

SA Health

Policy

Employee Benefits

Version 2.0

Approval date: 08 May 2024

PDS Reference No: D0424

1. Name of Policy

Employee Benefits

2. Policy statement

This policy provides the mandatory requirements in relation to the financial measurement of employee benefits disclosed accurately in the annual financial statements, in accordance with the Treasurer's Instructions, Australian Accounting Standards, relevant legislation and mandated requirements obligations.

3. Applicability

This policy applies to all employees and contracted staff of SA Health; that is all employees and contracted staff of the Department for Health and Wellbeing (DHW), Local Health Networks (LHNs) including state-wide services aligned with those Networks and SA Ambulance Service (SAAS).

Specifically, this policy applies to all employees and contracted staff involved in the financial measurement of employee benefits as disclosed in the annual financial statements.

4. Policy principles

SA Health's approach to employee benefits is underpinned by the following principles:

- > We will ensure that employee benefits are bona fide, correctly initiated, validated, appropriately approved, and accurately posted into the Oracle Corporate System (Oracle).
- > We will perform regular integrity checks and reconciliations on employee benefits.

5. Policy requirements

- > Employee benefits must be recognised as expenditures at the time they are incurred (entitlement is accrued), and a liability must be recognised when an employee has provided a service in exchange for an employee benefit to be paid in the future.
- > When an employee accesses their leave entitlement, this must be recorded as a reduction against the liability provision.
- > Employee on-costs must not be deemed an employee benefit.
- > Employee benefits recorded in the Oracle General Ledger (GL) must be reconciled monthly to assist with accurate reporting for annual financial purposes.

Short-Term Benefits

- > Short-term benefits must be measured at nominal amounts.

Annual Leave

- > Annual leave, including accrued leave loading, must be classified as a current liability in the Statement of Financial Position.
- > Where an assessment of annual leave balances proves that some balances are not wholly settled within the twelve months after the end of the reporting period, and are deemed material, these balances must be measured at present value, and classified as a current liability.

Sick Leave

- > Non-vesting sick leave must be expensed as incurred, and no liability must be recorded within the Statement of Financial Position unless the leave is specifically classified as vesting sick leave.

Skills and Experience Retention Leave Entitlement (Retention Leave)

- > The retention leave entitlement must apply to all employees who have completed 15 or more years of service (eligible employees).
- > Depending on materiality, where the retention leave liability is expected to be payable within twelve months, the liability must be measured as the undiscounted amount expected to be paid.
- > Where the retention leave liability is expected to be payable later than twelve months, the liability must be measured at present value.

Post-Employment Benefits

- > Payments of post-employment benefit amounts owing must be paid in a timely manner and where these amounts are due, but not paid to the Treasurer, a current payable must be recognised within the Statement of Financial Position.
- > The defined benefit scheme superannuation liability must be recognised by SAAS based on an actuarial valuation, represented by the net of present value of future payments less the fair value of scheme assets.

Long-Term Benefits

- > Long-term employee benefits must be measured at the present value of future cash outflows, using the most appropriate discount rate.
- > The provision for long-term benefits leave must be classified between its current and non-current liability components in the Statement of Financial Position.

Long Service Leave

- > Long service leave must be measured at the present value of future cash outflows.
- > Actuarial assumptions must be used for measurement of the long service leave liability to be disclosed in the Statement of Financial Position.
- > The allocation of current and non-current long service leave must be determined by analysis of the recent history of long service leave payments.

Termination Benefits

- > Termination benefits must be dealt with separately from other employee benefits.
- > Termination payments must be in accordance with the Targeted Voluntary Separation Package (TVSP) guidelines issued by the Department of Treasury and Finance, and any outstanding annual leave, long service leave and retention leave.

Employee negative leave and excess annual leave entitlement balances

- > Employee negative leave balances and excess annual leave entitlement balances must be reported regularly.
- > DHW business units, LHNS and SAAS must review negative and excess annual leave balances regularly.
- > An appropriate action plan must be established to progressively reduce negative and excess annual leave balances and minimise the recurrence thereof, conscious of occupational health and safety considerations.

6. Mandatory related documents

The following documents must be complied with under this Policy, to the extent that they are relevant:

- > [AASB 101 Presentation of Financial Statements](#)
- > [AASB 119 Employee Benefits](#)
- > [Determinations of the Commissioner for Public Sector Employment, Determination 3.1: Employment Conditions – Hours of Work, Overtime and Leave](#)
- > [Treasurer's Instructions \(Accounting Policy Statements\)](#)
- > [Treasurer's Instructions 2 Financial Management](#)
- > [TVSP Guidelines - Department of Treasury and Finance \(DTF\)](#)

7. Supporting information

- > [Health Care Act 2008](#)
- > [Public Finance and Audit Act 1987](#)
- > [Public Sector Act 2009](#)
- > [SA Health \(Health Care Act\) Human Resources Manual](#)

8. Definitions

- > **A service year:** means the period of twelve months from the commencement of the employee's service in the public service, or any of the succeeding periods of twelve months, subject to any variations as required by *Determination 3.1 Employment Conditions – Hours of Work, Overtime and Leave*.
- > **Discount rate:** means the present value of the expected future cash flows. It is the rate of interest used in conjunction with the present value formula to express the expected future cash flows or outflows associated with an asset or liability as an equivalent single amount. The discount rate to be applied is the prevailing market yield on Commonwealth or State Government bonds of a term similar to the average term of the liability.
- > **Employee benefits:** means all forms of consideration given by a public authority in exchange for services rendered by employees. They are determined through specific reference to the appropriate legislation, awards, or service contracts applicable to employees. There are two types of employee benefits:
 - **Non-vesting benefits:** do not constitute a legal obligation of the employing entity until a valid claim is made by the employee, or an event has occurred, e.g. the claiming of sick leave is seen as an event which requires the employer to discharge an obligation. In addition, there is no obligation to pay non-vested benefits of employees upon retirement or resignation.
 - **Vesting benefits:** can accumulate as a result of legal obligations arising from various Acts of Parliament, Awards, and contractual agreements.
- > **Employment on-costs:** means expenses that are consequential to the employment of employees, but which are not defined as a benefit of the employee (e.g. payroll tax, superannuation contributions, and workers' compensation insurance). Employee benefit on-costs should be classified as payable, and not employee benefits; in accordance with the requirements of *AASB 119 Employee Benefits*.
 - Superannuation Guarantee Charge (SCG) is considered an on-cost, and it is treated as an expense when it is incurred.
- > **Excess annual leave:** means where an employee's annual leave balance is greater than two years accrual.

- > **Long-term benefits:** means benefits which are not expected to be settled within twelve months after the end of the annual reporting period in which the employees rendered the service. Long-term benefits include all benefits other than short-term employee benefits, post-employment benefits and termination benefits. Long service leave is a long-term benefit in nature.
- > **Negative leave:** means where an employee has taken leave in excess of their entitlements. Staff must ensure they review the leave balance using the 'Total Days' and 'Total Hours' columns in CHRIS21, because 'Entitlement days' and 'Entitlement hours' will only display part of the entitlement.
- > **Nominal rates:** means the value of the salary rate (as per the appropriate legislation, award, or contract) as of the reporting date, plus a salary inflation rate. The rate is advised by the Department of Treasury and Finance, based on salary increases and/or enterprise bargaining arrangements.
- > **Post-employment benefits:** means employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment and can include retirement pensions, or lump sum payments. The superannuation guarantee is a form of post-employment benefit. However, other than for members of the SAAS Superannuation Scheme (defined benefit), the Treasurer, not SA Health, assumes the accruing superannuation liability, in return for periodic payments.
- > **Public authority:** means a government department, or a statutory authority as defined in [TI 1 Interpretation and Application](#) s8(1). Currently, there are twelve public authorities within SA Health:
 Department for Health and Wellbeing (DHW)
 SA Ambulance Service (SAAS), and
 10 Local Health Networks (LHNs): Barossa Hills Fleurieu LHN, Central Adelaide LHN, Eyre and Far North LHN, Flinders and Upper North LHN, Limestone Coast LHN, Northern Adelaide LHN, Riverland Mallee Coorong LHN, Southern Adelaide LHN, Women's and Children's Health Network, and Yorke and Northern LHN.
- > **Short-term benefits:** means employee benefits (other than terminations benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employee rendered the related services. This includes salaries and wages, annual leave, skills, and experience retention leave, and sick leave.
- > **Skills and experience retention leave:** means employees who have completed 15 or more years of service (eligible employees), and who are employed under the Public Sector Act 2009 or, who are subject to long service leave entitlements provided for in the Act, which includes public health sector employees employed under the Health Care Act 2008. Health Care Act 2008 employees derive their entitlement to retention leave as a consequence of having an entitlement to long service leave: pursuant to the Public Sector Act.
- > **State-wide services:** means State-wide Clinical Support Services, Prison Health, SA Dental Service, BreastScreen SA and any other state-wide services that fall under the governance of the Local Health Networks.
- > **Terminations:** means the payments are typically classified as lump sum terminations payments, and based on information obtained by Workforce Services, includes the Targeted Voluntary Separation Package (TVSP) payment.
- > **Unconditional entitlement:** means the legal entitlement to payment arising after a qualifying period of long service leave. The accumulation of long service leave entitlement continues after this point until the leave is taken.

9. Compliance

This policy is binding on those to whom it applies or relates. Implementation at a local level may be subject to audit/assessment. The Domain Custodian must work towards the establishment of systems which demonstrate compliance with this policy, in accordance with the requirements of the [Risk Management, Integrated Compliance and Internal Audit Policy](#).

Any instance of non-compliance with this policy must be reported to the Domain Custodian for the Financial Management Policy Domain and the Domain Custodian for the Risk, Compliance and Audit Policy Domain.

10. Document ownership

Policy owner: Domain Custodian for the Financial Management Policy Domain

Title: Employee Benefits Policy

Objective reference number: A5666466

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11. Document history

Version	Date approved	Approved by	Amendment notes
1.0	27/03/2015	Director, Corporate Finance Services, Finance and Corporate Services	Oracle Assist
1.0	23/06/2016	Portfolio Executive	
1.1	21/05/2019	Chief Finance Officer, SA Health	Update for negative leave and excess annual leave balance management
1.2	13/08/2019	Chief Finance Officer, SA Health	Minor Updates
2.0	08/05/2024	A/Deputy Chief Executive, Corporate Services	Scheduled review Policy re-templated to align with the Policy Framework

12. Appendices

1: Employee Benefits Mandatory Instruction

Appendix 1: Employee Benefits Mandatory Instruction

The following Instruction must be complied with to meet the requirements of this policy.

Policy phase	Compliance requirements
DHW business units, LHNs and SAAS	<p>Finance within the DHW business unit, LHN/SAAS must:</p> <ul style="list-style-type: none"> > Perform integrity checks on employee benefit balances > Request from their respective Workforce team the appropriate CHRIS21 reports to monitor and assess excess leave entitlement balances and negative leave balances > Review employee negative leave balances and excess annual leave entitlement balance reports on a regular basis, in collaboration with their respective Workforce team, and > Develop and assess appropriate action plans that reduce and minimises the recurrence of negative balances in a timely manner.
Corporate Systems Support, DHW	<ul style="list-style-type: none"> > The Corporate Systems Support Team must process monthly CHRIS leave accruals and actual pay files received from Shared Services SA (SSSA) into Oracle Corporate Systems (Oracle) in a timely manner.
Local Workforce Services	<ul style="list-style-type: none"> > Local Workforce Services Teams must provide Shared Services SA Payroll with current employee details in a timely manner. > Examples include new employee details pack, updates to employee changes, employment contract changes and employee terminations.