

Yorke and Northern Local Health Network Incorporated

Financial report
for the year ended
30 June 2020



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To the Board Chair Yorke and Northern Local Health Network Incorporated

Opinion

I have audited the financial report of Yorke and Northern Local Health Network Incorporated and the consolidated entity comprising the Yorke and Northern Local Health Network Incorporated and its controlled entities for the financial year ended 30 June 2020.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Yorke and Northern Local Health Network Incorporated and its controlled entities as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

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

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 Yorke and Northern Local Health Network Incorporated and its controlled entities. 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 1987* and Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

The 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*, I have audited the financial report of Yorke and Northern Local Health Network Incorporated and its controlled entities for the financial year ended 30 June 2020.

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

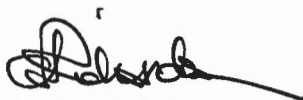
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Yorke and Northern Local Health Network Incorporated's and its controlled entities' internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer

- 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

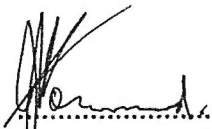
Auditor-General

24 September 2020

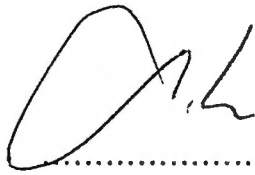
Certification of the financial statements

We certify that the:

- financial statements of the Yorke and Northern 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 Yorke and Northern Local Health Network Inc. over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



John Voumard
Board Chair



Roger Kirchner
Chief Executive Officer



Vincent Bellifemini
Chief Finance Officer

Date 15/9/2020

YORKE AND NORTHERN LOCAL HEALTH NETWORK
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2020

	Note	Consolidated 2020 \$'000	Parent 2020 \$'000
Income			
Revenues from SA Government	10	128,848	128,848
Fees and charges	5	13,892	13,892
Grants and contributions	6	27,626	27,847
Interest		356	303
Resources received free of charge	7	1,984	1,984
Other revenues/income	9	506	324
Total income		173,212	173,198
Expenses			
Staff benefits expenses	2	103,007	103,007
Supplies and services	3	62,876	62,876
Depreciation and amortisation	15,16	10,215	6,486
Grants and subsidies		-	20
Borrowing costs	19	29	29
Net loss from disposal of non-current and other assets	8	1,466	1,466
Impairment loss on receivables	12	258	258
Other expenses	4	338	390
Total expenses		178,189	174,532
Net result		(4,977)	(1,334)
Total comprehensive result		(4,977)	(1,334)

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

YORKE AND NORTHERN LOCAL HEALTH NETWORK
STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Note	Consolidated 2020 \$'000	Parent 2020 \$'000
Current assets			
Cash and cash equivalents	11	4,756	4,240
Receivables	12	3,706	3,693
Other financial assets	13	20,471	17,748
Inventories	14	794	794
Total current assets		29,727	26,475
Non-current assets			
Receivables	12	434	434
Property, plant and equipment	15,16	154,334	90,516
Intangible assets	15	700	700
Total non-current assets		155,468	91,650
Total assets		185,195	118,125
Current liabilities			
Payables	18	5,395	5,395
Financial liabilities	19	730	730
Staff benefits	20	13,881	13,881
Provisions	21	764	764
Contract liabilities and other liabilities	22	14,606	14,606
Total current liabilities		35,376	35,376
Non-current liabilities			
Payables	18	720	720
Financial liabilities	19	728	728
Staff benefits	20	18,719	18,719
Provisions	21	1,018	1,018
Total non-current liabilities		21,185	21,185
Total liabilities		56,561	56,561
Net assets		128,634	61,564
Equity			
Retained earnings		100,139	61,564
Asset revaluation surplus		28,495	-
Total equity		128,634	61,564

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

YORKE AND NORTHERN LOCAL HEALTH NETWORK
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2020

CONSOLIDATED

	Note	Asset revaluation surplus \$ '000	Retained earnings \$ '000	Total equity \$ '000
Balance at 30 June 2019		-	-	-
Net assets received from an administrative restructure	1.6	-	62,898	62,898
Net assets received on first time consolidation	1.6	28,495	42,218	70,713
Adjusted balance at 1 July 2019		28,495	105,116	133,611
Net result for 2019-20		-	(4,977)	(4,977)
Total comprehensive result for 2019-20		-	(4,977)	(4,977)
Balance at 30 June 2020		28,495	100,139	128,634

PARENT

	Note	Asset revaluation surplus \$ '000	Retained earnings \$ '000	Total equity \$ '000
Balance at 30 June 2019		-	-	-
Net assets received from an administrative restructure	1.6	-	62,898	62,898
Adjusted balance at 1 July 2019		-	62,898	62,898
Net result for 2019-20		-	(1,334)	(1,334)
Total comprehensive result for 2019-20		-	(1,334)	(1,334)
Balance at 30 June 2020		-	61,564	61,564

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

YORKE AND NORTHERN LOCAL HEALTH NETWORK
STATEMENT OF CASH FLOWS
For the year ended 30 June 2020

	Consolidated	Parent
	Note	2020
		2020
		\$'000
Cash flows from operating activities		
Cash inflows		
Fees and charges		13,062
Grants and contributions		28,588
Interest received		248
Residential aged care bonds received		4,636
GST recovered from ATO		3,405
Other receipts		513
Receipts from SA Government		122,851
Cash generated from operations		173,303
Cash outflows		
Staff benefits payments		(100,315)
Payments for supplies and services		(64,102)
Payments of grants and subsidies		-
Interest paid		(29)
Residential aged care bonds refunded		(4,120)
Other payments		(306)
Cash used in operations		(168,872)
Net cash provided by operating activities		4,431
Cash flows from investing activities		
Cash inflows		
Proceeds from sale of property, plant and equipment		20
Proceeds from maturities of investments		1,263
Cash generated from investing activities		1,283
Cash outflows		
Purchase of property, plant and equipment		(1,134)
Purchase of investments		(2,152)
Cash used in investing activities		(3,286)
Net cash used in investing activities		(2,003)
Cash flows from financing activities		
Cash inflows		
Cash received from restructuring activities		3,203
Cash generated from financing activities		3,203
Cash outflows		
Repayment of lease liability		(875)
Cash used in financing activities		(875)
Net cash provided by financing activities		2,328
Net increase in cash and cash equivalents		4,756
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	11	4,756
Non-cash transactions	23	

The accompanying notes form part of these financial statements.

YORKE AND NORTHERN LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2020

1. About Yorke and Northern Local Health Network

Yorke and Northern Local Health Network Incorporated (the Hospital) is a not-for-profit incorporated hospital established under the *Health Care (Local Health Networks) Proclamation 2019* which is an amendment to the *Health Care Act 2008* (the Act). The Hospital commenced service delivery on 1 July 2019 following the dissolution of Country Health SA Local Health Network Incorporated (CHSALHN). Relevant assets, rights and liabilities were transferred from CHSALHN to the Hospital. The financial statements and accompanying notes include all controlled activities of the Hospital.

Parent Entity

The Parent Entity consists of the following:

- Balaklava Soldiers' Memorial District Hospital
- Ira Parker Nursing Home
- Booleroo Centre District Hospital and Health Services
- Burra Hospital
- Holder Homes
- Central Yorke Peninsula Hospital (Maitland)
- Clare Hospital
- Kara House
- Crystal Brook and District Hospital
- Gladstone Health Centre
- Jamestown Hospital and Health Service
- Laura and District Hospital
- Minlaton Health Service
- Melaleuca Court
- Orroroo and District Health Service
- Orroroo Community Home
- Peterborough Soldiers' Memorial Hospital and Health Service
- Nalya Lodge Hostel
- Port Broughton District Hospital and Health Service
- Port Pirie Regional Health Service
- Hammill House
- Riverton District Soldiers' Memorial Hospital
- Snowtown Hospital
- Lumeah Homes
- Wallaroo Hospital and Health Service
- Southern Yorke Peninsula Health Service (Yorketown)
- Yorke and Northern Region Community Health Services

Consolidated Entity

The Consolidated Entity includes the Parent Entity, the Incorporated Health Advisory Councils (HACs) and the Incorporated HAC Gift Fund Trusts (GFTs) as listed in note 31.

The HACs were established under the Act to provide a more coordinated, strategic and integrated health care system to meet the health needs of South Australians. HACs are consultative bodies that advise and make recommendations to the Chief Executive of the Department for Health and Wellbeing (the Department) and the Chief Executive of the Hospital on issues related to specific groups or regions. HACs hold assets, manage bequests and provide advice on local health service needs and priorities.

The consolidated financial statements have been prepared in accordance with AASB 10 *Consolidated Financial Statements*. Consistent accounting policies have been applied and all inter-entity balances and transactions arising within the consolidated entity have been eliminated in full. Information on the consolidated entity's interests in other entities is at note 31.

Administered items

The Hospital has administered activities and resources. Transactions and balances relating to administered resources are presented separately and disclosed in note 32. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting principles as for the Hospital's 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 the Yorke and Northern region.

The Hospital is part of the SA Health portfolio providing health services for the Yorke and Northern region. The Hospital is structured to contribute to the outcomes for which the portfolio is responsible by providing health and related services across the Yorke and Northern region.

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 Chief Executive of 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.

YORKE AND NORTHERN LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2020

1.2 Basis of preparation

These financial statements are general purpose financial 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 below or 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.

1.4 Continuity of operations

As at 30 June 2020, the Hospital had working capital deficiency of \$5.649 million. The SA Government is committed to continuing the delivery of hospital services to country and regional SA and accordingly it has demonstrated a commitment to the ongoing funding of the hospitals.

1.5 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.

1.6 Change to reporting entity

CHSALHN was dissolved on 1 July 2019. Six new entities were established to provide hospital, health and aged care services to country and regional SA. As per the *Health Care (Local Health Networks) Proclamation 2019* contained in the South Australian Government Gazette No 30, dated 27 June 2019, assets, rights and liabilities were transferred from CHSALHN to the relevant entity, effective 1 July 2019. This resulted in the transfer of 1,773 employees and net assets of \$133.611 million to the Hospital as detailed below.

YORKE AND NORTHERN LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2020

Assets and liabilities transferred in for the Hospital were:

	Consolidated	Parent
	2020	2020
	\$'000	\$'000
Cash	3,203	2,880
Receivables	3,903	3,880
Property, plant and equipment	156,040	88,546
Other assets	20,787	17,915
Total assets	183,933	113,221
Payables	5,281	5,282
Staff benefits	30,581	30,581
Provisions	1,486	1,486
Other liabilities	12,974	12,974
Total liabilities	50,322	50,323
Total net assets transferred in	133,611	62,898

1.7 Impact of COVID-19 pandemic

COVID-19 has been classified as a global pandemic by the World Health Organisation. SA Health is the Control Agency in SA for human disease pursuant to the *State Emergency Management Plan*. As at 30 June 2020, SA has had a total of 444 confirmed COVID-19 cases. Noteworthy, since April 22, SA has only had five new cases. Accordingly SA has minimised transmission of the virus and maintained containment of COVID-19 infection.

As the lead agency, SA Health has:

- activated COVID-19 clinics in metro and regional SA
- increased hospital capacity through commissioning of temporary hospital capacity and diversion of activity to the private hospital system
- secured medical supplies and personal protective equipment to deliver COVID-19 services in a very high demand environment
- maximised community engagement
- managed workforce surge planning and up-skill training.

The material impacts on the Hospital's financial performance and financial position are outlined below:

- Additional financial assistance from the Commonwealth and State Governments to assist the COVID-19 response by the Hospital, including at Residential Aged Care and Multi-Purpose sites. This funding was for additional costs incurred by the Hospital and all residential aged care providers in responding to the COVID-19 outbreak, including the diagnosis and treatment of patients with or suspected of having COVID-19, and efforts to minimise the spread in the Australian community.
- Hospital staff accessing special leave with pay for up to 15 days for absences related to COVID-19 situations \$0.051 million.
- Additional costs associated with public health activities (eg preparation of hospitals to respond and establishing testing clinics), purchases of personal protective equipment for staff, and non-clinical costs (eg additional hospital cleaning costs) were \$0.477 million.

Business continuity information is at note 1.4, impairment information is at note 12.1, estimates and judgements are at notes 12.1, 18, 20.2 and 21.

1.8 Changes in presentation of financial statements

Treasurer's Instructions (Accounting Policy Statements) issued 1 June 2020 removed the previous requirement for financial statements to be prepared using the net cost of services format. The Statement of Comprehensive Income and Statement of Cash Flows now show income before expenses, and cash receipts before cash payments. Related disclosures also reflect this changed format.

YORKE AND NORTHERN LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2020

2. Staff benefits expenses

	Consolidated 2020 \$'000	Parent 2020 \$'000
Salaries and wages	82,659	82,659
Targeted voluntary separation packages (refer note 2.5)	96	96
Long service leave	2,124	2,124
Annual leave	8,012	8,012
Skills and experience retention leave	462	462
Staff on-costs - superannuation*	8,961	8,961
Workers compensation	543	543
Board and committee fees	150	150
Total staff benefits expenses	103,007	103,007

* 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.

2.1 Key Management Personnel

Key management personnel (KMP) of the consolidated and parent entity includes the Minister, the five members of the governing board, the Chief Executive of the Department, the Chief Executive Officer of the Hospital and the six members of the Executive Management Group who have responsibility for the strategic direction and management of the Hospital.

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

- The Minister. 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 is compensated by the Department and there is no requirement for the Hospital to reimburse those expenses.

Compensation

	2020 \$'000
Salaries and other short term employee benefits	1,135
Post-employment benefits	140
Total	1,275

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

2.2 Remuneration of Boards and Committees

The number of board or committee members whose remuneration received or receivable falls within the following bands is:

	2020 No. of Members
\$0	1
\$1 - \$20,000	2
\$20,001 - \$40,000	4
\$40,001 - \$60,000	1
Total	8

The total remuneration received or receivable by members was \$0.164 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 any fringe benefits tax paid or payable in respect of those benefits. In accordance with 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 33 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.

YORKE AND NORTHERN LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2020

2.3 Remuneration of staff

	Consolidated	Parent
	2020	2020
	Number	Number
The number of staff whose remuneration received or receivable falls within the following bands:		
\$155,001 - \$175,000	3	3
\$175,001 - \$195,000	1	1
\$215,001 - \$235,000	1	1
Total number of staff	5	5

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 fringe benefits tax paid or payable in respect of those benefits.

2.4 Remuneration of staff by classification

The total remuneration received by staff included above:

	Consolidated		Parent	
	2020		2020	
	No.	\$'000	No.	\$'000
Executive	1	233	1	233
Nursing	4	658	4	658
Total	5	891	5	891

2.5 Targeted voluntary separation packages

	Consolidated	Parent
	2020	2020
	\$'000	\$'000
Amount paid/Payable to separated staff:		
Targeted voluntary separation packages	96	96
Leave paid/payable to separated employees	51	51
Net cost to the Hospital	147	147

The number of staff who received a TVSP during the reporting period	2	2
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YORKE AND NORTHERN LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2020

3. Supplies and services

	Consolidated 2020 \$'000	Parent 2020 \$'000
Administration	233	233
Advertising	29	29
Communication	850	850
Computing	2,077	2,077
Consultants	273	273
Contract of services	264	264
Contractors	29	29
Contractors - agency staff	2,106	2,106
Drug supplies	1,724	1,724
Electricity, gas and fuel	2,226	2,226
Fee for service *	17,117	17,117
Food supplies	1,998	1,998
Housekeeping	1,624	1,624
Insurance	1,807	1,807
Internal SA Health SLA payments	6,216	6,216
Legal	7	7
Medical, surgical and laboratory supplies	9,873	9,873
Minor equipment	986	986
Motor vehicle expenses	635	635
Occupancy rent and rates	533	533
Patient transport	2,287	2,287
Postage	263	263
Printing and stationery	598	598
Repairs and maintenance	5,707	5,707
Security	100	100
Services from Shared Services SA	1,464	1,464
Short term lease expense	44	44
Training and development	271	271
Travel expenses	170	170
Other supplies and services	1,365	1,365
Total supplies and services	62,876	62,876

* Fee for service primarily relates to medical services provided by doctors not employed by the Hospital.

The Hospital recognises lease payments associated with short term leases (12 months or less) 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

	Consolidated 2020		Parent 2020	
	No.	\$'000	No.	\$'000
Below \$10,000	2	10	2	10
Above \$10,000	3	263	3	263
Total	5	273	5	273

YORKE AND NORTHERN LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2020

4. Other expenses

	Consolidated	Parent
	2020	2020
	\$'000	\$'000
Debts written off	41	41
Bank fees and charges	4	4
Donated assets expense	43	95
Other*	250	250
Total other expenses	338	390

Donated assets expense (\$0.043 million) relates to plant and equipment and is recorded as expenditure at their fair value. The Parent Entity donated building improvements of \$0.052 million to HACs, which is eliminated on consolidation.

* Includes Audit fees paid or payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act* of \$0.153 million. No other services were provided by the Auditor-General's Department. Also includes fees paid or payable to Galpins Accountants Auditors and Business Consultants of \$0.042 million for HAC and aged care audit services.

5. Fees and charges

	Consolidated	Parent
	2020	2020
	\$'000	\$'000
Patient and client fees	5,563	5,563
Recoveries	2,498	2,498
Residential and other aged care charges	4,716	4,716
Sale of goods - medical supplies	115	115
Other user charges and fees	1,000	1,000
Total fees and charges	13,892	13,892

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.

The Hospital recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities (refer to note 22).

The Hospital recognises revenue (contract from customers) at a point in time primarily from external customers including 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, anaesthetists, 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.

Residential and other aged care charges

Long stay nursing home fees include daily care fees and daily accommodation fees. Residents pay fortnightly in arrears for services rendered and accommodation supplied. Revenue from these services and accommodation is recognised on a time basis as provided. Customers are invoiced fortnightly in arrears as services and accommodation are provided. Any amounts remaining unpaid or unbilled at the end of the reporting period are treated as an accounts receivable.

Recoveries

Where the Hospital has incurred an expense on behalf of another entity, payment is recovered from the other entity by way of a recharge of the cost incurred. Recoveries can relate to the recharge of salaries and wages or various goods and services. Revenue is recognised on a time-and-material basis as provided. Any amounts remaining unpaid at the end of the reporting period are treated as an accounts receivable.

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6. Grants and contributions

	Consolidated 2020	Parent 2020
	\$'000	\$'000
Commonwealth grants	14,420	14,420
Commonwealth aged care subsidies	11,422	11,422
SA Government capital contributions	-	7
Other SA Government grants and contributions	924	1,138
Private sector capital contributions	67	67
Private sector grants and contributions	793	793
Total grants and contributions	27,626	27,847

The grants received are usually subject to terms and conditions set out in the contract, correspondence, or by legislation. All grants and contributions received were provided for specific purposes such as aged care, community health services and other related health services.

7. Resources received free of charge

	Consolidated 2020	Parent 2020
	\$'000	\$'000
Plant and equipment	526	526
Services	1,458	1,458
Total resources received free of charge	1,984	1,984

Resources received free of charge were plant and equipment and are recorded at their fair value.

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. The Hospital receives Financial Accounting, Taxation, Payroll, Accounts Payable and Accounts Receivable services from Shared Services SA free of charge, following Cabinet's approval to cease intra-government charging.

Although not recognised, the Hospital receives volunteer services from around 200 volunteers who provide patient and staff support services to individuals using the Hospital's services. The services include but are not limited to: patient liaison, transport, community activities, gardening and community advocacy.

8. Net loss from disposal of non-current and other assets

	Consolidated 2020	Parent 2020
	\$'000	\$'000
Land and buildings:		
Proceeds from disposal	-	-
Less carrying amount of assets disposed	(1,413)	(1,413)
Net loss from disposal of land and buildings	(1,413)	(1,413)
Plant and equipment:		
Proceeds from disposal	20	20
Less carrying amount of assets disposed	(73)	(73)
Net loss from disposal of plant and equipment	(53)	(53)
Total assets:		
Total proceeds from disposal	20	20
Less total carrying amount of assets disposed	(1,486)	(1,486)
Total net loss from disposal of assets	(1,466)	(1,466)

Losses on disposal are recognised at the date control of the asset is passed from the Hospital and are determined after deducting the carrying amount of the asset from the proceeds at that time. When revalued assets are disposed, the revaluation surplus is transferred to retained earnings.

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9. Other revenues/income

	Consolidated	Parent
	2020	2020
	\$'000	\$'000
Donations	252	73
Other	254	251
Total other revenues/income	506	324

10. Revenues from SA Government

	Consolidated	Parent
	2020	2020
	\$'000	\$'000
Capital funding	7,379	7,379
Recurrent funding	121,469	121,469
Total revenues from SA Government	128,848	128,848

The Department provides recurrent and capital funding under a service level 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.

11. Cash and cash equivalents

	Consolidated	Parent
	2020	2020
	\$'000	\$'000
Cash at bank or on hand	2,295	1,779
Deposits with Treasurer: general operating	2,461	2,461
Total cash and cash equivalents	4,756	4,240

Cash is measured at nominal amounts. The Hospital operates through the Department's general operating account held with the Treasurer and does not earn interest on this account. Interest is earned on HAC and GFT bank accounts and accounts holding aged care funds, including refundable deposits. Of the \$4.756 million held, \$0.896 million relates to aged care refundable deposits.

12. Receivables

		Consolidated	Parent
Current	Note	2020	2020
		\$'000	\$'000
Patient/client fees: compensable		455	455
Patient/client fees: aged care		1,331	1,331
Patient/client fees: other		642	642
Debtors		703	703
Less: allowance for impairment loss on receivables	12.1	(528)	(528)
Prepayments		78	78
Interest		38	25
Workers compensation provision recoverable		253	253
Sundry receivables and accrued revenue		641	641
GST input tax recoverable		93	93
Total current receivables		3,706	3,693
Non-current			
Debtors		12	12
Workers compensation provision recoverable		422	422
Total non-current receivables		434	434
Total receivables		4,140	4,127

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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.

12.1 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 a provision matrix as a practical expedient to measure the impairment provision.

Movement in the allowance for impairment loss on receivables:

	Consolidated	Parent
	2020	2020
	\$'000	\$'000
Transferred in through administrative restructure	270	270
Increase/(Decrease) in allowance recognised in profit or loss	258	258
Carrying amount at the end of the period	528	528

Impairment losses relate to receivables arising from contracts with customers that are external to SA Government. Refer to note 29 for details regarding credit risk and the methodology for determining impairment.

13. Other financial assets

The Hospital holds term deposits of \$20.471 million (\$17.748 million parent) of which \$11.745 million relates to aged care refundable deposits, with the remaining funds primarily relating to aged care. These deposits are measured at amortised cost. There is no impairment on term deposits.

14. Inventories

	Consolidated	Parent
	2020	2020
	\$'000	\$'000
Drug supplies	288	288
Medical, surgical and laboratory supplies	329	329
Food and hotel supplies	151	151
Other	26	26
Total current inventories - held for distribution	794	794

All inventories are held for distribution at no or nominal consideration and are measured at the lower of average weighted cost and replacement cost. The amount of any 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.

15. Property, plant and equipment, investment property and intangible assets

15.1 Acquisition and recognition

Property, plant and equipment owned by the Hospital are initially recorded on a cost basis, and 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.

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The Hospital capitalises owned property, plant and equipment with 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 in excess of \$5 million for infrastructure assets and \$1 million for other assets.

15.2 Depreciation and amortisation

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 and amortisation is calculated on a straight line basis.

Property, plant and equipment and intangible assets depreciation and amortisation are calculated over the estimated useful life as follows:

<u>Class of asset</u>	<u>Useful life (years)</u>
Buildings and improvements	10 – 80
Right of use buildings	Lease term
Plant and equipment:	
• Medical, surgical, dental and biomedical equipment and furniture	2 - 25
• Computing equipment	3 - 5
• Vehicles	2 - 25
• Other plant and equipment	3 – 50
Right of use plant and equipment	Lease term
Intangibles	5 – 30

15.3 Revaluation

All non-current tangible assets owned by the Hospital 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 owned asset's fair value at the time of acquisition is greater than \$1 million and the estimated useful life exceeds three years. 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 revaluation took place.

Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair-value.

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.

15.4 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. Where there is an indication of impairment, the recoverable amount is estimated. Fair value is assessed each year. There were no indications of impairment of property, plant and equipment or intangibles as at 30 June 2020.

15.5 Intangible assets

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 are reviewed on an annual basis. The Hospital has residential aged care bed licences which have an indefinite useful life and are therefore not amortised. Thirty bed licences are recorded at their original cost of \$0.700 million. Other bed licences that were received for no consideration from the Commonwealth Government are recognised at their fair value. Having regard to recent sale activity within SA's country areas and the relaxation of ceiling limits on bed licences, the Hospital has recorded these licences at nil value.

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15.6 Land and buildings

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 using and adjustment to factors to reflect the restriction.

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

15.7 Plant and equipment

The carrying value of plant and equipment are 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.

15.8 Right-of-use assets

Right-of-use assets (including concessional arrangements) are recorded at cost and there were no indications of impairment. Additions to right-of-use assets during 2019-20 were \$0.646 million.

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16. Reconciliation of property, plant and equipment

The following table shows the movement:

Consolidated

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	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	
Acquisitions through administrative restructuring	10,313	142,900	748	186	1,541	915	942	184	157,729
Additions	-	65	-	6,689	285	-	646	142	7,827
Assets received free of charge	-	-	-	-	345	182	-	-	527
Disposals	-	(1,413)	-	-	(57)	(16)	(5)	-	(1,491)
Donated assets disposal	-	-	-	-	(43)	-	-	-	(43)
Transfers between asset classes	-	-	-	-	159	26	-	(185)	-
Subtotal:	10,313	141,552	748	6,875	2,230	1,107	1,583	141	164,549
Gains/(losses) for the period recognised in net result:									
Depreciation and amortisation	-	(8,524)	(249)	-	(617)	(182)	(643)	-	(10,215)
Subtotal:	-	(8,524)	(249)	-	(617)	(182)	(643)	-	(10,215)
Carrying amount at the end of the period	10,313	133,028	499	6,875	1,613	925	940	141	154,334
Gross carrying amount									
Gross carrying amount	10,313	145,590	748	6,875	2,830	1,106	1,473	141	169,076
Accumulated depreciation / amortisation	-	(12,562)	(249)	-	(1,217)	(181)	(533)	-	(14,742)
Carrying amount at the end of the period	10,313	133,028	499	6,875	1,613	925	940	141	154,334

All property, plant and equipment are classified in the level 3 fair value hierarchy except for capital works in progress which is not classified. Refer to note 19 for details about the lease liability for right-of-use assets.

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Parent
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	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	
Acquisitions through administrative restructuring	5,675	80,043	748	186	1,541	915	942	184	90,234
Additions	-	65	-	6,689	285	-	646	142	7,827
Assets received free of charge	-	-	-	-	345	182	-	-	527
Disposals	-	(1,413)	-	-	(57)	(16)	(5)	-	(1,491)
Donated assets disposal	-	(52)	-	-	(43)	-	-	-	(95)
Transfers between asset classes	-	-	-	-	159	26	-	(185)	-
Subtotal:	5,675	78,643	748	6,875	2,230	1,107	1,583	141	97,002
Gains/(losses) for the period recognised in net result:									
Depreciation and amortisation	-	(4,795)	(249)	-	(617)	(182)	(643)	-	(6,486)
Subtotal:	-	(4,795)	(249)	-	(617)	(182)	(643)	-	(6,486)
Carrying amount at the end of the period	5,675	73,848	499	6,875	1,613	925	940	141	90,516
Gross carrying amount									
Gross carrying amount	5,675	78,643	748	6,875	2,830	1,106	1,473	141	97,491
Accumulated depreciation / amortisation	-	(4,795)	(249)	-	(1,217)	(181)	(533)	-	(6,975)
Carrying amount at the end of the period	5,675	73,848	499	6,875	1,613	925	940	141	90,516

All property, plant and equipment are classified in the level 3 fair value hierarchy except for capital works in progress which is not classified. Refer to note 19 for details about the lease liability for right-of-use assets.

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17. 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 owned 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 15 and 17.2 and for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

17.1 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 at level 3 which are all recurring. 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. During 2020, the Hospital had no valuations categorised into level 1 or 2.

17.2 Valuation techniques and inputs

Due to the predominantly specialised nature of health service assets, the majority of land and building 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.

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.

18. Payables

	Consolidated	Parent
	2020	2020
	\$'000	\$'000
Current		
Creditors and accrued expenses	4,032	4,032
Paid Parental Leave Scheme	23	23
Staff on-costs*	1,278	1,278
Other payables	62	62
Total current payables	5,395	5,395
Non-current		
Staff on-costs*	720	720
Total non-current payables	720	720
Total payables	6,115	6,115

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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 to their short term nature.

*Staff on-costs include Return to Work SA levies and superannuation contributions. 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 the DTF, the portion of long service leave taken as leave is 38%, and the average factor for the calculation of employer superannuation on-costs is 9.80%. These rates are used in the employment on-cost calculation.

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 29 for information on risk management.

19. Financial liabilities

The Hospital has lease liabilities of \$1.458 million, which 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 these lease liabilities was \$0.029 million.

Refer to note 29 for information on risk management.

19.1 Leasing activities

The Hospital has a number of lease agreements including concessional. Lease terms vary in length from 2 to 13 years.

Major lease activities include the use of:

- Properties – accommodation for some community health offices and medical centres are leased from the private sector or local government and staff residential accommodation at Kadina is leased from Housing SA. Generally 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 specified 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 15 and 16 for details about the right of use assets (including depreciation).

19.2 Concessional lease arrangements

The Hospital has one concessional lease arrangement as lessee with a local council. This lease has not been brought to account.

Right of use asset	Nature of arrangements	Details
Buildings and improvements	Term is for 13 years Payments are \$1 per annum	Concessional building arrangement is for the use of premises at Clare for community health services

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19.3 Maturity analysis

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

	Consolidated	Parent
	2020	2020
Lease Liabilities	\$'000	\$'000
1 to 3 years	663	663
3 to 5 years	75	75
Total lease liabilities (undiscounted)	738	738

20. Staff benefits

	Consolidated	Parent
	2020	2020
Current	\$'000	\$'000
Accrued salaries and wages	3,128	3,128
Annual leave	8,259	8,259
Long service leave	1,694	1,694
Skills and experience retention leave	784	784
Other	16	16
Total current staff benefits	13,881	13,881
Non-current		
Long service leave	18,719	18,719
Total non-current staff benefits	18,719	18,719
Total staff benefits	32,600	32,600

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. Refer to note 1.6 for details of staff transferred to the Hospital.

20.1 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.

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

20.2 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 long service leave liability. The actuarial assessment performed by the DTF 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 is 0.75%, which is used as the rate to discount future long service leave cash flows. The actuarial assessment performed by the DTF determined the salary inflation rate to be 2.5% for long service leave liability and 2.0% for annual leave and skills, experience and retention leave liability.

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21. Provisions

Provisions represent workers compensation.

Reconciliation of workers compensation (statutory and non-statutory)

	Consolidated	Parent
	2020	2020
	\$'000	\$'000
Transferred in through administrative restructure	1,486	1,486
Increase in provisions recognised	296	296
Carrying amount at the end of the period	1,782	1,782

Workers compensation statutory provision

The Hospital is an exempt employer under the *Return to Work Act 2014*. Under a scheme arrangement, the Hospital is responsible for the management of workers rehabilitation and compensation, and is directly responsible for meeting the cost of workers' compensation claims and the implementation and funding of preventive programs.

Although the Department provides funds to the Hospital for the settlement of lump sum and redemption payments, the cost of these claims, together with other claim costs, are met directly by the Hospital, and are thus reflected as an expense from ordinary activities in the Statement of Comprehensive Income.

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2020 provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment. The provision is for the estimated cost of ongoing payments to staff as required under current legislation. There is a high level of uncertainty as to the valuation of the liability (including future claim costs). The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling these claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all claims do not have to be paid in the immediate future.

Workers compensation non-statutory provision

Additional insurance/compensation for certain work related injuries has been introduced for most public sector employees through various enterprise bargaining agreements and industrial awards. This insurance/compensation is intended to provide continuing benefits to non-seriously injured 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 workers compensation non-statutory provision is an actuarial assessment of the outstanding claims liability, provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment. There is a high level of uncertainty as to the valuation of the liability (including future claim costs), this is largely due to the enterprise bargaining agreements and industrial awards being in place for a short period of time and the emerging experience is unstable. The average claim size has been estimated based on applications to date and this may change as more applications are made. As at 30 June 2020 the Hospital recognised a workers compensation non-statutory provision of \$0.082 million.

22. Contract liabilities and other liabilities

	Consolidated	Parent
	2020	2020
	\$'000	\$'000
Current		
Contract liabilities	1,602	1,602
Residential aged care bonds	12,989	12,989
Other	15	15
Total contract liabilities and other liabilities	14,606	14,606

Residential aged care bonds are accommodation bonds, refundable accommodation contributions and refundable accommodation deposits. These are non-interest bearing deposits made by aged care facility residents to the Hospital upon their admission to residential accommodation. The liability for accommodation is carried at the amount that would be payable on exit of the resident. This is the amount received on entry of the resident less applicable deductions for fees and retentions pursuant to the *Aged Care Act 1997*. Residential aged care bonds are classified as current liabilities as the Hospital does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. The obligation to settle could occur at any time. Once a refunding event occurs the other liability becomes interest bearing. The interest rate applied is the prevailing interest rate at the time as prescribed by the Commonwealth Department of Health.

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23. Cash flow reconciliation

Reconciliation of cash and cash equivalents at the end of the reporting period	Consolidated 2020 \$'000	Parent 2020 \$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	4,756	4,240
Cash as per Statement of Financial Position	4,756	4,240
Balance as per Statement of Cash Flows	4,756	4,240
Reconciliation of net cash provided by operating activities to net result:		
Net cash provided by (used in) operating activities	4,431	4,449
Add/less non-cash items		
Asset donated free of charge	(43)	(95)
Capital revenues	5,993	5,993
Depreciation and amortisation expense of non-current assets	(10,215)	(6,486)
Gain/(loss) on sale or disposal of non-current assets	(1,466)	(1,466)
Interest credited directly to investments	212	150
Resources received free of charge	526	526
Movement in assets/liabilities		
Increase/(decrease) in inventories	75	75
Increase/(decrease) in receivables	236	246
(Increase)/decrease in other liabilities	(1,632)	(1,632)
(Increase)/decrease in payables and provisions	(1,075)	(1,075)
(Increase)/decrease in staff benefits	(2,019)	(2,019)
Net result	(4,977)	(1,334)

Total cash outflows for leases is \$0.904 million.

24. Unrecognised contractual commitments

Expenditure commitments	Consolidated 2020 \$'000	Parent 2020 \$'000
Within one year	1,298	1,298
Later than one year but not longer than five years	363	363
Total other expenditure commitments	1,661	1,661

The Hospital's expenditure commitments are for agreements for goods and services ordered but not received and are disclosed at nominal amounts. The Hospital also has commitments to provide funding to various non-government organisations in accordance with negotiated service agreements. The value of these commitments as at 30 June 2020 has not been quantified.

25. Trust funds

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

	2020 \$'000
Transfer in through administrative restructure	69
Client trust receipts	270
Client trust payments	(281)
Carrying amount at the end of the period	58

26. 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 liabilities. In addition, it has no guarantees.

27. Events after balance date

Prior to 30 June, members of the Australian Nurses and Midwifery Federation supported a new public sector Nursing and Midwifery (SA Public Sector) Enterprise Agreement (EA), and accordingly an application for a new EA was submitted to the South Australian Employment Tribunal (SAET) (also prior to 30 June). The SAET approved the application on 16 July 2020. Amongst other matters, the new EA provides for a 2% increase in salary and wages (and certain allowances) from 1 January 2020. The financial statements have been adjusted for this event as the condition that triggered the liability existed at or before 30 June.

Following a recommendation of a Parliamentary Select Committee Inquiry into Regional Health Services, and through the Governance Reform process, the Minister asked the unincorporated HACs whether they wished to become incorporated, and thus manage their own Gift Fund Trusts and real property, currently held for them by the Country Health Gift Fund HAC Inc. It is anticipated that these incorporations will occur during the 2020-21 financial year, resulting in net assets for these entities being transferred from Barossa Hills Fleurieu Local Health Network Inc to the Hospital.

28. 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 Standards AASB 2018-6 and AASB 2018-7 will apply from 1 July 2020 and AASB 2014-10, AASB 2015-10, AASB 2017-5 will apply from 1 July 2022. Although applicable to the Hospital, these amending standards are not expected to have an impact on the Hospital's financial statements. SA Health will update its policies, procedures and work instructions, where required, to reflect changes to the definition of a business, definition of materiality, and the additional clarification of requirements for a sale or contribution of assets between an investor and its associate or joint venture.

29. Financial instruments/financial risk management

29.1 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 from appropriation by the SA Government via the Department. The Hospital works with DTF to determine the cash flows associated with the SA 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, 18 and 19 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 12 and 13 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 residential aged care refundable deposits become interest bearing once a refunding event occurs as per Note 22. There is no exposure to foreign currency or other price risks.

29.2 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.

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Financial assets and financial liabilities are measured at amortised cost. Amounts relating to statutory receivables and payables (e.g. Commonwealth taxes; Auditor-General's Department audit fees etc.) and prepayments are excluded as they are not financial assets or liabilities. Receivables and Payables at amortised cost are \$3.279 million and \$3.948 million respectively.

29.3 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.

A provision matrix is used to measure the expected credit loss (ECL) of receivables from non-government debtors. The ECL 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 within net result.

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 Department.

To measure the ECL, receivables are grouped based on days past due and debtor types that have similar risk characteristics and loss patterns (i.e. by patient and sundry, compensable and aged care), including any changes in the forward-looking estimates are analysed. The Hospital considers reasonable and supportable information that is relevant and available without undue cost or effort; about past events, current conditions and forecasts of future economic conditions.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Hospital's historical credit loss experience and forecast of economic conditions may also 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 ECL for non-government debtors:

CONSOLIDATED and PARENT

	30 June 2020		
	Expected credit loss rate(s) %	Gross carrying amount \$'000	Expected credit losses \$'000
Days past due			
Current	0.3 - 3.4 %	1,070	14
<30 days	0.8 - 4.3 %	219	7
31-60 days	2.1 - 6.6%	107	5
61-90 days	3.2 - 12.7 %	96	9
91-120 days	4.1 - 17.0 %	133	16
121-180 days	5.4 - 22.9 %	75	12
181-360 days	7.5 - 38.8 %	285	57
361-540 days	19.3 - 74.3%	251	91
>540 days	23.2 - 89.2%	848	317
Total		3,084	528

30. Significant transactions with government related entities

The Hospital is controlled by the 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.

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The Hospital received funding from the SA Government via the Department (note 10), and incurred significant expenditure via the Department for medical, surgical and laboratory supplies, computing and insurance (note 3). The Department transferred capital works in progress of \$5.993 million to the Hospital. The Hospital incurred significant expenditure with the Department of Planning, Transport and Infrastructure (DPTI) for property repairs and maintenance of \$4.812 million (note 3). As at 30 June the outstanding balance payable to DPTI was \$0.773 million.

31. Interests in other entities

The Hospital has interests in a number of other entities as detailed below.

Controlled Entities

The Hospital has effective control over, and a 100% interest in, the net assets of the associated HACs. The HACs were established as a consequence of the Act being enacted and certain assets, rights and liabilities of the former Hospitals and Incorporated Health Centres were vested in them with the remainder being vested in the Hospital.

By proclamation dated 26 June 2008, the following assets, rights and liabilities were vested in the Incorporated HACs:

- all real property, including any estate, interest or right in, over or in respect of such property except for all assets, rights and liabilities associated with any land
- all real property, including any estate, interest or right in, over or in respect of such property except for all assets, rights and liabilities associated with any land dedicated under any legislation dealing with Crown land; and
- all funds and personal property held on trust and bank accounts and investments that are solely constituted by the proceeds of fundraising except for all gift funds, and other funds or personal property constituting gifts or deductible contributions under the Income Tax Assessment Act 1997 (Commonwealth).

The above assets, rights and liabilities of the former Hospitals whose HAC elected not to be incorporated were vested in the Country Health SA Board Health Advisory Council Inc, which from 1 July 2019 was renamed to Country Health Gift Fund Health Advisory Council Inc, and is reported as part of Barossa Hills Fleurieu Local Health Network Inc.

The HACs have no powers to direct or make decisions with respect to the management and administration of the Hospital.

The Hospital also has effective control over, and a 100% interest in, the net assets of the associated GFTs. The GFTs were established by virtue of a deed executed between the Department for Health and Wellbeing and the individual HAC.

The net assets of the GFTs associated with unincorporated HACs are vested in the Country Health Gift Fund Health Advisory Council Inc Gift Fund Trust, and are reported as part of Barossa Hills Fleurieu Local Health Network Inc.

Health Advisory Councils and associated Gift Fund Trusts		
Incorporated HACs and GFTs		
Balaklava Riverton Health Advisory Council Inc	Lower North Health Advisory Council Inc	Mid North Health Advisory Council Inc
Northern Yorke Peninsula Health Advisory Council Inc	Port Broughton District Hospital and Health Services Health Advisory Council Inc	Yorke Peninsula Health Advisory Council Inc
Balaklava Riverton Health Advisory Council Inc Gift Fund Trust	Lower North Health Advisory Council Inc Gift Fund Trust	Mid North Health Advisory Council Inc Gift Fund Trust
Northern Yorke Peninsula Health Advisory Council Inc Gift Fund Trust	Port Broughton District Hospital and Health Services Health Advisory Council Inc Gift Fund Trust	Yorke Peninsula Health Advisory Council Inc Gift Fund Trust
Unincorporated HACs and GFTs		
Port Pirie Health Service Health Advisory Council	Southern Flinders Health Advisory Council	
Port Pirie Health Service Health Advisory Council Gift Fund Trust	Southern Flinders Health Advisory Council Gift Fund Trust	

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32. Administered Items

The Hospital administers arrangements at the Booleroo Medical Centre. Fees and charges are collected on behalf of doctors who work in the Hospital-owned medical centre. The Hospital cannot use these administered funds for the achievement of its objectives.

2020

\$'000

Revenue from fees and charges	780
Other expenses	(780)
Net result	-

Cash at bank	33
Payables	(33)
Net administered assets/equity	-

Cash at bank at the beginning of period	-
Medical Centre cash inflows	780
Medical Centre cash outflows	(747)
Cash at bank at the end of the period	33

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33. Board and committee members

Members of boards/committees who served for all or part of the financial year and were entitled to receive income from membership in accordance with APS124.B were:

Board/Committee name:	Government employee members	Other members
Yorke and Northern Local Health Network Governing Board	-	Badenoch J, Bouilly V (Chair) (resigned 11/12/2019), Coulthard G (appointed 11/11/2019), Malcolm E, Mohor S (resigned 01/11/2019), Voumard J (chair from 11/12/2019), Warncken Y
Yorke and Northern Local Health Network Audit and Risk Committee	-	Traeger E (appointed 17/12/2019)

Refer to note 2.2 for remuneration of board and committee members