,168,055	18,595,012
Total non-current assets		**114,653,392**	111,465,701
Total assets		**192,322,125**	183,070,624
CURRENT LIABILITIES			
Trade and other payables		4,090,082	735,789
Unearned contributions		25,144,880	19,837,793
Distribution payables	18	755,210	715,767
Future claims and associated costs	9	35,484,841	36,261,474
Total current liabilities		**65,475,013**	57,550,823
NON-CURRENT LIABILITIES			
Future claims and associated costs	9	54,987,000	56,063,929
Total non-current liabilities		**54,987,000**	56,063,929
Total liabilities		**120,462,013**	113,614,752
NET ASSETS		**71,860,112**	69,455,872
EQUITY			
Retained surplus		71,860,112	69,455,872
TOTAL EQUITY		**71,860,112**	69,455,872

Statement of Changes in Equity

for the year ended 30 June 2023

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

	Note	2023 $	2022 $
Total equity at the beginning of the financial year		69,455,872	79,618,265
Other comprehensive income		-	-
Operating result for the year		6,853,513	(7,712,394)
Total comprehensive income / (loss)		6,853,513	(7,712,394)
Surplus distribution	18	(4,449,273)	(2,450,000)
Total equity at the end of the financial year		**71,860,112**	69,455,872

Statement of Cash Flows

for the year ended 30 June 2023

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

	Note	2023 $	2022 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Member contributions		89,105,549	74,764,206
Outwards risk premium expense		(58,200,885)	(52,718,647)
Claims expense		(26,202,557)	(18,699,196)
Other underwriting and general expenses		(10,368,853)	(8,714,949)
Interest revenue		1,277,833	222,898
Reinsurance and other recoveries revenue		7,900,908	8,791,839
Goods and Services Tax (GST) collected from members		8,969,022	7,626,863
GST paid to suppliers and Australian Tax Office (ATO)		(5,554,613)	(7,893,557)
Other income		2,558,872	2,688,820
NET CASH PROVIDED BY OPERATING ACTIVITIES	7(b)	**9,485,276**	6,068,277
CASH FLOWS FROM INVESTING ACTIVITIES			
(Payments for) / distributions from Investments		(2,823,074)	(7,045,616)
Investment income received		3,195,525	7,442,000
NET CASH PROVIDED BY INVESTING ACTIVITIES		372,451	396,384
CASH FLOWS FROM FINANCING ACTIVITIES			
Surplus distribution paid		(4,409,830)	(2,340,948)
NET CASH USED IN FINANCING ACTIVITIES		(4,409,830)	(2,340,948)
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,447,898	4,123,713
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		45,254,974	41,131,261
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		**50,702,873**	45,254,974

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 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 Board (AASB) includes requirements for not for profit entities which are inconsistent with International Financial Reporting Standards (IFRS). Therefore in some instances these financial statements do not comply with IFRS. They have been prepared on a cost basis except for the Financial assets which are measured at fair value which consist of the QIC managed funds.

Further information about the assumptions made in measuring fair values is included in the following note:
Note 12 Financial instruments.

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) Going concern

These financial statements have been prepared on a going concern basis, which assumes that LGM will be able to discharge its liabilities as and when they are due. LGM recognised a profit of $6.85 million for the year ended 30 June 2023 (2022: loss of $7.71 million). As at 30 June 2023, LGM had current assets exceed current liabilities by $12.19 million (2022: $14.05 million) and has an accumulated surplus of $71.86 million (2022: $69.45 million). Based on these factors, the Board of Management has a reasonable expectation that LGM has and will have adequate resources to continue in operational existence for the foreseeable future and hence going concern assumption is appropriate.

c) Rounding

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

d) Comparative figures

Comparative figures have been adjusted to be consistent with the changes in presentation for the current financial year.

e) 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.

f) 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.

3. Revenue and expenses

	Total Liability & Asset Funds 2023 $	Total Liability & Asset Funds 2022 $	Liability Fund 2023 $	Liability Fund 2022 $	Asset Fund 2023 $	Asset Fund 2022 $
REVENUE						
Member contributions	84,141,259	73,734,583	29,228,853	26,008,339	54,912,406	47,726,244
Reinsurance and other recoveries revenue	7,897,737	8,472,739	7,542,637	8,430,144	355,100	42,595
Other income	2,037,968	1,923,947	-	25,198	2,037,968	1,898,749
Investment income	3,195,525	7,442,000	3,195,525	7,442,000	-	-
Changes in the fair value of financial assets	3,366,191	-	3,366,191	-	-	-
Interest revenue	1,351,980	226,260	375,017	63,000	976,963	163,260
Total revenue	**101,990,660**	91,799,529	**43,708,223**	41,968,681	**58,282,437**	49,830,848

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 $1.90 million from investment funds pertaining to 2021-2022 but received in July 2022 has been accounted as Investment income in 2022-2023.

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.

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 the QTC cash fund and a commercial bank.

Other income

Other income relates to excess brokerage fees and is recognised when it is realised and earned.

	Total Liability & Asset Funds 2023 $	Total Liability & Asset Funds 2022 $	Liability Fund 2023 $	Liability Fund 2022 $	Asset Fund 2023 $	Asset Fund 2022 $
EXPENSES						
Claims expense	(26,794,996)	(26,005,776)	(17,962,040)	(14,975,042)	(8,832,956)	(11,030,734)
Outwards risk premium expense	(58,200,885)	(52,718,647)	(14,778,491)	(13,376,283)	(43,422,394)	(39,342,364)
Other underwriting expenses	(8,240,777)	(7,939,820)	(4,986,305)	(4,783,391)	(3,254,472)	(3,156,429)
Changes in the fair value of investments	-	(11,460,808)	-	(11,460,808)	-	-
General expenses*	(1,900,489)	(1,386,872)	(898,672)	(747,698)	(1,001,817)	(639,174)
Total expenses	**(95,137,147)**	(99,511,923)	**(38,625,508)**	(45,343,222)	**(56,511,639)**	(54,168,701)
*General expenses include as per below						
Investment fees and charges	392,515	411,158	353,619	373,942	38,896	37,216
Administration expenses	1,507,974	975,714	545,053	373,756	962,921	601,958
	1,900,489	1,386,872	**898,672**	747,698	**1,001,817**	639,174

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 2023 $	Total Liability & Asset Funds 2022 $	Liability Fund 2023 $	Liability Fund 2022 $	Asset Fund 2023 $	Asset Fund 2022 $
CURRENT ASSETS						
Cash and cash equivalents	50,702,872	45,254,974	25,261,343	21,781,738	25,441,529	23,473,236
Trade and other receivables	649,259	681,249	152,254	129,116	497,005	552,133
Reinsurance and other recoveries receivables	8,934,241	8,996,456	8,934,241	8,996,456	-	-
Financial assets at fair value through profit or loss	17,246,861	16,672,244	17,246,861	16,672,244	-	-
Prepayment	135,500	-	-	-	135,500	-
Total current assets	**77,668,733**	71,604,923	**51,594,699**	47,579,554	**26,074,034**	24,025,369
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss	98,485,337	92,870,689	98,485,337	92,870,689	-	-
Reinsurance and other recoveries receivables	16,168,055	18,595,012	16,168,055	18,595,012	-	-
Total non-current assets	114,653,392	111,465,701	114,653,392	111,465,701	-	-
Total assets	**192,322,125**	183,070,623	**166,248,091**	159,045,254	**26,074,034**	24,025,369
CURRENT LIABILITIES						
Trade and other payables	4,090,082	735,789	3,609,284	136,924	480,798	598,865
Unearned contributions	25,144,880	19,837,793	25,144,880	19,837,793	-	-
Distribution payable	755,210	715,767	755,210	715,767	-	-
Future claims and associated costs	35,484,841	36,261,474	21,529,000	22,701,567	13,955,841	13,559,907
Total current liabilities	**65,475,013**	57,550,823	**51,038,374**	43,392,051	**14,436,639**	14,158,772
NON-CURRENT LIABILITIES						
Future claims and associated costs	54,987,000	56,063,929	54,987,000	56,063,929	-	-
Total non-current liabilities	54,987,000	56,063,929	54,987,000	56,063,929	-	-
Total liabilities	120,462,013	113,614,752	106,025,374	99,455,980	14,436,639	14,158,772
NET ASSETS	**71,860,112**	69,455,872	**60,222,717**	59,589,275	**11,637,395**	9,866,597
EQUITY						
Retained surplus	71,860,112	69,455,872	60,222,717	59,589,275	**11,637,395**	9,866,597
TOTAL EQUITY	**71,860,112**	69,455,872	**60,222,717**	59,589,275	**11,637,395**	9,866,597

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 2023 $	Total Liability & Asset Funds 2022 $	Liability Fund 2023 $	Liability Fund 2022 $	Asset Fund 2023 $	Asset Fund 2022 $
Member contributions	84,141,259	73,734,583	29,228,853	26,008,339	54,912,406	47,726,244
Outwards risk premium expense	(58,200,885)	(52,718,647)	(14,778,491)	(13,376,283)	(43,422,394)	(39,342,364)
Net contribution revenue	25,940,374	21,015,936	14,450,362	12,632,056	11,490,012	8,383,880
Claims expense	(26,794,996)	(26,005,776)	(17,962,040)	(14,975,042)	(8,832,956)	(11,030,734)
Reinsurance and other recoveries revenue	7,897,737	8,472,739	7,542,637	8,430,144	355,100	42,595
Net claims expense	(18,897,259)	(17,533,037)	(10,419,403)	(6,544,898)	(8,477,856)	(10,988,139)
Other underwriting expenses*	(8,240,777)	(7,939,820)	(4,986,305)	(4,783,391)	(3,254,472)	(3,156,429)
Underwriting result	**(1,197,662)**	(4,456,921)	**(955,346)**	1,303,767	**(242,316)**	(5,760,688)

*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 2023 $	Total Liability & Asset Funds 2022 $	Liability Fund 2023 $	Liability Fund 2022 $	Asset Fund 2023 $	Asset Fund 2022 $
CASH FLOW FROM OPERATING ACTIVITIES						
Member contributions	89,105,549	74,764,206	34,200,569	27,037,898	54,904,980	47,726,308
Outwards risk premium expense	(58,200,885)	(52,718,647)	(14,778,491)	(13,376,283)	(43,422,394)	(39,342,364)
Net claims expense	(26,202,557)	(18,699,196)	(17,765,535)	(14,787,546)	(8,437,022)	(3,911,650)
Other underwriting and general expenses	(10,368,853)	(8,714,949)	(5,438,622)	(5,309,873)	(4,930,231)	(3,405,076)
Interest revenue	1,277,833	222,898	371,427	62,686	906,406	160,212
Reinsurance and other recoveries	7,900,908	8,791,839	7,545,808	8,749,244	355,100	42,595
GST collected from members	8,969,022	7,626,863	3,400,916	2,703,790	5,568,106	4,923,073
GST paid to suppliers and ATO	(5,554,613)	(7,893,557)	(19,088)	(2,973,031)	(5,535,525)	(4,920,526)
Other income	2,558,872	2,688,820	-	25,198	2,558,872	2,663,622
NET CASH PROVIDED BY OPERATING ACTIVITIES	**9,485,275**	6,068,277	**7,516,984**	2,132,083	**1,968,292**	3,936,194
CASH FLOWS FROM INVESTING ACTIVITIES						
(Payments for) / distributions from Investments	(2,823,074)	(7,045,616)	(2,823,074)	(7,045,616)	-	-
Investment income received	3,195,525	7,442,000	3,195,525	7,442,000	-	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	372,451	396,384	372,451	396,384	-	-
CASH FLOWS FROM FINANCING ACTIVITIES						
Surplus Distribution Paid	(4,409,830)	(2,340,948)	(4,409,830)	(2,340,948)	-	-
NET CASH USED IN FINANCING ACTIVITIES	(4,409,830)	(2,340,948)	(4,409,830)	(2,340,948)	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,447,897	4,123,713	3,479,605	187,519	1,968,292	3,936,194
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	**45,254,974**	41,131,261	**21,781,737**	21,594,219	**23,473,237**	19,537,042
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**50,702,872**	45,254,974	**25,261,342**	21,781,737	**25,441,529**	23,473,237

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 2023 $	Total Liability & Asset Funds 2022 $	Liability Fund 2023 $	Liability Fund 2022 $	Asset Fund 2023 $	Asset Fund 2022 $
Cash at bank and in hand	6,641,000	6,669,516	5,005,244	2,282,633	1,635,756	4,386,883
Deposits at call	44,061,872	38,585,458	20,256,099	19,499,105	23,805,773	19,086,353
	50,702,872	45,254,974	**25,261,343**	21,781,738	**25,441,529**	23,473,236

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

	Total Liability & Asset Funds 2023 $	Total Liability & Asset Funds 2022 $	Liability Fund 2023 $	Liability Fund 2022 $	Asset Fund 2023 $	Asset Fund 2022 $
Operating surplus	6,853,514	(7,712,394)	5,082,715	(3,374,541)	1,770,799	(4,337,853)
Non cash operating items						
Change in the fair value of investments	(3,366,191)	11,460,808	(3,366,191)	11,460,808	-	-
Investing income classified as investing activities	(3,195,525)	(7,442,000)	(3,195,525)	(7,442,000)	-	-
Decrease/(Increase) in reinsurance and other recoveries	2,489,172	(1,018,900)	2,489,172	(1,018,900)	-	-
(Decrease)/Increase in trade and other payables	3,354,292	432,649	3,472,359	42,122	(118,067)	390,527
(Increase)/Decrease in trade and other receivables	31,990	885,566	(23,138)	121,131	55,128	764,435
Increase in unearned revenue	5,307,088	817,967	5,307,088	817,967	-	-
Decrease in future claims and associated costs	(1,853,564)	8,644,580	(2,249,496)	1,525,496	395,932	7,119,084
Increase in prepayments	(135,500)	-	-	-	(135,500)	
NET CASH FROM OPERATING ACTIVITIES	**9,485,276**	6,068,276	**7,516,984**	2,132,083	**1,968,292**	3,936,193

8. Financial assets at fair value through profit or loss

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 Statement of profit or loss in the period in which they arise. The QIC managed funds total $115.73 million at 30 June 2023 (2022: $109.54 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.

Financial assets at fair value through profit or loss 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 2023 LGM's financial assets are recognised as Level 2 (2022: Level 2).

9. Future claims and associated costs

	Total Liability & Asset Funds 2023 $	Total Liability & Asset Funds 2022 $	Liability Fund 2023 $	Liability Fund 2022 $	Asset Fund 2023 $	Asset Fund 2022 $
Expected future claims (undiscounted)	98,385,841	98,743,907	84,430,000	85,184,000	13,955,841	13,559,907
Discount to present value	(7,914,000)	(6,418,504)	(7,914,000)	(6,418,504)	-	-
Liability for outstanding claims	**90,471,841**	92,325,403	**76,516,000**	78,765,496	**13,955,841**	13,559,907
Current	35,484,841	36,261,474	21,529,000	22,701,567	13,955,841	13,559,907
Non-current	54,987,000	56,063,929	54,987,000	56,063,929	-	-
Liability for outstanding claims	**90,471,841**	92,325,403	**76,516,000**	78,765,496	**13,955,841**	13,559,907

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 2023 to obtain the present value of the liability.

Liability adequacy test

The actuary's assessment of the outstanding claims liability is a central estimate, which is an estimate that is neither deliberately overstated nor understated. However, an adequate provision for the outstanding liability under AASB1023 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, in addition to other margins, a 75% probability of sufficiency for private sector insurers. LGM's Board of Management have determined to adopt a 75% (2022: 75%) probability of sufficiency.

To determine the appropriate level of risk margin in order to achieve a 75% probability of sufficiency, the actuary has performed a series of analyses to assess the underlying variations of our projected central estimate at the current valuation. These analyses enabled the actuary to understand the level of sufficiency implied by the central estimate.

There are three key areas of variation that the actuary have assessed. These are independent risk, internal systemic risk and external systemic risk.

The actuary have estimated that the underlying standard deviation of the projection is 34% of the central estimate of the outstanding claims liability. Furthermore, the actuary have estimated that systemic risks (including both internal and external) contribute about 66% of the underlying variation with the remainder attributable to independent risks.

To determine the appropriate level of risk margin to achieve a 75% probability of adequacy, the actuary are required to select an underlying distribution for our projection. A distribution of future claim costs would typically have the features of a right skewed distribution where there is a low probability of high severity events. The actuary have selected the log-normal distribution as it possesses the above features.

Combining the estimated underlying variation of projection and the selected log-normal distribution, the actuary have determined that the central estimate has a probability of adequacy of approximately 57%. To achieve a 75% probability of sufficiency, the risk margin required to be added to the central estimate is 18% (2022: 20%) of the central estimate.

Uncertainty

The actuary advised that there are many factors which can and will cause the ultimate cost of claims incurred to 30 June 2023 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	2023	2022
Inflation	3.5%	3.5%
Claim administration expense	12%	12%
Discount rate	4.0%	3.2%
Term to settlement (years)	2.8	2.7

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	2023 $M	2022 $M
Estimated liability (net of reinsurance, recoveries, risk margin) at beginning of reporting	42.7	42.5
Roll-forward of outstanding liability from prior reporting period	1.0	3.2
Experience for claims incurred to the end of prior reporting period	1.4	1.5
Experience for claims incurred during the current reporting period	(0.7)	(1.6)
Claim assumptions	0.2	0.1
Change in discount rate	(0.9)	(3.0)
Estimated liability (net of reinsurance, recoveries, risk margin) at end of reporting period	**43.7**	**42.7**

Method

The estimated outstanding liability at 30 June 2023 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 % (2022: 3.5%) 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% (2022: 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% (2022: 40%) of management fees to claims expenses net of non reinsurance recoveries.

The claims administration expenses have been averaged approximately 18 % (2022: 17%) of the payments made since 1 July 2014 although higher in more recent years and 16% (2022: 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% (2022: 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 4% (2022: 3.2%) 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 2.8 years (2022: 2.7 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

	2023 Carrying Amount $	2023 -1% Movement	2023 1% Movement	2022 Carrying Amount $	2022 -1% Movement	2022 1% Movement
Future claims and associated costs	76,516,000	(1,822,000)	1,822,000	78,767,000	(1,907,000)	1,907,000
Reinsurance and other recoveries receivables	(25,096,000)	485,000	(485,000)	(27,541,000)	583,000	(583,000)
Potential Impact		**(1,337,000)**	**1,337,000**		(1,324,000)	1,324,000

Discount rate assumption

	2023 Carrying Amount $	2023 -1% Movement	2023 1% Movement	2022 Carrying Amount $	2022 -1% Movement	2022 1% Movement
Future claims and associated costs	76,516,000	1,735,000	(1,735,000)	78,767,000	1,812,000	(1,812,000)
Reinsurance and other recoveries receivables	(25,096,000)	(467,000)	467,000	(27,541,000)	(556,000)	556,000
Potential Impact		**1,268,000**	**(1,268,000)**		1,256,000	(1,256,000)

Expense rate assumption

	2023 Carrying Amount $	2023 -1% Movement	2023 1% Movement	2022 Carrying Amount $	2022 -1% Movement	2022 1% Movement
Future claims and associated costs	76,516,000	(481,000)	481,000	78,767,000	(499,000)	499,000
Reinsurance and other recoveries receivables	(25,096,000)	-	-	(27,541,000)	-	-
Potential Impact		**(481,000)**	**481,000**		(499,000)	499,000

Increase in cost of claims assumption

	2023 Carrying Amount $	2023 -10% Movement	2023 10% Movement	2022 Carrying Amount $	2022 -10% Movement	2022 10% Movement
Future claims and associated costs	76,516,000	(1,884,000)	1,884,000	78,767,000	(1,976,000)	1,976,000
Reinsurance and other recoveries receivables	(25,096,000)	810,000	(810,000)	(27,541,000)	936,000	(936,000)
Potential Impact		**(1,074,000)**	**1,074,000**		(1,040,000)	1,040,000

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	2023 $	2022 $
Net claims expense (note 5)	**10,419,403**	6,544,898

2023 – Details of net incurred claims are as follows:

	Current Year $'000	Prior Years $'000	Total $'000
Claims incurred and related expenses – undiscounted	23,283	(6,271)	17,012
Reinsurance and other recoveries – undiscounted	(10,134)	4,896	(5,238)
Net claims incurred – undiscounted	13,149	(1,375)	11,774
Discount – Claims incurred and related expenses	(2,000)	504	(1,496)
Discount – Reinsurance and other recoveries	671	(530)	141
Net discount movement	(1,329)	(26)	(1,355)
Net incurred claims	**11,820**	(1,401)	**10,419**

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**

Asset Fund	2023 $	2022 $
Net claims expense (note 5)	**8,477,856**	10,988,139

2023 – Details of net incurred claims are as follows:

	Current Year $'000	Prior Years $'000	Total $'000
Claims incurred and related expenses – undiscounted	8,263	570	8,833
Reinsurance and other recoveries – undiscounted	(5)	(350)	(355)
Net claims incurred – undiscounted	**8,258**	220	**8,478**

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**

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
Mayor Samantha O'Toole - appointed on 27 May 2022

* 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 2023 $	Short-Term Employee Benefits 2022 $
Chairman	37,500	37,500
Board of Management	29,450	19,500
Total	**66,950**	**57,000**

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:

	2023 $	2022 $
Purchase of services from LGAQ and its controlled entities on a commercial basis	94,205	92,702
Cost recovery transactions paid to LGAQ & its controlled entities	82,691	26,745
Asset Fund remuneration paid to LGAQ	232,654	219,485
Liability Fund remuneration paid to LGAQ	943,785	890,363

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 2023 for services provided is $84 (2022: NIL).

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.

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the entity has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(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 2023 (2022: 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 2023 $	Total Liability & Asset Funds 2022 $	Liability Fund 2023 $	Liability Fund 2022 $	Asset Fund 2023 $	Asset Fund 2022 $
FINANCIAL ASSETS						
CURRENT						
Cash and cash equivalents	50,702,872	45,254,974	25,261,343	21,781,738	25,441,529	23,473,236
Financial assets at amortised cost:						
Trade and other receivables	649,259	681,249	152,254	129,116	497,005	552,133
Reinsurance and other recoveries receivables	8,934,241	8,996,456	8,934,241	8,996,456	-	-
	9,583,500	9,677,705	**9,086,495**	9,125,572	**497,005**	552,133
Financial assets at fair value through profit or loss:						
Other financial assets	**17,246,861**	16,672,244	**17,246,861**	16,672,244	-	-
NON-CURRENT						
Financial assets at amortised cost:						
Reinsurance and other recoveries receivables	**16,168,055**	18,595,012	**16,168,055**	18,595,012	-	-
Financial assets at fair value through profit or loss:						
Other financial assets	**98,485,337**	92,870,689	**98,485,337**	92,870,689	-	-
Total financial assets	**192,186,626**	183,070,624	**166,248,092**	159,045,255	**25,938,534**	24,025,369
FINANCIAL LIABILITIES CURRENT						
Financial liabilities at amortised cost:						
Trade and other receivables	4,090,082	735,789	3,609,284	136,924	480,798	598,865
Distribution payables	755,210	715,767	755,210	715,767	-	-
Total financial liabilities	**4,845,292**	1,451,556	**4,364,494**	852,691	**480,798**	598,865

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.

Price Risk

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 financial assets. The Liability Fund holds $115,732,198 worth of units with QIC as at 30 June 2023 (2022: $109,542,933).

Currency Risk

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 Queensland Treasury Corporation (QTC) and a commercial 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 a commercial bank is immaterial.

Interest on cash is charged at prevailing market rates being approximately 4.15% at 30 June 2023 (2022: 0.90%). Interest on QTC investments is charged at prevailing market rates which is approximately 4.22% for the Liability Fund and 4.23% for the Asset Fund at 30 June 2023 (2022: Liability Fund - 1.10% and Asset Fund - 0.62%).

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 $252,613 (2022: $217,667) for interest rate risk. The Asset Fund would have a surplus increase/(decrease) of $254,415 (2022: $234,732) 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 $172,469 (2022: $166,722) for unit price risk for the QIC Cash Enhanced Fund and surplus increase/(decrease) of $4,924,267 (2022: $4,643,534) 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 2022-2023 is $54,000. Fees payable to the auditors for an actuarial specialist to assess the reasonableness of the estimates made by the Board of management's actuary relating to the future claims liability for LGM is $9,350. Total fees $63,350. Liability Fund - $50,680 and Asset Fund - $12,670 (2021-2022: $52,675. Liability Fund - $42,140 and Asset Fund - $10,535). 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 2023 $	Total Liability & Asset Funds 2022 $	Liability Fund 2023 $	Liability Fund 2022 $	Asset Fund 2023 $	Asset Fund 2022 $
Within one year	9,293,004	8,835,777	5,267,973	4,986,305	4,025,031	3,849,472
Later than one year but not later than 5 years	19,467,542	1,190,000	11,446,987	-	8,020,555	1,190,000
	28,760,546	10,025,777	**16,714,960**	4,986,305	**12,045,586**	5,039,472

16. New accounting standards for application in future periods

IFRS 17 *Insurance Contracts*, the new accounting standard for insurance contracts, was issued by the International Accounting Standards Board (IASB) in May 2017 and adopted as AASB 17 *Insurance Contracts* by AASB on 19 July 2017. AASB 17 aims to establish consistent principles of recognition, measurement, presentation and disclosure of all insurance contracts issued and reinsurance contracts issued and held.

Since IFRS 17 and AASB 17 were first issued, various amendments have been made by both the IASB and AASB to address interpretation matters raised by stakeholders. Most recently, the AASB has issued AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector*, the purpose of which is to facilitate the consistent application of AASB 17 to public sector entities, including providing public sector entities with:

1. Pre-requisites, indicators and other considerations that need to be judged to identify arrangements that fall within the scope of AASB 17 in a public sector context
2. An exemption from sub-grouping onerous versus non-onerous contracts at initial recognition, and
3. An accounting policy choice to measure liabilities for remaining coverage applying the premium allocation approach (PAA).

AASB 17 is currently applicable to public sector entities, including the Scheme, for reporting periods beginning on or after 1 July 2026. The Standard mandatorily applies to all entities that establish arrangements that meet the definition of an insurance contract in that Standard, including discretionary arrangements that are not arranged by licensed insurers and/or described as miscellaneous financial risk products.

Management are currently unable to reliably estimate the impact of the initial application of AASB 17 on LGM's profit or loss and insurance contract balances. Management, however, are completing ongoing work with LGM's advisors to quantify the potential impacts of LGM's transition to AASB 17. Management has commenced preparing for the implementation of AASB 17, which becomes effective for the annual reporting period ending 30 June 2027.

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 2023 the Board of Management noted and approved the proposed $4,449,273 surplus distribution to be distributed to individual Liability Fund members in 2022-2023. Out of that $3,694,063 has been already taken up by the members who have paid their contributions for 2023-2024 year before 30 June 2023. As a result, there is an amount of $755,210 as a surplus distribution payable amount in the Statement of Financial Position for 2022-2023.

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.

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
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 22-39:
   i) present fairly the financial position of Queensland Local Government Mutual as at 30 June 2023 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 19 May 2017;

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:

	1 December 2023
Mr Ian Leckenby Chairman	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 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 2023, 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 2023, 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 material accounting policy 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 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 material accounting policy information 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.

mluwinga

4 December 2023

Martin Luwinga Queensland Audit Office
as delegate of the Auditor-General Brisbane

Queensland Audit Office
Brisbane

Financial Statements

for the year ended 30 June 2023

Contents

Statement of Profit or Loss and other Comprehensive Income

for the year ended 30 June 2023

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

	Note	2023 $	2022 $
REVENUE			
Member contributions		31,815,568	29,308,966
Other Income		55,534	10,175
Reinsurance and other recoveries	3	3,019,278	183,494
Interest revenue		521,946	82,222
Investment revenue		2,023,996	4,780,832
Changes in the fair value of financial assets		633,875	-
Total revenue		38,070,197	34,365,689
EXPENSES			
Claims expense	3	(36,214,408)	(29,929,039)
Outwards reinsurance expense	3	(879,200)	(593,134)
Other underwriting expenses	3	(10,258,316)	(9,476,860)
Changes in the fair value of financial assets		-	(6,201,330)
General expenses	4	(1,396,166)	(1,186,569)
Total expenses		(48,748,090)	(47,386,932)
Operating result from continuing operations		(10,677,893)	(13,021,243)
Other Comprehensive Income/(loss)		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO MEMBERS		(10,677,893)	(13,021,243)

Statement of Financial Position

as at 30 June 2023

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

	Note	2023 $	2022 $
CURRENT ASSETS			
Cash and cash equivalents		4,065,923	6,391,454
Trade and other receivables		843,956	658,866
Reinsurance and other recoveries receivables		776,000	2,479,678
Financial assets at fair value through profit and loss	5	5,293,294	10,110,191
Total current assets		10,979,173	19,640,189
NON-CURRENT ASSETS			
Reinsurance and other recoveries receivables		1,170,000	1,178,322
Financial assets at fair value through profit and loss	5	51,083,157	48,785,821
Total non-current assets		52,253,157	49,964,143
Total assets		63,232,330	69,604,332
CURRENT LIABILITIES			
Trade and other payables		1,182,077	960,185
Distribution payables	13	-	2,450,000
Future claims and associated costs	6	24,122,357	21,180,000
Total current liabilities		25,304,434	24,590,185
NON-CURRENT LIABILITIES			
Future claims and associated costs	6	34,632,643	30,041,001
Total non-current liabilities		34,632,643	30,041,001
Total liabilities		59,937,077	54,631,186
NET ASSETS		3,295,253	14,973,146
EQUITY			
Retained surplus		3,295,253	14,973,146
TOTAL EQUITY		3,295,253	14,973,146

Statement of Changes in Equity

for the year ended 30 June 2023

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

	Note	2023 $	2022 $
Total equity at the beginning of the financial year		14,973,146	32,894,389
Other comprehensive loss		-	-
Operating result for the year		(10,677,893)	(13,021,243)
Total comprehensive loss		(10,677,893)	(13,021,243)
Surplus distributions	13	(1,000,000)	(4,900,000)
Total equity at the end of the financial year		3,295,253	14,973,146

Statement of Cash Flows

for the year ended 30 June 2023

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

	Note	2023 $	2022 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt of contributions from members		31,772,855	29,352,544
Reinsurance premiums paid		(879,200)	(593,134)
Claims paid		(26,968,408)	(27,522,039)
Other underwriting and general expenses paid		(11,538,544)	(10,759,828)
Interest received		509,940	80,984
Other recoveries received		3,081,217	183,494
Goods and Service Tax (GST) collected from members		3,171,672	2,935,315
GST paid to suppliers and ATO		(3,202,496)	(2,832,139)
NET CASH USED IN OPERATING ACTIVITIES		(4,052,964)	(9,154,803)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment redemptions		13,622,709	14,000,000
Payments for investments		(10,469,271)	(4,551,966)
Investment revenue received		2,023,996	4,780,832
NET CASH PROVIDED BY INVESTING ACTIVITIES		5,177,434	14,228,866
CASH FLOWS FROM FINANCING ACTIVITIES			
Surplus distribution paid		(3,450,000)	(4,900,000)
NET CASH USED IN FINANCING ACTIVITIES		(3,450,000)	(4,900,000)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS HELD		(2,325,530)	174,063
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		6,391,453	6,217,390
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		4,065,923	6,391,453

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 issued by Australian Accounting Standards Board (AASB) to satisfy reporting responsibilities under Queensland Local Government Workers Compensation Self-Insurance Scheme (the Scheme) Trust Deed and 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 a cost basis except for the Financial assets at fair value through profit and loss which are measured at fair value which consist of the QIC managed funds.

Further information about the assumptions made in measuring fair values is included in the following note:
• Note 10 Financial instruments.

The Scheme actuary has increased projected future claims payments to allow for inflation and discounted the expected payments to 30 June 2023 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) Comparative figures

Comparative figures have been adjusted to be consistent with the changes in presentation for the current financial year.

(e) 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

(f) Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Scheme will be able to discharge its liabilities as and when they are due. During the year, the Scheme recognised a loss of $10.68 million (2022: loss of $13.02 million) and as at reporting date, the current liabilities exceeded current assets by $14.32 million (2022: $4.95 million). The Scheme has net operating cash outflow of $4.05 million (2022: cash outflow of $9.15 million), and continue to forecast a positive cash flow in 2023-2024.

Despite these conditions, management believes that the Scheme remains a going concern based on the following considerations:

- The Scheme has an accumulated surplus of $3.29 million as at 30 June 2023.
- The Scheme's member contribution is expected to increase from $31.82 million (exclusive of GST) in 2022-2023 to $37.81 million (exclusive of GST) in 2023-2024. Out of the $37.81 million member contributions, the Scheme has received $37.76 million as at the end of November 2023. These contributions will be used to pay the claims liability recognised in the current liability as at 30 June 2023.
- The Scheme has $51.08 million of financial assets classified as non-current assets as at 30 June 2023, which can be redeemed to manage the Scheme's liquidity position.

Management does not expect any other circumstances that may impact the ability of the Scheme to continue as a going concern. Based on these factors, the Management Committee has a reasonable expectation that the Scheme has and will have adequate resources to continue in operational existence for the foreseeable future and hence going concern assumption is appropriate.

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 $1.08 million from investment funds pertaining to 2021-2022 but received in July 2022 has been accounted as Investment income in 2022-2023.

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 Queensland Treasury Corporation (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.

	2023 $	2022 $
Member contributions	**31,815,568**	29,308,966
Outward reinsurance premium expense	**(879,200)**	(593,134)
Net contributions revenue	**30,936,368**	28,715,832
Claims expense	**(36,214,408)**	(29,929,039)
Reinsurance and other recoveries revenue	**3,019,278**	183,494
Net claims expense	**(33,195,130)**	(29,745,545)
Other underwriting expenses*	**(10,258,316)**	(9,476,860)
Underwriting result	**(12,517,078)**	(10,506,573)
*Other underwriting expenses include:		
Regulator Levy	**(1,351,094)**	(1,124,161)
Scheme expenses management fee	**(8,907,222)**	(8,352,699)
	(10,258,316)	(9,476,860)

4. General expenses

	2023 $	2022 $
Investment fees and charges	195,906	244,513
Administration expenses	1,200,260	942,056
	1,396,166	1,186,569

5. Financial assets at fair value through profit or loss

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 $56.38 million at 30 June 2023 (2022: $58.90 million). Fair value for managed funds is based on the quoted bid price of the investment at reporting date.

Fair Value Hierarchy

Financial assets 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 2023 the Scheme's other financial assets are recognised as Level 2 (2022: Level 2).

6. Future claims and associated costs

	2023 $	2022 $
Expected future claims (undiscounted)	**64,110,000**	54,938,001
Discount to present value	**(5,355,000)**	(3,717,000)
Liability for outstanding claims	**58,755,000**	51,221,001
Current	**24,122,357**	21,180,000
Non - current	**34,632,643**	30,041,001
Liability for outstanding claims	**58,755,000**	51,221,001

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% (2022:15%) 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 2023 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% (2022: 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	2023	2022
Claims administration expenses	7%	7%
Wage inflation	3.31%	3.3%
Discount rate	4.1%	3.2%
Term to settlement (years)	2.05	2.10

The actuary has set out an analysis by accident year of the increase in the outstanding liability.

2022-2023 - Increase by $8 million from $41.4 million as at 30 June 2022 to $49.4 million as at 30 June 2023.

2021-2022 - Increase by $2.1 million from $39.3 million as at 30 June 2021 to $41.4 million as at 30 June 2022.

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 2023 ("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% (2022: 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 3.31% (2022: 3.3%) 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 a superimposed inflation rate of 3% p.a. for statutory weekly benefits' projections (unchanged from the previous valuation) and 1% p.a. for statutory medical benefits' projections (reduced from 3% p.a. adopted at the previous 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 4.1% (2022: 3.2%). 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 2.05 years (2022: 2.10 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

2023

Financial Instruments	Carrying Amount $	-1% Movement $	1% Movement $
Future claims and associated costs	58,755,000	(1,185,000)	1,185,000
Other recoveries receivables	(1,946,000)	29,000	(29,000)
Potential Impact		**(1,156,000)**	**1,156,000**

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**

Discount rate assumption

2023

Financial Instruments	Carrying Amount $	-1% Movement $	1% Movement $
Future claims and associated costs	58,755,000	1,124,000	(1,124,000)
Other recoveries receivables	(1,946,000)	(28,000)	28,000
Potential Impact		**1,096,000**	**(1,096,000)**

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)**

Expense rate assumption

2023

Financial Instruments	Carrying Amount $	-1% Movement $	1% Movement $
Future claims and associated costs	58,755,000	(549,000)	549,000
Other recoveries receivables	(1,946,000)	-	-
Potential Impact		**(549,000)**	**549,000**

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**

Estimated cost of claims assumption

2023

Financial Instruments	Carrying Amount $	-10% Movement $	10% Movement $
Future claims and associated costs	58,755,000	(2,214,000)	2,214,000
Other recoveries receivables	(1,946,000)	-	-
Potential Impact		**(2,214,000)**	**2,214,000**

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**

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.

	2023 $	2022 $
Net claims expense (Note 3)	**33,195,130**	29,745,545

2023

Details of net incurred claims are as follows:

	Current Year $'000	Prior Years $'000	Total $'000
Claims incurred and related expenses - undiscounted	31,855	4,285	36,140
Reinsurance and other recoveries - undiscounted	(577)	(755)	(1,332)
Net claims incurred - undiscounted	**31,278**	3,530	34,808
Discount - Claims incurred and related expenses	(3,033)	1,395	(1,638)
Discount - Reinsurance and other recoveries	49	(24)	25
Net discount movement	**(2,984)**	1,371	(1,613)
Net incurred claims	**28,294**	**4,901**	**33,195**

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**

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:

	2023 $	2022 $
Operating surplus	(10,677,893)	(13,021,243)
Add non-cash items		
Changes in fair value of investments - unrealised	(633,875)	6,201,330
Investing income classified as investing activities	(2,023,996)	(4,780,832)
Net cash used by operating activities before change in assets and liabilities	(13,335,764)	(11,600,745)
Change in assets and liabilities		
Decrease/(Increase) in reinsurance and other recoveries receivable	1,712,000	(1,235,000)
Decrease in trade and other receivables	(185,090)	(53,883)
Increase in trade and other payables	221,891	92,824
Increase in future claims and associated costs	7,533,999	3,642,001
Net cash used by operating activities	(4,052,964)	(9,154,803)

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
Mayor Samantha O'Toole - appointed on 27 May 2022

KMP Category / Position	Short-Term Employee Benefits 2023 $	Short-Term Employee Benefits 2022 $
Chairman	37,500	37,500
Management Committee Members	12,000	10,200
Total	**49,500**	**47,700**

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

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.

	2023 $	2022 $
Purchase of services from LGAQ and its controlled entities on a commercial basis	280,686	98,802
Cost recovery transactions paid to LGAQ and its controlled entities	28,722	27,219
Workcare Scheme remuneration paid to LGAQ	1,037,066	978,364
Surplus distribution paid to LGAQ for LGAQ Projects	1,000,000	2,450,000

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.

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.

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the entity has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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 2023 (2022: 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 Statement of 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:

	2023 $			2022 $		
	Current	Non-current	Total	Current	Non-current	Total
FINANCIAL ASSETS						
Cash and cash equivalents	4,065,923	-	4,065,923	6,391,454	-	6,391,454
Financial assets at amortised cost:						
Trade and other receivables	843,956	-	843,956	658,866	-	658,866
Reinsurance and other recoveries receivables	776,000	1,170,000	1,946,000	2,479,678	1,178,322	3,658,000
	1,619,956	1,170,000	2,789,956	3,138,544	1,178,322	4,316,866
Financial assets at fair value through profit or loss	5,293,294	51,083,157	56,376,451	10,110,191	48,785,821	58,896,012
Total financial assets	**10,979,173**	**52,253,157**	**63,232,330**	19,640,189	49,964,143	69,604,332
FINANCIAL LIABILITIES						
Financial liabilities at amortised cost:						
Trade and other payables	1,182,077	-	1,182,077	960,185	-	960,185
Distribution payables	-	-	-	2,450,000	-	2,450,000
Total financial liabilities	**1,182,077**	-	**1,182,077**	3,410,185	-	3,410,185

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.

Price risk

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 $56,376,451 worth of units with QIC as at 30 June 2023 (2022: $58,896,012).

Currency risk

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 a commercial 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 a commercial bank is immaterial.

Interest on cash is charged at prevailing market rates being approximately 4.15% at 30 June 2023 (2022: 0.90%). Interest on QTC investments is charged at prevailing market rates which is approximately 4.07% at 30 June 2023 (2022: 0.69%).

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 $40,659 (2022: $63,914) 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 $52,933 (2022: $101,102) for unit price risk for the QIC Cash Enhanced Fund and surplus increase/(decrease) of $2,554,158 (2022: $2,439,291) for unit price risk for the 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 $1,182,077 (2022: $960,186), which are non-interest bearing with maturity date of less than one year.

12. Auditor's remuneration

	2023 $	2022 $
Audit of financial statements	**49,950**	45,500
Auditor actuarial specialists fees	**9,350**	-
	59,300	45,500

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

13. Distribution payables

There has been no surplus distributions to individual members declared in May 2023. In May 2022, the Management Committee noted and approved the proposed $2,450,000 surplus distributions to individual members which was paid in 2022-2023.

In June 2023, the Management Committee noted and approved a surplus distribution of $1,000,000 for LGAQ projects funding requirements which was paid to LGAQ in June 2023 (2022: $2,450,000).

14. Commitments for expenditure

Commitments for payments of Scheme Management Fees are payable as follows. Commitments for payments of the Regional Risk Co-ordinator programme have been incorporated in the Scheme management fees.

	2023 $	2022 $
Within one year	9,396,361	8,907,222
Later than one year but not later than 5 years	20,370,846	-
	29,767,207	8,907,222

15. Contingent liabilities

The Scheme holds bank guarantees worth $57,320,000 with QTC (2022: $52,858,000). 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

IFRS 17 *Insurance Contracts*, the new accounting standard for insurance contracts, was issued by the International Accounting Standards Board (IASB) in May 2017 and adopted as AASB 17 *Insurance Contracts* by AASB on 19 July 2017. AASB 17 aims to establish consistent principles of recognition, measurement, presentation and disclosure of all insurance contracts issued and reinsurance contracts issued and held.

Since IFRS 17 and AASB 17 were first issued, various amendments have been made by both the IASB and AASB to address interpretation matters raised by stakeholders. Most recently, the AASB has issued AASB 2022-9 *Amendments to Australian Accounting Standards - Insurance Contracts in the Public Sector*, the purpose of which is to facilitate the consistent application of AASB 17 to public sector entities, including providing public sector entities with:

1. Pre-requisites, indicators and other considerations that need to be judged to identify arrangements that fall within the scope of AASB 17 in a public sector context
2. An exemption from sub-grouping onerous versus non-onerous contracts at initial recognition, and
3. An accounting policy choice to measure liabilities for remaining coverage applying the premium allocation approach (PAA).

AASB 17 is currently applicable to public sector entities, including the Scheme, for reporting periods beginning on or after 1 July 2026. The Standard mandatorily applies to all entities that establish arrangements that meet the definition of an insurance contract in that Standard, including discretionary arrangements that are not arranged by licensed insurers and/or described as miscellaneous financial risk products.

Management are currently unable to reliably estimate the impact of the initial application of AASB 17 on the Scheme's profit or loss and insurance contract balances. Management, however, are completing ongoing work with the Scheme's advisors to quantify the potential impacts of the Scheme's transition to AASB 17. Management has commenced preparing for the implementation of AASB 17, which becomes effective for the annual reporting period ending 30 June 2027.

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 44 to 58:

   i) present fairly the financial position of Queensland Local Government Workers Compensation Self-Insurance Scheme as at 30 June 2023 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 Australian Accounting Standards; and

   iii) are drawn up in accordance with the provisions of the Trust Deed dated 6 April 2004 and Scheme Rules dated 19 May 2017;

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:

1 December 2023

Mr Ian Leckenby
Chairman

Date

Independent
Auditor's Report

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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 2023, 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), Scheme rules dated 19 May 2017 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2023, 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 material accounting policy 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 6 April 2004 (as amended), Scheme rules dated 19 May 2017 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 material accounting policy information 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.

mluwinga

4 December 2023

Martin Luwinga Queensland Audit Office
as delegate of the Auditor-General Brisbane

Queensland Audit Office
Brisbane

2022-2023
LGW / LGM
REPORT TO MEMBERS

RISK SPECIALISTS | UNRIVALLED VALUE | OWNED BY MEMBERS