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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 2023.

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 2023, 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 2023
- a Statement of Financial Position as at 30 June 2023
- a Statement of Changes in Equity for the year ended 30 June 2023
- a Statement of Cash Flows for the year ended 30 June 2023
- notes, comprising material accounting policy information 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 2023.

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 entity'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 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

22 September 2023

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Income			
Revenues from SA Government	2	939,678	873,508
Fees and charges	3	41,469	35,142
Grants and contributions	4	3,982	3,412
Interest	11	238	-
Resources received free of charge	5	4,806	4,663
Other revenues/income	6	11,205	7,009
Total income		1,001,378	923,734
Expenses			
Staff benefits expenses	7	642,791	586,864
Supplies and services	8	330,895	302,542
Depreciation and amortisation	14,15	32,051	31,509
Grants and subsidies		243	270
Borrowing costs	18	1,073	1,096
Net loss from disposal of non-current and other assets	10	1,021	-
Impairment loss on receivables	12.1	(94)	716
Other expenses	9	1,625	782
Total expenses		1,009,605	923,779
Net result		(8,227)	(45)
Total comprehensive result		(8,227)	(45)

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 2023

	Note	2023 \$'000	2022 \$'000
Current assets			
Cash and cash equivalents	11	17,921	14,826
Receivables	12	15,114	12,460
Inventories	13	3,186	3,186
Total current assets		36,221	30,472
Non-current assets			
Receivables	12	2,679	1,829
Property, plant and equipment	14,15	507,152	506,394
Intangible assets	14.5	87	191
Total non-current assets		509,918	508,414
Total assets		546,139	538,886
Current liabilities			
Payables	17	40,410	34,733
Financial liabilities	18	3,746	3,522
Staff benefits	19	89,902	81,956
Provisions	20	3,607	3,144
Contract liabilities and other liabilities	21	418	298
Total current liabilities		138,083	123,653
Non-current liabilities			
Payables	17	3,574	3,364
Financial liabilities	18	44,034	45,160
Staff benefits	19	82,485	81,017
Provisions	20	8,224	7,726
Total non-current liabilities		138,317	137,267
Total liabilities		276,400	260,920
Net assets		269,739	277,966
Equity			
Retained earnings		257,091	264,862
Asset revaluation surplus		12,648	13,104
Total equity		269,739	277,966

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 2023

	Asset revaluation surplus \$ '000	Retained earnings \$ '000	Total equity \$ '000
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
Net result for 2022-23	-	(8,227)	(8,227)
Total comprehensive result for 2022-23	-	(8,227)	(8,227)
Transfer between equity components	(456)	456	-
Balance at 30 June 2023	12,648	257,091	269,739

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 2023

	Note	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Cash inflows			
Receipts from SA Government		815,230	726,089
Fees and charges		40,271	33,428
Grants and contributions		4,315	3,708
Interest received		238	-
GST recovered from ATO		18,831	15,374
Other receipts		598	1,094
Cash generated from operations		879,483	779,693
Cash outflows			
Staff benefits payments		(626,660)	(592,668)
Payments for supplies and services		(238,084)	(190,295)
Payments of grants and subsidies		(254)	(296)
Interest paid		(1,073)	(1,096)
Other payments		(1,808)	(1,035)
Cash used in operations		(867,879)	(785,390)
Net cash provided by /(used in) operating activities		11,604	(5,697)
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(4,852)	(5,596)
Purchase of intangible assets		(87)	-
Cash used in investing activities		(4,939)	(5,596)
Net cash used in investing activities		(4,939)	(5,596)
Cash flows from financing activities			
Cash outflows			
Repayment of lease liabilities		(3,570)	(3,420)
Cash used in financing activities		(3,570)	(3,420)
Net cash used in financing activities		(3,570)	(3,420)
Net increase/(decrease) in cash and cash equivalents		3,095	(14,713)
Cash and cash equivalents at the beginning of the period		14,826	29,539
Cash and cash equivalents at the end of the period	11	17,921	14,826
Non-cash transactions	22		

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 2023

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 24 and Administered items at Note 31. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for the Hospital transactions.

1.1 Objectives and activities

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

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

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

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

1.2 Basis of preparation

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

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

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

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

Significant accounting policies are set out throughout the notes.

1.3 Taxation

The Hospital is not subject to income tax. The Hospital is liable for fringe benefits tax (FBT) and goods and services tax (GST).

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis, and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

1.4 Continuity of Operations

As at 30 June 2023, the Hospital had a working capital deficiency of \$101.862 million (\$93.181 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.

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2023

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.

2. Revenues from SA Government

	2023	2022
	\$'000	\$'000
Capital projects funding	31,002	48,384
Operational funding	908,676	825,124
Total revenues from SA Government	939,678	873,508

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

3. Fees and charges

	2023	2022
	\$'000	\$'000
Car parking revenue	1,340	621
Fines, fees and penalties	90	84
Patient and client fees	29,956	23,785
Private practice fees	2,358	2,930
Fees for health services	2,795	2,303
Rent revenue	2,249	2,183
Residential and other aged care charges	75	99
Training revenue	15	280
Other user charges and fees	2,591	2,857
Total fees and charges	41,469	35,142

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	2023	2023	2022	2022
	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	722	618	602	19
Patient and client fees	28,238	-	23,785	-
Private practice fees	2,358	-	2,930	-
Fees for health services	2,762	-	2,199	-
Residential and other aged care charges	75	-	99	-
Training revenue	9	-	278	-
Other user charges and fees	2,051	-	1,924	-
Total contracts with external customers	36,215	618	31,817	19
Patient and client fees	1,718	-	-	-
Fees for health services	33	-	104	-
Training revenue	6	-	2	-
Other user charges and fees	540	-	933	-
Total contracts with SA Government customers	2,297	-	1,039	-
Total contracts with customers	38,512	618	32,856	19

The Hospital recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities (refer to note 21). 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 12).

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2023

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

The Hospital 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 specialist's private practice. The Hospital 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.

4. Grants and contributions

	2023	2022
	\$'000	\$'000
Commonwealth grants and donations	82	48
Other SA Government grants and contributions	267	176
Private sector capital contributions	-	27
Private sector grants and contributions	3,633	3,161
Total grants and contributions	3,982	3,412

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

Of the \$3.982 million (\$3.412 million) total grants and contributions, \$3.169 million (\$2.668 million) was provided for specific purposes, such as research and associated activities.

5. Resources received free of charge

	2023	2022
	\$'000	\$'000
Buildings and improvements	31	-
Services	4,775	4,663
Total resources received free of charge	4,806	4,663

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 \$3.775 million (\$3.545 million) and ICT (information and communication technology) services from Department of the Premier and Cabinet valued at \$1.000 million (\$1.118 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 several hundred 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

	2023	2022
	\$'000	\$'000
Health recoveries	10,564	5,677
Insurance recoveries	172	190
Other	469	1,142
Total other revenues/income	11,205	7,009

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2023

7. Staff benefits expenses

	2023	2022
	\$'000	\$'000
Salaries and wages	512,248	480,771
Long service leave	10,093	(5,505)
Annual leave	52,660	49,332
Skills and experience retention leave	1,933	1,801
Staff on-costs - superannuation*	58,311	51,657
Staff on-costs - other	3	6
Workers compensation	5,771	7,461
Board and committee fees	294	285
Other staff related expenses	1,478	1,056
Total staff benefits expenses	642,791	586,864

* 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 eleven (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.

	2023	2022
	\$'000	\$'000
Compensation		
Salaries and other short term staff benefits	2,320	870
Post-employment benefits	662	372
Total	2,982	1,242

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

	2023	2022
	No. of	No. of
	Members	Members
\$0	28	23
\$1 - \$20,000	19	22
\$20,001 - \$40,000	3	-
\$40,001 - \$60,000	2	4
\$60,001 - \$80,000	1	1
\$80,001 - \$100,000	-	1
Total	53	51

The total remuneration received or receivable by members was \$0.322 million (\$0.323 million). Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits and any related fringe benefits and 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 30 for members of boards/committees that served for all or part of the financial year and were entitled to receive income from membership in accordance with APS 124.B.

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2023

7.3 Remuneration of staff

	2023	2022
The number of staff whose remuneration received or receivable falls within the following bands:	No.	No.
\$157,001 - \$160,000*	n/a	18
\$160,001 - \$180,000	122	115
\$180,001 - \$200,000	79	62
\$200,001 - \$220,000	39	39
\$220,001 - \$240,000	31	26
\$240,001 - \$260,000	23	27
\$260,001 - \$280,000	18	21
\$280,001 - \$300,000	20	15
\$300,001 - \$320,000	17	15
\$320,001 - \$340,000	9	15
\$340,001 - \$360,000	10	11
\$360,001 - \$380,000	16	17
\$380,001 - \$400,000	26	15
\$400,001 - \$420,000	6	10
\$420,001 - \$440,000	9	11
\$440,001 - \$460,000	22	12
\$460,001 - \$480,000	13	14
\$480,001 - \$500,000	13	10
\$500,001 - \$520,000	4	14
\$520,001 - \$540,000	3	3
\$540,001 - \$560,000	9	5
\$560,001 - \$580,000	6	6
\$580,001 - \$600,000	8	3
\$600,001 - \$620,000	2	6
\$620,001 - \$640,000	-	3
\$640,001 - \$660,000	2	2
\$660,001 - \$680,000	2	1
\$680,001 - \$700,000	2	2
\$720,001 - \$740,000	-	1
\$740,001 - \$760,000	2	2
\$760,001 - \$780,000	3	3
\$780,001 - \$800,000	3	5
\$800,001 - \$820,000	-	2
\$820,001 - \$840,000	2	1
Total number of staff	521	512

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2021-22.

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:

	2023		2022	
	No.	\$'000	No.	\$'000
Medical (excluding Nursing)	427	136,338	436	139,025
Executive	9	2,295	9	2,379
Nursing	82	14,370	62	10,711
Non-medical (i.e. administration)	3	514	5	840
Total	521	153,517	512	152,955

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2023

8. Supplies and services

	2023	2022
	\$'000	\$'000
Administration	1,122	869
Advertising	341	204
Communication	2,368	2,815
Computing	10,746	8,780
Consultants	118	-
Contract of services	49	35
Contractors	1,304	1,641
Contractors - agency staff	28,862	19,812
Drug supplies	15,454	14,137
Electricity, gas and fuel	6,356	5,528
Fee for service	28,185	23,288
Food supplies	9,771	8,310
Housekeeping	28,473	26,491
Insurance	7,564	6,103
Internal SA Health SLA payments	8,754	8,196
Legal	152	299
Medical, surgical and laboratory supplies	99,577	100,108
Minor equipment	4,899	9,266
Motor vehicle expenses	507	460
Occupancy rent and rates	2,402	2,412
Patient transport	6,392	6,120
Postage	1,171	1,365
Printing and stationery	2,757	2,984
Repairs and maintenance	20,787	18,886
Security	18,922	14,857
Services from Shared Services SA	3,775	3,545
Training and development	7,681	7,169
Travel expenses	2,895	545
Other supplies and services	9,511	8,317
Total supplies and services	330,895	302,542

9. Other expenses

	2023	2022
	\$'000	\$'000
Debts written off	977	144
Bank fees and charges	33	27
Other*	615	611
Total other expenses	1,625	782

* Includes audit fees paid/payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* of \$0.301 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 2023

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

	2023	2022
	\$'000	\$'000
Land and buildings:		
Proceeds from disposal	-	-
Less carrying amount of assets disposed	(651)	-
Net gain/(loss) from disposal of land and buildings	(651)	-
Plant and equipment:		
Proceeds from disposal	-	-
Less carrying amount of assets disposed	(370)	-
Net gain/(loss) from disposal of plant and equipment	(370)	-
Total assets:		
Total proceeds from disposal	-	-
Less total carrying amount of assets disposed	(1,021)	-
Total net gain/(loss) from disposal of non-current and other assets	(1,021)	-

Gains or losses on disposal are recognised at the date control of the asset was passed from the Hospital and are determined after deducting the net book value of the asset from the proceeds at that time. When revalued assets are disposed, the revaluation surplus is transferred to retained earnings.

11. Cash and cash equivalents

	2023	2022
	\$'000	\$'000
Cash at bank or on hand	931	1,252
Deposits with Treasurer: general operating	7,286	4,714
Deposits with Treasurer: special purpose funds	9,704	8,860
Total cash and cash equivalents	17,921	14,826

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.

The Hospital earned interest on the special purpose funds deposit account of \$0.238 million (nil).

12. Receivables

	Note	2023	2022
		\$'000	\$'000
Current			
Patient/client fees: compensable		696	810
Patient/client fees: other		9,797	7,594
Debtors		1,823	2,981
Less: allowance for impairment loss on receivables	12.1	(2,401)	(2,495)
Prepayments		934	1,104
Workers compensation provision recoverable		1,233	1,019
Sundry receivables and accrued revenue		2,094	1,183
GST input tax recoverable		938	264
Total current receivables		15,114	12,460
Non-current			
Debtors		145	180
Workers compensation provision recoverable		2,534	1,649
Total non-current receivables		2,679	1,829
Total receivables		17,793	14,289

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

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

12.1 Impairment of receivables

The Hospital has adopted the simplified impairment approach under AASB 9 *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:

	2023	2022
	\$'000	\$'000
Carrying amount at the beginning of the period	2,495	1,779
Increase/(Decrease) in allowance recognised in profit or loss	(94)	716
Carrying amount at the end of the period	2,401	2,495

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

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

13. Inventories

Inventories of \$3.186 million (\$3.186 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.

14. Property, plant and equipment and intangible assets

14.1 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 \$5.000 million for infrastructure assets and \$1.000 million for other assets.

14.2 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 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
• Computing equipment	3 - 5
• Other plant and equipment	3 - 25
Right-of-use plant and equipment	Lease Term
Intangibles	5 - 10

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14.3 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.

14.4 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.

There were no indications of impairment for property, plant and equipment or intangibles as at reporting date.

14.5 Intangible assets

The carrying amount of intangible assets (software) at beginning of the reporting period was \$0.191 million (\$0.198 million), amortisation during the financial year was nil (\$0.007 million), additions of \$0.087 million (nil), transfer out of work in progress to plant and equipment was \$0.191 million (nil) resulting in a carrying amount at the end of the reporting period of \$0.087 million (\$0.191 million) works in progress.

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.

14.6 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 next independent valuation is scheduled to occur during the 2023-24 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.

14.7 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.

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14.8 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 \$0.287 million of motor vehicles (\$4.844 million including property 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 18. Expenses related to right-of-use assets including depreciation and interest expense are disclosed at note 15 and 18. Cash flows related to right-of-use assets are disclosed at note 22.

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15. Reconciliation of property, plant and equipment

The following table shows the movement:

2022-23	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	404,163	46,377	4,033	2,289	9,377	1,774	541	3,840	506,394
Additions	7,815	-	-	19,672	-	1,014	85	287	2,354	31,227
Assets received free of charge	-	-	-	31	-	-	-	-	-	31
Disposals	-	(651)	-	-	-	(351)	(19)	-	-	(1,021)
Transfers between asset classes	-	11,289	-	(11,288)	-	3,228	751	-	(3,789)	191
Remeasurement	-	-	2,381	-	-	-	-	-	-	2,381
Subtotal:	41,815	414,801	48,758	12,448	2,289	13,268	2,591	828	2,405	539,203
Gains/(losses) for the period recognised in net result:										
Depreciation and amortisation	-	(23,155)	(3,856)	-	(609)	(3,708)	(367)	(356)	-	(32,051)
Subtotal:	-	(23,155)	(3,856)	-	(609)	(3,708)	(367)	(356)	-	(32,051)
Carrying amount at the end of the period	41,815	391,646	44,902	12,448	1,680	9,560	2,224	472	2,405	507,152
Gross carrying amount										
Gross carrying amount	41,815	515,245	59,161	12,448	7,548	42,607	6,949	1,113	2,405	689,291
Accumulated depreciation / amortisation	-	(123,599)	(14,259)	-	(5,868)	(33,047)	(4,725)	(641)	-	(182,139)
Carrying amount at the end of the period	41,815	391,646	44,902	12,448	1,680	9,560	2,224	472	2,405	507,152

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 16.1. Refer to note 14.8 for details about the right-of-use assets, and note 18 for details about the lease liability for right-of-use assets.

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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

Capital works in progress land and buildings additions in 2021-22 of \$40.446 million includes the Lyell McEwin Hospital Emergency Department expansion (\$23.440 million) and Modbury Hospital upgrade (\$15.718 million).

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16. 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 14 and 16.2 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

16.1 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 2023

	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements (Note 15)			
Land	1,150	40,665	41,815
Buildings and improvements	-	391,646	391,646
Leasehold improvements	-	1,680	1,680
Plant and equipment	-	11,784	11,784
Total recurring fair value measurements	1,150	445,775	446,925

Fair value measurements at 30 June 2022

	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements (Note 15)			
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

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 14 and 16.2.

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.

16.2 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.

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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.

17. Payables

	2023	2022
	\$'000	\$'000
Current		
Creditors and accrued expenses	26,963	25,148
Paid Parental Leave Scheme	152	153
Staff on-costs*	12,366	8,182
Other payables	929	1,250
Total current payables	40,410	34,733
Non-current		
Staff on-costs*	3,574	3,364
Total non-current payables	3,574	3,364
Total payables	43,984	38,097

Payables are measured at nominal amounts. Creditors and accruals are recognised for all amounts owed and unpaid. Contractual payables 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 are discharged. These on-costs primarily relate to the balance of leave owing to staff. 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 2022 rate (10.6%) to 11.1% to reflect the increase in super guarantee. These rates are used in the staff on-cost calculation. The net financial effect of the changes in the current financial year is an increase in the staff on-cost liability and staff benefits expense of \$0.458 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 28 for information on risk management.

18. Financial liabilities

	2023	2022
	\$'000	\$'000
Current		
Lease liabilities	3,746	3,522
Total current financial liabilities	3,746	3,522
Non-current		
Lease liabilities	44,034	45,160
Total non-current financial liabilities	44,034	45,160
Total financial liabilities	47,780	48,682

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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 \$1.073 million (\$1.096 million).

Refer to note 28 for information on risk management.

18.1 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 15 for details about the right-of-use assets (including depreciation).

18.2 Concessional lease arrangements

The Hospital has no concessional lease arrangements.

18.3 Maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flows:

	2023	2022
	\$'000	\$'000
Lease Liabilities		
1 to 3 years	13,317	13,206
3 to 5 years	8,187	8,292
5 to 10 years	15,698	15,829
More than 10 years	19,376	20,830
Total lease liabilities (undiscounted)	56,578	58,157

19. Staff benefits

	2023	2022
	\$'000	\$'000
Current		
Accrued salaries and wages	16,428	13,961
Annual leave	62,386	57,381
Long service leave	7,456	7,170
Skills and experience retention leave	3,624	3,426
Other	8	18
Total current staff benefits	89,902	81,956
Non-current		
Long service leave	82,485	81,017
Total non-current staff benefits	82,485	81,017
Total staff benefits	172,387	162,973

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.

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19.1 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 are expected to be payable within 12 months and are measured at the undiscounted amount expected to be paid.

As a result of the actuarial assessment performed by DTF, the salary inflation rate has increased from the 2022 rate (1.50%) to 2.00% for annual leave and skills and experience retention leave liability. As a result, there is an increase in the staff benefits liability and staff benefits expenses of \$0.323 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.

19.2 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 2022 (3.75%) to 4.00%. 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 increased the salary inflation rate from 2022 (2.50%) to 3.50% for long service leave.

The net financial effect of the changes to actuarial assumptions is a decrease in the long service leave liability of \$1.718 million, payables (staff on-costs) of \$0.072 million and staff benefits expense of \$1.790 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.

20. Provisions

The Hospital's provision relates to workers compensation only.

Reconciliation of workers compensation (statutory and additional compensation)

	2023	2022
	\$'000	\$'000
Carrying amount at the beginning of the period	10,870	6,620
Payments	(4,093)	(2,659)
Remeasurement	1,503	3,921
Additions	3,551	2,988
Carrying amount at the end of the period	11,831	10,870

20.1 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 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.

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21. Contract liabilities and other liabilities

	2023	2022
	\$'000	\$'000
Current		
Contract liabilities	372	285
Unclaimed monies	2	1
Unearned revenue	16	-
Other	28	12
Total current contract liabilities and other liabilities	418	298
Total contract liabilities and other liabilities	418	298

22. Cash flow reconciliation

Reconciliation of cash and cash equivalents at the end of the reporting period	2023	2022
	\$'000	\$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	17,921	14,826
Cash as per Statement of Financial Position	17,921	14,826
Balance as per Statement of Cash Flows	17,921	14,826
Reconciliation of net cash provided by operating activities to net result:		
Net cash provided by (used in) operating activities	11,604	(5,697)
Add/less non-cash items		
Capital revenues	23,704	38,636
Depreciation and amortisation expense of non-current assets	(32,051)	(31,509)
Gain/(loss) on sale or disposal of non-current assets	(1,021)	-
Resources received free of charge	31	-
Movement in assets and liabilities		
Increase/(decrease) in receivables	3,504	2,345
Increase/(decrease) in inventories	-	190
(Increase)/decrease in staff benefits	(9,414)	11,293
(Increase)/decrease in payables and provisions	(4,464)	(15,140)
(Increase)/decrease in other liabilities	(120)	(163)
Net result	(8,227)	(45)

Total cash outflows for leases is \$4.643 million (\$4.516 million).

23. Unrecognised contractual commitments

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

	2023	2022
	\$'000	\$'000
Contractual commitments to acquire property, plant and equipment		
Within one year	81	364
Total contractual commitments	81	364

The Hospital's contractual 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.

	2023	2022
	\$'000	\$'000
Other contractual commitments		
Within one year	36,472	46,215
Later than one year but not longer than five years	24,263	44,692
Later than five years	987	-
Total other contractual commitments	61,722	90,907

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

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24. Trust funds

The Hospital holds money in trust on behalf of consumers that reside in LHN facilities whilst the consumer is receiving residential mental health services. 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.

	2023	2022
	\$'000	\$'000
Carrying amount at the beginning of period	464	395
Client trust receipts	620	582
Client trust payments	(448)	(513)
Carrying amount at the end of the period	636	464

25. Contingent assets and liabilities

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

26. Events after balance date

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

27. Impact of Standards not yet effective

Australian Accounting Standards and Interpretations not yet effective have not been adopted by the Hospital for the reporting period ended 30 June 2023, except for AASB 2021-2 which was adopted from 1 July 2021.

AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* will apply from 1 July 2024. Given the complexity and level of judgement required in applying AASB 13 and the new amending standard, together with the need to liaise with valuers, the Hospital has not yet determined the impact.

The Hospital does not expect any other standards issued but not yet effective to have a material impact on the financial statements.

28. Financial instruments/financial risk management

28.1 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, 17 and 18 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 11 and 12 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. 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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28.2 Categorisation of financial instruments

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

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

A financial asset is measured at amortised cost if:

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

The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 12 and 17).

	Notes	2023 Carrying amount/ Fair value \$'000	2022 Carrying amount/ Fair value \$'000
Category of financial asset and financial liability			
Financial assets			
Cash and equivalent			
Cash and cash equivalents	11,22	17,921	14,826
Amortised cost			
Receivables ⁽¹⁾⁽²⁾	12	11,985	10,044
Total financial assets		29,906	24,870
Financial liabilities			
Financial liabilities at amortised cost			
Payables ⁽¹⁾	17	27,591	26,113
Lease liabilities	18	47,780	48,682
Other liabilities	21	28	12
Total financial liabilities		75,399	74,807

(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.

28.3 Credit risk exposure and impairment of financial assets

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss 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.

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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:

	30 June 2023			30 June 2022		
	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	0.2 - 1.5%	2,969	36	0.4 - 1.4%	2,520	32
<30 days	0.5 - 2.3%	1,760	26	0.6 - 1.6%	1,466	22
31-60 days	1.3 - 5.3%	922	28	1.5 - 5.5%	695	21
61-90 days	2.4 - 7.6%	1,069	52	2.2 - 9.0%	562	31
91-120 days	3.8 - 9.1%	886	64	2.7 - 13.1%	437	30
121-180 days	7.3 - 12.4%	1,132	122	3.9 - 21.5%	763	78
181-360 days	18.9 - 44.4%	1,419	600	12.8 - 43.8%	1,248	520
361-540 days	39.9 - 86.5%	421	345	42.3 - 85.9%	549	447
>540 days	45.2 - 100.0%	1,187	1,128	41.0 - 100.0%	1,437	1,314
Total		11,765	2,401		9,677	2,495

29. Significant transactions with government related entities

The Hospital is controlled by SA Government.

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

Significant transactions with the SA Government are identifiable throughout this financial report. The Hospital received funding from the SA Government via the Department (note 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.

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30. Board and committee members

Members of boards/committees that served for all or part of the financial year and were entitled to receive income from membership in accordance with APS 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, Balagengadaran C (appointed 01/09/2022), Radoslovich H (appointed 16/09/2022)
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
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31. 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 Hospital 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.

	2023	2022
	\$'000	\$'000
Revenue from fees and charges	10,997	11,210
Other revenue	43	49
Supplies and services	(17)	(6)
Other expenses	(11,465)	(11,299)
Net result	(442)	(46)
Cash and cash equivalents	1,430	1,575
Receivables	834	1,132
Net assets	2,264	2,707
Cash at 1 July	1,575	1,050
Cash inflows	10,940	11,830
Cash outflows	(11,085)	(11,305)
Cash at the end of the period	1,430	1,575

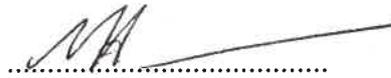
Certification of the financial statements

We certify that the:

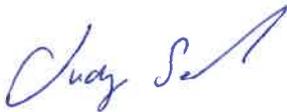
- financial statements of the Northern Adelaide Local Health Network Inc.:
 - are in accordance with the accounts and records of the authority; and
 - comply with relevant Treasurer's instructions; and
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial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



Maree Geraghty
Chief Executive Officer



Natalia Hubczenko
Chief Finance Officer



Prof Judy Searle
Governing Board Chair

Date 13 September 2023