

Northern Adelaide
Local Health Network Incorporated

Financial report
for the year ended
30 June 2021



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To the Chair of the Board Northern Adelaide Local Health Network Incorporated

Opinion

I have audited the financial report of the Northern Adelaide Local Health Network Incorporated for the financial year ended 30 June 2021.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Northern Adelaide Local Health Network Incorporated as at 30 June 2021, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2021
- a Statement of Financial Position as at 30 June 2021
- a Statement of Changes in Equity for the year ended 30 June 2021
- a Statement of Cash Flows for the year ended 30 June 2021
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Board Chair, the Acting Chief Executive Officer, the Chief Finance Officer and the Financial Business Manager.

Basis for opinion

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

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

Responsibilities of the Chief Executive Officer and the Board for the financial report

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

In preparing the financial report, the Chief Executive Officer is responsible for assessing the entity's ability to continue as a going concern, taking into account any policy or funding decisions the government has made which affect the continued existence of the entity. The Chief Executive Officer is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

The Board is responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 36 of the *Health Care Act 2008*, I have audited the financial report of Northern Adelaide Local Health Network Incorporated for the financial year ended 30 June 2021.

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

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

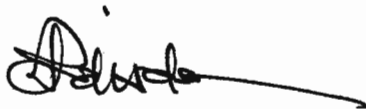
- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and
- obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the Northern Adelaide Local Health Network Incorporated's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer
- conclude on the appropriateness of the Chief Executive Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

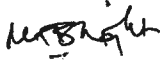


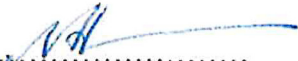
Andrew Richardson
Auditor-General
20 September 2021

Certification of the financial statements


We certify that the:

- financial statements of the Northern Adelaide Local Health Network Inc.:
 - are in accordance with the accounts and records of the authority; and
 - comply with relevant Treasurer’s instructions; and
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the authority at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the Northern Adelaide Local Health Network Inc. over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.


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Ray Blight
Board Chair


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Natalia Hubczenko
A/Chief Executive Officer


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Natalia Hubczenko
Chief Finance Officer


.....
Kay Butler
Financial Business Manager

Date ..14/9/21....

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Income			
Revenues from SA Government	2	839,430	787,165
Fees and charges	3	32,896	32,173
Grants and contributions	4	3,676	4,264
Interest		4	51
Resources received free of charge	5	6,210	3,484
Other revenues/income	6	6,552	6,070
Total income		888,768	833,207
Expenses			
Staff benefits expenses	7	557,069	540,930
Supplies and services	8	263,744	252,787
Depreciation and amortisation	13,14	33,280	34,943
Grants and subsidies		50	78
Borrowing costs	17	1,069	1,126
Net loss from disposal of non-current and other assets		276	3
Impairment loss on receivables	11.1	509	161
Other expenses	9	5,331	774
Total expenses		861,328	830,802
Net result		27,440	2,405
Other Comprehensive Income			
Items that will not be reclassified to net result			
Changes in property, plant and equipment asset revaluation surplus		(7,431)	-
Total other comprehensive income		(7,431)	-
Total comprehensive result		20,009	2,405

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

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

	Note	2021 \$'000	2020 \$'000
Current assets			
Cash and cash equivalents	10	29,539	22,925
Receivables	11	10,525	8,824
Inventories	12	2,996	2,639
Total current assets		43,060	34,388
Non-current assets			
Receivables	11	1,419	1,467
Property, plant and equipment	13,14	485,924	474,346
Intangible assets	13.5	198	24
Total non-current assets		487,541	475,837
Total assets		530,601	510,225
Current liabilities			
Payables	16	22,057	19,844
Financial liabilities	17	3,207	3,426
Staff benefits	18	80,734	78,593
Provisions	19	2,856	2,584
Contract liabilities and other liabilities	20	135	55
Total current liabilities		108,989	104,502
Non-current liabilities			
Payables	16	3,707	3,662
Financial liabilities	17	42,598	45,463
Staff benefits	18	93,532	95,155
Provisions	19	3,764	3,441
Total non-current liabilities		143,601	147,721
Total liabilities		252,590	252,223
Net assets		278,011	258,002
Equity			
Retained earnings		264,907	236,124
Asset revaluation surplus		13,104	21,878
Total equity		278,011	258,002

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

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2021**

	Asset revaluation surplus \$ '000	Retained earnings \$ '000	Total equity \$ '000
Balance at 30 June 2019	21,878	234,136	256,014
Net result for 2019-20	-	2,405	2,405
Total comprehensive result for 2019-20	-	2,405	2,405
Net assets received from an administrative restructure	-	(417)	(417)
Balance at 30 June 2020	21,878	236,124	258,002
Net result for 2020-21	-	27,440	27,440
Impairment loss on land and buildings	(7,431)	-	(7,431)
Total comprehensive result for 2020-21	(7,431)	27,440	20,009
Transfer between equity components	(1,343)	1,343	-
Balance at 30 June 2021	13,104	264,907	278,011

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

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
STATEMENT OF CASH FLOWS
For the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Cash inflows			
Receipts from SA Government		689,493	659,660
Fees and charges		31,448	32,326
Grants and contributions		3,892	4,576
Interest received		4	51
GST recovered from ATO		13,519	12,957
Other receipts		708	513
Cash generated from operations		739,064	710,083
Cash outflows			
Staff benefits payments		(553,874)	(522,768)
Payments for supplies and services		(166,193)	(163,172)
Payments of grants and subsidies		(53)	(80)
Interest paid		(1,069)	(1,126)
Other payments		(632)	(665)
Cash used in operations		(721,821)	(687,811)
Net cash provided by /(used in) operating activities		17,243	22,272
Cash flows from investing activities			
Cash inflows			
Proceeds from sale of property, plant and equipment		5	-
Cash generated from investing activities		5	-
Cash outflows			
Purchase of property, plant and equipment		(6,870)	(6,701)
Purchase of intangible assets		(191)	-
Cash used in investing activities		(7,061)	(6,701)
Net cash used in investing activities		(7,056)	(6,701)
Cash flows from financing activities			
Cash outflows			
Repayment of lease liabilities		(3,573)	(3,653)
Cash used in financing activities		(3,573)	(3,653)
Net cash used in financing activities		(3,573)	(3,653)
Net increase/(decrease) in cash and cash equivalents		6,614	11,918
Cash and cash equivalents at the beginning of the period		22,925	11,007
Cash and cash equivalents at the end of the period	10	29,539	22,925
Non-cash transactions	21		

The accompanying notes form part of these financial statements.

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2021

1. About Northern Adelaide Local Health Network

The Northern Adelaide Local Health Network Incorporated (the Hospital) is a not-for-profit incorporated hospital established under the *Health Care Act 2008* (the Act). The financial statements include all controlled activities of the Hospital. The Hospital does not control any other entity and has no interests in unconsolidated structured entities.

Administered items

The Hospital has administered activities and resources. Transactions and balances relating to administered resources are presented separately and are disclosed in Trust funds at Note 23 and Administered items at Note 30. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for the Hospital transactions.

1.1 Objectives and activities

The Hospital is committed to a health system that produces positive health outcomes by focusing on health promotion, illness prevention, early intervention and achieving equitable health outcomes for all South Australians.

The Hospital is part of the SA Health portfolio providing health services for Northern Adelaide. The Hospital is structured to contribute to the outcomes for which the portfolio is responsible by providing hospital-based tertiary care including medical, surgical and other acute services, rehabilitation, mental and palliative health and other community health services to veterans and other persons living within the northern Adelaide metropolitan area.

The Hospital is governed by a Board which is responsible for providing strategic oversight and monitoring the Hospital's financial and operational performance. The Board must comply with any direction of the Minister for Health and Wellbeing, (the Minister) or the Chief Executive of the Department for Health and Wellbeing (the Department).

The Chief Executive Officer is responsible for managing the operations and affairs of the Hospital and is accountable to, and subject to the direction of, the Board in undertaking that function.

1.2 Basis of preparation

These financial statements are general purpose finance statements prepared in accordance with:

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

The financial statements have been prepared based on a 12 month period and presented in Australian currency. All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000). Any transactions in foreign currency are translated into Australian dollars at the exchange rates at the date the transaction occurs. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

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

Significant accounting policies are set out throughout the notes.

1.3 Taxation

The Hospital is not subject to income tax. The Hospital is liable for fringe benefits tax (FBT) and goods and services tax (GST).

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

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

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

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

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2021**

1.4 Continuity of Operations

As at 30 June 2021, the Hospital had a working capital deficiency of \$65.929 million (\$70.114 million). The SA Government is committed and has consistently demonstrated a commitment to the ongoing funding of the Hospital to enable it to perform its functions.

1.5 Changes to reporting entity

2020-21

There were no transfers during this period.

2019-20

As part of governance reforms and new Department structure, it was agreed that a portion of the following functions would be transferred from the Department to the Hospital, effective 1 July 2019:

- Risk and assurance internal audit
- Local Health Network based Biomedical Engineering
- Debt management

This resulted in the transfer in of net liabilities of \$0.417 million, consisting of staff benefits liabilities of \$0.391 million and Payables - staff on-costs of \$0.026 million. It comprised of 18 full time equivalents.

Net assets assumed by the Hospital as a result of the administrative restructure are at the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to the transfer. The net assets transferred were treated as a contribution by the Government as owner.

1.6 Equity

The asset revaluation surplus is used to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

1.7 Impact of COVID-19 pandemic

The COVID-19 pandemic continues to have an impact on the Hospital's operations. This includes an increase in costs associated with COVID capacity and preparation, the readiness of COVID-19 testing clinics, establishment of vaccine clinics, increased demand for personal protective equipment and increased staffing costs (including agency) to ensure necessary compliance measures are followed.

Net COVID-19 specific costs for the Hospital was \$13.205 million (\$4.082 million).

1.8 Change in accounting policy

The Hospital did not change any of its accounting policies during the year.

1.9 Transfer of Oakden Crown Land

In 2020-21 the South Australian Government approved the transfer of Oakden land, where the NALHN Older Persons Mental Health facility is located, to the Urban Renewal Authority via the Department. This transfer has been reflected in the 2020-21 financial statements as follows:

- Note 9 Other Expenses - \$4.550 million: Assets transferred to the Department
- Note 14 Property, plant and equipment - \$4.450 million: Impairment of Land, \$2.980 million: Impairment of Oakden Buildings, \$4.550 million: Donated asset expense.
- Equity – Impairment loss of \$7.431 million.

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2021

2. Revenues from SA Government

	2021	2020
	\$'000	\$'000
Capital projects funding	57,301	37,261
Operational funding	782,129	749,904
Total revenues from SA Government	839,430	787,165

The Department provides recurrent and capital funding under a service agreement to the Hospital for the provision of general health services. Contributions from the Department are recognised as revenue when the Hospital obtains control over the funding. Control over the funding is normally obtained upon receipt.

3. Fees and charges

	2021	2020
	\$'000	\$'000
Car parking revenue	709	2,727
Fines, fees and penalties	84	62
Patient and client fees	23,572	21,488
Private practice fees	2,647	1,933
Fees for health services	1,813	1,715
Rent revenue	1,978	2,222
Residential and other aged care charges	123	122
Sale of goods - medical supplies	30	-
Training revenue	41	52
Other user charges and fees	1,899	1,852
Total fees and charges	32,896	32,173

The Hospital measures revenue based on the consideration specified in a major contract with a customer and excludes amounts collected on behalf of third parties. Revenue is recognised either at a point in time or over time, when (or as) the Hospital satisfies performance obligations by transferring the promised goods or services to its customers.

All revenue from fees and charges is revenue recognised from contracts with customers except for fines, fees and penalties, and rent revenue.

Contracts with Customers disaggregated by pattern of revenue recognition and type of customer	2021	2021	2020	2020
	Goods/Services transferred at a point in time	Goods/Services transferred over a period of time	Goods/Services transferred at a point in time	Goods/Services transferred over a period of time
Car parking revenue	683	26	789	1,938
Patient and client fees	21,459	-	19,611	-
Private practice fees	2,647	-	1,933	-
Fees for health services	1,681	-	1,488	-
Residential and other aged care charges	123	-	122	-
Sale of goods - medical supplies	2	-	-	-
Training revenue	40	-	52	-
Other user charges and fees	1,784	-	1,836	-
Total contracts with external customers	28,419	26	25,831	1,938
Patient and client fees	2,113	-	1,877	-
Fees for health services	132	-	227	-
Sale of goods - medical supplies	28	-	-	-
Training revenue	1	-	-	-
Other user charges and fees	115	-	16	-
Total contracts with SA Government customers	2,389	-	2,120	-
Total contracts with customers	30,808	26	27,951	1,938

The Hospital recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities (refer to note 20). Similarly, if the Hospital satisfies a performance obligation before it receives the consideration, The Hospital recognises either a contract asset or a receivable, depending on whether something other than the passage of time is required before the consideration is due (refer to note 11).

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2021

The Hospital recognises revenue (contract from customers) from the following major sources:

Patient and Client Fees

Public health care is free for Medicare eligible customers. Non-Medicare eligible customers pay in arrears to stay overnight in a public hospital and to receive medical assessment, advice, treatment and care from a health professional. These charges may include doctors, surgeons, anaesthetist, pathology, radiology services etc. Revenue from these services is recognised on a time-and-material basis as services are provided. Any amounts remaining unpaid at the end of the reporting period are treated as an accounts receivable.

Private practice fees

SA Health grants SA Health employed salaried medical consultants the ability to provide billable medical services relating to the assessment, treatment and care of privately referred outpatients or private inpatients in SA Health sites. Fees derived from undertaking private practice is income derived in the hands of the specialist. The specialist appoints the Hospital as an agent in the rendering and recovery of accounts of the specialist's private practice. SA Health disburses amounts collected on behalf of the specialist to the specialist via payroll (fortnightly) or accounts payable (monthly) depending on the rights of private practice scheme. Revenue from these services is recognised as it's collected as per the Rights of Private Practice Agreement.

4. Grants and contributions

	2021	2020
	\$'000	\$'000
Commonwealth grants and donations	261	184
Other SA Government grants and contributions	805	588
Private sector capital contributions	136	366
Private sector grants and contributions	2,474	3,126
Total grants and contributions	3,676	4,264

The grants received are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

Specific purpose grants and contributions of \$1.990 million (\$2.055 million) were provided for research and associated activities.

5. Resources received free of charge

	2021	2020
	\$'000	\$'000
Buildings and improvements	1,552	-
Services	4,658	3,484
Total resources received free of charge	6,210	3,484

Buildings and improvements contributions of \$1.552 million include solar photovoltaic cells for the Lyell McEwin Hospital.

Contribution of services are recognised only when the fair value can be determined reliably and the services would be purchased if they had not been donated. The Hospital receives Financial Accounting, Taxation, Payroll, Accounts Payable and Accounts Receivable services from Shared Services SA free of charge valued at \$3.567 million (\$3.484 million) and ICT (information and communication technology) services from Department of the Premier and Cabinet valued at \$1.091 million (\$ Nil), following Cabinet's approval to cease intra-government charging. Contribution of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

In addition, although not recognised, the Hospital receives volunteer services from the Lyell McEwin Volunteers Association. There are around 600 volunteers who provide patient and staff support services to individuals using the Hospital's services. The services include but not limited to: childcare, respite care, transport, therapeutic activities, patient liaison, gift shop and café support.

6. Other revenues/income

	2021	2020
	\$'000	\$'000
Donations	3	6
Health recoveries	5,889	5,315
Insurance recoveries	114	150
Other	546	599
Total other revenues/income	6,552	6,070

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2021

7. Staff benefits expenses

	2021	2020
	\$'000	\$'000
Salaries and wages	451,153	433,127
Targeted voluntary separation packages (refer below)	2,115	437
Long service leave	5,197	11,517
Annual leave	44,748	43,352
Skills and experience retention leave	1,686	1,574
Staff on-costs - superannuation*	46,466	45,684
Staff on-costs - other	3	3
Workers' compensation	4,057	3,500
Board and committee fees	311	350
Other staff related expenses	1,333	1,386
Total staff benefits expenses	557,069	540,930

* The superannuation employment on-cost charge represents the Hospital's contribution to superannuation plans in respect of current services of staff. The Department of Treasury and Finance (DTF) centrally recognises the superannuation liability in the whole-of-government financial statements.

7.1 Key Management Personnel

Key management personnel (KMP) of the Hospital includes the Minister, the eight members of the governing board, the Chief Executive of the Department, the Chief Executive Officer of the Hospital and the two (four) members of the Executive Management Group.

The compensation detailed below excludes salaries and other benefits received by:

- The Minister for Health and Wellbeing. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the DTF) under section 6 of the *Parliamentary Remuneration Act 1990*; and
- The Chief Executive of the Department. The Chief Executive of the Department is compensated by the Department and there is no requirement for the Hospital to reimburse those expenses.

	2021	2020
	\$'000	\$'000
Compensation		
Salaries and other short term employee benefits	1,000	1,605
Post-employment benefits	195	251
Total	1,195	1,856

The Hospital did not enter into any transactions with KMP or their close family during the reporting period that were not consistent with normal procurement arrangements.

7.2 Remuneration of Board and Committees

	2021	2020
	No. of	No. of
	Members	Members
\$0	5	10
\$1 - \$9,999	20	23
\$10,000 - \$19,999	-	1
\$30,000 - \$39,999	5	5
\$50,000 - \$59,999	1	-
\$60,000 - \$69,999	-	1
\$70,000 - \$79,999	1	1
Total	32	41

The total remuneration received or receivable by members was \$0.340 million (\$0.378 million). Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits and related fringe benefits tax. In accordance with the *Department of the Premier and Cabinet Circular No. 016*, government employees did not receive any remuneration for board/committee duties during the financial year.

Unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

Refer to note 29 for members of boards/committees that served for all or part of the financial year and were entitled to receive income from membership in accordance with APS 124.B.

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2021

7.3 Remuneration of staff

	2021	2020
The number of staff whose remuneration received or receivable falls within the following bands:	No.	No.
\$154,678 - \$175,000	144	110
\$175,001 - \$195,000	56	47
\$195,001 - \$215,000	26	23
\$215,001 - \$235,000	27	27
\$235,001 - \$255,000	23	21
\$255,001 - \$275,000	14	8
\$275,001 - \$295,000	12	16
\$295,001 - \$315,000	18	20
\$315,001 - \$335,000	22	14
\$335,001 - \$355,000	17	22
\$355,001 - \$375,000	10	13
\$375,001 - \$395,000	11	10
\$395,001 - \$415,000	17	18
\$415,001 - \$435,000	20	11
\$435,001 - \$455,000	7	14
\$455,001 - \$475,000	8	11
\$475,001 - \$495,000	11	1
\$495,001 - \$515,000	7	8
\$515,001 - \$535,000	8	6
\$535,001 - \$555,000	6	9
\$555,001 - \$575,000	10	5
\$575,001 - \$595,000	4	1
\$595,001 - \$615,000	3	1
\$615,001 - \$635,000	1	1
\$635,001 - \$655,000	2	-
\$655,001 - \$675,000	-	2
\$675,001 - \$695,000	2	4
\$695,001 - \$715,000	-	4
\$715,001 - \$735,000	2	2
\$735,001 - \$755,000	4	2
\$755,001 - \$775,000	2	1
\$775,001 - \$795,000	1	-
\$795,001 - \$815,000	1	-
Total number of staff	496	432

The table includes all staff who received remuneration equal to, or greater than the base executive remuneration level during the year. Remuneration of staff reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, termination payments, salary sacrifice benefits and fringe benefits and any related fringe benefits tax.

7.4 Remuneration of staff by classification

The total remuneration received by these staff included in Note 7.3:

	2021		2020	
	No.	\$'000	No.	\$'000
Medical (excluding Nursing)	429	131,708	387	119,501
Executive	7	1,674	6	1,385
Nursing	56	9,422	38	6,369
Non-medical (i.e. administration)	4	805	1	171
Total	496	143,609	432	127,426

7.5 Targeted voluntary separation packages

	2021	2020
Amount paid/payable to separated staff:	\$'000	\$'000
Leave paid/payable to separated staff	1,061	483
Targeted voluntary separation packages	2,115	437
Net cost to the Hospital	3,176	920

The number of staff who received a TVSP during the reporting period	22	11
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8. Supplies and services

	2021	2020
	\$'000	\$'000
Administration	885	581
Advertising	178	109
Communication	2,362	1,276
Computing	6,704	6,292
Consultants	154	861
Contract of services	84	155
Contractors	700	453
Contractors - agency staff	14,217	15,816
Drug supplies	13,762	13,713
Electricity, gas and fuel	5,608	6,616
Fee for service	19,975	18,450
Food supplies	7,580	7,445
Housekeeping	23,585	24,097
Insurance	5,753	5,588
Internal SA Health SLA payments	7,996	7,801
Legal	236	204
Medical, surgical and laboratory supplies	92,097	82,643
Minor equipment	3,281	1,316
Motor vehicle expenses	418	425
Occupancy rent and rates	1,767	1,525
Patient transport	6,800	6,700
Postage	1,029	1,261
Printing and stationery	2,815	2,896
Repairs and maintenance	12,520	13,903
Security	16,070	15,198
Services from Shared Services SA	3,569	3,484
Training and development	6,327	6,365
Travel expenses	302	206
Other supplies and services	6,970	7,408
Total supplies and services	263,744	252,787

The Hospital recognises lease payments associated with short term leases (12 months or less) and leases for which the underlying asset is low value (less than \$15,000) as an expense on a Straight-line basis over the lease term. Lease commitments for short term leases is similar to short term lease expenses disclosed.

Consultants

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

	No.	2021 \$'000	No.	2020 \$'000
Below \$10,000	1	4	-	-
Above \$10,000	3	150	11	861
Total paid/payable to consultancies engaged	4	154	11	861

9. Other expenses

	2021	2020
	\$'000	\$'000
Assets transferred to the Department	4,550	-
Debts written off	156	333
Bank fees and charges	27	26
Other*	598	415
Total other expenses	5,331	774

* Includes audit fees paid/payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* of \$0.285 million (\$0.289 million). No other services were provided by the Auditor-General's Department.

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10. Cash and cash equivalents

	2021	2020
	\$'000	\$'000
Cash at bank or on hand	772	849
Deposits with Treasurer: general operating	19,429	13,263
Deposits with Treasurer: special purpose funds	9,338	8,813
Total cash and cash equivalents	29,539	22,925

Cash is measured at nominal amounts. The Government has a policy to align agency cash balances with the appropriation and expenditure authority.

The Hospital receives specific purpose funds from various sources including government, private sector and individuals. These amounts are controlled by the Hospital, and are used to help achieve the Hospital's objectives, notwithstanding that specific uses can be determined by the grantor or donor. Accordingly, these amounts are treated as revenue at the time they are earned or at the time control passes to the Hospital.

The Hospital only earns interest on the special deposit account. It earned \$0.004 million in 2021 (\$0.051 million).

11. Receivables

	2021	2020
	\$'000	\$'000
Current		
Patient/client fees: compensable	666	685
Patient/client fees: other	5,974	4,799
Debtors	2,272	1,978
Less: allowance for impairment loss on receivables	(1,779)	(1,270)
Prepayments	812	807
Workers' compensation provision recoverable	834	855
Sundry receivables and accrued revenue	1,216	823
GST input tax recoverable	530	147
Total current receivables	10,525	8,824
Non-current		
Debtors	73	41
Workers' compensation provision recoverable	1,346	1,426
Total non-current receivables	1,419	1,467
Total receivables	11,944	10,291

Receivables arise in the normal course of selling goods and services to other agencies and to the public. The Hospital's trading terms for receivables are generally 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

Other than as recognised in the allowance for impairment loss on receivables, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

11.1 Impairment of receivables

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

Movement in the allowance for impairment loss on receivables:

	2021	2020
	\$'000	\$'000
Carrying amount at the beginning of the period	1,270	1,109
Increase/(Decrease) in allowance recognised in profit or loss	509	161
Carrying amount at the end of the period	1,779	1,270

Impairment losses relate to receivables arising from contracts with customers that are external to SA Government.

Refer to note 27 for details regarding credit risk and the methodology for determining impairment.

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12. Inventories

Inventories of \$2.996 million (\$2.639 million) are held for distribution at no or nominal consideration and are measured at the lower of cost and replacement cost.

The amount of inventory write-down to net realisable value/replacement cost or inventory losses are recognised as an expense in the period the write-down or loss occurred. Any write-down reversals are also recognised as an expense reduction.

13. Property, plant and equipment and intangible assets

13.1 Acquisition and recognition of non-current assets

Property, plant and equipment are initially recorded on a cost basis and are subsequently measured at fair value. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. Where assets are acquired at no or nominal value as part of a restructure of administrative arrangements, the assets are recorded at the value held by the transferor public authority prior to the restructure.

The Hospital capitalises owned property, plant and equipment at a value equal to or in excess of \$10,000. Assets recorded as works in progress represent projects physically incomplete as at the reporting date. Componentisation of complex assets is generally performed when the complex asset's fair value at the time of acquisition is equal to or greater than \$5 million for infrastructure assets and \$1 million for other assets.

13.2 Depreciation and amortisation of non-current assets

The residual values, useful lives, depreciation and amortisation methods of all major assets held by the Hospital are reviewed and adjusted if appropriate on an annual basis. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

Depreciation/amortisation is calculated on a Straight-line basis. Property, plant and equipment are depreciated over the estimated useful life as follows:

<u>Class of asset</u>	<u>Useful life (years)</u>
Buildings and improvements	40 - 80
Right-of-use buildings	Lease Term
Plant and equipment:	
Medical, surgical, dental and biomedical equipment and furniture	5 - 15
• Computing equipment	3 - 5
• Other plant and equipment	3 - 25
Right-of-use plant and equipment	Lease Term
Intangibles	5-10

13.3 Revaluation

All non-current tangible assets are subsequently measured at fair value after allowing for accumulated depreciation (written down current cost).

Revaluation of non-current assets or a group of assets is only performed when the assets fair value at the time of acquisition is greater than \$1 million and the estimated useful life exceeds three years. Revaluations are undertaken on a regular cycle. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair-value. If at any time management considers that the carrying amount of an asset greater than \$1 million materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset. Upon disposal or derecognition, any asset revaluation surplus relating to that asset is transferred to retained earnings

13.4 Impairment

The Hospital holds its property, plant and equipment and intangible assets for their service potential (value in use). Specialised assets would rarely be sold and typically any costs of disposal would be negligible, accordingly the recoverable amount will be closer to or greater than fair value and therefore these assets have not been tested for impairment. Where there is an indication of impairment, the recoverable amount is estimated. For revalued assets, an impairment loss is offset against the revaluation surplus for that class of assets, to the extent that the impairment loss does not exceed the amount in the respective asset revaluation surplus.

There were no indications of impairment for property, plant and equipment or intangibles as at 30 June 2021.

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13.5 Intangible assets

The carrying amount of intangible assets (software) as at 1 July 2020 was \$0.024 million (\$0.045 million), amortisation during the financial year was \$0.017 million (\$0.021 million) and intangibles work in progress was \$0.191 million (\$ Nil) resulting in a carrying amount as at 30 June 2021 of \$0.198 million (\$0.024 million).

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

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

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

13.6 Land and buildings

An independent valuation of owned land and buildings, including site improvements, was performed in March and April 2018 by a Certified Practising Valuer from Jones Lang Lasalle (SA) Pty Ltd, as at 1 June 2018.

Fair value of unrestricted land was determined using the market approach. The valuation was based on recent market transactions for similar land and buildings (non-specialised) in the area and includes adjustment for factors specific to the land and buildings being valued such as size, location and current use. For land classified as restricted in use, fair value was determined by applying an adjustment to reflect the restriction.

Fair value of buildings and other land was determined using depreciated replacement cost for specialised land and buildings, due to there not being an active market. The depreciated replacement cost considered the need for ongoing provision of government services; specialised nature and restricted use of the assets; their size, condition, and location. The valuation was based on a combination of internal records, specialised knowledge and the acquisition/transfer costs.

13.7 Plant and equipment

The Hospital's plant and equipment assets with a fair value greater than \$1 million or had an estimated useful life of greater than three years, were revalued using the fair value methodology, as at 1 June 2018, based on independent valuations performed by Simon O'Leary, AAPI, C.P.V, Australian Valuation Solutions Pty Ltd. The value of all other plant and equipment has not been revalued, this is in accordance with APS 116D, the carrying value of these items is deemed to approximate fair value. These assets are classified in Level 3 as there have been no subsequent adjustments to their value, except for management assumptions about the asset condition and remaining useful life.

13.8 Leased, property, plant and equipment

Right-of-use assets (including concessional arrangements) leased by the Hospital as lessee are measured at cost and there were no indications of impairment. Additions to the right-of-use assets during 2020-21 were \$0.473 million (\$0.313 million). Short-term leases of 12 months or less and low value leases, where the underlying asset value is less than \$15,000 are not recognised as right-of-use assets. The associated lease payments are recognised as an expense and disclosed in note 8.

The lease liabilities related to the right-of-use assets (and the maturity analysis) are disclosed at note 17. Expenses related to right-of-use assets including depreciation and interest expense are disclosed at note 14 and 17. Cash flows related to right-of-use assets are disclosed at note 21.

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14. Reconciliation of property, plant and equipment

The following table shows the movement:

2020-21	Land and buildings:			Plant and equipment:						Total \$'000
	Land \$'000	Buildings \$'000	Right-of- use buildings \$'000	Capital works in progress land and buildings \$'000	Accommod- ation and Leasehold improve- ments \$'000	Medical/ surgical/ dental/ biomedical \$'000	Other plant and equipment \$'000	Right-of- use plant and equipment \$'000	Capital works in progress plant and equipment \$'000	
Carrying amount at the beginning of the period	43,000	330,523	47,705	37,362	3,703	9,479	1,224	566	784	474,346
Additions	-	6	-	49,895	-	4,998	-	473	164	55,536
Assets received free of charge	-	-	-	1,552	-	-	-	-	-	1,552
Disposals	-	-	-	(23)	-	(258)	-	(14)	-	(295)
Donated assets disposal	(4,550)	-	-	-	-	-	-	-	-	(4,550)
Transfers between asset classes	-	3,241	-	(3,135)	-	624	59	-	(789)	-
Other movements	-	-	29	-	-	-	-	-	-	29
Subtotal:	38,450	333,770	47,734	85,651	3,703	14,843	1,283	1,025	159	526,618
Gains/(losses) for the period recognised in net result:										
Depreciation and amortisation	-	(25,024)	(3,625)	-	(707)	(3,242)	(213)	(452)	-	(33,263)
Subtotal:	-	(25,024)	(3,625)	-	(707)	(3,242)	(213)	(452)	-	(33,263)
Gains/(losses) for the period recognised in other comprehensive income:										
Revaluation increment / (decrement)	-	-	-	-	-	-	-	-	-	-
Impairment (losses) / reversals	(4,450)	(2,981)	-	-	-	-	-	-	-	(7,431)
Subtotal:	(4,450)	(2,981)	-	-	-	-	-	-	-	(7,431)
Carrying amount at the end of the period	34,000	305,765	44,109	85,651	2,996	11,601	1,070	573	159	485,924
Gross carrying amount										
Gross carrying amount	34,000	383,498	50,819	85,651	7,547	38,416	5,937	1,185	159	607,212
Accumulated depreciation / amortisation	-	(77,733)	(6,710)	-	(4,551)	(26,815)	(4,867)	(612)	-	(121,288)
Carrying amount at the end of the period	34,000	305,765	44,109	85,651	2,996	11,601	1,070	573	159	485,924

All property, plant and equipment (excluding capital works in progress which is not classified), is classified as level 3 in the fair value hierarchy, except for \$1.150 million in land which is classified as level 2 – refer note 15.1. Refer to note 13.8 for details about the right-of-use assets, and note 17 for details about the lease liability for right-of-use assets.

2020-21 capital works in progress land and buildings of \$49.895 million includes the Modbury Hospital Upgrade (\$39.079 million) and Lyell McEwin Hospital Emergency Department expansion (\$8.862 million).

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2019-20	Land and buildings:			Plant and equipment:						Total \$'000
	Land \$'000	Buildings \$'000	Right-of- use buildings \$'000	Capital works in progress land and buildings \$'000	Accommod- ation and Leasehold improve- ments \$'000	Medical/ surgical/ dental/ biomedical \$'000	Other plant and equipment \$'000	Right-of- use plant and equipment \$'000	Capital works in progress plant and equipment \$'000	
Carrying amount at the beginning of the period	43,000	351,271	51,449	8,337	4,410	9,962	1,308	780	704	471,221
Additions	-	-	42	34,718	-	1,953	130	271	936	38,050
Disposals	-	-	-	-	-	(3)	-	-	-	(3)
Transfers between asset classes	-	5,687	-	(5,693)	-	818	44	-	(856)	-
Subtotal:	43,000	356,958	51,491	37,362	4,410	12,730	1,482	1,051	784	509,268
Gains/(losses) for the period recognised in net result:										
Depreciation and amortisation	-	(26,435)	(3,786)	-	(707)	(3,251)	(258)	(485)	-	(34,922)
Subtotal:	-	(26,435)	(3,786)	-	(707)	(3,251)	(258)	(485)	-	(34,922)
Carrying amount at the end of the period	43,000	330,523	47,705	37,362	3,703	9,479	1,224	566	784	474,346
Gross carrying amount										
Gross carrying amount	43,000	385,699	51,491	37,362	7,547	34,309	6,044	1,006	784	567,242
Accumulated depreciation / amortisation	-	(55,176)	(3,786)	-	(3,844)	(24,830)	(4,820)	(440)	-	(92,896)
Carrying amount at the end of the period	43,000	330,523	47,705	37,362	3,703	9,479	1,224	566	784	474,346

All property, plant and equipment (excluding capital works in progress which is not classified), is classified as level 3 in the fair value hierarchy, except for \$1.150 million in land which is classified as level 2 – refer note 15.1. Refer to note 13.8 for details about the right-of-use assets, and note 17 for details about the lease liability for right-of-use assets.

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15. Fair Value Measurement

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

- Level 1 – traded in active markets, and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 – not traded in an active market, and are derived from inputs (inputs other than quoted prices included within Level 1) that are observable for the asset, either directly or indirectly.
- Level 3 – not traded in an active market, and are derived from unobservable inputs.

The Hospital's current use is the highest and best use of the asset unless other factors suggest an alternative use. As the Hospital did not identify any factors to suggest an alternative use, fair value measurement was based on current use. The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years are deemed to approximate fair value.

Refer to notes 13 and 15.2 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

15.1 Fair value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Hospital categorises non-financial assets measured at fair value into a hierarchy based on the level of inputs used in measurement as follows:

Fair value measurements at 30 June 2021

	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements			
Land	1,150	32,850	34,000
Buildings and improvements	-	305,765	305,765
Leasehold improvements	-	2,996	2,996
Plant and equipment	-	12,671	12,671
Total recurring fair value measurements	1,150	354,282	355,432

Fair value measurements at 30 June 2020

	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements			
Land	1,150	41,850	43,000
Buildings and improvements	-	330,523	330,523
Leasehold improvements	-	3,703	3,703
Plant and equipment	-	10,703	10,703
Total recurring fair value measurements	1,150	386,779	387,929

There are no non-recurring fair value measurements.

The Hospital's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. Valuation techniques and inputs used to derive Level 2 and 3 fair values are at notes 13 and 15.2.

During 2021 and 2020, the Hospital had no valuations categorised into Level 1; \$1.150 million valuations categorised into Level 2; and the balance into Level 3. There were no transfers of assets between Level 1, 2 and 3 fair value hierarchy levels in 2020-21.

15.2 Valuation techniques and inputs

Land fair values were derived by using the market approach, being recent sales transactions of other similar land holdings within the region, adjusted for differences in key attributes such as property size, zoning and any restrictions on use. For this reason they are deemed to have been valued using Level 3 valuation inputs.

Due to the predominantly specialised nature of health service assets, the majority of building and plant and equipment valuations have been undertaken using a cost approach (depreciated replacement cost), an accepted valuation methodology under AASB 13. The extent of unobservable inputs and professional judgement required in valuing these assets is significant, and as such they are deemed to have been valued using Level 3 valuation inputs.

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Unobservable inputs used to arrive at final valuation figures included:

- Estimated remaining useful life, which is an economic estimate and by definition, is subject to economic influences;
- Cost rate, which is the estimated cost to replace an asset with the same service potential as the asset undergoing valuation (allowing for over-capacity), and based on a combination of internal records including: refurbishment and upgrade costs, historical construction costs, functional utility users, industry construction guides, specialised knowledge and estimated acquisition/transfer costs;
- Characteristics of the asset, including condition, location, any restrictions on sale or use and the need for ongoing provision of Government services;
- Effective life, being the expected life of the asset assuming general maintenance is undertaken to enable functionality but no upgrades are incorporated which extend the technical life or functional capacity of the asset; and
- Depreciation methodology, noting that AASB 13 dictates that regardless of the depreciation methodology adopted, the exit price should remain unchanged.

16. Payables

	2021	2020
	\$'000	\$'000
Current		
Creditors and accrued expenses	13,506	11,759
Paid Parental Leave Scheme	112	126
Staff on-costs*	7,669	7,111
Other payables	770	848
Total current payables	22,057	19,844
Non-current		
Staff on-costs*	3,707	3,662
Total non-current payables	3,707	3,662
Total payables	25,764	23,506

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts owed and unpaid. Sundry creditors are normally settled within 30 days from the date the invoice is first received. Staff on-costs are settled when the respective staff benefits that they relate to are discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due their short term nature.

*Staff on-costs include Return to Work SA levies and superannuation contributions and are settled when the respective employee benefits that they relate to is discharged. The Hospital makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board and externally managed superannuation schemes.

As a result of an actuarial assessment performed by DTF, the portion of long service leave taken as leave is unchanged at 38% and the average factor for the calculation of employer superannuation on-costs has increased from the 2020 rate (9.8%) to 10.1% to reflect the increase in super guarantee. These rates are used in the staff on-cost calculation. The net financial effect of the changes in the current financial year is an increase in the staff on-cost liability and staff benefits expenses of \$0.279 million. The estimated impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions.

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

Refer to note 27 for information on risk management.

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17. Financial liabilities

	2021	2020
	\$'000	\$'000
Current		
Lease liabilities	3,207	3,426
Total current financial liabilities	3,207	3,426
Non-current		
Lease liabilities	42,598	45,463
Total non-current financial liabilities	42,598	45,463
Total financial liabilities	45,805	48,889

Lease liabilities have been measured via discounting lease payments using either the interest rate implicit in the lease (where it is readily determined) or Treasury's incremental borrowing rate. There were no defaults or breaches on any of the above liabilities throughout the year.

The borrowing costs associated with leasing activities is \$1.069 million (\$1.126 million).

Refer to note 27 for information on risk management.

17.1 Leasing activities

The Hospital has a number of lease agreements, lease terms vary from 1 to 20 years.

Major lease activities include the use of:

- Properties – The Hospital has three property leases in place:
 - 7-9 Park Terrace Salisbury (office space)
 - 116 Reservoir Road Modbury (office space)
 - Elizabeth GP Plus, Elizabeth Way, Elizabeth (GP Clinic)

General property leases are non-cancellable with many having the right of renewal. Rent is payable in arrears, with increases generally linked to CPI increases. Prior to renewal, most lease arrangements undergo a formal rent review linked to market appraisals or independent valuers.

- Motor vehicles – leased from the South Australian Government Financing Authority (SAFA) through their agent LeasePlan Australia. The leases are non-cancellable and the vehicles are leased for a specific time period (usually 3 years) or a specified number of kilometres, whichever occurs first.

The Hospital has not committed to any lease arrangements that have not commenced. The Hospital has not entered into any sub-lease arrangements outside of SA Health.

Refer note 14 for details about the right-of-use assets (including depreciation).

17.2 Concessional lease arrangements

The Hospital has no concessional lease arrangements.

17.3 Maturity analysis

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

	2021	2020
	\$'000	\$'000
Lease Liabilities		
1 to 3 years	12,174	12,529
3 to 5 years	6,929	7,214
5 to 10 years	13,787	14,786
More than 10 years	22,542	25,024
Total lease liabilities (undiscounted)	55,432	59,553

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18. Staff benefits

	2021	2020
	\$'000	\$'000
Current		
Accrued salaries and wages	18,217	19,136
Annual leave	51,048	47,703
Long service leave	8,222	8,612
Skills and experience retention leave	3,232	3,128
Other	15	14
Total current staff benefits	80,734	78,593
Non-current		
Long service leave	93,532	95,155
Total non-current staff benefits	93,532	95,155
Total staff benefits	174,266	173,748

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

18.1 Salaries and wages, annual leave, skills and experience retention leave and sick leave

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

The annual leave liability and the skills and experience retention leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages, annual leave and skills and experience retention leave liability are payable later than 12 months, the liability will be measured at present value.

The actuarial assessment performed by DTF left the salary inflation rate at 2.0% for annual leave and skills and experience retention leave liability. As a result, there is no net financial effect resulting in the salary inflation rate.

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

18.2 Long service leave

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

AASB 119 *Employee Benefits* contains the calculation methodology for the long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of staff departures and periods of service. These assumptions are based on staff data over SA Government entities and the health sector across government.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has increased from 2020 (0.75%) to 1.50%. This increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability. The actuarial assessment performed by DTF left the salary inflation rate at 2.5% for long service leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

The net financial effect of the changes to actuarial assumptions is a decrease in the long service leave liability of \$7.209 million, payables (staff on-costs) of \$0.277 million and staff benefits expense of \$7.486 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions – a key assumption being the long-term discount rate.

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19. Provisions

The Hospital's provision relates to workers' compensation only.

Reconciliation of workers' compensation (statutory and non-statutory)

	2021	2020
	\$'000	\$'000
Carrying amount at the beginning of the period	6,025	4,936
Increase / (Decrease) in provisions recognised	1,597	1,529
Reductions arising from payments/other sacrifices of future economic benefits	(1,002)	(440)
Carrying amount at the end of the period	6,620	6,025

19.1 Workers' Compensation

Workers' compensation

The Hospital as an exempt employer is responsible for the payment of workers' compensation claims and the implementation and funding of preventative programs.

A liability has been reported to reflect unsettled workers' compensation claims. The workers' compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2021 provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment. The liability was calculated in accordance with AASB 137 as the present value of the expenditures expected to be required to settle obligations incurred as at 30 June. No risk margin is included in this estimate.

There is a significant degree of uncertainty associated with estimating future claim and expense payments. The liability is impacted by agency claim experience relative to other agencies, average claim sizes and other economic and actuarial assumptions.

Additional compensation for certain work-related injuries or illnesses (additional compensation)

The additional compensation provision provides continuing benefits to workers' who have suffered eligible work-related injuries and whose entitlements have ceased under the statutory workers' compensation scheme. Eligible injuries are non-serious injuries sustained in circumstances which involved, or appeared to involve, the commission of a criminal offence, or which arose from a dangerous situation.

The additional compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2021 provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment. The liability was calculated in accordance with AASB 137 as the present value of the expenditures expected to be required to settle obligations incurred at 30 June. The liability comprises an estimate for known claims and an estimate of incurred but not reported applications. No risk margin is included in the estimate.

There is a significant degree of uncertainty associated with this estimate. In addition, to the general uncertainties associated with estimating future claim and expense payments, the additional compensation provision is impacted by the limited claims history and the evolving nature of the interpretation of, and evidence required to meet, eligibility criteria. Given these uncertainties, the actual cost of additional compensation claims may differ materially from the estimate. Assumptions used will continue to be refined to reflect emerging experience.

20. Contract liabilities and other liabilities

	2021	2020
	\$'000	\$'000
Current		
Unearned revenue	127	55
Other	8	-
Total current contract liabilities and other liabilities	135	55

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21. Cash flow reconciliation

Reconciliation of cash and cash equivalents at the end of the reporting period	2021	2020
	\$'000	\$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	29,539	22,925
Cash as per Statement of Financial Position	29,539	22,925
Balance as per Statement of Cash Flows	29,539	22,925
Reconciliation of net cash provided by operating activities to net result:		
Net cash provided by (used in) operating activities	17,243	22,272
Add/less non-cash items		
Asset donated free of charge	(4,550)	-
Capital revenues	48,595	32,017
Depreciation and amortisation expense of non-current assets	(33,280)	(34,943)
Gain/(loss) on sale or disposal of non-current assets	(276)	(3)
Resources received free of charge	1,552	-
Movement in assets and liabilities		
Increase/(decrease) in receivables	1,653	250
Increase/(decrease) in inventories	357	667
(Increase)/decrease in staff benefits	(518)	(13,825)
(Increase)/decrease in payables and provisions	(3,285)	(4,162)
(Increase)/decrease in other liabilities	(51)	132
Net result	27,440	2,405

22. Unrecognised contractual commitments

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

Capital commitments	2021	2020
	\$'000	\$'000
Within one year	421	550
Total capital commitments	421	550

The Hospital's capital commitments are for plant and equipment ordered but not received and capital works. Capital commitments for major infrastructure works are recognised in the Department for Infrastructure and Transport financial statements.

Expenditure commitments	2021	2020
	\$'000	\$'000
Within one year	33,507	29,275
Later than one year but not longer than five years	61,367	79,625
Total expenditure commitments	94,874	108,900

The Hospital expenditure commitments are for agreements for goods and services ordered but not received.

23. Trust funds

The Hospital holds money in trust on behalf of consumers that reside in LHN facilities whilst the consumer is receiving residential mental health services. As the Hospital only performs custodial role in respect of trust monies, they are excluded from the financial statements as the Hospital cannot use these funds to achieve its objectives.

	2021	2020
	\$'000	\$'000
Carrying amount at the beginning of period	345	223
Client trust receipts	740	771
Client trust payments	(690)	(649)
Carrying amount at the end of the period	395	345

24. Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed within this note, and if quantifiable are measured at nominal value. The Hospital is not aware of any contingent assets or contingent liabilities. In addition, the Hospital has made no guarantees.

25. Events after balance date

The Hospital is not aware of any material events occurring between the end of the reporting period and when the financial statements were authorised.

26. Impact of Standards not yet implemented

The Hospital has assessed the impact of the new and amended Australian Accounting Standards and Interpretations not yet implemented and changes to the Accounting Policy Statements issued by the Treasurer. There are no Accounting Policy Statements that are not yet in effect.

Amending Standard AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments* will apply from 1 July 2022 and Amending Standard AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* will apply from 1 July 2023. Although applicable to the Hospital, these amending standards are not expected to have an impact on the Hospital's general purpose financial statements. SA Health will update its policies, procedures and work instructions, where required, to reflect the additional clarification requirements.

Amending Standard AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* will apply from 1 July 2023. The Hospital continues to assess liabilities eg LSL and whether or not the Hospital has a substantive right to defer settlement. Where applicable these liabilities will be classified as current.

27. Financial instruments/financial risk management

27.1 Financial risk management

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

Liquidity Risk

The Hospital is funded principally by the SA Government via the Department. The Hospital works with DTF to determine the cash flows associated with the Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

Refer to notes 1.4, 16 and 17 for further information.

Credit Risk

The Hospital has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Hospital has minimal concentration of credit risk. No collateral is held as security and no credit enhancements relate to financial assets held by the Hospital.

Refer to notes 10 and 11 for further information.

Market Risk

The Hospital does not engage in high risk hedging for its financial assets. Exposure to interest rate risk may arise through interest bearing liabilities, including borrowings. The Hospital's interest bearing liabilities are managed through SAFA and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

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

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27.2 Categorisation of financial instruments

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

The carrying amounts of financial assets and liabilities were categorised as: financial assets measured at amortised cost; financial assets measured at fair value through profit or loss; financial assets measured at fair value through other comprehensive income; and financial liabilities measured at amortised cost are detailed below. All of the resulting fair value estimates are included in Level 2 as all significant inputs required are observable.

A financial asset is measured at amortised cost if:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest only on the principal amount outstanding.

The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 11 and 16).

Category of financial asset and financial liability *	Notes	2021 Carrying amount/ Fair value \$'000	2020 Carrying amount/ Fair value \$'000
Financial assets			
Cash and equivalent			
Cash and cash equivalents	10,21	29,539	22,925
Amortised cost			
Receivables ^(ix)	11	8,339	7,009
Total financial assets		37,878	29,934
Financial liabilities			
Financial liabilities at amortised cost			
Payables ⁽ⁱ⁾	16	13,991	12,318
Lease liabilities	17	45,805	48,889
Other liabilities	20	8	-
Total financial liabilities		59,804	61,207

⁽ⁱ⁾ Receivable and payable amounts disclosed exclude amounts relating to statutory receivables and payables. This includes Commonwealth, State and Local Government taxes and fees and charges; this is in addition to employee related receivables and payables such as payroll tax, fringe benefits tax etc. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the disclosure requirements of AASB 7 will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents etc. they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost.

^(ix) Receivable amounts disclosed excludes prepayments as they are not financial assets.

27.3 Credit risk exposure and impairment of financial assets

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. Loss allowances for contract assets are measured at an amount equal to an expected credit loss method using a 12 month method. No impairment losses were recognised in relation to contract assets during the year.

The Hospital uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors. The expected credit loss of government debtors is considered to be nil based on the external credit ratings and nature of the counterparties. Impairment losses are presented as net impairment losses with net result, subsequent recoveries of amounts previously written off are credited against the same line item.

The carrying amount of receivables approximates net fair value due to being receivable on demand. Receivables are written off when there is no reasonable expectation of recovery and not subject to enforcement activity. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a payment plan with the Hospital.

To measure the expected credit loss receivables are grouped based on shared risks characteristics and the days past. When estimated expected credit loss, the Hospital 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 Hospital's historical experience and informed credit assessment, including forward-looking information.

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The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The Hospital's historical credit loss experience and forecast of economic conditions may not be representative of customers' actual default in the future.

Loss rates are calculated based on the probability of a receivable progressing through stages to write off based on the common risk characteristics of the transaction and debtor. The following table provides information about the credit risk exposure and expected credit loss for non-government debtors:

	30 June 2021			30 June 2020		
	Expected credit loss rate(s) %	Gross carrying amount \$'000	Expected credit losses \$'000	Expected credit loss rate(s) %	Gross carrying amount \$'000	Expected credit losses \$'000
Days past due						
Current	0.2-2.7%	2,611	35	0.3-3.4%	2,000	35
<30 days	0.7-4.1%	1,516	24	0.8-5.1%	1,160	27
31-60 days	2.1-7.5%	300	10	2.8-8.6%	479	17
61-90 days	3.4-9.8%	340	21	4.6-10.2%	238	19
91-120 days	5.0-11.3%	267	24	6.6-11.6%	143	15
121-180 days	8.0-14.6%	471	67	10.1-16.4%	300	46
181-360 days	16.4-41.4%	964	362	16.4-41%	540	204
361-540 days	36.8-81.5%	456	366	36.8-81.3%	468	364
>540 days	42.1-99.0%	891	870	42.1-98.8%	552	543
Total		7,816	1,779		5,880	1,270

28. Significant transactions with government related entities

The Hospital is controlled by SA Government.

Related parties of the Hospital include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Significant transactions with the SA Government are identifiable throughout this financial report. The Hospital received funding from the SA Government via the Department (note 2), and incurred expenditure via the Department for medical, surgical and laboratory supplies, insurance and computing (note 8). The Department transferred capital works in progress of \$48.595 million (\$32.017 million) to the Hospital. The Hospital incurred significant expenditure with the Department for Infrastructure and Transport (DIT) for property repairs and maintenance of \$1.347 million (\$12.780 million) (note 8) and capital works of \$2.010 million (\$1.625 million).

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29. Board and committee members

Members of boards/committees that served for all or part of the financial year and were entitled to receive income from membership in accordance with APS 124B were:

Board/Committee name:	Government employee members	Other members
Northern Adelaide Local Health Network Consumer Advisory Board	-	White A (Chair), Dabal K (appointed 3/2/2021), Davies I (resigned 3/2/2021), Green L (resigned 8/5/2021), Lowden H (resigned 30/9/2020), Mossop J, Patching A (resigned 29/9/2020), Putsey P, Reynolds N (resigned 29/9/2020), Spargo J (appointed 3/2/2021), Whatley G (resigned 8/5/2021)
Northern Adelaide Local Health Network Governing Board	1	Blight R (Chair), Burgess A, Forwood M, Lampard F, Moore R (resigned 30/6/2021), Patetsos M, Roesler C
Northern Adelaide Local Health Network and Department of Health and Wellbeing Aboriginal Consumer Reference Group	-	Wanganeen K (Chair), Chisholm K, Forbes A, Lamont J (appointed 1/2/2021), O'Brien M (appointed 1/3/2021), Sinclair N, Stengle A, Thyer C (resigned 1/6/2021), Tonkin R (deceased), Varcoe E (appointed 1/11/2020), Wanganeen E, Weetra R
Northern Adelaide Local Health Network Risk Management & Audit Committee	-	Connor G (Chair), Forwood M, Moore R (resigned 30/6/2021), Patetsos M

Refer to note 7.2 for remuneration of board and committee members.

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30. Schedules of administered funds

The Hospital administers the following funds:

- Private Practice Funds, representing funds billed on behalf of salaried medical officers and subsequently distributed to the LHN and salaried medical officers according to individual Rights of Private Practice Deeds of Agreement; and
- Nurses Education Funds, representing the balance of payroll deductions from nursing staff held for education purposes.

	2021	2020
	\$'000	\$'000
Revenue from fees and charges	10,126	9,536
Other revenue	75	35
Supplies and services	(7)	(44)
Other expenses	(10,494)	(8,760)
Net result	(300)	767
Cash and cash equivalents	1,050	1,111
Other current liabilities	(9)	-
Receivables	1,711	1,941
Net assets	2,752	3,052
Cash at 1 July	1,111	722
Cash inflows	10,432	9,190
Cash outflows	(10,493)	(8,801)
Cash at 30 June	1,050	1,111