



Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Governing Board Chair 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 2022.

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 2022, 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 2022
- a Statement of Financial Position as at 30 June 2022
- a Statement of Changes in Equity for the year ended 30 June 2022
- a Statement of Cash Flows for the year ended 30 June 2022
- notes, comprising material accounting policies and other explanatory information
- a Certificate from the Governing 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 Governing 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 issues 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 Governing 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 Northern Adelaide Local Health Network Incorporated for the financial year ended 30 June 2022.

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

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

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

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

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

I communicate with the Chief Executive Officer and the Governing Board 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.



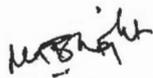
Andrew Richardson
Auditor-General

23 September 2022

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.



.....
Ray Blight
Governing Board Chair



Maree Geraghty
Chief Executive Officer



Natalia Hubczenko
Chief Finance Officer

Date 14 September 2022

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Income			
Revenues from SA Government	2	873,508	839,430
Fees and charges	3	35,142	32,896
Grants and contributions	4	3,412	3,676
Interest		-	4
Resources received free of charge	5	4,663	6,210
Other revenues/income	6	7,009	6,552
Total income		923,734	888,768
Expenses			
Staff benefits expenses	7	586,864	557,069
Supplies and services	8	302,542	263,744
Depreciation and amortisation	13,14	31,509	33,280
Grants and subsidies		270	50
Borrowing costs	17	1,096	1,069
Net loss from disposal of non-current and other assets		-	276
Impairment loss on receivables	11.1	716	509
Other expenses	9	782	5,331
Total expenses		923,779	861,328
Net result		(45)	27,440
Other Comprehensive Income			
Items that will not be reclassified to net result			
Changes in property, plant and equipment asset revaluation surplus		-	(7,431)
Total other comprehensive income		-	(7,431)
Total comprehensive result		(45)	20,009

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 2022

	Note	2022 \$'000	2021 \$'000
Current assets			
Cash and cash equivalents	10	14,826	29,539
Receivables	11	12,460	10,525
Inventories	12	3,186	2,996
Total current assets		30,472	43,060
Non-current assets			
Receivables	11	1,829	1,419
Property, plant and equipment	13,14	506,394	485,924
Intangible assets	13.5	191	198
Total non-current assets		508,414	487,541
Total assets		538,886	530,601
Current liabilities			
Payables	16	34,733	22,057
Financial liabilities	17	3,522	3,207
Staff benefits	18	81,956	80,734
Provisions	19	3,144	2,856
Contract liabilities and other liabilities	20	298	135
Total current liabilities		123,653	108,989
Non-current liabilities			
Payables	16	3,364	3,707
Financial liabilities	17	45,160	42,598
Staff benefits	18	81,017	93,532
Provisions	19	7,726	3,764
Total non-current liabilities		137,267	143,601
Total liabilities		260,920	252,590
Net assets		277,966	278,011
Equity			
Retained earnings		264,862	264,907
Asset revaluation surplus		13,104	13,104
Total equity		277,966	278,011

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 2022**

	Asset revaluation surplus S '000	Retained earnings S '000	Total equity S '000
Balance at 30 June 2020	21,878	236,124	258,002
Net result for 2020-21	-	27,440	27,440
Impairment loss on land and buildings	(7,431)	-	(7,431)
Total comprehensive result for 2020-21	(7,431)	27,440	20,009
Transfer between equity components	(1,343)	1,343	-
Balance at 30 June 2021	13,104	264,907	278,011
Net result for 2021-22	-	(45)	(45)
Total comprehensive result for 2021-22	-	(45)	(45)
Balance at 30 June 2022	13,104	264,862	277,966

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 2022

	Note	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Cash inflows			
Receipts from SA Government		726,089	689,493
Fees and charges		33,428	31,448
Grants and contributions		3,708	3,892
Interest received		-	4
GST recovered from ATO		15,374	13,519
Other receipts		1,094	708
Cash generated from operations		779,693	739,064
Cash outflows			
Staff benefits payments		(592,668)	(553,874)
Payments for supplies and services		(190,295)	(166,193)
Payments of grants and subsidies		(296)	(53)
Interest paid		(1,096)	(1,069)
Other payments		(1,035)	(632)
Cash used in operations		(785,390)	(721,821)
Net cash provided by /(used in) operating activities		(5,697)	17,243
Cash flows from investing activities			
Cash inflows			
Proceeds from sale of property, plant and equipment		-	5
Cash generated from investing activities		-	5
Cash outflows			
Purchase of property, plant and equipment		(5,596)	(6,870)
Purchase of intangible assets		-	(191)
Cash used in investing activities		(5,596)	(7,061)
Net cash used in investing activities		(5,596)	(7,056)
Cash flows from financing activities			
Cash outflows			
Repayment of lease liabilities		(3,420)	(3,573)
Cash used in financing activities		(3,420)	(3,573)
Net cash used in financing activities		(3,420)	(3,573)
Net increase/(decrease) in cash and cash equivalents		(14,713)	6,614
Cash and cash equivalents at the beginning of the period		29,539	22,925
Cash and cash equivalents at the end of the period	10	14,826	29,539
Non-cash transactions	21		

The accompanying notes form part of these financial statements.

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

1. About Northern Adelaide Local Health Network

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

Administered items

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

1.1 Objectives and activities

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

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

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

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

1.2 Basis of preparation

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

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

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

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

Significant accounting policies are set out throughout the notes.

The Hospital has early adopted AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* which clarifies the requirements for disclosure of material accounting policy information and clarifies the distinction between accounting policies and accounting estimates. There has been no impact on the Hospital's financial statements.

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.

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

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 2022, the Hospital had a working capital deficiency of \$93.181 million (\$65.929 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. This ongoing commitment is ultimately outlined in the annually produced and published State Budget Papers which presents the SA Government's current and estimated future economic performance, including forward estimates of revenue, expenses and performance by Agency.

1.5 Changes to reporting entity

There were no transfers during 2021-22 or 2020-21

1.6 Equity

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

1.7 Impact of COVID-19 pandemic

The COVID-19 pandemic continues to have an impact on the Hospital's operations. This includes an increase in costs associated with COVID capacity and preparation, increased demand for personal protective equipment and increased staffing costs (including agency) to ensure that demand can be managed across South Australia and that necessary compliance measures are followed. Net COVID-19 specific costs for the Hospital were \$28.035 million (\$13.205 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

	2022	2021
	\$'000	\$'000
Capital projects funding	48,384	57,301
Operational funding	825,124	782,129
Total revenues from SA Government	873,508	839,430

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.

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

3. Fees and charges

	2022	2021
	\$'000	\$'000
Car parking revenue	621	709
Fines, fees and penalties	84	84
Patient and client fees	23,785	23,572
Private practice fees	2,930	2,647
Fees for health services	2,303	1,813
Rent revenue	2,183	1,978
Residential and other aged care charges	99	123
Sale of goods - medical supplies	-	30
Training revenue	280	41
Other user charges and fees	2,857	1,899
Total fees and charges	35,142	32,896

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

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

Contracts with Customers disaggregated by pattern of revenue recognition and type of customer	2022	2022	2021	2021
	Goods/Services transferred at a point in time	Goods/Services transferred over a period of time	Goods/Services transferred at a point in time	Goods/Services transferred over a period of time
Car parking revenue	602	19	683	26
Patient and client fees	23,785	-	21,459	-
Private practice fees	2,930	-	2,647	-
Fees for health services	2,199	-	1,681	-
Residential and other aged care charges	99	-	123	-
Sale of goods - medical supplies	-	-	2	-
Training revenue	278	-	40	-
Other user charges and fees	1,924	-	1,784	-
Total contracts with external customers	31,817	19	28,419	26
Patient and client fees	-	-	2,113	-
Fees for health services	104	-	132	-
Sale of goods - medical supplies	-	-	28	-
Training revenue	2	-	1	-
Other user charges and fees	933	-	115	-
Total contracts with SA Government customers	1,039	-	2,389	-
Total contracts with customers	32,856	19	30,808	26

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

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

Patient and client fees

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

Private practice fees

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

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

4. Grants and contributions

	2022	2021
	\$'000	\$'000
Commonwealth grants and donations	48	261
Other SA Government grants and contributions	176	805
Private sector capital contributions	27	136
Private sector grants and contributions	3,161	2,474
Total grants and contributions	3,412	3,676

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

Specific purpose grants and contributions of \$2.668 million (\$1.990 million) were provided for research and associated activities.

5. Resources received free of charge

	2022	2021
	\$'000	\$'000
Buildings and improvements	-	1,552
Services	4,663	4,658
Total resources received free of charge	4,663	6,210

Contribution of services are recognised only when the fair value can be determined reliably and the services would be purchased if they had not been donated. The Hospital receives Financial Accounting, Taxation, Payroll, Accounts Payable and Accounts Receivable services from Shared Services SA free of charge valued at \$3.545 million (\$3.567 million) and ICT (information and communication technology) services from Department of the Premier and Cabinet valued at \$1.118 million (\$1.091 million), following Cabinet's approval to cease intra-government charging.

In addition, although not recognised, the Hospital receives volunteer services from the Northern Healthcare Volunteer Association. There are over 550 volunteers who provide patient and staff support services to individuals using the Hospital's services. The services include but not limited to: childcare, respite care, transport, therapeutic activities, patient liaison, gift shop and café support.

6. Other revenues/income

	2022	2021
	\$'000	\$'000
Donations	-	3
Health recoveries	5,677	5,889
Insurance recoveries	190	114
Other	1,142	546
Total other revenues/income	7,009	6,552

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

7. Staff benefits expenses

	2022	2021
	\$'000	\$'000
Salaries and wages	480,771	451,153
Targeted voluntary separation packages	-	2,115
Long service leave	(5,505)	5,197
Annual leave	49,332	44,748
Skills and experience retention leave	1,801	1,686
Staff on-costs - superannuation*	51,657	46,466
Staff on-costs - other	6	3
Workers compensation	7,461	4,057
Board and committee fees	285	311
Other staff related expenses	1,056	1,333
Total staff benefits expenses	586,864	557,069

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

7.1 Key Management Personnel

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

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

- The Minister for Health and Wellbeing. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via 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.

	2022	2021
	\$'000	\$'000
Compensation		
Salaries and other short term staff benefits	870	1,000
Post-employment benefits	372	195
Total	1,242	1,195

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

7.2 Remuneration of Board and Committees

	2022	2021
	No. of	No. of
	Members	Members
\$0	23	5
\$1 - \$20,000	22	20
\$20,001 - \$40,000	-	5
\$40,001 - \$60,000	4	1
\$60,001 - \$80,000	1	1
\$80,001 - \$100,000	1	-
Total	51	32

The total remuneration received or receivable by members was \$0.323 million (\$0.340 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 related fringe benefits tax. In accordance with the *Department of the Premier and Cabinet Circular No. 016*, government employees did not receive any remuneration for board/committee duties during the financial year.

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

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

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

7.3 Remuneration of staff

	2022	2021
The number of staff whose remuneration received or receivable falls within the following bands:	No.	No.
\$154,001 - \$157,000*	n/a	12
\$157,001 - \$177,000	114	144
\$177,001 - \$197,000	70	48
\$197,001 - \$217,000	44	26
\$217,001 - \$237,000	27	28
\$237,001 - \$257,000	24	18
\$257,001 - \$277,000	27	16
\$277,001 - \$297,000	16	16
\$297,001 - \$317,000	14	15
\$317,001 - \$337,000	14	21
\$337,001 - \$357,000	12	15
\$357,001 - \$377,000	14	10
\$377,001 - \$397,000	15	12
\$397,001 - \$417,000	15	16
\$417,001 - \$437,000	9	22
\$437,001 - \$457,000	14	6
\$457,001 - \$477,000	10	8
\$477,001 - \$497,000	12	10
\$497,001 - \$517,000	13	8
\$517,001 - \$537,000	5	10
\$537,001 - \$557,000	5	3
\$557,001 - \$577,000	6	10
\$577,001 - \$597,000	4	4
\$597,001 - \$617,000	6	3
\$617,001 - \$637,000	2	1
\$637,001 - \$657,000	2	2
\$657,001 - \$677,000	2	-
\$677,001 - \$697,000	2	2
\$697,001 - \$717,000	-	1
\$717,001 - \$737,000	1	1
\$737,001 - \$757,000	2	4
\$757,001 - \$777,000	2	2
\$777,001 - \$797,000	6	1
\$797,001 - \$817,000	1	1
\$817,001 - \$837,000	2	-
Total number of staff	512	496

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2021.

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

7.4 Remuneration of staff by classification

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

	2022		2021	
	No.	\$'000	No.	\$'000
Medical (excluding Nursing)	436	139,025	429	131,708
Executive	9	2,379	7	1,674
Nursing	62	10,711	56	9,422
Non-medical (i.e. administration)	5	840	4	805
Total	512	152,955	496	143,609

7.5 Targeted voluntary separation packages

	2022	2021
	\$'000	\$'000
Amount paid/payable to separated staff:		
Leave paid/payable to separated staff	-	1,061
Targeted voluntary separation packages	-	2,115
Net cost to the Hospital	-	3,176

The number of staff who received a TVSP during the reporting period	-	22
---	---	----

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

8. Supplies and services

	2022	2021
	\$'000	\$'000
Administration	869	885
Advertising	204	178
Communication	2,815	2,362
Computing	8,780	6,704
Consultants	-	154
Contract of services	35	84
Contractors	1,641	700
Contractors - agency staff	19,812	14,217
Drug supplies	14,137	13,762
Electricity, gas and fuel	5,528	5,608
Fee for service	23,288	19,975
Food supplies	8,310	7,580
Housekeeping	26,491	23,585
Insurance	6,103	5,753
Internal SA Health SLA payments	8,196	7,996
Legal	299	236
Medical, surgical and laboratory supplies	100,108	92,097
Minor equipment	9,266	3,281
Motor vehicle expenses	460	418
Occupancy rent and rates	2,412	1,767
Patient transport	6,120	6,800
Postage	1,365	1,029
Printing and stationery	2,984	2,815
Repairs and maintenance	18,886	12,520
Security	14,857	16,070
Services from Shared Services SA	3,545	3,569
Training and development	7,169	6,327
Travel expenses	545	302
Other supplies and services	8,317	6,970
Total supplies and services	302,542	263,744

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

Consultants

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

	2022		2021	
	No.	\$'000	No.	\$'000
Below \$10,000	-	-	1	4
Above \$10,000	-	-	3	150
Total paid/payable to consultancies engaged	-	-	4	154

9. Other expenses

	2022	2021
	\$'000	\$'000
Assets transferred to the Department	-	4,550
Debts written off	144	156
Bank fees and charges	27	27
Other*	611	598
Total other expenses	782	5,331

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

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

10. Cash and cash equivalents

	2022	2021
	\$'000	\$'000
Cash at bank or on hand	1,252	772
Deposits with Treasurer: general operating	4,714	19,429
Deposits with Treasurer: special purpose funds	8,860	9,338
Total cash and cash equivalents	14,826	29,539

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

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

The Hospital only earns interest on the special deposit account of nil (\$0.004 million).

11. Receivables

	Note	2022	2021
		\$'000	\$'000
Current			
Patient/client fees: compensable		810	666
Patient/client fees: other		7,594	5,974
Debtors		2,981	2,272
Less: allowance for impairment loss on receivables	11.1	(2,495)	(1,779)
Prepayments		1,104	812
Workers compensation provision recoverable		1,019	834
Sundry receivables and accrued revenue		1,183	1,216
GST input tax recoverable		264	530
Total current receivables		12,460	10,525
Non-current			
Debtors		180	73
Workers compensation provision recoverable		1,649	1,346
Total non-current receivables		1,829	1,419
Total receivables		14,289	11,944

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 *Financial Instruments* and measured lifetime expected credit losses on all trade receivables using an allowance matrix as a practical expedient to measure the impairment allowance.

Movement in the allowance for impairment loss on receivables:

	2022	2021
	\$'000	\$'000
Carrying amount at the beginning of the period	1,779	1,270
Increase/(Decrease) in allowance recognised in profit or loss	716	509
Carrying amount at the end of the period	2,495	1,779

Impairment losses relate to receivables arising from contracts with customers that are external to SA Government. Refer to note 27 for details regarding credit risk and the methodology for determining impairment.

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

12. Inventories

Inventories of \$3.186 million (\$2.996 million) are held for distribution at no or nominal consideration and are measured at the lower of cost and replacement cost.

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

13. Property, plant and equipment and intangible assets

13.1 Acquisition and recognition of non-current assets

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

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

13.2 Depreciation and amortisation of non-current assets

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

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

<u>Class of asset</u>	<u>Useful life (years)</u>
Buildings and improvements	40 - 80
Right-of-use buildings	Lease Term
Accommodation and leasehold improvements	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 asset's fair value at the time of acquisition is greater than \$1.500 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 \$1.500 million materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

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

13.4 Impairment

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

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

There were no indications of impairment for property, plant and equipment or intangibles as at 30 June 2022.

13.5 Intangible assets

The carrying amount of intangible assets (software) at beginning of the reporting period was \$0.198 million (\$0.024 million), amortisation during the financial year was \$0.007 million (\$0.017 million) resulting in a carrying amount at the end of the reporting period of \$0.191 million (\$0.198 million), including work in progress of \$0.191 million (\$0.191 million).

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

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

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

13.6 Land and buildings

An independent valuation of owned land and buildings, including site improvements, was performed in March and April 2018, within the regular valuation cycle, by a Certified Practising Valuer from Jones Lang Lasalle (SA) Pty Ltd, as at 1 June 2018. Consistent with Treasurer's Instructions, a public authority must at least every 6 years obtain a valuation appraisal from a qualified valuer, the timing and process of which will be considered in the 2022-23 financial year.

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

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

13.7 Plant and equipment

The Hospital's plant and equipment assets with a fair value greater than \$1.500 million or an estimated useful life of greater than three years were revalued using the fair value methodology, as at 1 June 2018, based on independent valuations performed by Simon O'Leary, AAPI, C.P.V, Australian Valuation Solutions Pty Ltd. The value of all other plant and equipment has not been revalued, this is in accordance with APS 116.D, the carrying value of these items is deemed to approximate fair value. These assets are classified in level 3 as there have been no subsequent adjustments to their value, except for management assumptions about the asset condition and remaining useful life.

13.8 Leased, property, plant and equipment

Right-of-use assets (including concessional arrangements) leased by the Hospital as lessee are measured at cost and there were no indications of impairment. Additions to the right-of-use assets during the period were \$4.844 million (\$0.473 million), including the lease of a multi-deck car park at Elizabeth Vale and motor vehicles. Short-term leases of 12 months or less and low value leases, where the underlying asset value is less than \$15,000 are not recognised as right-of-use assets.

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

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

14. Reconciliation of property, plant and equipment

The following table shows the movement:

2021-22	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	34,000	305,765	44,109	85,651	2,996	11,601	1,070	573	159	485,924
Additions	-	-	4,508	40,446	-	1,426	34	336	3,770	50,520
Disposals	-	-	-	-	-	-	-	(1)	-	(1)
Transfers between asset classes	-	121,179	-	(122,064)	-	44	930	-	(89)	-
Remeasurement	-	-	1,453	-	-	-	-	-	-	1,453
Subtotal:	34,000	426,944	50,070	4,033	2,996	13,071	2,034	908	3,840	537,896
Gains/(losses) for the period recognised in net result:										
Depreciation and amortisation	-	(22,781)	(3,693)	-	(707)	(3,694)	(260)	(367)	-	(31,502)
Subtotal:	-	(22,781)	(3,693)	-	(707)	(3,694)	(260)	(367)	-	(31,502)
Carrying amount at the end of the period	34,000	404,163	46,377	4,033	2,289	9,377	1,774	541	3,840	506,394
Gross carrying amount										
Gross carrying amount	34,000	504,677	56,780	4,033	7,547	39,719	6,901	1,064	3,840	658,561
Accumulated depreciation / amortisation	-	(100,514)	(10,403)	-	(5,258)	(30,342)	(5,127)	(523)	-	(152,167)
Carrying amount at the end of the period	34,000	404,163	46,377	4,033	2,289	9,377	1,774	541	3,840	506,394

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

Capital works in progress land and buildings addition of \$40.446 million includes the Lyell McEwin Hospital Emergency Department expansion (\$23.440 million) and Modbury Hospital upgrade (\$15.718 million).

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

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

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

Capital works in progress land and buildings addition of \$49.895 million includes the Lyell McEwin Hospital Emergency Department expansion (\$8.862 million) and Modbury Hospital upgrade (\$39.079 million).

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

15. Fair Value Measurement

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

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

The Hospital's current use is the highest and best use of the asset unless other factors suggest an alternative use. As the Hospital did not identify any factors to suggest an alternative use, fair value measurement was based on current use. The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1.500 million or an estimated useful life that was less than three years are deemed to approximate fair value.

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

15.1 Fair value hierarchy

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

Fair value measurements at 30 June 2022

	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements			
Land	1,150	32,850	34,000
Buildings and improvements	-	404,163	404,163
Leasehold improvements	-	2,289	2,289
Plant and equipment	-	11,151	11,151
Total recurring fair value measurements	1,150	450,453	451,603

Fair value measurements at 30 June 2021

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

There are no non-recurring fair value measurements.

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

The Hospital had no valuations categorised into level 1; \$1.150 million valuations categorised into level 2; and the balance into level 3. There were no transfers of assets between level 1, 2 and 3 fair value hierarchy levels during the reporting period.

15.2 Valuation techniques and inputs

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

Due to the predominantly specialised nature of health service assets, the majority of building and plant and equipment valuations have been undertaken using a cost approach (depreciated replacement cost), an accepted valuation methodology under AASB 13 *Fair Value Measurement*. 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.

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

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

	2022	2021
	\$'000	\$'000
Current		
Creditors and accrued expenses	25,148	13,506
Paid Parental Leave Scheme	153	112
Staff on-costs*	8,182	7,669
Other payables	1,250	770
Total current payables	34,733	22,057
Non-current		
Staff on-costs*	3,364	3,707
Total non-current payables	3,364	3,707
Total payables	38,097	25,764

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 2021 rate (10.1%) to 10.6% 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 \$0.472 million. The estimated impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions.

Refer to note 27 for information on risk management.

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

17. Financial liabilities

	2022	2021
	\$'000	\$'000
Current		
Lease liabilities	3,522	3,207
Total current financial liabilities	3,522	3,207
Non-current		
Lease liabilities	45,160	42,598
Total non-current financial liabilities	45,160	42,598
Total financial liabilities	48,682	45,805

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

The borrowing costs associated with leasing activities is \$1.096 million (\$1.069 million).

Refer to note 27 for information on risk management.

17.1 Leasing activities

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

Major lease activities include the use of:

- Properties – the Hospital has four property leases in place:
 - 44-46 John Rice Avenue, Elizabeth Vale (multi-deck car park)
 - 7-9 Park Terrace, Salisbury (office space)
 - 116 Reservoir Road, Modbury (office space)
 - Elizabeth GP Plus, Elizabeth Way, Elizabeth (GP Clinic)
- Motor vehicles – leased from the South Australian Government Financing Authority (SAFA) through their agent LeasePlan Australia. The leases are non-cancellable and the vehicles are leased for a specific time period (usually 3 years) or a specified number of kilometres, whichever occurs first.

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

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

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

17.2 Concessional lease arrangements

The Hospital has no concessional lease arrangements.

17.3 Maturity analysis

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

	2022	2021
	\$'000	\$'000
Lease Liabilities		
1 to 3 years	13,206	12,174
3 to 5 years	8,292	6,929
5 to 10 years	15,829	13,787
More than 10 years	20,830	22,542
Total lease liabilities (undiscounted)	58,157	55,432

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

18. Staff benefits

	2022	2021
	\$'000	\$'000
Current		
Accrued salaries and wages	13,961	18,217
Annual leave	57,381	51,048
Long service leave	7,170	8,222
Skills and experience retention leave	3,426	3,232
Other	18	15
Total current staff benefits	81,956	80,734
Non-current		
Long service leave	81,017	93,532
Total non-current staff benefits	81,017	93,532
Total staff benefits	162,973	174,266

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

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

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

The annual leave liability and the skills and experience retention leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

As a result of the actuarial assessment performed by DTF, the salary inflation rate has decreased from the 2021 rate (2.00%) to 1.50% for annual leave and skills and experience retention leave liability. As a result, there is a decrease in staff benefits liability and staff benefits expense of \$0.317 million.

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

18.2 Long service leave

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

AASB 119 *Employee Benefits* contains the calculation methodology for the long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee 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 2021 (1.50%) to 3.75%. 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 2.50% 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 \$17.817 million, payables (staff on-costs) of \$0.719 million and staff benefits expense of \$18.536 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.

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

19. Provisions

The Hospital's provision relates to workers compensation only.

Reconciliation of workers compensation (statutory and additional compensation)

	2022	2021
	\$'000	\$'000
Carrying amount at the beginning of the period	6,620	6,025
Increase / (Decrease) in provisions recognised	5,093	1,597
Reductions arising from payments/other sacrifices of future economic benefits	(843)	(1,002)
Carrying amount at the end of the period	10,870	6,620

19.1 Workers Compensation

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

A liability has been reported to reflect unsettled workers compensation claims (statutory and additional compensation schemes).

The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2022 provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment.

The additional compensation scheme 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 nonserious injuries sustained in circumstances which involved, or appeared to involve, the commission of a criminal offence, or which arose from a dangerous situation

There is a significant degree of uncertainty associated with estimating future claim and expense payments and also around the timing of future payments due to the variety of factors involved. The liability is impacted by agency claim experience relative to other agencies, average claim sizes and other economic and actuarial assumptions. In addition to these uncertainties, the additional compensation scheme is impacted by the limited claims history and the evolving nature of the interpretation of, and evidence required to meeting, eligibility criteria. Given these uncertainties, the actual cost of additional compensation claims may differ materially from the estimate.

Measurement of the workers compensation provision as at 30 June 2022 includes the impacts of the decision of the Full Court of the Supreme Court of South Australia in *Return to Work Corporation of South Australia vs Summerfield* (Summerfield decision). The Summerfield decision increased the liabilities of the Return to Work Scheme (the Scheme) and the workers compensation provision across government.

Legislation to reform the *Return to Work Act 2014* was proclaimed in July 2022, with the reforms expected to reduce the overall liability of the Scheme. The impacts of these reforms on the workers compensation provision will be considered when measuring the provision as at 30 June 2023.

20. Contract liabilities and other liabilities

	2022	2021
	\$'000	\$'000
Current		
Contract liabilities	285	-
Unclaimed monies	1	-
Unearned revenue	-	127
Other	12	8
Total current contract liabilities and other liabilities	298	135

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

21. Cash flow reconciliation

Reconciliation of cash and cash equivalents at the end of the reporting period	2022	2021
	\$'000	\$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	14,826	29,539
Cash as per Statement of Financial Position	14,826	29,539
Balance as per Statement of Cash Flows	14,826	29,534
Reconciliation of net cash provided by operating activities to net result:		
Net cash provided by (used in) operating activities	(5,697)	17,243
Add/less non-cash items		
Asset transferred to the Department	-	(4,550)
Capital revenues	38,636	48,595
Depreciation and amortisation expense of non-current assets	(31,509)	(33,280)
Gain/(loss) on sale or disposal of non-current assets	-	(276)
Resources received free of charge	-	1,552
Movement in assets and liabilities		
Increase/(decrease) in receivables	2,345	1,653
Increase/(decrease) in inventories	190	357
(Increase)/decrease in staff benefits	11,293	(518)
(Increase)/decrease in payables and provisions	(15,140)	(3,285)
(Increase)/decrease in other liabilities	(163)	(51)
Net result	(45)	27,440

Total cash outflows for leases is \$4.516 million (\$4.642 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.

	2022	2021
	\$'000	\$'000
Capital commitments		
Within one year	364	421
Total capital commitments	364	421

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

	2022	2021
	\$'000	\$'000
Expenditure commitments		
Within one year	46,215	33,507
Later than one year but not longer than five years	44,692	61,367
Total expenditure commitments	90,907	94,874

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

23. Trust funds

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

	2022	2021
	\$'000	\$'000
Carrying amount at the beginning of period	395	345
Client trust receipts	582	740
Client trust payments	(513)	(690)
Carrying amount at the end of the period	464	395

24. Contingent assets and liabilities

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

25. Events after balance date

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

26. Impact of Standards not yet implemented

The Hospital has assessed the impact of the new and amended Australian Accounting Standards and Interpretations not yet implemented and changes to the Accounting Policy Statements issued by the Treasurer.

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, such as long service leave, and whether or not the Hospital has a substantive right to defer settlement. Where applicable these liabilities will be classified as current. Application of this standard is not expected to have a material impact.

27. Financial instruments/financial risk management

27.1 Financial risk management

Risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management – Guidelines*.

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

Liquidity Risk

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

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

Credit Risk

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

Refer to notes 10 and 11 for further information.

Market Risk

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

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

27.2 Categorisation of financial instruments

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

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

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

A financial asset is measured at amortised cost if:

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

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

Category of financial asset and financial liability	Notes	2022 Carrying amount/ Fair value \$'000	2021 Carrying amount/ Fair value \$'000
Financial assets			
Cash and equivalent			
Cash and cash equivalents	10,21	14,826	29,539
Amortised cost			
Receivables ⁽¹⁾⁽²⁾	11	10,044	8,339
Total financial assets		24,870	37,878
Financial liabilities			
Financial liabilities at amortised cost			
Payables ⁽¹⁾	16	26,113	13,991
Lease liabilities	17	48,682	45,805
Other liabilities	20	12	8
Total financial liabilities		74,807	59,804

(1) Receivable and payable amounts disclosed exclude amounts relating to statutory receivables and payables. This includes Commonwealth, State and Local Government taxes and fees and charges; this is in addition to employment related receivables and payables such as payroll tax, fringe benefits tax etc. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the disclosure requirements of AASB 7 *Financial Instruments: Disclosures* 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.

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

27.3 Credit risk exposure and impairment of financial assets

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

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

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

To measure the expected credit loss receivables are grouped based on shared risks characteristics and the days past. When 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 losses is a significant estimate. The Hospital's historical credit loss experience and forecast of economic conditions may not be representative of customers' actual default in the future.

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

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

	30 June 2022			30 June 2021		
	Expected credit loss rate(s) %	Gross carrying amount \$'000	Expected credit losses \$'000	Expected credit loss rate(s) %	Gross carrying amount \$'000	Expected credit losses \$'000
Days past due						
Current	0.4-1.4%	2,520	32	0.2-2.7%	2,611	35
<30 days	0.6-1.6%	1,466	22	0.7-4.1%	1,516	24
31-60 days	1.5-5.5%	695	21	2.1-7.5%	300	10
61-90 days	2.2-9.0%	562	31	3.4-9.8%	340	21
91-120 days	2.7-13.1%	437	30	5.0-11.3%	267	24
121-180 days	3.9-21.5%	763	78	8.0-14.6%	471	67
181-360 days	12.8-43.8%	1,248	520	16.4-41.4%	964	362
361-540 days	42.3-85.9%	549	447	36.8-81.5%	456	366
>540 days	41.0-100.0%	1,437	1,314	42.1-99.0%	891	870
Total		9,677	2,495		7,816	1,779

28. Significant transactions with government related entities

The Hospital is controlled by SA Government.

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

Significant transactions with the SA Government are identifiable throughout this financial report. The Hospital received funding from the SA Government via the Department (note 2), and incurred expenditure via the Department for medical, surgical and laboratory supplies, insurance and computing (note 8). The Hospital incurred significant expenditure with the DIT for capital works.

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2022**

29. Board and committee members

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

Board/Committee name:	Government employee members	Other members
Northern Adelaide Local Health Network Governing Board	1	Blight R (Chair), Burgess A, Forwood M, Lampard F, Patetsos M, Roesler C
Northern Adelaide Local Health Network Clinical Governance Committee	-	Patetsos M (Chair), Dennis C, Roesler C, Burgess A
Northern Adelaide Local Health Network Consumer Advisory Board	-	White A (Chair), Dahal K, Mossop J, Putsey P, Spargo J
Northern Adelaide Local Health Network Consumer Community	5	Baker K, Bonato K, Cately P, Chester M, Coleman L, Dahal K, Damgaard H, Dimitropolous T, Foong J, Gadd R, Grinter M, Hassan R, Irvine S, MacFarlan C, Maiorana B, Mossop J, Putsey P, Radic S, Raina M, Rowa J, Simpson T, Spargo J, Streiber N, Swietek W, Wegener M, White A, Whittle S. (All appointed 12/08/2021)
Northern Adelaide Local Health Network Risk Management & Audit Committee	-	Patetsos M (Chair), Connor G, Forwood M
Northern Adelaide Local Health Network and Department for Health and Wellbeing Aboriginal Consumer Reference Group	-	Wanganeen K (Chair), Stengle A, Wanganeen E, Chisholm K, Sinclair N, Weetra R, Varcoe E, Lamont J, O'Brien M, Turner B

Refer to note 7.2 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 2022

30. Schedules of administered funds

The Hospital administers the following funds:

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

	2022	2021
	\$'000	\$'000
Revenue from fees and charges	11,210	10,126
Other revenue	49	75
Supplies and services	(6)	(7)
Other expenses	(11,299)	(10,494)
Net result	(46)	(300)
Cash and cash equivalents	1,575	1,050
Receivables	1,132	1,711
Other current liabilities	-	(9)
Net assets	2,707	2,752
Cash at 1 July	1,050	1,111
Cash inflows	11,830	10,432
Cash outflows	(11,305)	(10,493)
Cash at 30 June	1,575	1,050