

Flinders and Upper North
Local Health Network Incorporated

Financial report
for the year ended
30 June 2021



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To the Board Chair Flinders and Upper North Local Health Network Incorporated

Opinion

I have audited the financial report of the Flinders and Upper North Local Health Network Incorporated for the financial year ended 30 June 2021.

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

The consolidated financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2021
- a Statement of Financial Position as at 30 June 2021
- a Statement of Changes in Equity for the year ended 30 June 2021
- a Statement of Cash Flows for the year ended 30 June 2021
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Board Chair, the 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 Flinders and Upper North 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 the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 36(2) of the *Health Care Act 2008*, I have audited the financial report of the Flinders and Upper North Local Health Network Incorporated for the financial year ended 30 June 2021.

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

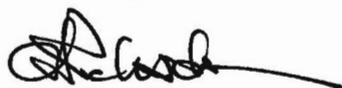
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

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

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Flinders and Upper North Local Health Network Incorporated's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer
- conclude on the appropriateness of the Chief Executive Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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



Andrew Richardson

Auditor-General

24 September 2021

**Certification of the financial statements
Flinders and Upper North Local Health Network**

We certify that the:

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


.....
Mark Whitfield
Board Chair


.....
Craig Packard
Chief Executive Officer


.....
Bridgette Rau
Chief Finance Officer

Date 14 September 2021.

FLINDERS AND UPPER NORTH LOCAL HEALTH NETWORK
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Income			
Revenues from SA Government	2	125,953	116,744
Fees and charges	3	6,025	6,155
Grants and contributions	4	8,793	8,472
Interest		12	30
Resources received free of charge	5	1,512	1,211
Other revenues/income	7	1,334	1,224
Total income		143,629	133,836
Expenses			
Staff benefits expenses	8	76,202	74,741
Supplies and services	9	58,639	53,168
Depreciation and amortisation	16, 17	8,718	8,796
Grants and subsidies	10	45	44
Borrowing costs	20	610	649
Net loss from disposal of non-current and other assets	6	107	3
Impairment loss on receivables	13.1	51	189
Other expenses	11	313	230
Total expenses		144,685	137,820
Net result		(1,056)	(3,984)
Total comprehensive result		(1,056)	(3,984)

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

FLINDERS AND UPPER NORTH LOCAL HEALTH NETWORK
STATEMENT OF FINANCIAL POSITION
For the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Current assets			
Cash and cash equivalents	12	8,521	3,234
Receivables	13	1,484	1,914
Other financial assets	14	1,988	1,187
Inventories	15	807	679
Total current assets		12,800	7,014
Non-current assets			
Receivables	13	360	371
Property, plant and equipment	16,17	121,156	127,226
Total non-current assets		121,516	127,597
Total assets		134,316	134,611
Current liabilities			
Payables	19	5,103	4,600
Financial liabilities	20	2,733	2,659
Staff benefits	21	10,957	10,630
Provisions	22	726	653
Contract liabilities and other liabilities	23	4,213	2,069
Total current liabilities		23,732	20,611
Non-current liabilities			
Payables	19	534	530
Financial liabilities	20	29,107	31,274
Staff benefits	21	13,482	13,766
Provisions	22	957	870
Total non-current liabilities		44,080	46,440
Total liabilities		67,812	67,051
Net assets		66,504	67,560
Equity			
Retained earnings		66,504	67,560
Total equity		66,504	67,560

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

**FLINDERS AND UPPER NORTH LOCAL HEALTH NETWORK
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2021**

	Note	Retained earnings \$ '000	Total equity \$ '000
Balance at 30 June 2019		-	-
Adjustments on initial adoption of Accounting Standards		(16,300)	(16,300)
Net assets received from an administrative restructure		87,844	87,844
Adjusted balance at 1 July 2019		<u>71,544</u>	<u>71,544</u>
Net result for 2019-20		<u>(3,984)</u>	<u>(3,984)</u>
Total comprehensive result for 2019-20		<u>(3,984)</u>	<u>(3,984)</u>
Balance at 30 June 2020		<u>67,560</u>	<u>67,560</u>
Net result for 2020-21		<u>(1,056)</u>	<u>(1,056)</u>
Total comprehensive result for 2020-21		<u>(1,056)</u>	<u>(1,056)</u>
Balance at 30 June 2021		<u>66,504</u>	<u>66,504</u>

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

FLINDERS AND UPPER NORTH LOCAL HEALTH NETWORK
STATEMENT OF CASH FLOWS
For the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Cash inflows			
Receipts from SA Government		107,346	114,136
Fees and charges		7,372	6,001
Grants and contributions		8,443	8,353
Interest received		12	31
Residential aged care bonds received		1,080	-
GST recovered from ATO		3,496	3,036
Other receipts		232	416
Cash generated from operations		127,981	131,973
Cash outflows			
Staff benefits payments		(75,969)	(72,526)
Payments for supplies and services		(41,121)	(35,559)
Payments of grants and subsidies		(45)	(16,926)
Interest paid		(610)	(649)
Residential aged care bonds refunded		-	(162)
Other payments		(226)	(236)
Cash used in operations		(117,971)	(126,058)
Net cash provided by operating activities		10,010	5,915
Cash flows from investing activities			
Cash inflows			
Proceeds from sale/maturities of investments		-	450
Cash generated from investing activities		-	450
Cash outflows			
Purchase of property, plant and equipment		(1,207)	(1,252)
Purchase of investments		(800)	-
Cash used in investing activities		(2,007)	(1,252)
Net cash provided by/(used in) investing activities		(2,007)	(802)
Cash flows from financing activities			
Cash inflows			
Cash received from restructuring activities		-	911
Cash generated from financing activities		-	911
Cash outflows			
Repayment of lease liabilities		(2,716)	(2,790)
Cash used in financing activities		(2,716)	(2,790)
Net cash provided by/(used in) financing activities		(2,716)	(1,879)
Net increase/(decrease) in cash and cash equivalents		5,287	3,234
Cash and cash equivalents at the beginning of the period		3,234	-
Cash and cash equivalents at the end of the period	12	8,521	3,234
Non-cash transactions	24		

The accompanying notes form part of these financial statements.

FLINDERS AND UPPER NORTH LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2021

1. About Flinders and Upper Local Health Network

Flinders and Upper North Local Health Network Incorporated (the Hospital) is a not-for-profit incorporated Hospital established under 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 (CHSALHN). Relevant assets, rights and liabilities were transferred from CHSALHN to the Hospital. The financial statements include all controlled activities of the Hospital.

The Hospital consists of the following –

- Community Health Services located at Hawker, Port Augusta, Quorn, Roxby Downs and Whyalla
- Hawker Memorial Hospital
- Leigh Creek Health Service
- Port Augusta Hospital and Regional Health Service
- Quorn Health Service
- Roxby Downs Hospital
- Whyalla Hospital and Health Service

Administered items

The Hospital has administered activities and resources. Transactions and balances relating to administered resources are presented separately and disclosed in note 33. 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 Flinders and Upper North region.

The Hospital is part of the SA Health portfolio providing health services for the Flinders and Upper North region. The Hospital is structured to contribute to the outcomes for which the portfolio is responsible by providing health and related services across the Flinders and Upper North 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 (Minister) or Chief Executive of the Department for Health and Wellbeing (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.

The Health Advisory Councils (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 and the Chief Executive Officer 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. HACs may be incorporated or unincorporated. Incorporated HACs in country South Australia hold assets, manage bequests and provide advice on local health service needs and priorities. The Country Health Gift Fund Health Advisory Council Incorporated holds assets on behalf of unincorporated HACs and is reported under Barossa Hills Fleurieu Local Health Network (BHFLHN). All of the HAC's in the Flinders and Upper North region are unincorporated and as such are reported under BHFLHN.

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.

FLINDERS AND UPPER NORTH LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2021

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 2021, the Hospital had working capital deficiency of \$10.932 million (\$13.597 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 Hospital.

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 Changes to the Hospital

2020-21

There were no administrative restructures during the current reporting period.

2019-20

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 27th June 2019, assets, rights and liabilities were transferred from CHSALHN to the relevant entity, effective 1 July 2019. This resulted in the transfer of 1,009 employees, and net assets of \$87.844 million to be received by the Hospital as detailed below.

	2020
	\$'000
Cash	911
Receivables	2,559
Property, plant and equipment	117,303
Other assets	2,227
Total assets	123,000
Liabilities:	
Payables	3,688
Staff benefits	22,707
Provisions	1,275
Other liabilities	7,486
Total liabilities	35,156
Total net assets transferred in	87,844

FLINDERS AND UPPER NORTH LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2021

1.7 Impact of COVID-19 pandemic on SA Health

The COVID-19 pandemic continues to have impact on the Hospital's operations. This includes an increase in costs associated with COVID capacity and preparation, the readiness of COVID-19 testing clinics, establishment of vaccine clinics, increased demand for personal protective equipment, increased staffing costs (including agency) to ensure necessary compliance measures are followed. Net COVID-19 specific costs for the Hospital were \$1.435 million (\$0.577 million).

1.8 Change in accounting policy

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

2. Revenues from SA Government

	2021	2020
	\$'000	\$'000
Capital projects funding	2,061	3,159
Operational funding	123,892	113,585
Total revenues from SA Government	125,953	116,744

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

3. Fees and charges

	2021	2020
	\$'000	\$'000
Commissions revenue	7	-
Patient and client fees	2,954	2,911
Private practice fees	302	244
Fees for health services	1,237	1,231
Residential and other aged care charges	661	802
Sale of goods - medical supplies	318	371
Other user charges and fees	546	596
Total fees and charges	6,025	6,155

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 at a point in time, when 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 23).

The Hospital recognises revenue (contracts with 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, 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 fee and daily accommodation fees. Residents pay fortnightly in arrears for services rendered and accommodation supplied. Residents 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.

Fees for Health Services

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. These fees can relate to the recharge of salaries and wages, occupancy rent and rates 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.

FLINDERS AND UPPER NORTH LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2021

4. Grants and contributions

	2021	2020
	\$'000	\$'000
Commonwealth grants and donations	7,045	6,629
Commonwealth aged care subsidies	81	-
SA Government capital contributions	45	150
Other SA Government grants and contributions	941	1,052
Private sector capital contributions	59	28
Private sector grants and contributions	622	613
Total grants and contributions	8,793	8,472

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

5. Resources received free of charge

	2021	2020
	\$'000	\$'000
Plant and equipment	131	259
Services	1,381	952
Total resources received free of charge	1,512	1,211

Contributions 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. The Hospital also receives ICT Across Government voice and network services from the Department of Premier and Cabinet free of charge to the value of \$0.373 million, (\$0.000 million) which has been recognized for the first time this financial year.

Although not recognised, the Hospital receives services from approximately 100 volunteers who provide patient and staff support services to individual using the Hospital and Community services. The services include but are not limited to: patient liaison and support, promotional activities, transport, kiosk and craft.

6. Net gain/(loss) from disposal of non-current and other assets

	2021	2020
	\$'000	\$'000
Plant and equipment:		
Less carrying amount of assets disposed	(107)	(3)
Net gain/(loss) from disposal of plant and equipment	(107)	(3)

Gains or 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.

7. Other revenues/income

	2021	2020
	\$'000	\$'000
Donations	47	8
Health recoveries	1,145	1,054
Other	142	162
Total other revenues/income	1,334	1,224

FLINDERS AND UPPER NORTH LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2021

8. Staff benefits expenses

	2021	2020
	\$'000	\$'000
Salaries and wages	61,901	59,866
Targeted voluntary separation packages (refer below)	-	84
Long service leave	692	1,350
Annual leave	6,081	5,971
Skills and experience retention leave	342	344
Staff on-costs - superannuation*	6,567	6,558
Workers compensation	415	368
Board and committee fees	195	200
Other staff related expenses	9	-
Total staff benefits expenses	76,202	74,741

* 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.

8.1 Key Management Personnel

Key management personnel (KMP) of the Hospital includes the Minister, the seven (eight) members of the Governing Board, the Chief Executive of the Department, the Chief Executive Officer of the Hospital and the nine (nine) 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 for Health and Wellbeing. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via DTF) under section 6 of the *Parliamentary Remuneration Act 1990*; and
- The Chief Executive of the Department. The Chief Executive of the Department is compensated by the Department and there is no requirement for the Hospital to reimburse those expenses.

Compensation	2021	2020
	\$'000	\$'000
Salaries and other short term employee benefits	1,555	1,435
Post-employment benefits	438	345
Total	1,993	1,780

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.

8.2 Remuneration of Boards and Committees

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

	2021	2020
	No. of	No. of
	Members	Members
\$1 - \$20,000	5	5
\$20,001 - \$40,000	7	6
\$40,001 - \$60,000	-	1
Total	12	12

The total remuneration received or receivable by members was \$0.219 million (\$0.216 million). Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits and related fringe benefits tax. In accordance with the 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 34 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.

FLINDERS AND UPPER NORTH LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2021

8.3 Remuneration of staff

The number of staff whose remuneration received or receivable falls within the following bands:

	2021	2020
	Number	Number
\$154,678 - \$175,000	5	6
\$175,001 - \$195,000	3	2
\$195,001 - \$215,000	1	-
\$215,001 - \$235,000	1	-
\$255,001 - \$275,000	2	-
\$335,001 - \$355,000	-	1
\$355,001 - \$375,000	-	2
\$395,001 - \$415,000	-	1
\$415,001 - \$435,000	1	-
\$435,001 - \$455,000	1	2
\$455,001 - \$475,000	2	2
\$475,001 - \$495,000	1	-
\$495,001 - \$515,000	1	1
\$535,001 - \$555,000	-	1
\$555,001 - \$575,000	1	-
\$595,001 - \$615,000	-	1
\$635,001 - \$655,000	1	-
\$755,001 - \$775,000	-	1
Total number of staff	20	20

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 related fringe benefits tax.

8.4 Remuneration of staff by classification

The total remuneration received by staff included above:

	2021		2020	
	No.	\$'000	No.	\$'000
Medical (excluding Nursing)	12	4,947	12	5,707
Executive	1	200	1	169
Nursing	7	1,210	7	1,192
Total	20	6,357	20	7,068

8.5 Targeted voluntary separation packages

	2021	2020
	\$'000	\$'000
Amount paid/payable to separated staff:		
Targeted voluntary separation packages	-	84
Leave paid/payable to separated employees	-	104
Net cost to the Hospital	-	188

The number of staff who received a TVSP during the reporting period	-	2
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FLINDERS AND UPPER NORTH LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2021

9. Supplies and services

	2021	2020
	\$'000	\$'000
Administration	204	80
Advertising	22	25
Communication	658	473
Computing	1,377	1,396
Consultants	59	-
Contract of services	7,493	6,902
Contractors	29	-
Contractors - agency staff	2,504	2,384
Drug supplies	2,368	2,292
Electricity, gas and fuel	1,657	1,930
Fee for service *	13,224	11,285
Food supplies	908	935
Housekeeping	913	811
Insurance	838	733
Internal SA Health SLA payments	6,175	6,583
Legal	1	21
Medical, surgical and laboratory supplies	9,291	8,055
Minor equipment	1,392	860
Motor vehicle expenses	272	295
Occupancy rent and rates	431	384
Patient transport	615	641
Postage	231	201
Printing and stationery	446	439
Repairs and maintenance	4,721	3,753
Security	145	29
Services from Shared Services SA	1,015	963
Short term lease expense	203	37
Training and development	204	300
Travel expenses	200	223
Other supplies and services	1,043	1,138
Total supplies and services	58,639	53,168

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.

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

Consultancies

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

	2021		2020	
	No.	\$'000	No.	\$'000
Below \$10,000	1	10	-	-
Above \$10,000	1	49	-	-
Total	2	59	-	-

10. Grants and subsidies

The Hospital provided \$0.045 million (\$0.044 million) of funding to non-government organisations for community programs within the Flinders and Upper North region.

11. Other expenses

	Note	2021	2020
		\$'000	\$'000
Debts written off	13	61	54
Bank fees and charges		3	3
Donated assets expense		150	35
Other*		99	138
Total other expenses		313	230

Donated assets expense includes transfer of buildings and is recorded as expenditure at their fair value.

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* Includes Audit fees paid or payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act* of \$0.085 million (\$0.134 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 \$0.003 million (\$0.002 million) for other audit services.

12. Cash and cash equivalents

	2021	2020
	\$'000	\$'000
Cash at bank or on hand	883	565
Deposits with Treasurer: general operating	7,503	2,587
Deposits with Treasurer: special purpose funds	135	82
Total cash and cash equivalents	8,521	3,234

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 accounts holding aged care funds, including refundable deposits. Of the \$8.521 million (\$3.234 million) held, \$0.803 million (\$0.522 million) relates to aged care refundable deposits.

13. Receivables

Current	Note	2021	2020
		\$'000	\$'000
Patient/client fees: compensable		207	275
Patient/client fees: aged care		65	106
Patient/client fees: other		195	253
Debtors		436	934
Less: allowance for impairment loss on receivables	13.1	(335)	(284)
Prepayments		130	65
Interest		1	2
Workers compensation provision recoverable		212	216
Sundry receivables and accrued revenue		472	297
GST input tax recoverable		101	50
Total current receivables		1,484	1,914
Non-current			
Debtors		18	10
Workers compensation provision recoverable		342	361
Total non-current receivables		360	371
Total receivables		1,844	2,285

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.

13.1 Impairment of receivables

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

Movement in the allowance for impairment loss on receivables:

	2021	2020
	\$'000	\$'000
Transfer through administrative restructure	-	95
Carrying amount at the beginning of the period	284	-
Increase/(Decrease) in allowance recognised in profit or loss	51	189
Carrying amount at the end of the period	335	284

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Impairment losses relate to receivables arising from contracts with customers that are external to SA Government. Refer to note 30 for details regarding credit risk and the methodology for determining impairment.

14. Other financial assets

The Hospital holds term deposits of \$1.988 million (\$1.187 million) of which \$1.534 million (\$1.016 million) relates to aged care refundable deposits, with the remaining funds primarily relating to aged care. These deposits are measured at amortised costs. There is no impairment on term deposits.

Refer to note for further information on risk management.

15. Inventories

	2021 \$'000	2020 \$'000
Drug supplies	178	177
Medical, surgical and laboratory supplies	541	449
Food and hotel supplies	78	41
Engineering supplies	1	1
Other	9	11
Total current inventories - held for distribution	807	679

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.

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

16.1 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 values as part of a restructure of administrative arrangements, the assets are recorded at the value held by the transferor public authority prior to the restructure.

The Hospital capitalises owned property, plant and equipment 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 greater than \$5 million for infrastructure assets and \$1 million for other assets.

16.2 Depreciation and amortization

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 are calculated on a straight line basis.

Property, plant and equipment 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
Leasehold improvement	Lease term
Plant and equipment:	
• Medical, surgical, dental and biomedical equipment and furniture	2 - 20
• Computing equipment	3 - 5
• Vehicles	2 - 20
• Other plant and equipment	3 - 30
Right-of-use plant and equipment	Lease term

16.3 Revaluation

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

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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. Revaluations are undertaken on a regular cycle. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair-value. If at any time management considers that the carrying amount of an asset greater than \$1 million materially differs from its fair value, then the asset will be revalued regardless of when the last revaluation took place.

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

16.4 Impairment

The Hospital holds its property, plant and equipment 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. For revalued assets, fair value is assessed each year.

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

16.5 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 by applying an adjustment to reflect the restriction.

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

16.6 Plant and equipment

The value of plant and equipment has not been revalued and in accordance with APS 116D. The carrying value is deemed to be 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.

16.7 Leased property, plant and equipment

Right-of-use assets (including concessional arrangements) leased by the Hospital as lessee are measured at cost, and there were no indications for impairment. Additions to right-of-use assets during 2020-2021 were \$0.320 million (\$0.315 million).

The Hospital has a number of lease agreements, including concessional. Lease terms vary in length from 1 to 25 years. Major lease activities include the use of:

- Properties – accommodation for some community health offices and staff accommodation are leased from the private sector, Housing SA and Department for Infrastructure and Transport. 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.
- Health Facilities – Port Augusta Hospital lease commenced in June 1997 and is for 25 years with an option to renew for 10 years. The base rental for the 25 year term increases according to CPI each quarter. For the 10 year renewal the rental is determined according to a different method related to a valuation of the property and its replacement cost.
- 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.

The lease liabilities related to the right-of-use assets (and the maturity analysis) are disclosed at note 20. Expenses related to leases including depreciation and interest expense are disclosed at note 17 and 20. Cash outflows related to right-of-use assets are disclosed at note 24.

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17. Reconciliation of property, plant and equipment

The following table shows the movement:

2020-21	Land and buildings:				Plant and equipment:						Total \$'000
	Land \$'000	Buildings \$'000	Right-of-use buildings \$'000	Capital works in progress land and buildings \$'000	Accom- modation 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	3,975	81,833	33,218	3,197	3,019	1,066	369	401	148	127,226	
Additions	-	-	-	1,210	-	860	-	320	85	2,475	
Assets received free of charge	-	-	-	-	-	4	-	-	127	131	
Disposals	-	-	-	-	-	(90)	(17)	(7)	-	(114)	
Donated assets disposal	-	-	-	(150)	-	-	-	-	-	(150)	
Transfers between asset classes	-	3,935	-	(3,935)	-	275	-	-	(275)	-	
Other movements	-	-	306	-	-	-	-	-	-	306	
Subtotal:	3,975	85,768	33,524	322	3,019	2,115	352	714	85	129,874	
Gains/(losses) for the period recognised in net result:											
Depreciation and amortisation	-	(4,989)	(2,676)	-	(242)	(461)	(72)	(278)	-	(8,718)	
Subtotal:	-	(4,989)	(2,676)	-	(242)	(461)	(72)	(278)	-	(8,718)	
Carrying amount at the end of the period*	3,975	80,779	30,848	322	2,777	1,654	280	436	85	121,156	
Gross carrying amount											
Gross carrying amount	3,975	90,757	36,195	322	3,260	3,020	454	760	85	138,828	
Accumulated depreciation / amortisation	-	(9,978)	(5,347)	-	(483)	(1,366)	(174)	(324)	-	(17,672)	
Carrying amount at the end of the period	3,975	80,779	30,848	322	2,777	1,654	280	436	85	121,156	

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 20 for details about the lease liability for right-of-use assets.

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2019-20	Land and buildings:				Plant and equipment:					Total \$'000
	Land \$'000	Buildings \$'000	Right-of- use buildings \$'000	Capital works in progress land and buildings \$'000	Accom- modation 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	3,975	86,822	36,030	211	3,260	1,019	417	380	22	132,136
Additions	-	35	-	2,986	-	161	31	315	148	3,676
Assets received free of charge	-	-	-	-	-	221	37	-	-	258
Disposals	-	-	-	-	-	-	(3)	(10)	-	(13)
Donated assets disposal	-	(35)	-	-	-	-	-	-	-	(35)
Transfers between asset classes	-	-	-	-	-	22	-	-	(22)	-
Subtotal:	3,975	86,822	36,030	3,197	3,260	1,423	482	685	148	136,022
Gains/(losses) for the period recognised in net result:										
Depreciation and amortisation	-	(4,989)	(2,812)	-	(241)	(357)	(113)	(284)	-	(8,796)
Subtotal:	-	(4,989)	(2,812)	-	(241)	(357)	(113)	(284)	-	(8,796)
Carrying amount at the end of the period*	3,975	81,833	33,218	3,197	3,019	1,066	369	401	148	127,226
Gross carrying amount										
Gross carrying amount	3,975	86,822	35,923	3,197	3,260	2,257	482	634	148	136,698
Accumulated depreciation / amortisation	-	(4,989)	(2,705)	-	(241)	(1,191)	(113)	(233)	-	(9,472)
Carrying amount at the end of the period	3,975	81,833	33,218	3,197	3,019	1,066	369	401	148	127,226

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 2 for details about the lease liability for right-of-use assets.

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18. Fair value measurement

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

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

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

Refer to notes 16 and 18.2 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

18.1 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 at the end of the reporting period. During 2021 and 2020, the Hospital had no valuations categorized into Level 1 or Level 2.

18.2 Valuation techniques and inputs

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

19. Payables

	2021	2020
	\$'000	\$'000
Current		
Creditors and accrued expenses	3,980	3,582
Paid Parental Leave Scheme	20	9
Staff on-costs*	1,024	966
Other payables	79	43
Total current payables	5,103	4,600
Non-current		
Staff on-costs*	534	530
Total non-current payables	534	530
Total payables	5,637	5,130

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

As a result of an actuarial assessment performed by DTF, the portion of long service leave taken as leave is unchanged at 38% and the average factor for the calculation of employer superannuation on-costs has increased from the 2020 rate (9.8%) to 10.1% to reflect the increase in super guarantee. These rates are used in the staff on-cost calculation. The net financial effect of the changes in the current financial year is an increase in the staff on-cost liability and staff benefits expenses of \$0.039 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 30 for information on risk management.

20. Financial liabilities

	2021	2020
	\$'000	\$'000
Current		
<u>Lease liabilities</u>	2,733	2,659
Total current financial liabilities	2,733	2,659
Non-current	\$'000	\$'000
<u>Lease liabilities</u>	29,107	31,274
Total non-current financial liabilities	29,107	31,274
Total financial liabilities	31,840	33,933

The Hospital has lease liabilities of \$31.840 million (\$33.933 million), which have been measured via discounting lease payments using either the interest rate implicit in the lease (where it is readily determined) or DTF'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 \$0.610 million (\$0.649 million)

Refer to note 30 for information on risk management.

Refer note 16 and 17 for details about the right-of-use assets (including depreciation)

20.1 Concessional lease arrangements for right-of-use assets

The Hospital has two concessional lease arrangements for right-of-use assets, as lessee, with the Department and Flinders Power.

Right-of-use asset	Nature of arrangements	Details
Buildings and improvements	Terms is for 94 years Payments is \$1.10 per annum	Leigh Creek - Concessional building arrangement for the Health clinic and staff accommodation
Buildings and improvements	Terms is for 25 years Payments is \$1 per annum	Whyalla - Concessional building arrangement for the Hospital

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20.2 Maturity analysis

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

	2021	2020
Lease Liabilities	\$'000	\$'000
1 to 3 years	6,321	6,223
3 to 5 years	6,055	6,018
5 to 10 years	15,139	14,972
More than 10 years	4,542	7,486
Total lease liabilities	32,057	34,699

21. Staff benefits

	2021	2020
Current	\$'000	\$'000
Accrued salaries and wages	2,307	2,292
Annual leave	6,696	6,387
Long service leave	1,185	1,245
Skills and experience retention leave	677	634
Other	92	72
Total current staff benefits	10,957	10,630
Non-current		
Long service leave	13,482	13,766
Total non-current staff benefits	13,482	13,766
Total staff benefits	24,439	24,396

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.

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

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

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

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

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

21.2 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 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 increased from 2020 (0.75%) to 1.50%. This increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability. The actuarial assessment performed by DTF left the salary inflation rate at 2.5% for long service leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

The net financial effect of the changes to actuarial assumptions is a decrease in the long service leave liability of \$0.867 million, payables (staff on-costs) of \$0.033 million and staff benefits expense of \$0.900 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions – a key assumption being the long-term discount rate.

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22. Provisions

Provisions represent workers compensation.

Reconciliation of workers compensation (statutory and non-statutory)

	2021	2020
	\$'000	\$'000
Carrying amount at the beginning of the period	1,523	1,274
Increase in provisions recognised (per calculation)	190	-
Reductions resulting from re-measurement or settlement without cost	-	249
Reductions arising from payments/other sacrifices of future economic benefits	(30)	-
Carrying amount at the end of the period	1,683	1,523

Workers compensation

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.

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

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

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

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

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

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

23. Contract liabilities and other liabilities

	2021	2020
	\$'000	\$'000
Current		
Contract liabilities	1,828	807
Residential aged care bonds	2,338	1,258
Other	47	4
Total contract liabilities and other liabilities	4,213	2,069

A contract liability is recognised for revenue relating to home care packages, training programs and other health programs received in advance and is realised as agreed milestones have been achieved. All performance obligations from these existing contracts (deferred service income) will be satisfied during the next reporting period and accordingly all amounts will be recognised as revenue.

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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.

24. Cash flow reconciliation

Reconciliation of net cash provided by operating activities to net result	2021 \$'000	2020 \$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	8,521	3,234
Cash as per Statement of Financial Position	8,521	3,234
Balance as per Statement of Cash Flows	8,521	3,234
Reconciliation of net cash provided by operating activities to net result:		
Net cash provided by (used in) operating activities	10,010	5,915
Add/less non-cash items		
Asset donated free of charge	(150)	(35)
Capital revenues	980	2,607
Depreciation and amortisation expense of non-current assets	(8,718)	(8,796)
Gain/(loss) on sale or disposal of non-current assets	(107)	(3)
Interest credited directly to investments	1	2
Resources received free of charge	131	259
Movement in assets/liabilities		
Increase/(decrease) in inventories	128	87
Increase/(decrease) in receivables	(441)	(275)
(Increase)/decrease in other liabilities	(2,148)	(388)
(Increase)/decrease in payables and provisions	(699)	(1,668)
(Increase)/decrease in staff benefits	(43)	(1,689)
Net result	(1,056)	(3,984)

Total cash outflows for right-of-use assets is \$3.323 million, (\$3.984 million)

25. Unrecognised contractual commitments

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

25 Expenditure commitments

	2021 \$'000	2020 \$'000
Within one year	5,120	6,283
Later than one year but not longer than five years	651	1,700
Total other expenditure commitments	5,771	7,983

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

The Hospital also has commitments to provide funding to various non-government organisations in accordance with negotiated service agreements in regards to the maintenance of the Port Augusta Hospital. The value of these commitments as at 30 June 2021 has not been quantified.

26. Trust funds

The Hospital holds money in trust on behalf of consumers that reside in the Hospital 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 Hospital cannot use these funds to achieve its objectives. At the end of the reporting period, the Hospital held \$0.003 million (\$0.006 million) on behalf of consumers.

27. 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, the Hospital has made no guarantees.

28. Events after balance date

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

29. Impact of Standards not yet implemented

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

- Amending Standard AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments* will apply from 1 July 2022 and Amending Standard AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates* will apply from 1 July 2023. Although applicable to the Hospital, these amending standards are not expected to have an impact on the Hospital's general purpose financial statements. SA Health will update its policies, procedures and work instructions, where required, to reflect the additional clarification requirements.
- Amending Standard AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* will apply from 1 July 2023. The Hospital continues to assess liabilities eg LSL and whether or not the Hospital has a substantive right to defer settlement. Where applicable these liabilities will be classified as current.

30. Financial instruments/financial risk management

30.1 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. 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, 19 and 20 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, 13 and 14 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 23. There is no exposure to foreign currency or other price risks.

30.2 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.

Financial assets and financial liabilities are measured at amortised costs except for amounts relating to statutory receivables and payables (eg. Commonwealth taxes; Auditor-General Department audit fees etc) and prepayments are excluded as they are not financial assets or liabilities. Receivables and Payables are amortised cost are \$1.059 million (\$1.637 million) and \$3.971 million (\$3.599 million) respectively

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30.3 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.

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

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

To measure the expected credit loss receivables are grouped based on shared risks characteristics and the days past. When estimating expected credit loss, the Hospital considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Hospital's historical experience and informed credit assessment including forward-looking information.

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

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

	30 June 2021			30 June 2020		
	Expected credit loss rate(s) %	Gross carrying amount \$'000	Expected credit losses \$'000	Expected credit loss rate(s) %	Gross carrying amount \$'000	Expected credit losses \$'000
Days past due						
Current	1.0 – 4.7 %	344	6	1.1 - 3.7 %	585	11
<30 days	2.2 – 25.72%	73	3	2.3 - 21.4 %	199	8
31-60 days	5.2 – 36.9 %	46	4	5.6 - 31.5 %	45	4
61-90 days	8.5 - 40.1 %	55	7	9.5 - 34.4 %	137	18
91-120 days	10.9- 43.6%	34	6	10.5 - 37.7 %	48	8
121-180 days	12.4- 49.3%	55	10	11.4 - 43.2 %	55	18
181-360 days	20.5- 62.9%	150	59	16.9 - 58.5 %	185	75
361-540 days	41.9- 93.2%	59	48	38.1 - 91.3 %	94	61
>540 days	48.1 - 100%	225	192	44.1 - 100 %	122	81
Total		1,041	335		1,470	284

31. 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.

The Hospital received funding from the SA Government via the Department (note 2), and incurred significant expenditure via the Department for medical, surgical and laboratory supplies, computing and insurance (note 9). The Department transferred capital works in progress of \$0.980m (\$2.607 million) to the Hospital. The Hospital incurred significant expenditure with the Department for Infrastructure and Transport (DIT) for property repairs and maintenance of \$2.532 million (\$1.800 million) (note 9). As at 30 June the outstanding balance payable to DIT was \$0.823 million (\$0.339 million) (note 19).

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32. Interests in other entities

All HAC's in the Flinders and Upper North Region elected to be unincorporated. The assets, rights and liabilities of the former Hospitals whose HAC elected not to become 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 net assets of the GFTs associated with the unincorporated HACs are vested in the Country Health Gift Fund Health Ancillary Council Inc Gift Fund Trust, and are 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.

Health Advisory Council and associated Gift Fund Trusts		
Unincorporated HACs		
Hawker District Memorial Health Advisory Council *	Leigh Creek Health Service Health Advisory Council **	Port Augusta, Roxby Downs, Woomera Health Advisory Council *
Quorn Health Services Health Advisory Council *	Whyalla Hospital and Health Service Health Advisory Council *	
Unincorporated GFTs		
Hawker District Memorial Gift Fund Trust *	Leigh Creek Health Service Gift Fund Trust **	Port Augusta, Roxby Downs, Woomera Gift Fund Trust *
Quorn Health Services Gift Fund Trust *	Whyalla Hospital and Health Service Gift Fund Trust *	

* On 27 May 2021, the Minister for Health and Wellbeing declared these unincorporated HACs to be incorporated. The transfer of assets from Country Health Gift Fund Health Advisory Council Inc to the newly incorporated HACs is yet to be formalised but is expected to occur in the 2021-22 financial year. The transfer of assets from Country Health Gift Fund Health Advisory Council Inc Gift Fund Trust will also occur once the incorporated GFTs are established for the newly incorporated HAC's

** Leigh Creek Health Service Health Advisory Council remains unincorporated. It is anticipated that it will be dissolved and its assets transferred to the Hospital.

33. Administered items

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

	2021	2020
	\$'000	\$'000
Other expenses	(346)	(384)
Revenue from fees and charges	357	384
Net result	11	-
Administered current liabilities	(11)	-
Net assets	(11)	-
Cash outflows	(346)	(384)
Cash inflows	357	384
Cash at 30 June	11	-

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34. 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 APS124.B were:

Board/Committee name:	Government employee members	Other members
Flinders and Upper North Local Health Network Governing Board	-	Whitfield M (Chair), Brady G, Francis B (resigned 7 May 2021), Graham S, Lynch J, Malone G, Reid K
Flinders and Upper North Local Health Network Risk Management and Audit Committee	-	van der Wel O (Chair)
Flinders and Upper North Local Health Network Consumer and Community Engagement Committee	-	Plew S (Chair), Misan G (proxy), Screen A, Shute J, Walters C

Refer to note 8.2 for remuneration of board and committee members