

Northern Adelaide  
Local Health Network Incorporated

Financial report  
for the year ended  
30 June 2020



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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 2020.

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 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 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 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 the Northern Adelaide Local Health Network Incorporated 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 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
- 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.

A handwritten signature in black ink, appearing to read 'Andrew Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

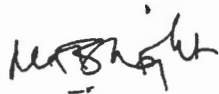
**Auditor-General**

18 September 2020

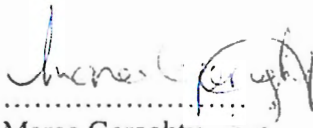
## Certification of the financial statements

We certify that the:

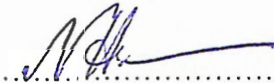
- financial statements of the Northern Adelaide Local Health Network Inc.:
  - are in accordance with the accounts and records of the authority; and
  - comply with relevant Treasurer's instructions; and
  - comply with relevant accounting standards; and
  - present a true and fair view of the financial 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



.....  
Maree Geraghty  
Chief Executive Officer



.....  
Natalia Hubczenko  
Chief Finance Officer

Date: 15 September 2020

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 30 June 2020**

	Note	2020 \$'000	2019 \$'000
<b>Income</b>			
Revenues from SA Government	9	789,371	665,924
Fees and charges	5	37,796	33,990
Grants and contributions	6	4,264	3,841
Interest		51	116
Resources received free of charge	7	3,484	2,882
Other revenues/income	8	605	537
<b>Total income</b>		<b>835,571</b>	<b>707,290</b>
<b>Expenses</b>			
Staff benefits expenses	2	542,522	521,407
Supplies and services	3	253,559	217,756
Depreciation and amortisation	13,14	34,943	30,175
Grants and subsidies		78	55
Borrowing costs	17	1,126	-
Net loss from disposal of non-current and other assets		3	34
Impairment loss on receivables	11	161	287
Other expenses	4	774	855
<b>Total expenses</b>		<b>833,166</b>	<b>770,569</b>
<b>Net result</b>		<b>2,405</b>	<b>(63,279)</b>
<b>Total comprehensive result</b>		<b>2,405</b>	<b>(63,279)</b>

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

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2020**

	Note	2020 \$'000	2019 \$'000
<b>Current assets</b>			
Cash and cash equivalents	10	22,925	11,007
Receivables	11	8,824	8,584
Inventories	12	2,639	1,972
<b>Total current assets</b>		<b>34,388</b>	<b>21,563</b>
<b>Non-current assets</b>			
Receivables	11	1,467	1,457
Property, plant and equipment	13,14	474,346	418,992
Intangible assets	13	24	45
<b>Total non-current assets</b>		<b>475,837</b>	<b>420,494</b>
<b>Total assets</b>		<b>510,225</b>	<b>442,057</b>
<b>Current liabilities</b>			
Payables	16	19,844	18,671
Financial liabilities	17	3,426	-
Staff benefits	18	78,593	68,549
Provisions	19	2,584	2,248
Contract liabilities and other liabilities	20	55	187
<b>Total current liabilities</b>		<b>104,502</b>	<b>89,655</b>
<b>Non-current liabilities</b>			
Payables	16	3,662	2,717
Financial liabilities	17	45,463	-
Staff benefits	18	95,155	90,983
Provisions	19	3,441	2,688
<b>Total non-current liabilities</b>		<b>147,721</b>	<b>96,388</b>
<b>Total liabilities</b>		<b>252,223</b>	<b>186,043</b>
<b>Net assets</b>		<b>258,002</b>	<b>256,014</b>
<b>Equity</b>			
Retained earnings		236,124	234,136
Asset revaluation surplus		21,878	21,878
<b>Total equity</b>		<b>258,002</b>	<b>256,014</b>

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 2020**

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	Asset		
	revaluation	Retained	Total
Note	surplus	earnings	equity
	\$ '000	\$ '000	\$ '000
<b>Balance at 30 June 2018</b>	<b>21,878</b>	<b>297,461</b>	<b>319,339</b>
Adjustments on initial adoption of Accounting Standards	-	(46)	(46)
<b>Adjusted balance at 1 July 2018</b>	<b>21,878</b>	<b>297,415</b>	<b>319,293</b>
Net result for 2018-19	-	(63,279)	(63,279)
Total comprehensive result for 2018-19	-	(63,279)	(63,279)
<b>Balance at 30 June 2019</b>	<b>21,878</b>	<b>234,136</b>	<b>256,014</b>
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)
<b>Balance at 30 June 2020</b>	<b>21,878</b>	<b>236,124</b>	<b>258,002</b>

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 2020**

	Note	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
<b>Cash inflows</b>			
Fees and charges		32,484	29,387
Grants and contributions		4,576	4,129
Interest received		51	116
GST recovered from ATO		12,957	12,345
Other receipts		513	774
Receipts from SA Government		661,866	589,501
<b>Cash generated from operations</b>		<b>712,447</b>	<b>636,252</b>
<b>Cash outflows</b>			
Staff benefits payments		(524,360)	(489,324)
Payments for supplies and services		(163,944)	(158,542)
Payments of grants and subsidies		(80)	(57)
Interest paid		(1,126)	-
Other payments		(665)	(726)
<b>Cash used in operations</b>		<b>(690,175)</b>	<b>(648,649)</b>
<b>Net cash provided by/(used in) operating activities</b>		<b>22,272</b>	<b>(12,397)</b>
<b>Cash flows from investing activities</b>			
<b>Cash outflows</b>			
Purchase of property, plant and equipment		(6,701)	(4,946)
<b>Cash used in investing activities</b>		<b>(6,701)</b>	<b>(4,946)</b>
<b>Net cash used in investing activities</b>		<b>(6,701)</b>	<b>(4,946)</b>
<b>Cash flows from financing activities</b>			
<b>Cash outflows</b>			
Repayment of lease liability		(3,653)	-
<b>Cash used in financing activities</b>		<b>(3,653)</b>	<b>-</b>
<b>Net cash used in financing activities</b>		<b>(3,653)</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>11,918</b>	<b>(17,343)</b>
Cash and cash equivalents at the beginning of the period		11,007	28,350
<b>Cash and cash equivalents at the end of the period</b>	21	<b>22,925</b>	<b>11,007</b>
Non-cash transactions	21,29		

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 2020**

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## **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 the Administered Items at Note 31. 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 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.

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

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**1.4 Continuity of Operations**

As at 30 June 2020, the Hospital had a working capital deficiency of \$70.114 million (2019 \$68.092 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**

**Administrative Restructure – Transferred in**

**2019-20**

As part of governance reforms and new Department of Health and Wellbeing (the 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.

**2018-19**

- There were no transfers during this period.

**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**

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 cases. Noteworthy, since the 22 April, 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 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 Government to assist the Hospital with its COVID-19 response. This funding was for additional costs incurred by the Hospital in responding to the COVID-19 outbreak, including the diagnosis and treatment of patients with or suspected of having COVID19, 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 (\$ 0.373m).

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

- Additional costs associated with public health activities (e.g. preparation of hospitals to respond and establishing testing clinics), purchases of personal protective equipment for staff, and non-clinical costs (e.g. additional hospital cleaning costs) were \$3.323m.
- The Hospital has purchased various plant and equipment e.g. new ventilators and to assist with responding to SA Health COVID-19 matters was \$0.386m.

The impact of COVID-19 will materially impact next year and future years as a result of cancellation of elective surgeries, which has further increased the waitlist and will require the network to continue outsourcing surgery above commissioned activity in order to meet the election commitment/waitlist targets.

Business continuity information is note 1.4, impairment information are at notes 11.1 and 13.4; and estimates and judgments are at notes 11.1, 16, 18.2 and 19.1

**1.8 Change in accounting policy**

**AASB 16 Leases**

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

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

- AASB 117 required the recognition of an asset and liability in relation to only finance leases (not operating leases). AASB 16 will result in leases previously classified as an operating lease having right-of-use assets and lease liability being recognised in the Statement of Financial Position.
- AASB 117 required lessors to classify sub lease arrangements on the basis of whether substantially all the risks and rewards incidental to ownership of the underlying asset had been transferred to the sublessee. Under AASB 16 classification is made on the basis of whether substantially all the risks and rewards associated with the right of use asset arising from the head lease have been transferred to the lessee. AASB 16 has resulted in the Hospital continuing to classify sub leases arrangements as operating leases.
- AASB 117 resulted in operating lease payments being recognised as an expense under Supplies and Services. AASB 16 largely replaces this with depreciation expense that represents the right-of-use asset and borrowing costs that represent the cost associated with financing the right-of-use asset.

The total impact on the Hospital's retained earnings as at 1 July 2019 is as follows:

	\$'000
<b>Closing retained earnings 30 June 2019 – AASB 117</b>	<b>234,136</b>
<b>Assets</b>	
Right of use assets	52,229
<b>Liabilities</b>	
Lease liabilities	(52,229)
<b>Opening retained earnings 1 July 2019 – AASB 16</b>	<b>234,136</b>

The initial measurement of right of use assets has been calculated as an amount equal to the lease liability on transition adjusted for prepaid or accrued lease payments. The initial measurement of the lease liability was the present value of the remaining lease payments, discounted using the relevant incremental borrowing rate as at 1 July 2019. The average weighted incremental borrowing rate for this purpose was 1.65%.

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

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The difference between operating lease commitments disclosed under AASB 117 at 30 June 2019, adjusted to be discounted using incremental borrowing rates used on transition to AASB 16, and the lease liabilities recognised on 1 July 2019 under AASB 16 is as follows:

	\$'000
<b>Total Operating Lease Commitments disclosed as of 30 June 2019 (AASB 117)</b>	<b>(63,198)</b>
Discounted using the incremental borrowing rate of 1.38% - 2.64%	10,969
<b>Lease liability recognised in statement of financial position 1 July 2019 (AASB 16)</b>	<b>(52,229)</b>

*Accounting policy on transition*

AASB 16 sets out accounting policies on transition. *Treasurer's Instructions (Accounting Policy Statements)*, required the Hospital to apply AASB 16 retrospectively with the cumulative effect of initially applying the standard recognised at 1 July 2019 (comparatives have not been restated); apply AASB 16 to contracts that were previously identified as containing a lease under AASB 117 and not transitioned operating leases for which the lease term ends before 30 June 2020 (with the exception of vehicles leased through South Australian Financing Authority (SAFA)).

*Ongoing accounting policies*

As per Treasurer's Instructions (Accounting Policy Statements), the Hospital will not apply AASB 16 to intangible assets; has adopted a \$15,000 threshold for determining whether an underlying asset is a low value asset; will apply the short term lease recognition exemption (with the exception of vehicles leased through SAFA); will adopt a cost model and not record at fair value on initial recognition, leases that have significantly below market terms and conditions principally to enable the Hospital to further its objectives.

Significant accounting policies relating to the application of AASB 16 are disclosed under relevant notes and are referenced at note 13.8, 13 and 17.

**AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities**

AASB 15 *Revenue from Contracts with Customers* establishes a revenue recognition model for revenue arising from contracts with customers. It requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. AASB 15 supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations and applies to all revenue arising from contracts with customers.

AASB 1058 *Income of Not-for-Profit Entities* establishes new income recognition requirements for not-for-profit entities. Its requirements apply where the consideration to acquire an asset, including cash, is significantly less than fair value principally to entity the entity to further its objectives. AASB 1058 also contains requirements for the receipt of volunteer services. AASB 1058 supersedes the current income recognition requirements contained in AASB 1004 *Contributions*, AASB 118 *Revenue* and AASB 111 *Construction Contracts*. However, elements of AASB 1004 remain in place, primarily in relation to restructures of administrative arrangements and other contributions and distributions by owners.

The Hospital adopted AASB 15 and AASB 1058 on 1 July 2019 and where applicable applied the transitional provisions specified in the standard.

The adoption of these standards did not have an impact on the timing or recognition of the Hospital's revenues, as detailed below:

- Revenues from SA Government (94.5%) largely reflects Appropriations and continues to be recognised as income when the Hospital obtains control of the funds (ie upon receipt);
- Commonwealth revenues and other grants (0.5%) continue to be recognised as service/performance obligations are satisfied, or alternatively where there are no service/performance obligations, upon receipt;
- Fees and Charges (4.5%) continue to be recognised as the service/performance obligations are satisfied;
- Taxes, rates and fines continue to be recognised as income when the taxable event occurs
- Contributed services (resources received free of charge) continues to be recognised where they would have been purchased if they were not donated under AASB 1058 (previously AASB 1004) and contributed assets that do not have sufficiently specific performance obligations will continue to be accounted for as a donation via AASB 1058 (previously AASB 1004);
- Interest income continues to be recognised via AASB 9.



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

In addition, revenue earned in prior periods but not yet receivable (previously recorded as an accrual), is now recorded as a contract asset in the Statement of Financial Position and revenue received in prior periods but not yet recognised (previously recorded as unearned revenue), is now recorded as a contract liability in the Statement of Financial Position.

**1.9 Change 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.

**2. Staff benefits expenses**

	2020 \$'000	2019 \$'000
Salaries and wages	434,466	402,235
Targeted voluntary separation packages (refer below)	437	355
Long service leave	11,540	30,946
Annual leave	43,445	41,482
Skills and experience retention leave	1,578	1,400
Staff on-costs - superannuation*	45,817	41,525
Staff on-costs - other	3	2
Workers compensation	3,500	1,925
Board and committee fees	350	155
Other staff related expenses	1,386	1,382
<b>Total staff benefits expenses</b>	<b>542,522</b>	<b>521,407</b>

\* 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 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 four members of the Executive Management Group.

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 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.

	2020 \$'000	2019 \$'000
<b>Compensation</b>		
Salaries and other short term employee benefits	1,605	1,485
Post-employment benefits	251	144
<b>Total</b>	<b>1,856</b>	<b>1,629</b>

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.

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

**2.2 Remuneration of Board and Committees**

	2020	2019
	No. of	No. of
	Members	Members
\$0	10	13
\$1 - \$9,999	23	19
\$10,000 - \$19,999	1	1
\$30,000 - \$39,999	5	-
\$60,000 - \$69,999	1	1
\$70,000 - \$79,999	1	-
<b>Total</b>	<b>41</b>	<b>34</b>

The total remuneration received or receivable by members was \$0.378 million (\$0.163 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 *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 30 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.

**2.3 Remuneration of staff**

	2020	2019
	No.	No.
The number of staff whose remuneration received or receivable falls within the following bands:		
\$151,000 - \$154,999*	n/a	23
\$155,000 - \$174,999	105	94
\$175,000 - \$194,999	47	45
\$195,000 - \$214,999	23	34
\$215,000 - \$234,999	27	17
\$235,000 - \$254,999	21	19
\$255,000 - \$274,999	8	17
\$275,000 - \$294,999	16	10
\$295,000 - \$314,999	20	18
\$315,000 - \$334,999	14	17
\$335,000 - \$354,999	22	11
\$355,000 - \$374,999	13	11
\$375,000 - \$394,999	10	15
\$395,000 - \$414,999	18	12
\$415,000 - \$434,999	11	21
\$435,000 - \$454,999	14	8
\$455,000 - \$474,999	11	5
\$475,000 - \$494,999	1	4
\$495,000 - \$514,999	8	8
\$515,000 - \$534,999	6	11
\$535,000 - \$554,999	9	4
\$555,000 - \$574,999	5	2
\$575,000 - \$594,999	1	1
\$595,000 - \$614,999	1	-
\$615,000 - \$634,999	1	1
\$655,000 - \$674,999	2	2
\$675,000 - \$694,999	4	-
\$695,000 - \$714,999	4	4
\$715,000 - \$734,999	2	3
\$735,000 - \$754,999	2	3
\$755,000 - \$774,999	1	-
<b>Total number of staff</b>	<b>427</b>	<b>420</b>

\*This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration for 2018-19.

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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, 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 these staff included in Note 2.3 :

	2020		2019	
	No.	\$'000	No.	\$'000
Medical (excluding Nursing)	383	118,882	365	109,540
Executive	6	1,385	7	1,419
Nursing	37	6,214	46	7,735
Non-medical (i.e. administration)	1	171	2	320
<b>Total</b>	<b>427</b>	<b>126,652</b>	<b>420</b>	<b>119,014</b>

**2.5 Targeted voluntary separation packages**

	2020	2019
	\$'000	\$'000
Amount paid/payable to separated staff:		
Targeted voluntary separation packages	437	355
Leave paid/payable to separated employees	483	120
<b>Net cost to the Hospital</b>	<b>920</b>	<b>475</b>

	2020	2019
The number of staff who received a TVSP during the reporting period	11	8

**3. Supplies and services**

	2020	2019
	\$'000	\$'000
Administration	581	638
Advertising	109	255
Communication	1,276	1,014
Computing	6,293	5,669
Consultants	861	1,129
Contract of services	4,894	973
Contractors	453	507
Contractors - agency staff	15,816	18,848
Drug supplies	13,763	8,037
Electricity, gas and fuel	6,616	6,581
Fee for service	13,711	8,710
Food supplies	7,449	3,768
Housekeeping	24,111	23,976
Insurance	5,588	5,793
Internal SA Health SLA payments	7,801	4,163
Legal	204	305
Medical, surgical and laboratory supplies	83,146	65,680
Minor equipment	1,319	894
Motor vehicle expenses	425	179
Occupancy rent and rates	1,525	6,082
Patient transport	6,732	7,143
Postage	1,262	990
Printing and stationery	2,900	2,855
Rental expense on operating lease	-	764
Repairs and maintenance	13,904	12,246
Security	15,198	13,510
Services from Shared Services SA	3,484	2,882
Training and development	6,365	7,038
Travel expenses	206	188
Other supplies and services	7,567	6,939
<b>Total supplies and services</b>	<b>253,559</b>	<b>217,756</b>



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There were no short term or low value leases for the year ending 30 June 2020.

**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.	2020 \$'000	No.	2019 \$'000
Below \$10,000	-	-	3	14
Above \$10,000	11	861	9	1,115
<b>Total paid/payable to consultancies engaged</b>	<b>11</b>	<b>861</b>	<b>12</b>	<b>1,129</b>

**4. Other expenses**

	2020 \$'000	2019 \$'000
Debts written off	333	382
Bank fees and charges	26	30
Other*	415	443
<b>Total other expenses</b>	<b>774</b>	<b>855</b>

\* Includes audit fees paid or payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* of \$0.289 million (\$0.282 million). No other services were provided by the Auditor-General's Department.

**5. Fees and charges**

	2020 \$'000	2019 \$'000
Car parking revenue	2,727	2,479
Fines, fees and penalties	62	56
Insurance recoveries	150	44
Patient and client fees	21,488	19,203
Private practice fees	2,091	2,675
Recoveries	7,030	5,109
Rent revenue	2,222	1,939
Residential and other aged care charges	122	95
Training revenue	52	2
Other user charges and fees	1,852	2,388
<b>Total fees and charges</b>	<b>37,796</b>	<b>33,990</b>

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 changes is revenue recognised from contracts with customers except for recoveries, fines, fees and penalties, insurance recoveries and rent revenue.

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<b>Contracts with Customers disaggregated by pattern of revenue recognition and type of customer</b>	<b>2020 Goods/Services transferred at a point in time</b>	<b>2020 Goods/Services transferred over a period of time</b>	<b>2019 Goods/Services transferred at a point in time</b>	<b>2019 Goods/Services transferred over a period of time</b>
Car parking revenue	789	1,938	814	1,665
Patient and client fees	21,392	-	19,203	-
Private practice fees	2,091	-	2,675	-
Residential and other aged care charges	122	-	95	-
Training revenue	52	-	2	-
Other user charges and fees	1,836	-	2,366	2
<b>Total contracts with external customers</b>	<b>26,282</b>	<b>1,938</b>	<b>25,155</b>	<b>1,667</b>
Patient and client fees	96	-	-	-
Other user charges and fees	16	-	20	-
<b>Total contracts with SA Government customers</b>	<b>112</b>	<b>-</b>	<b>20</b>	<b>-</b>
<b>Total contracts with customers</b>	<b>26,394</b>	<b>1,938</b>	<b>25,175</b>	<b>1,667</b>

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).

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 recognized 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 specialists private practice. SA Health disburses amounts collects 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 recognized as its collected as per the Rights of Private Practice Agreement.

*Car Parking Revenue*

The Hospital provides access to car parks directly to employees, patients and visitors. The first two hours in the open air car park at the Hospital is free for patients and visitors. After which time, an hourly fee is payable based on the time consumed. Tickets are purchased via the paystation or the car parking officer on site. A discounted weekly ticket is also available. Revenue is recognized when control of the goods has transferred to the customer, being when the ticket is purchased.

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**6. Grants and contributions**

	2020 \$'000	2019 \$'000
Commonwealth grants and donations	184	190
Other SA Government grants and contributions	588	178
Private sector capital contributions	366	306
Private sector grants and contributions	3,126	3,167
<b>Total grants and contributions</b>	<b>4,264</b>	<b>3,841</b>

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

Of the \$4.264 million (\$3.841 million) received in 2019-20 for grants and contributions, \$2.055 million (\$2.155 million) was provided for specific purposes, such as research and associated activities.

**7. Resources received free of charge**

	2020 \$'000	2019 \$'000
Services	3,484	2,882
<b>Total resources received free of charge</b>	<b>3,484</b>	<b>2,882</b>

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, 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 and the Modbury Hospital Foundation. There are around 600 volunteers who provide patient and staff support services to individual 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.

**8. Other revenues/income**

	2020 \$'000	2019 \$'000
Donations	6	-
Other	599	537
<b>Total other revenues/income</b>	<b>605</b>	<b>537</b>

**9. Revenues from SA Government**

	2020 \$'000	2019 \$'000
Capital funding	37,261	13,504
Recurrent funding	752,110	652,420
<b>Total revenues from Department for Health and Wellbeing</b>	<b>789,371</b>	<b>665,924</b>

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 revenues when the Hospital obtains control over the funding. Control over the funding is normally obtained upon receipt.

**10. Cash and cash equivalents**

	2020 \$'000	2019 \$'000
Cash at bank or on hand	849	865
Deposits with Treasurer: general operating	13,263	1,876
Deposits with Treasurer: special purpose funds	8,813	8,266
<b>Total cash and cash equivalents</b>	<b>22,925</b>	<b>11,007</b>

Cash is measured at nominal amounts. Government policy ensures that the Hospital will have adequate cash to meet approved expenditure requirements eg staff benefit expenses, capital works etc.

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The Hospital receives specific purpose funds from various sources including government, private sector and individuals. The amounts are controlled by the Hospital, and are used to help achieve the Hospital objectives, notwithstanding that specific uses can be determined by the grantor or donor. Accordingly, the 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 \$0.051 million in 2020 (\$0.116 million in 2019).

## 11. Receivables

	2020	2019
	\$'000	\$'000
<b>Current</b>		
Patient/client fees: compensable	685	534
Patient/client fees: other	4,799	5,426
Debtors	1,978	1,246
Less: allowance for impairment loss on receivables	(1,270)	(1,109)
Prepayments	807	493
Workers compensation provision recoverable	855	793
Sundry receivables and accrued revenue	823	938
GST input tax recoverable	147	263
<b>Total current receivables</b>	<b>8,824</b>	<b>8,584</b>
<b>Non-current</b>		
Debtors	41	22
Workers compensation provision recoverable	1,426	1,435
<b>Total non-current receivables</b>	<b>1,467</b>	<b>1,457</b>
<b>Total receivables</b>	<b>10,291</b>	<b>10,041</b>

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

Movement in the allowance for impairment loss on receivables:

	2020	2019
	\$'000	\$'000
<b>Carrying amount at the beginning of the period</b>	<b>1,109</b>	<b>822</b>
Increase/(Decrease) in allowance recognised in profit or loss	161	287
<b>Carrying amount at the end of the period</b>	<b>1,270</b>	<b>1,109</b>

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

Refer to note 28 for details regarding credit risk and the methodology for determining impairment.

## 12. Inventories

The inventories held by the Hospital are imprest in nature and are assessed at 30 June every year. The balance for 2020 was \$2.639 million (\$1.972 million). Inventories are held for distribution at no or normal 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 owned 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 all owned property, plant and equipment at a value equal to or greater than \$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 and intangibles 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 owned assets 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 valuation took place.

Non-current tangible assets that are acquired between revaluations are held at cost, until the next valuation, when 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

#### 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, fair value is assessed each year.

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

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**13.5 Intangible assets**

The carrying amount of intangible assets (software) as at 1 July 2019 was \$0.045 million (\$0.072 million), amortisation during the financial year was \$0.021 million (\$0.027 million) resulting in a carrying amount as at 30 June 2020 of \$0.024 million (\$0.045 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 (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured), 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**

Leased land and buildings previously classified as operating leases have been included in the Statement of Financial Position for the first time in 2019-20.

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.

Fair value of specific land and buildings was determined using depreciated replacement cost for specialised land and buildings, 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 the acquisition/transfer costs.

**13.7 Plant and equipment**

Leased plant and equipment previously classified as operating leases have been included in the Statement of Financial Position for the first time in 2019-20.

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 other plant and equipment 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 Right-of-use assets**

Right-of-use assets are recorded at cost and there are no indications of impairment. Additions to the right-of-use assets during 2019-20 were \$0.313 million.

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14. Reconciliation of property, plant and equipment

The following table shows the movement :

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)	-
<b>Subtotal:</b>	<b>43,000</b>	<b>356,958</b>	<b>51,491</b>	<b>37,362</b>	<b>4,410</b>	<b>12,730</b>	<b>1,482</b>	<b>1,051</b>	<b>784</b>	<b>509,268</b>
<b>Gains/(losses) for the period recognised in net result:</b>										
Depreciation and amortisation	-	(26,435)	(3,786)	-	(707)	(3,251)	(258)	(485)	-	(34,922)
<b>Subtotal:</b>	<b>-</b>	<b>(26,435)</b>	<b>(3,786)</b>	<b>-</b>	<b>(707)</b>	<b>(3,251)</b>	<b>(258)</b>	<b>(485)</b>	<b>-</b>	<b>(34,922)</b>
<b>Carrying amount at the end of the period</b>	<b>43,000</b>	<b>330,523</b>	<b>47,705</b>	<b>37,362</b>	<b>3,703</b>	<b>9,479</b>	<b>1,224</b>	<b>566</b>	<b>784</b>	<b>474,346</b>
<b>Gross carrying amount</b>										
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)
<b>Carrying amount at the end of the period</b>	<b>43,000</b>	<b>330,523</b>	<b>47,705</b>	<b>37,362</b>	<b>3,703</b>	<b>9,479</b>	<b>1,224</b>	<b>566</b>	<b>784</b>	<b>474,346</b>

All property, plant and equipment are classified in the level 3 fair value hierarchy except for capital works in progress (not classified). Refer to note 1.8 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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2018-19	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	
<b>Carrying amount at the beginning of the period</b>	43,000	374,192	-	1,683	5,071	10,772	1,238	-	41	435,997
Additions	-	-	-	9,985	-	2,187	310	-	695	13,177
Disposals	-	-	-	-	-	(34)	-	-	-	(34)
Transfers between asset classes	-	3,109	-	(3,331)	-	254	-	-	(32)	-
<b>Subtotal:</b>	<b>43,000</b>	<b>377,301</b>	<b>-</b>	<b>8,337</b>	<b>5,071</b>	<b>13,179</b>	<b>1,548</b>	<b>-</b>	<b>704</b>	<b>449,140</b>
<b>Gains/(losses) for the period recognised in net result:</b>										
Depreciation and amortisation	-	(26,030)	-	-	(661)	(3,217)	(240)	-	-	(30,148)
<b>Subtotal:</b>	<b>-</b>	<b>(26,030)</b>	<b>-</b>	<b>-</b>	<b>(661)</b>	<b>(3,217)</b>	<b>(240)</b>	<b>-</b>	<b>-</b>	<b>(30,148)</b>
<b>Carrying amount at the end of the period</b>	<b>43,000</b>	<b>351,271</b>	<b>-</b>	<b>8,337</b>	<b>4,410</b>	<b>9,962</b>	<b>1,308</b>	<b>-</b>	<b>704</b>	<b>418,992</b>
<b>Gross carrying amount</b>										
Gross carrying amount	43,000	380,012	-	8,337	7,547	32,099	5,870	-	704	477,569
Accumulated depreciation / amortisation	-	(28,741)	-	-	(3,137)	(22,137)	(4,562)	-	-	(58,577)
<b>Carrying amount at the end of the period</b>	<b>43,000</b>	<b>351,271</b>	<b>-</b>	<b>8,337</b>	<b>4,410</b>	<b>9,962</b>	<b>1,308</b>	<b>-</b>	<b>704</b>	<b>418,992</b>

All property, plant and equipment are classified in the level 3 fair value hierarchy except for capital works in progress (not classified)



## 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 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 13.6 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 2020

	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Recurring fair value measurements</b>			
Land	-	43,000	43,000
Buildings and improvements	-	330,523	330,523
Leasehold improvements	-	3,703	3,703
Plant and equipment	-	10,703	10,703
<b>Total recurring fair value measurements</b>	-	<b>387,929</b>	<b>387,929</b>

#### Fair value measurements at 30 June 2019

	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Recurring fair value measurements</b>			
Land	-	43,000	43,000
Buildings and improvements	-	351,271	351,271
Leasehold improvements	-	4,410	4,410
Plant and equipment	-	11,270	11,270
<b>Total recurring fair value measurements</b>	-	<b>409,951</b>	<b>409,951</b>

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 note 13.

During 2020 and 2019, the Hospital had no valuations categorised into Level 1; there were no transfers of assets between Level 1, 2 and 3 fair value hierarchy levels in 2019-20.

### 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, and then adjusted with a discount factor. For this reason they are deemed to have been valued using Level 3 valuation inputs.

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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.

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**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Creditors and accrued expenses	11,759	10,650
Paid Parental Leave Scheme	126	50
Staff on-costs*	7,111	6,125
Other payables	848	1,846
<b>Total current payables</b>	<b>19,844</b>	<b>18,671</b>
<b>Non-current</b>		
Staff on-costs*	3,662	2,717
<b>Total non-current payables</b>	<b>3,662</b>	<b>2,717</b>
<b>Total payables</b>	<b>23,506</b>	<b>21,388</b>

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. 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 has increased from the 2019 rate (29%) to 38% and the average factor for the calculation of employer superannuation on-costs has remained at 9.8%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is an increase in the staff on-cost and staff benefits expense of \$1.040 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 28 for information on risk management.

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**17. Financial liabilities**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Lease liabilities	3,426	-
<b>Total current financial liabilities</b>	<b>3,426</b>	<b>-</b>
<b>Non-current</b>		
Lease liabilities	45,463	-
<b>Total non-current financial liabilities</b>	<b>45,463</b>	<b>-</b>
<b>Total financial liabilities</b>	<b>48,889</b>	<b>-</b>

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. Borrowing costs associated with lease liability payments was \$1.126 million.

Refer to note 28 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 five property leases in place:
  - 7-9 Park Terrace Salisbury (office space)
  - 30 Gawler Street Salisbury (office space)
  - 116 Reservoir Road Modbury (office space)
  - 5 Mark Road Elizabeth Vale (car park)
  - Elizabeth GP Plus, Elizabeth Way, Elizabeth (GP Clinic)

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 the SA Health

Refer note 13 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:

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Lease Liabilities</b>		
1 to 3 years	12,529	-
3 to 5 years	7,214	-
5 to 10 years	14,786	-
More than 10 years	25,024	-
<b>Total lease liabilities (undiscounted)</b>	<b>59,553</b>	<b>-</b>

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**18. Staff benefits**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Accrued salaries and wages	19,136	13,215
Annual leave	47,703	43,935
Long service leave	8,612	8,397
Skills and experience retention leave	3,128	2,995
Other	14	7
<b>Total current staff benefits</b>	<b>78,593</b>	<b>68,549</b>
<b>Non-current</b>		
Long service leave	95,155	90,983
<b>Total non-current staff benefits</b>	<b>95,155</b>	<b>90,983</b>
<b>Total staff benefits</b>	<b>173,748</b>	<b>159,532</b>

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 1.5 for details of staff transferred to the Hospital.

**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.

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 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 has decreased from the 2019 rate (1.25%) to 0.75%. This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$1.274 million, payables (employee on-costs) of \$0.049 million and staff benefits expense of \$1.323 million. The impact on the 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.

The actuarial assessment performed by the DTF reduced the salary inflation rate from 4.00% to 2.50% for long service leave and decreased the salary inflation rate from 2.20% to 2.00% for annual leave and skills, experience and retention leave liability. The net financial effect of the change in the salary inflation rate in the current financial year is a decrease in the annual leave liability of \$0.093 million, skills and experience retention leave liability of \$0.006 million, payables (employee on-costs) of \$0.010 million and staff benefits expense of \$0.100 million.

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**19. Provisions**

The Hospital's provision relates to workers compensation only.

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

	2020	2019
	\$'000	\$'000
<b>Carrying amount at the beginning of the period</b>	<b>4,936</b>	<b>5,642</b>
Increase / (Decrease) in provisions recognised	1,529	(84)
Reductions arising from payments/other sacrifices of future economic benefits	(440)	(622)
<b>Carrying amount at the end of the period</b>	<b>6,025</b>	<b>4,936</b>

**19.1 Workers Compensation**

*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 arrangements for certain work related injuries have 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.

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 \$0.278 million (\$0.320 million).

**20. Contract liabilities and other liabilities**

	2020	2019
	\$'000	\$'000
<b>Current</b>		
Unearned revenue	55	181
Other	-	6
<b>Total current contract liabilities and other liabilities</b>	<b>55</b>	<b>187</b>

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**21. Cash flow reconciliation**

Reconciliation of cash and cash equivalents at the end of the reporting period	2020	2019
	\$'000	\$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	22,925	11,007
<b>Cash as per Statement of Financial Position</b>	<b>22,925</b>	<b>11,007</b>
<b>Balance as per Statement of Cash Flows</b>	<b>22,925</b>	<b>11,007</b>
<b>Reconciliation of net cash provided by operating activities to net result:</b>		
Net cash provided by (used in) operating activities	22,272	(12,397)
<b>Add/less non-cash items</b>		
Capital revenues	32,017	7,454
Depreciation and amortisation expense of non-current assets	(34,943)	(30,175)
Gain/(loss) on sale or disposal of non-current assets	(3)	(34)
Net effect of the adoption of new Accounting Standard	-	46
<b>Movement in assets and liabilities</b>		
Increase/(decrease) in receivables	250	524
Increase/(decrease) in inventories	667	21
(Increase)/decrease in staff benefits	(13,825)	(31,617)
(Increase)/decrease in payables and provisions	(4,162)	2,993
(Increase)/decrease in other liabilities	132	(94)
<b>Net result</b>	<b>2,405</b>	<b>(63,279)</b>

Total cash outflows to leases is \$4.779 million.

**22. Unrecognised contractual commitments**

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

	2020	2019
	\$'000	\$'000
<b>Capital commitments</b>		
Within one year	550	-
<b>Total capital commitments</b>	<b>550</b>	<b>-</b>

	2020	2019
	\$'000	\$'000
<b>Expenditure commitments</b>		
Within one year	29,275	25,664
Later than one year but not longer than five years	79,625	84,711
Later than five years	-	15,625
<b>Total expenditure commitments</b>	<b>108,900</b>	<b>126,000</b>

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

**23. Operating lease expenditure commitments**

	2020	2019
	\$'000	\$'000
Within one year	-	4,688
Later than one year but not longer than five years	-	15,878
Later than five years	-	42,632
<b>Total operating lease commitments</b>	<b>-</b>	<b>63,198</b>
Representing:		
Non-cancellable operating leases	-	63,198
<b>Total operating lease commitments</b>	<b>-</b>	<b>63,198</b>

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Operating lease expenditure commitments are provided for comparative purposes only as AASB 16 *Leases* does not distinguish between operating and finance leases for the lessee.

#### **24. 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, residential drug and alcohol rehabilitation services, or residential aged care 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.

	2020	2019
	\$'000	\$'000
Carrying amount at the beginning of period	223	233
Client trust receipts	771	115
Client trust payments	(649)	(125)
<b>Carrying amount at the end of the period</b>	<b>345</b>	<b>223</b>

#### **25. 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.

#### **26. 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.

#### **27. 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.

## **28. Financial instruments/financial risk management**

### **28.1 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 note 1.4 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.

### **28.2 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).



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Category of financial asset and financial liability *	Notes	2020 Carrying amount/ Fair value \$'000	2019 Carrying amount/ Fair value \$'000
<b>Financial assets</b>			
Cash and equivalent			
Cash and cash equivalents	10,21	22,925	11,007
Amortised cost			
Receivables <sup>(1)(2)</sup>	11	7,009	7,027
<b>Total financial assets</b>		<b>29,934</b>	<b>18,034</b>
<b>Financial liabilities</b>			
Financial liabilities at amortised cost			
Payables <sup>(1)</sup>	16	12,318	12,214
Lease liabilities	17	48,889	-
Other liabilities	20	-	6
<b>Total financial liabilities</b>		<b>61,207</b>	<b>12,220</b>

<sup>(1)</sup> Receivable and payable amounts disclosed exclude amounts relating to statutory receivables and payables (e.g. Commonwealth taxes; Auditor-General's Department audit fees etc.). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents etc. they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost.

<sup>(2)</sup> Receivables amount disclosed excludes prepayments.

### 28.3 Credit risk exposure and impairment of financial assets

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss (ECL) using the simplified approach in AASB 9. From 1 July 2020, loss allowances for contract assets are measured at an amount equal to an expected credit loss method using 12 a month method.

A provision matrix is used to measure the 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 Hospital.

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). The provision matrix is initially based on the Hospital's historical observed default rates. At every reporting date, the historical observed default rates are updated and 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:

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	30 June 2020			30 June 2019		
	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
<b>Days past due</b>						
Current	0.3-3.4%	2,000	35	1.5-4.8%	2,064	36
<30 days	0.8-5.1%	1,160	27	2.2-7.6%	1,810	43
31-60 days	2.8-8.6%	479	17	4.3-10.9%	470	24
61-90 days	4.6-10.2%	238	19	8.2-12.3%	317	27
91-120 days	6.6-11.6%	143	15	12.4-14.1%	279	34
121-180 days	10.1-16.4%	457	74	16.8-17.8%	244	43
181-360 days	16.4-41%	540	204	31.9-35.5%	845	298
361-540 days	36.8-81.3%	468	364	70%	263	184
>540 days	42.1-98.8%	552	543	89.9-100%	457	420
<b>Total</b>		<b>6,037</b>	<b>1,298</b>		<b>6,749</b>	<b>1,109</b>

## 29. 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 9), and incurred expenditure via the Department for medical, surgical and laboratory supplies, insurance and computing (note 3). The Department transferred capital works in progress of \$32.017 million (\$7.446 million) to the Hospital. The Hospital incurred significant expenditure with the Department of Planning, Transport and Infrastructure (DPTI) for property repairs and maintenance of \$12.780 million (\$11.748 million) (note 3) and capital works of \$1.625 million (\$1.002 million). As at 30 June, the outstanding balance payable to DPTI was \$1.309 million (\$1.470 million) (note 16).

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

**30. 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:

<b>Board/Committee name:</b>	<b>Government employee members</b>	<b>Other members</b>
Northern Adelaide Local Health Network Consumer Advisory Council	3	White A (Chair), Mossop J ,Whatley G, Green L, Clark Reynolds N, Patching A, Lowden H, Davies I, Putsey P
Northern Adelaide Local Health Network Governing Council	1	Hains S (Chair), Durrant M, Isemonger J, Lampard F, Smith J, Wilson B, Moffatt N, Vinci G, Frost M
Northern Adelaide Local Health Network Governing Board	-	Blight R (Chair), Burgess A, Roesler C, Patetsos M, Forwood M, South L, Lampard F, Moore R
Northern Adelaide Local Health Network and Department of Health and Wellbeing Aboriginal Consumer Reference Group	-	Wanganeen K (Chair), Stengle A, Forbes A, Graham C, Thyer C, Wanganeen E, Chisholm K, Webb L, Sinclair N, Tonkin B, Weetra R
Northern Adelaide Local Health Network Risk Management & Audit Committee to the Board	-	Connor G (Chair), Patetsos M, Forwood M, Moore R

Refer to note 2.2 for remuneration of board and committee members.

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

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**31. Administered items**

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.

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Fees and charges	9,571	10,065
Other expenses	(8,804)	(9,605)
<b>Net result</b>	<b>767</b>	<b>460</b>
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Cash and cash equivalents	1,111	722
Receivables	1,933	1,563
<b>Net Assets</b>	<b>3,044</b>	<b>2,285</b>
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Cash at 1 July	722	851
Cash inflows	9,190	9,476
Cash outflows	(8,801)	(9,605)
<b>Cash at 30 June</b>	<b>1,111</b>	<b>722</b>

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