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To the Board Chair Southern Adelaide Local Health Network Incorporated

Opinion

I have audited the financial report of the Southern 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 Southern 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 Board Chair, the Interim Chief Executive Officer and the Acting 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 Southern 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 Interim Chief Executive Officer for the financial report

The Interim 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 Interim Chief Executive Officer 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 Interim 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 Southern 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 Southern 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 Interim Chief Executive Officer
- conclude on the appropriateness of the Interim 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 Interim Chief Executive Officer and the 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

16 September 2022

Certification of the financial statements

We certify that the:

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



Mark Butcher
Governing Board Chair



Wayne Gadd
I/Chief Executive Officer



Matthew Rooney
A/Chief Finance Officer

Date 14 Sept 2022

**SOUTHERN 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	1,220,410	1,157,708
Fees and charges	3	57,375	62,047
Grants and contributions	4	5,326	4,812
Interest	12	-	4
Resources received free of charge	5	7,265	8,335
Other revenues/income	6	25,849	23,752
Total income		1,316,225	1,256,658
Expenses			
Staff benefits expenses	7	846,804	813,056
Supplies and services	8	410,737	372,116
Depreciation and amortisation	16,17	43,499	43,524
Grants and subsidies	9	-	342
Borrowing costs	20	142	168
Net loss from disposal of non-current and other assets	11	1	90
Impairment loss on receivables	13.1	734	453
Other expenses	10	388	903
Total expenses		1,302,305	1,230,652
Net result		13,920	26,006
Total comprehensive result		13,920	26,006

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

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
STATEMENT OF FINANCIAL POSITION
As at 30 June 2022

	Note	2022 \$'000	2021 \$'000
Current assets			
Cash and cash equivalents	12	17,466	36,181
Receivables	13	26,815	25,384
Inventories	15	4,315	3,772
Total current assets		48,596	65,337
Non-current assets			
Receivables	13	6,505	6,274
Other financial assets	14	2,601	2,601
Property, plant and equipment	16,17	761,472	752,746
Intangible assets	16.5	15	22
Total non-current assets		770,593	761,643
Total assets		819,189	826,980
Current liabilities			
Payables	19	47,048	36,586
Financial liabilities	20	1,703	1,332
Staff benefits	21	128,196	133,090
Provisions	22	6,461	5,416
Contract liabilities and other liabilities	23	1,599	2,079
Total current liabilities		185,007	178,503
Non-current liabilities			
Payables	19	5,511	6,123
Financial liabilities	20	6,143	7,856
Staff benefits	21	130,967	153,244
Provisions	22	34,584	39,248
Total non-current liabilities		177,205	206,471
Total liabilities		362,212	384,974
Net assets		456,977	442,006
Equity			
Retained earnings		373,347	358,376
Asset revaluation surplus		83,630	83,630
Total equity		456,977	442,006

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

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2022

	Asset revaluation surplus \$ '000	Retained earnings \$ '000	Total equity \$ '000
Balance at 30 June 2020	83,630	332,370	416,000
Net result for 2020-21	-	26,006	26,006
Total comprehensive result for 2020-21	-	26,006	26,006
Balance at 30 June 2021	83,630	358,376	442,006
Net result for 2021-22	-	13,920	13,920
Total comprehensive result for 2021-22	-	13,920	13,920
Net assets transferred out as a result of an administrative restructure	-	1,051	1,051
Balance at 30 June 2022	83,630	373,347	456,977

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

SOUTHERN 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		1,018,987	958,236
Fees and charges		57,140	55,966
Grants and contributions		7,757	6,748
Interest received		-	4
GST recovered from ATO		15,932	15,123
Other receipts		11,613	8,469
Cash generated from operations		1,111,429	1,044,546
Cash outflows			
Staff benefits payments		(874,576)	(810,804)
Payments for supplies and services		(244,140)	(216,128)
Payments of grants and subsidies		(16)	(486)
Interest paid		(142)	(168)
Other payments		(624)	(800)
Cash used in operations		(1,119,498)	(1,028,386)
Net cash provided by/(used in) operating activities		(8,069)	16,160
Cash outflows			
Purchase of property, plant and equipment		(8,675)	(10,182)
Cash used in investing activities		(8,675)	(10,182)
Net cash provided by/(used in) investing activities		(8,675)	(10,182)
Cash flows from financing activities			
Cash outflows			
Repayment of lease liabilities		(1,971)	(2,012)
Cash used in financing activities		(1,971)	(2,012)
Net cash provided by/(used in) financing activities		(1,971)	(2,012)
Net increase/(decrease) in cash and cash equivalents		(18,715)	3,966
Cash and cash equivalents at the beginning of the period		36,181	32,215
Cash and cash equivalents at the end of the period	12	17,466	36,181
Non-cash transactions	24		

The accompanying notes form part of these financial statements.

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

1. About Southern Adelaide Local Health Network

The Southern Adelaide Local Health Network (the Hospital) is a not-for-profit incorporated hospital established under the *Health Care Act 2008*. The financial statements include all controlled activities of the Hospital. The Hospital does not control any other entity. It does have an interest in an unconsolidated structured entity (Flinders Fertility). Information on the Hospital's interests in other entities is at note 32.

Administered items

The Hospital has administered activities and resources. Transactions and balances relating to administered resources are presented separately and are disclosed in the Schedule of Administered Financial Statements (note 34). Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for the Hospital's transactions.

1.1 Objectives and activities

The Hospital is committed to protecting and improving the health of all South Australians by delivering a system that balances the provision of safe, high-quality and accessible services that are sustainable and reflective of local values, needs and priorities with strategic system leadership, regulatory responsibilities and an increased focus on wellbeing, illness prevention, early intervention and quality care.

The Hospital is part of the SA Health portfolio providing health services for Southern Adelaide, including those managed on a State-wide basis. The Hospital is structured to contribute to the outcomes for which the portfolio is responsible by providing hospital-based quaternary care including medical, surgical and other acute services, rehabilitation, mental health, palliative care and other community health services to veterans and other persons living within the Southern Adelaide metropolitan area and statewide as appropriate.

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 the 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.

1.2 Basis of preparation

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

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

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

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

Significant accounting policies are set out below/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.

SOUTHERN 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, the Hospital had a working capital deficiency of \$136.411 million (\$113.166 million deficiency). 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 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 Administrative restructures

2021-22

As a result of administrative arrangements outlined in the Chief Executive Agreement (4 April 2022), the Metropolitan Referral Unit was transitioned from the Hospital to Wellbeing SA, effective 26 March 2022. Net liabilities of \$1.051 million were transferred out, consisting of payables (\$0.060 million) and staff benefits (\$0.991 million). This included the transfer of 32 staff.

Net liabilities transferred by the Hospital as a result of the administrative restructure were at the carrying amount immediately prior to transfer, and treated as a distribution to the SA Government as owner.

2020-21

There were no transfers during this period

1.7 Impact of COVID-19 pandemic on SA Health

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 \$35.760 million (\$17.626 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 \$'000	2021 \$'000
Operational funding	1,170,962	1,098,345
Capital projects funding	49,448	59,363
Total revenues from Department for Health and Wellbeing	1,220,410	1,157,708

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

SOUTHERN 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	3,093	3,434
Commissions revenue	13	15
Fees for health services	12,396	11,016
Fines, fees and penalties	19	6
Patient and client fees	36,304	41,997
Private practice fees	2,912	3,246
Sale of goods - medical supplies	619	152
Training revenue	122	214
Other user charges and fees	1,897	1,967
Total fees and charges	57,375	62,047

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.

Contracts with Customers disaggregated by pattern of revenue recognition and type of customer	2022	2022	2021	2021
	\$'000	\$'000	\$'000	\$'000
	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	3,047	46	3,434	-
Commissions revenue	13	-	15	-
Patient and client fees	29,819	-	32,965	-
Private practice fees	2,912	-	3,246	-
Fees for health services	10,694	-	10,400	-
Sale of goods - medical supplies	77	-	52	-
Training revenue	17	-	-	-
Other user charges and fees	1,502	-	1,441	-
Total contracts with external customers	48,081	46	51,553	-
Patient and client fees	6,485	-	9,032	-
Fees for health services	1,702	-	616	-
Sale of goods - medical supplies	542	-	100	-
Training revenue	105	-	214	-
Other user charges and fees	395	-	526	-
Total contracts with SA Government customers	9,229	-	10,488	-
Total contracts with customers	57,310	46	62,041	-

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). 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 13).

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, anaesthetists, pathology, radiology services etc. Revenue from these services is recognized on a time-and-material basis as services are provided. Any amounts remaining unpaid at the end of the reporting period are treated as an accounts receivable.

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 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 accounts receivable.

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

Private practice fees

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

Car Parking Revenue

The Hospital provides access to car parks directly to staff, patients and visitors. A discounted weekly ticket is also available. Revenue is recognized when control of the goods has transferred to the customer, being when the ticket is purchased. The Hospital also provides weekly, fortnightly and monthly car park passes to doctors, nurses and other staff.

4. Grants and contributions

	2022	2021
	\$'000	\$'000
Commonwealth grants and donations	1,148	1,906
Other SA Government grants and contributions	940	982
Private sector capital contributions	687	-
Private sector grants and contributions	2,551	1,924
Total grants and contributions	5,326	4,812

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

Of the \$5.326 million (\$4.812 million) received during the reporting period for grants and contributions, \$1.865 million (\$0.723 million) was provided for specific purposes, such as research and associated activities.

5. Resources received free of charge

	2022	2021
	\$'000	\$'000
Buildings and improvements	562	1,670
Services	6,703	6,665
Total resources received free of charge	7,265	8,335

Buildings and improvements contributions of \$0.562 million relates to upgraded Hospital facilities shared with Central Adelaide Local Health Network (\$1.670 million for photovoltaic cells at Flinders Medical Centre).

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 \$5.055 million (\$5.057 million) and ICT services valued at \$1.648 million (\$1.608 million) from Department of the Premier and Cabinet following Cabinet's approval to cease intra-government charging.

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

6. Other revenues/income

	2022	2021
	\$'000	\$'000
Donations	37	567
Health recoveries	14,064	15,265
Other	11,748	7,920
Total other income/revenue	25,849	23,752

SOUTHERN 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	698,314	658,883
Targeted voluntary separation packages	270	1,382
Long service leave	(7,090)	5,694
Annual leave	70,848	64,787
Skills and experience retention leave	3,295	3,016
Staff on-costs - superannuation*	75,473	69,089
Staff on-costs - other	3	2
Workers compensation	3,202	8,158
Board and committee fees	353	296
Other staff related expenses	2,136	1,749
Total staff benefits expenses	846,804	813,056

* The superannuation staff 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.

The decrease in long service leave expense is primarily due to an increase in the bond yield, from 1.50% to 3.75%, which is used in the actuarial assessment of long service leave liability to discount future cash flows, resulting in a decrease in the liability. Refer to note 21.2.

7.1 Key Management Personnel

Key management personnel (KMP) of the Hospital includes the Minister, eight members of the governing board, the Chief Executive of the Department, Chief Executive Officer of the Hospital and the three 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 South Australia, respectively, and are payable from the Consolidated Account (via DTF) under section 6 of the *Parliamentary Remuneration Act 1990*; and
- Chief Executive of the Department. The Chief Executive of the Department is remunerated by the Department and there is no requirement for the Hospital to reimburse those expenses.

Compensation	2022	2021
	\$'000	\$'000
Salaries and other short term staff benefits	1,262	1,087
Post-employment benefits	152	173
Total	1,414	1,260

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.

7.2 Remuneration of board and committee members

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

	2022	2021
	No. of	No. of
	Members	Members
\$0	303	338
\$1 - \$20,000	37	48
\$20,001 - \$40,000	7	5
\$60,001 - \$80,000	1	1
Total	348	392

The total remuneration received or receivable by members was \$0.386 million (\$0.322 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. Board members ceasing membership during the reporting period are also included in the table above.

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

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

Refer to note 33 for members of boards/committees that served for all or part of the financial year and were entitled to receive income from membership in accordance with APS 124.B.

7.3 Remuneration of staff

	2022	2021
	Number	Number
The number of staff whose remuneration received or receivable falls within the following bands:		
\$154,001 - \$157,000*	n/a	27
\$157,001 - \$177,000	151	136
\$177,001 - \$197,000	101	96
\$197,001 - \$217,000	79	56
\$217,001 - \$237,000	39	33
\$237,001 - \$257,000	45	38
\$257,001 - \$277,000	40	39
\$277,001 - \$297,000	38	29
\$297,001 - \$317,000	29	27
\$317,001 - \$337,000	30	21
\$337,001 - \$357,000	25	23
\$357,001 - \$377,000	23	28
\$377,001 - \$397,000	8	26
\$397,001 - \$417,000	24	16
\$417,001 - \$437,000	21	20
\$437,001 - \$457,000	19	23
\$457,001 - \$477,000	24	26
\$477,001 - \$497,000	23	19
\$497,001 - \$517,000	17	13
\$517,001 - \$537,000	15	9
\$537,001 - \$557,000	8	6
\$557,001 - \$577,000	5	11
\$577,001 - \$597,000	7	4
\$597,001 - \$617,000	8	3
\$617,001 - \$637,000	2	1
\$637,001 - \$657,000	3	-
\$657,001 - \$677,000	2	-
\$677,001 - \$697,000	-	1
\$737,001 - \$757,000	1	-
Total	787	731

* 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, 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
Nursing remuneration	63	10,920	57	9,634
Medical (excluding Nursing) remuneration	709	214,405	661	195,856
Non-medical (i.e. administration) remuneration	7	1,238	3	660
Executive remuneration	8	1,881	10	2,276
Total	787	228,444	731	208,426

7.5 Targeted voluntary separation packages (TVSP)

	2022	2021
	\$'000	\$'000
Amount paid/payable to separated staff:		
Leave paid/payable to separated employees	70	671
Targeted voluntary separation packages	270	1,382
Net cost to the Hospital	340	2,053

The number of staff who received a TVSP during the reporting period	4	14
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8. Supplies and services

	2022	2021
	\$'000	\$'000
Administration	531	401
Advertising	2,073	2,188
Communication	3,505	2,991
Computing	11,751	10,087
Consultants	1,148	643
Contract of services	17,501	7,592
Contractors	3,723	2,497
Contractors - agency staff	18,814	15,405
Drug supplies	26,638	26,114
Electricity, gas and fuel	6,986	7,287
Fee for service	47,500	41,467
Food supplies	13,376	11,859
Hotel quarantine - accommodation costs	13	13
Housekeeping	13,178	13,094
Insurance	6,515	6,170
Internal SA Health SLA payments	14,588	14,232
Legal	237	219
Low value lease expense	54	265
Medical, surgical and laboratory supplies	142,428	137,667
Minor equipment	5,941	6,639
Motor vehicle expenses	674	1,066
Occupancy rent and rates	3,378	2,818
Patient transport	5,374	5,667
Postage	1,612	1,322
Printing and stationery	2,381	2,458
Repairs and maintenance	19,948	17,962
Security	13,350	9,688
Services from Shared Services SA	5,120	5,128
Short term lease expense	181	-
Training and development	9,795	8,545
Travel expenses	1,293	346
Other supplies and services	11,131	10,286
Total supplies and services	410,737	372,116

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 services expense) to consultants that fell within the following bands:

	2022		2021	
	No.	\$'000	No.	\$'000
Below \$10,000	-	-	1	6
Above \$10,000	8	1,148	7	637
Total paid/payable to consultancies engaged	8	1,148	8	643

9. Grants and subsidies

	2022	2021
	\$'000	\$'000
Recurrent grants	-	342
Total grants and subsidies	-	342

The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation. Contributions payable will be recognised as a liability and an expense when the Hospital has a present obligation to pay the contribution and the expense recognition criteria are met.

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10. Other expenses

	2022	2021
	\$'000	\$'000
Assets transferred to the Department	-	23
Debts written off	56	60
Bank fees and charges	43	44
Other*	289	776
Total other expenses	388	903

* Includes reversal of write-down of inventories of \$0.348 million (\$0.077 million write-down) and audit fees paid or payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* of \$0.363 million (\$0.363 million). No other services were provided by the Auditor-General's Department.

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

	2022	2021
	\$'000	\$'000
Carrying amount of assets disposed	(1)	(90)
Total net gain/(loss) from disposal of plant and equipment	(1)	(90)

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.

12. Cash and cash equivalents

	2022	2021
	\$'000	\$'000
Cash at bank or on hand	1,735	1,322
Deposits with Treasurer: general operating	3,558	23,753
Deposits with Treasurer: special purpose funds	12,173	11,106
Total cash and cash equivalents	17,466	36,181

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

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

13. Receivables

		2022	2021
	Note	\$'000	\$'000
Current			
Patient/client fees: compensable		3,195	3,472
Patient/client fees: other		9,576	11,162
Debtors		5,661	4,291
Less: allowance for impairment loss on receivables	13.1	(2,441)	(1,707)
Prepayments		5,836	3,865
Workers compensation provision recoverable		2,111	1,583
Sundry receivables and accrued revenue		1,720	2,132
GST input tax recoverable		1,157	586
Total current receivables		26,815	25,384
Non-current			
Debtors		798	947
Prepayments		1,432	1,488
Workers compensation provision recoverable		4,275	3,839
Total non-current receivables		6,505	6,274
Total receivables		33,320	31,658

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

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

13.1 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 provision.

Movement in the allowance for impairment loss on receivables:

	2022	2021
	\$'000	\$'000
Carrying amount at the beginning of the period	1,707	1,254
Increase/(Decrease) in allowance recognised in profit or loss	734	453
Carrying amount at the end of the period	2,441	1,707

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

14. Other financial assets

	2022	2021
	\$'000	\$'000
Non-current		
Joint venture	2,601	2,601
Total other financial assets	2,601	2,601

The joint venture represents the Hospital's share of beneficial entitlement of Flinders Reproductive Medicine Pty Ltd as trustee for Flinders Charitable Trust, trading as Flinders Fertility, which is the only joint arrangement in which the Hospital participates. The value of entitlement as at the reporting period is unchanged at \$2.601 million from the previous financial year.

According to the terms of the joint venture, profit earned during the financial year is to be distributed to the beneficiaries, resulting in immaterial net assets being held by the trust. However, it has previously been agreed that rather than paying out these distributions, they be retained in Flinders Fertility as a liability to the beneficiaries to facilitate growth within the business. Therefore the Hospital recognises their ownership interest of the distribution as a financial asset.

There is no impairment on other financial assets. Refer to note 30 for information on risk management.

15. Inventories

	2022	2021
	\$'000	\$'000
Drug supplies	928	870
Inventory imprest stock	2,700	2,372
Other	687	530
Total current inventories - held for distribution	4,315	3,772

Inventories held for distribution at no or nominal consideration, 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 and intangible assets

16.1 Acquisition and recognition

Property, plant and equipment 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. However, if the 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.

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The Hospital capitalises owned property, plant and equipment with a value 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 amortisation

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

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

<u>Class of asset</u>	<u>Useful life (years)</u>
Buildings and improvements	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
• Other plant and equipment	3 – 25
Right-of-use plant and equipment	Lease term
Intangible assets	5 – 30

16.3 Revaluation

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

Revaluation of non-current assets or a group of assets is only performed when the assets fair value at the time of acquisition is greater than \$1.500 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.

16.4 Impairment

The Hospital holds its property, plant and equipment and intangible assets for their service potential (value in use). Specialised assets would rarely be sold and typically any costs of disposal would be negligible; accordingly, the recoverable amount will be closer to or greater than fair value. Where there is an indication of impairment, the recoverable amount is estimated. For revalued assets, fair value is assessed each year.

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

16.5 Intangible assets

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The amortisation period and the amortisation method for intangible assets with finite useful lives are reviewed on an annual basis.

The 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.

The Hospital has computer software with a carrying amount of \$0.015 million (\$0.022 million) at the end of reporting period after amortisation of \$0.007 million (\$0.014 million).

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16.6 Land and building

An independent valuation of owned land and buildings owned by the Hospital was performed in March 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, 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.

16.7 Leased property, plant and equipment

Right-of-use assets (including concessional arrangements) leased by the Hospital as lessee are measured at cost and there are no indications of impairment. Additions to right-of-use assets during the reporting period consists of addition to properties of nil (\$0.057 million) and motor vehicles \$0.630 million (\$0.715 million). Short-term leases of 12 months or less and low value leases, where the underlying asset value is less than \$15,000 are not recognised as right-of-use assets. The associated lease payments are recognised as an expense and disclosed in note 8.

The Hospital has a number of lease agreements. Lease terms vary in length from 2 to 10 years.

Major lease activities include the use of:

- Properties – Office accommodation and health clinics are generally leased from the private sector. Generally property leases are non-cancellable with many having the right of renewal. Rent is payable in arrears, with increases generally at a fixed rate. Prior to renewal, most lease arrangements undergo a formal rent review linked to market appraisals or independent valuers.
- Motor vehicles – leased from the South Australian Government Financing Authority (SAFA) through their agent LeasePlan Australia. The leases are non-cancellable and the vehicles are leased for a specified time period (usually 3 years) or a specified number of kilometres, whichever occurs first.

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

The lease liabilities related to the right-of-use assets, maturity analysis and interest expense are disclosed at note 20. Depreciation expense related to right-of-use assets is disclosed at notes 17. 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 :

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	43,232	646,262	7,877	36,532	3,459	11,836	2,036	869	643	752,746
Additions	-	-	-	45,060	-	1,904	-	630	4,066	51,660
Assets received free of charge	-	-	-	562	-	-	-	-	-	562
Disposals	-	-	-	-	-	(1)	-	(3)	-	(4)
Transfers between asset classes	-	50,534	-	(51,704)	25	1,311	203	-	(369)	-
Subtotal:	43,232	696,796	7,877	30,450	3,484	15,050	2,239	1,496	4,340	804,964
Gains/(losses) for the period recognised in net result:										
Depreciation and amortisation	-	(36,330)	(1,509)	-	(329)	(4,341)	(397)	(586)	-	(43,492)
Subtotal:	-	(36,330)	(1,509)	-	(329)	(4,341)	(397)	(586)	-	(43,492)
Carrying amount at the end of the period	43,232	660,466	6,368	30,450	3,155	10,709	1,842	910	4,340	761,472
Gross carrying amount										
Gross carrying amount	43,232	808,465	11,058	30,450	6,133	47,979	9,322	1,812	4,340	962,791
Accumulated depreciation / amortisation	-	(147,999)	(4,690)	-	(2,978)	(37,270)	(7,480)	(902)	-	(201,319)
Carrying amount at the end of the period	43,232	660,466	6,368	30,450	3,155	10,709	1,842	910	4,340	761,472

All assets are classified in the level 3 fair value hierarchy except for capital works in progress (not classified). Refer to note 16.7 for details about the right-of-use assets, and note 20 for details about the lease liability for right-of-use assets.

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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	43,255	643,636	9,409	21,417	3,791	10,857	2,115	776	46	735,302
Additions	-	-	57	52,581	-	5,248	35	715	773	59,409
Assets received free of charge	-	-	-	1,670	-	-	-	-	-	1,670
Disposals	-	-	-	-	-	(38)	(52)	(12)	-	(102)
Donated assets disposal	(23)	-	-	-	-	-	-	-	-	(23)
Transfers between asset classes	-	38,968	-	(39,136)	-	(28)	372	-	(176)	-
Subtotal:	43,232	682,604	9,466	36,532	3,791	16,039	2,470	1,479	643	796,256
Gains/(losses) for the period recognised in net result:										
Depreciation and amortisation	-	(36,342)	(1,589)	-	(332)	(4,203)	(434)	(610)	-	(43,510)
Subtotal:	-	(36,342)	(1,589)	-	(332)	(4,203)	(434)	(610)	-	(43,510)
Carrying amount at the end of the period	43,232	646,262	7,877	36,532	3,459	11,836	2,036	869	643	752,746
Gross carrying amount										
Gross carrying amount	43,232	757,932	11,058	36,532	6,108	44,870	9,120	1,646	643	911,141
Accumulated depreciation / amortisation	-	(111,670)	(3,181)	-	(2,649)	(33,034)	(7,084)	(777)	-	(158,395)
Carrying amount at the end of the period	43,232	646,262	7,877	36,532	3,459	11,836	2,036	869	643	752,746

All assets are classified in the level 3 fair value hierarchy except for capital works in progress (not classified). Refer to note 16.7 for details about the right-of-use assets, and note 20 for details about the lease liability for right-of-use assets.

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 \$1.500 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 into hierarchy based on the level of inputs used in measurement as follows:

All assets are held at level 3 and are recurring fair value measurements.

The Hospital's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. Valuation techniques and inputs used to derive Level 2 and 3 fair values are at note 16 and 18.2.

During the reporting period, the Hospital had no valuations categorised into Level 1, there were no transfers of assets between Level 1, 2 and 3 fair value hierarchy levels.

18.2 Valuation techniques and inputs

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

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.

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.

Although there were some land and buildings valued using Level 2 inputs, the fair value of these was immaterial in comparison to the whole class, therefore all land and buildings have been classified as Level 3.

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19. Payables

	2022	2021
	\$'000	\$'000
Current		
Creditors and accrued expenses	31,914	22,507
Paid Parental Leave Scheme	193	144
Staff on-costs*	13,212	12,620
Other payables	1,729	1,315
Total current payables	47,048	36,586
Non-current		
Staff on-costs*	5,438	6,073
Other payables	73	50
Total non-current payables	5,511	6,123
Total payables	52,559	42,709

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 expense of \$0.763 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 30 for information on risk management.

20. Financial liabilities

	2022	2021
	\$'000	\$'000
Current		
Lease liabilities	1,703	1,332
Total current financial liabilities	1,703	1,332
Non-current		
Lease liabilities	6,143	7,856
Total non-current financial liabilities	6,143	7,856
Total financial liabilities	7,846	9,188

Lease liabilities 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 Hospital incurred borrowing costs associated with leasing activities of \$0.142 million (\$0.168 million). Refer to note 16 for details about the right-of-use assets (including depreciation).

Refer to note 30 for information on risk management.

20.1 Concessional lease arrangements

The Hospital has no concessional lease arrangements.

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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:

	2022	2021
	\$'000	\$'000
Lease Liabilities		
1 to 3 years	3,865	4,215
3 to 5 years	1,628	4,652
5 to 10 years	2,864	983
Total lease liabilities (undiscounted)	8,357	9,850

21. Staff benefits

	2022	2021
	\$'000	\$'000
Current		
Accrued salaries and wages	17,914	26,991
Annual leave	93,010	87,225
Long service leave	11,590	13,472
Skills and experience retention leave	5,391	5,102
Other	291	300
Total current staff benefits	128,196	133,090
Non-current		
Long service leave	130,967	153,244
Total non-current staff benefits	130,967	153,244
Total staff benefits	259,163	286,334

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.

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 the staff benefits liability and staff benefits expenses of \$0.513 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.

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 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 \$27.223 million, payables (staff on-costs) of \$1.098 million and staff benefits expense of \$28.321 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.

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
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For the year ended 30 June 2022

22. Provisions

All provisions are for workers compensation.

Reconciliation of workers compensation (statutory and additional compensation)

	2022	2021
	\$'000	\$'000
Carrying amount at the beginning of the period	44,664	43,853
Increase/(Decrease) in provisions recognised	(1,429)	2,827
Reductions arising from payments/other sacrifices of future economic benefits	(2,190)	(2,016)
Carrying amount at the end of the period	41,045	44,664

22.1 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.

23. Contract liabilities and other liabilities

	2022	2021
	\$'000	\$'000
Current		
Unclaimed monies	4	-
Unearned revenue	55	73
Contract liabilities	1,522	1,982
Other	18	24
Total contract liabilities and other liabilities	1,599	2,079

Revenue relating to services/treatments for drug and alcohol abuse support is recognised over time although all funds are received upfront for these services. A contract liability is recognized for this revenue at the time of initial receipt and is released over the time as and when service obligations are met. 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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24. 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	17,466	36,181
Cash as per Statement of Financial Position	17,466	36,181
Balance as per Statement of Cash Flows	17,466	36,181
Reconciliation of net cash provided by/(used in) operating activities to net result:		
Net cash provided by/(used in) operating activities	(8,069)	16,160
Add/less non-cash items		
Asset donated free of charge	-	(23)
Capital revenues	41,439	47,931
Depreciation and amortisation expense of non-current assets	(43,499)	(43,524)
Gain/(loss) on sale or disposal of non-current assets	(1)	(90)
Resources received free of charge	562	1,670
Movement in assets and liabilities		
Increase/(decrease) in receivables	1,662	5,562
Increase/(decrease) in inventories	543	(86)
(Increase)/decrease in staff benefits	26,180	1,502
(Increase)/decrease in payables and provisions	(5,377)	(3,348)
(Increase)/decrease in other liabilities	480	252
Net result	13,920	26,006

The total cash outflows for leases is \$2.346 million (\$2.012 million).

25. Unrecognised contractual commitments

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

25.1 Capital commitments

	2022	2021
	\$'000	\$'000
Within one year	1,006	997
Total Capital commitments	1,006	997

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

25.2 Expenditure commitments

	2022	2021
	\$'000	\$'000
Within one year	89,423	52,306
Later than one year but not longer than five years	179,732	111,938
Later than five years	5	-
Total Expenditure commitments	269,160	164,244

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

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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 mental health services, residential drug and alcohol rehabilitation services, or 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.

	2022	2021
	\$'000	\$'000
Carry amount at the beginning of period	43	103
Client trust receipts	419	524
Client trust payments	(403)	(584)
Carrying amount at the end of the period	59	43

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 and contingent liabilities. 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.

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.

30. Financial instruments/financial risk management

30.1 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 SA Government via the Department. The Department works with DTF to determine the cash flows associated with this Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. Refer to note 1.4, 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 interest bearing liabilities are managed through SAFA and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

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

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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.

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

A financial asset is measured at amortised cost if:

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

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	12	17,466	36,181
Amortised cost			
Receivables ⁽¹⁾⁽²⁾	13	17,654	19,295
Fair value through profit or loss			
Other financial assets	14	2,601	2,601
Total financial assets		37,721	58,077
Financial liabilities			
Financial liabilities at amortised cost			
Payables ⁽¹⁾	19	33,353	23,509
Financial liabilities	20	7,846	9,188
Other liabilities	23	22	24
Total financial liabilities		41,221	32,721

(1) Receivable and payable amounts disclosed here 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 staff 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 will be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

(2) Receivables amount disclosed excludes prepayments as they are not financial assets.

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 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 amount previously written off are credited against the same line items.

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 risk characteristics and for 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 evidence and informed credit assessment including any forward-looking information.

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
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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 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	0.1 - 1.9 %	6,242	48	0.1 - 2.3 %	5,019	52
<30 days	0.2 - 2.1 %	2,556	29	0.2 - 2.7 %	3,186	57
31-60 days	0.4 - 3.7%	1,224	38	0.4 - 4.7%	1,776	38
61-90 days	0.6 - 5.7 %	1,124	95	0.6 - 6.9 %	462	19
91-120 days	0.9 - 8.3 %	777	123	0.9 - 10.1 %	1,483	98
121-180 days	1.6 - 12.2 %	827	58	1.5 - 15.4 %	980	119
181-360 days	2.8 - 37.6 %	1,671	864	2.5 - 38.0 %	1,566	343
361-540 days	23.0 - 53.5 %	464	292	22.7 - 53.9 %	275	129
>540 days	28.1 - 71.5 %	1,237	894	27.8 - 100.0 %	1,219	852
Total		16,122	2,441		15,966	1,707

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 SA Government are identifiable throughout this financial report. The Hospital received funding from the SA Government via the Department (note 2), incurred expenditure with the Department for medical, surgical and laboratory supplies, computing and insurance (note 8), and incurred significant capital expenditure with DIT of \$50.979 million (\$46.763 million).

32. Interests in other entities

Equity accounted investment

Long Entity Name: Flinders Reproductive Medicine Pty Ltd as trustee for Flinders Charitable Trust, trading as Flinders Fertility

Ownership interest: 50%

Flinders Reproductive Medicine Pty Ltd as trustee for Flinders Charitable Trust, trading as Flinders Fertility is the only joint arrangement in which the Hospital participates.

Flinders Fertility is structured as a private trust which is not a reporting entity and is not publicly listed. The Hospital and Flinders University each have a 50% beneficial entitlement to the net assets of the trust. Accordingly, the interest is classified as a joint venture with the investment measured using the equity accounting method.

The Hospital's share in the equity of the Flinders Fertility is calculated based on the draft financial statements provided as at the reporting period and subsequently adjusted when the final Audited financial statements are available.

The profits have not been distributed for 30 June 2022 as accumulated losses from previous financial years are yet to be recouped.

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The following table summarises the financial information of Flinders Fertility based on currently available information:

Percentage ownership interest	2022 50 %	2021 50 %
	\$'000	\$'000
Current assets	1,996	2,316
Current liabilities	(1,703)	(2,001)
Non-current assets	2,357	2,499
Non-current liabilities	(5,459)	(5,890)
Net assets	<u>(2,809)</u>	<u>(3,076)</u>
Groups share of net assets (50%)		
Share of beneficial entitlement	<u>2,601</u>	<u>2,601</u>
Carrying amount of interest in joint venture	<u>2,601</u>	<u>2,601</u>
Expenses	(6,510)	(6,116)
Revenue	<u>6,777</u>	<u>6,690</u>
Profit/(loss) and total comprehensive income	<u>267</u>	<u>574</u>
Entity's share of profit and total comprehensive income (50%)*	<u>134</u>	<u>287</u>

* The profit and loss have not been distributed at this stage.

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33. 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
Southern Adelaide Local Health Network Governing Board	-	Butcher M (Chair), Hickey V, Mackean T, Mitchell J, Noble J, Richter J, Sherbon A (appointed 01/07/2021), Sweeney T (appointed 01/07/2021, ceased 06/05/2022)
DASSA Clinical Executive Committee	12	Braund S (ceased 19/11/2021), Newrick K
DASSA Community Advisory Council	3	Braund S (Chair) (ceased 06/12/2021), Dealing D (appointed 01/12/2021), Cornish M, Halls A (appointed 27/07/2021), Holly C (appointed 27/07/2021), Mclean J, Moore P (ceased 30/11/2021), Newrick K, Nimmo E, O'Brien J, Petracco C, Randle M, Sherif M (appointed 27/07/2021), Taylor T (appointed 09/08/2021, ceased 12/10/2021), Vega L (appointed 27/07/2021), Whiteway L
DASSA Drug and Therapeutics Committee (Sub Committee of the DASSA Clinical Executive Committee)	10	Randle M
DASSA Executive Group	12	O'Brien J
Mental Health Consumer and Carer Advisory Group	9	Braund S, Buer S (ceased 28/03/2022), Clarke W, Corena M, Harrison J, Hofhuis C, Hopkins R, King P
Partnering with Consumer Advisory Group	11	King P (Co Chair), Ball R, Dame T, Duke J, Hofhuis C, Hoiles J, Holtham R, Klinge N, Oudih E, Pascoe P, Rankine J, Roberts D, Voss D
Southern Adelaide Clinical Human Research Ethics Committee	26	Arnold G, Cahalan P, Dykes L, Haines C (ceased 18/12/2021), Holtham R (ceased 04/05/2022), Ingleson V, Jenki L (Deputy Chair) (ceased 01/02/2022), Lange B (Deputy Chair), Lister C, Lower K, McEvoy M, Miliotis B, Mudd A, Nguyen A (ceased 25/01/2022), Phillips C (appointed 12/06/2022), Sharma S, Shephard S, Souzeau E, Spencer M, Thomas J (appointed 12/05/2022), Treloar H, Trethewey C, Trethewey Y, Van Lueven J, Velayudham P, Watt B (appointed 16/12/2021), Were L, Westwood T (ceased 16/02/2022), Yip L, Zhou Y
Southern Adelaide Local Health Network Asset and Infrastructure Planning Sub-Committee	-	Butcher M (Chair), Mitchell J, Richter J, Sherbon A (appointed 01/07/2021)
Southern Adelaide Local Health Network Audit and Risk Sub Committee (Sub Committee of the Governing Board)	-	Hickey V (Chair), Forman A, Noble J, Stevens R
Southern Adelaide Local Health Network Clinical Council	48	Dame T, Duong M, Voss D

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Board/Committee name:	Government employee members	Other members
Southern Adelaide Local Health Network Clinical Governance (Sub-Committee of the Governing Board)	-	Richter J (Chair), Baggoley C, Eckert M, Mackean T, Voss D (ceased 30/06/2022)
Southern Adelaide Local Health Network Communicating for Patient Safety Committee	40	Dame T
Southern Adelaide Local Health Network Community Engagement (Sub-Committee of the Governing Board)	-	Mitchell J (Chair), Butcher M, King P, Mackean T, Sweeney T (ceased 06/05/2022), Voss D
Southern Adelaide Local Health Network Comprehensive Care Committee	37	Marion C (ceased 01/11/2021), Saunders-Lance, S (appointed 01/03/2022)
Southern Adelaide Local Health Network Drugs and Therapeutics Committee	31	Barrington D (ceased 10/06/2022)
Southern Adelaide Local Health Network End of Life Steering Committee	15	Barrington D, Phelan C
Southern Adelaide Local Health Network Falls Prevention Management Committee	41	Cohen M, Hall W (ceased 16/05/2022)
Southern Adelaide Local Health Network Marion Lived Experience Group Mental Health Services	4	Hofhuis C (Chair), Brooke B, English L, Police D
Southern Adelaide Local Health Network Mental Health Services Noarlunga Lived Experience Group	3	Buer S (Chair), Cairns E (ceased 01/10/2021), Elliott C (ceased 01/10/2021), Healy S, Hopkins R, Hutchison S, Johns S, Penberthy V (ceased 01/10/2021), Smith K
Southern Adelaide Local Health Network New Technology and Clinical Practice Innovation Committee	10	Holty C (appointed 23/08/2021, ceased 02/06/2022) Kaambwa B, King P
Southern Adelaide Local Health Network Older Persons Lived Experience Group Mental Health Services	7	Clark W (Chair), Aust R, Eckert N, Habner R, Lillecrapp D, Schettler S
Southern Adelaide Local Health Network Veterans Lived Experience Group Mental Health Services	3	Frampton R (Chair) (ceased 01/03/2022), Daley G, Damare M (appointed 01/10/2021), Hall R, Lawson B (ceased 01/07/2021), Melling W (ceased 01/08/2021), O'Malley J (appointed 01/03/2022), Renshaw D, Royals N, Schofield M, Tregear J (appointed 01/10/2021)

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

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34. Administered items

The Hospital administers private practice arrangements, representing funds billed on behalf of salaried medical officers and subsequently distributed to the Hospital and salaried medical officers according to Rights of Private Practice Deeds of Agreement.

	Total	
	2022	2021
	\$'000	\$'000
Other expenses	(12,288)	(13,838)
Revenue from fees and charges	11,855	14,087
Net result	(433)	249
Cash and cash equivalents	1,265	1,555
Receivables	633	780
Other current provisions/liabilities	(17)	(21)
Net assets	1,881	2,314
Cash at the beginning of the reporting period	1,555	1,354
Other revenue	12,002	14,025
Other payments	(12,292)	(13,824)
Cash at 30 June	1,265	1,555