




# Financials



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# Performance against 2003/04 Budget Allocation

## Financials

NSW Health is the major provider of health services to the NSW public.

The Statement of Financial Performance identifies that total expenses for 2003/04 (366 days) amounted to \$9.69 billion or \$26.47 million per day, which is a 9% increase over 2002/03.

User charges, where applied, are not based on full cost recovery or on commercial returns and instead reflect a contribution to the operating costs of the supply. Because of these financial arrangements, the Department's performance measurement is best reflected in the net cost of providing those services. For the year ending 30 June 2004, this net cost was \$8.43 billion compared with \$7.63 billion in 2002/03.

The NSW Government increased its funding for operating and capital needs to the Department from the Consolidated Fund by \$640 million to \$7.86 billion in 2003/04.

Consolidated funds are used to meet both recurrent and capital expenditures, and are accounted for after Net Cost of Service is calculated in order to determine the movement in accumulated funds for the year.

While capital funding is shown in the Statement of Finance Performance, capital expenditure is not treated as an expense. By its nature, it is reflected in the Statement of Financial Position.

The amount the Department receives from year to year for capital purposes varies in line with its Capital Works Program but does influence the amount reported as the 'Result From Ordinary Activities'. The result reported is also influenced by the extent of third party contributions restricted by donor conditions.

Expenses incurred throughout the health system are varied but the major categories include:

- \$5.89 billion for salaries and employee related expenses (\$5.34 billion in 2002/03)
- \$76 million for food (\$73 million in 2002/03)
- \$766 million for drugs, medical and surgical supplies (\$699 million in 2002/03) including an increase of \$16 million in the Commonwealth's Highly Specialised Drugs Program
- \$61 million for fuel, light and power (\$59 million in 2002/03)
- \$381 million for visiting medical staff (\$361 million in 2002/03)

The financial statements identify that, whilst \$371 million was charged for depreciation on Property, Plant and Equipment, an amount of \$433 million was incurred in capital expenditure. This constitutes a real increase in the value of health assets and reflects the significant capital works program to improve NSW health infrastructure.

Since 30 June 2000 the total assets of NSW Health have increased by \$1.806 billion or over 27%. The most significant movement has been the increase in the stock of Property, Plant and Equipment of \$1.439 billion which, reflects the injection of Capital funding referenced above and the independent revaluations of assets which are matched by reserve movements of \$1.133 billion.

Cash and Other Financial Assets have also increased by \$270 million since 30 June 2000, including \$16 million in 2003/04 generally due to the recognition of Private Practitioners' Rights of Private Practice infrastructure charges which were first included in 2002/03.

Total Liabilities since June 2000 have increased by some \$519 million or 30%. This generally comprises:

- An increase in Payables of \$219 million stemming from the introduction of the Goods and Services Tax from 1 July 2000 and the reclassification of Salary Accruals and salary related payments from Provisions to Payables in accordance with revised Australian Accounting Standards.

Regarding Payables, Health Services are required to utilise best practice liquidity management to maximise revenue and have funds available to pay staff, creditors and other cash liabilities as they fall due. However, payments to suppliers must be made in accordance with contract or normal terms unless payment is disputed over the condition or quantum of goods and services or the late receipt of invoices.

The Department monitors creditor performance on a regular basis to ensure that performance can be assessed and strategies developed, both in the short term and on a long term basis to achieve benchmarks.

Performance at balance date in the past three years reported by Health Services is:

	30 Jun 2002	30 Jun 2003	30 Jun 2004
Value of General Accounts not paid within 45 days, \$M	5.8	12.5	7.5
No. of Health Services reporting General Creditors > 45 days	4	4	3

As at 30 June 2004 the Total General Creditors profile monthly average across all Health Services was 44 days (46 days as at June 2002) which compares favourably with industry norms as per the last published benchmark offered by business analysts, Dun and Bradstreet as at July 2003 when the industry average was 47 days.

- an increase in Employee entitlements of \$352 million due to various Award movements that have occurred together with changes in the measurement of leave values to accord with revised Australian Accounting Standards.

# 2003/04 Major Funding Initiatives

The 2003/04 State Budget was \$9.267 billion, ie an 11% increase over the initial budget for 2002/03.

Major whole of Health recurrent funded initiatives included:

- continued improvements in service delivery with a focus on emergency departments with \$31 million being allocated for Rapid Emergency Assessment Teams and Emergency Medicine Units. A further \$4 million was allocated to improve the Ambulance Service's capacity to respond to large scale disasters and emergencies
- improvements to the research and treatment of cancer including the allocation of \$5 million to the NSW Cancer Institute
- initiatives to attract and retain a highly skilled professional workforce, eg the establishment of the nurses scholarship program and an allowance for nurses to undertake study leave

- improving access to services, especially in rural New South Wales, eg \$2 million provided to expand kidney dialysis services in rural areas and a \$5 million medical indemnity package for visiting medical officers and staff specialists who treat private patients in public hospitals in rural and regional areas
- major ongoing initiatives such as the provision of \$5.5 million for the Aged Care Assessment Teams, \$15 million for continuation of the Chronic Care Program and a major metropolitan planning initiative led by clinicians which allows for a range of specialist services such as severe burns, brain injury and spinal cord injury.

Supplementary funding of \$92 million was subsequently received from Treasury to meet the additional cost of award funding (inclusive of 3.5% salary increase to nurses from January 2004) and the effect of leap year and various cost pressures (\$50 million).

## Two year comparison and percentage increase of Initial Health Services Net Cash Allocations

Health Service	2002/03 \$M	2003/04 \$M	Increase \$M	Increase %
Central Sydney Area Health Service	622.4	676.6	54.2	8.7
Northern Sydney Area Health Service	541.4	605.0	63.6	11.7
Western Sydney Area Health Service	618.6	688.7	70.1	11.3
Wentworth Area Health Service	226.9	260.1	33.2	14.6
South Western Sydney Area Health Service	552.5	615.5	63.0	11.4
Central Coast Area Health Service	228.3	260.7	32.4	14.2
Hunter Area Health Service	509.2	565.6	56.4	11.1
Illawarra Area Health Service	265.0	298.3	33.3	12.6
South Eastern Sydney Area Health Service	856.3	951.0	94.7	11.1
<b>Subtotal</b>	<b>4,420.6</b>	<b>4,921.5</b>	<b>500.9</b>	<b>11.3</b>
Northern Rivers Area Health Service	244.4	267.3	22.9	9.4
Mid North Coast Area Health Service	229.5	249.8	20.3	8.8
New England Area Health Service	158.5	176.4	17.9	11.3
Macquarie Area Health Service	102.0	114.9	12.9	12.6
Mid Western Area Health Service	169.1	188.3	19.2	11.4
Far West Area Health Service	60.7	66.9	6.2	10.2
Greater Murray Area Health Service	213.4	233.5	20.1	9.4
Southern Area Health Service	144.4	158.1	13.7	9.5
<b>Subtotal</b>	<b>1,322.0</b>	<b>1,455.2</b>	<b>133.2</b>	<b>10.1</b>
<b>Total Areas</b>	<b>5,742.6</b>	<b>6,376.7</b>	<b>634.1</b>	<b>11.0</b>
The Children's Hospital at Westmead	125.9	137.8	11.9	9.5
Ambulance Service	193.8	217.3	23.5	12.1
Corrections	43.2	54.0	10.8	25.0
<b>Total</b>	<b>6,105.5</b>	<b>6,785.8</b>	<b>680.3</b>	<b>11.1</b>

Note: These figures reflect initial Net Cash Allocations for 2002/03 and 2003/04.

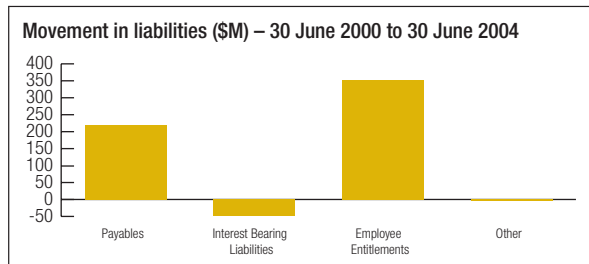
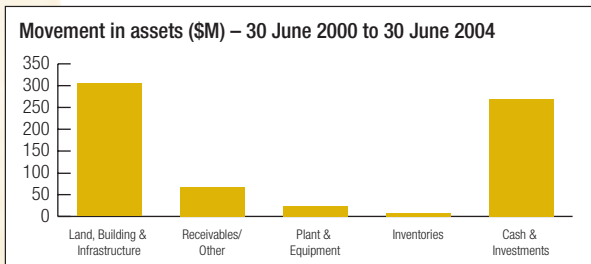
## NSW Health Key Financial Indicators

	2003/04 \$M	2002/03 \$M	Increase on previous year \$M	Increase on previous year %
Expenses	9,687	8,867	+820	+9.25
Revenue	1,250	1,233	+17	+1.38
Net Cost of Service	8,431	7,635	+796	+10.43
Recurrent Appropriation	7,448	6,799	+649	+9.55
Capital Appropriation	417	425	-8	-1.88
Net Assets	6,156	5,762	+394	+6.84
Total Assets	8,380	7,860	+520	+6.62
Total Liabilities	2,224	2,098	+126	+6.01

Source: Finance and Business Management, 2004

## Movement in assets (\$M) – 30 June 2000 to 30 June 2004

	Balance at 30 June 2000 \$000	Balance at 30 June 2004 \$000	Variance \$000	Variance \$M	Variance %
<b>Assets</b>					
Land, Building and Infrastructure (excl. Asset Revaluation Movements 30 June 2004 included under Equity)	5,387,544	5,692,672	305,128	305	5.66
Receivables/Other	137,164	205,464	68,300	68	49.79
Plant and Equipment	577,444	599,994	22,550	23	3.91
Inventories	59,258	66,019	6,761	7	11.41
Cash and Investments	412,220	682,582	270,362	270	65.59



## Movement in liabilities (\$M) – 30 June 2000 to 30 June 2004

	Balance at 30 June 2000 \$000	Balance at 30 June 2004 \$000	Variance \$000	Variance \$M	Variance %
<b>Liabilities</b>					
Payables	324,082	542,798	218,716	219	67.49
Interest Bearing Liabilities	158,098	109,211	-48,887	-49	-30.92
Employee Entitlements	1,155,525	1,507,374	351,849	352	30.45
Other	67,714	64,817	-2,897	-3	-4.28

# Consolidated Financial Statements

The Department is required under the *Annual Reports (Departments) Act* to present the annual financial statements of each of its controlled entities.

This will be achieved by tabling the 2003/04 annual reports of each Health Service before Parliament. For these purposes the report of each Health Service should be viewed as a volume of the Department of Health's overall report.

## 2004/05 and forward years

The 2004/05 Expense budget of \$10 billion represents an increase of \$707 million or 8% over that provided in 2003/04.

## Key initiatives 2004/05

Funding for 2004/05 priorities include:

- \$57 million targeted to improve access to hospital services in 2004/05. This will be spent on measures designed to reduce access block and a further \$35 million to reduce the number of patients waiting over 12 months for surgery.
- \$10 million has been provided to progress the government's clinical excellence agenda in 2004/05 and provide for the establishment of the Clinical Excellence Commission, develop other evidence based effective programs for implementing better clinical governance across the state and implement professional practice units in each health service.
- \$24.65 million for mental health services as the first step in the \$241 million increase in mental health spending over the next four years. Specific measures to be funded include:
  - \$6.8 million to fast track urgent additional mental health beds in metropolitan Sydney including piloting psychiatric emergency care units to be established in 2 hospital emergency departments (Liverpool and Nepean)
  - \$4.6 million to further develop and enhance the role of mental health service being provided in the community including developing partnerships and shared care models with local general practitioners for managing mental health clients
  - Enhancement to the Child and Adolescent Mental Health Services – \$2.5 million
  - Provision of mental health service to Aboriginal communities – \$1.4 million
  - \$1.5 million for the expansion of the court liaison and community forensic services.
- \$3.6 million for additional adult intensive care beds at Blacktown (2), Liverpool, Campbelltown, Tweed and Albury hospitals.
- \$1.2 million for additional paediatric intensive care beds at the Sydney Children's Hospital and The Children's Hospital at Westmead (\$600,000 at each site).
- \$10.2 million to fully commission the new 50 bed acute care mental health unit at Wyong.
- \$35 million for the operation of the Cancer Institute and provision of cancer service and research.
- An increase of \$1 million bringing the total to \$2 million annually for improved training for medical physicists (now \$1.2 million) and funding for radiation therapist tutors (now \$0.8 million).
- Further funding directed to improved training for nurses including doubling of the announced 2003/04 nurses' scholarship program from \$500,000 to \$1 million for 2004/05 and doubling of the allowance to provide for nurses to undertake study leave from \$3 million in 2003/04 to \$6 million in 2004/05.
- Ongoing recruitment of rural ambulance personnel with an additional 62 staff being targeted for recruitment in 2004/05 at a cost of \$4.9 million. This is in addition to 32 staff employed during 2003/04.

## 2003/04 Total Expenses Comparisons

Expenses include	2003/04 \$M	2003/03 \$M	2001/02 \$M	2000/01 \$M	1999/00 \$M
Salaries and employee related expenses	5,893	5,339	4,822	4,543	4,431
Food	76	73	69	64	64
Drugs, medical and surgical supplies	766	699	623	569	540
Fuel, light and power	61	59	56	54	52
Visiting medical staff	381	361	320	292	291

Source: Finance and Business Management Directorate, 2004

# Independent Audit Report



GPO BOX 12  
SYDNEY NSW 2001

## INDEPENDENT AUDIT REPORT

### DEPARTMENT OF HEALTH

To Members of the New South Wales Parliament

#### Audit Opinion

In my opinion, the financial report of the Department of Health:

- (a) presents fairly the Department of Health's and the consolidated entity's financial position as at 30 June 2004 and their financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 45E of the *Public Finance and Audit Act 1983* (the Act).

My opinion should be read in conjunction with the rest of this report.

#### The Director-General's Role

The financial report is the responsibility of the Director-General of the Department of Health. It consists of the statements of financial position, the statements of financial performance, the statements of cash flows, the program statement - expenses and revenues, the summary of compliance with financial directives and the accompanying notes for the Department of Health and the consolidated entity. The consolidated entity comprises the Department of Health and the entities controlled at the year's end or during the financial year.

#### The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Director-General in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Director-General had not fulfilled her reporting obligations.

# Independent Audit Report

(continued)

Financials

My opinion does *not* provide assurance:

- about the future viability of the Department of Health or its controlled entities,
- that they have carried out their activities effectively, efficiently and economically,
- about the effectiveness of their internal controls, or
- on the assumptions used in formulating the budget figures disclosed in the financial report.

#### Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



A T Whitfield FCA  
Deputy Auditor-General

SYDNEY  
21 October 2004

# Certificate of Accounts

## CERTIFICATE OF ACCOUNTS

Pursuant to Section 45(F) of the Public Finance and Audit Act 1983 (the Act), we state that:


- (i) The financial statements of the NSW Health Department (parent entity) and the consolidated entity comprising the Department and its controlled activities for the year ended 30 June 2004 have been prepared in accordance with the requirements of applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group (UIG) Consensus Views, the requirements of the Public Finance and Audit Act 1983, and its regulations and Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under Section 9(2)(n) of the Act and the requirements of the Health Administration Act 2000, and its regulations.

In the absence of a specific accounting standard, other authoritative pronouncement of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AAS6, "Accounting Policies", is considered.

- (ii) The financial statements present fairly the financial position and transactions of the Department and the consolidated entity.
- (iii) There are no circumstances which would render any particulars in the accounts to be misleading or inaccurate.



Ken Barker  
Chief Financial Officer



Robyn Kruk  
Director-General

13 October 2004



# Statement of Financial Position

for the year ended 30 June 2004

PARENT			CONSOLIDATED				
Actual 2004 \$'000	Budget 2004 \$'000	Actual 2003 \$'000	Notes	Actual 2004 \$'000	Budget 2004 \$'000	Actual 2003 \$'000	
			<b>ASSETS</b>				
			<b>Current Assets</b>				
54,692	32,376	58,762	Cash	18	416,338	514,982	420,429
19,421	24,371	36,371	Receivables	19	158,386	168,610	159,979
-----	-----	-----	Inventories	20	66,019	69,061	68,057
36,582	36,582	17,026	Other Financial Assets	21	218,977	218,938	196,952
9,777	9,055	9,055	Other	22	28,791	22,583	22,583
<b>120,472</b>	<b>102,384</b>	<b>121,214</b>	<b>Total Current Assets</b>		<b>888,511</b>	<b>994,174</b>	<b>868,000</b>
			<b>Non-Current Assets</b>				
-----	-----	-----	Receivables	19	3,337	5,434	5,434
41,432	41,432	30,919	Other Financial Assets	21	47,267	48,764	48,764
129,077	123,819	127,080	Property, Plant and Equipment				
44,372	46,272	41,460	- Land and Buildings	23	6,749,534	6,264,989	6,233,361
-----	-----	-----	- Plant and Equipment	23	599,994	577,748	614,277
			- Infrastructure Systems	23	76,513	78,679	78,679
<b>173,449</b>	<b>170,091</b>	<b>168,540</b>	<b>Total Property, Plant and Equipment</b>		<b>7,426,041</b>	<b>6,921,416</b>	<b>6,926,317</b>
-----	-----	-----	Other	22	14,950	11,659	11,659
<b>214,881</b>	<b>211,523</b>	<b>199,459</b>	<b>Total Non-Current Assets</b>		<b>7,491,595</b>	<b>6,987,273</b>	<b>6,992,174</b>
<b>335,353</b>	<b>313,907</b>	<b>320,673</b>	<b>Total Assets</b>		<b>8,380,106</b>	<b>7,981,447</b>	<b>7,860,174</b>
			<b>LIABILITIES</b>				
			<b>Current Liabilities</b>				
47,598	48,184	48,184	Payables	25	542,798	529,810	525,028
3,510	3,510	2,819	Interest Bearing Liabilities	26	29,843	26,084	25,283
5,497	5,486	5,285	Provisions	27	510,296	499,452	481,380
22,033	11,460	11,460	Other	28	31,910	15,160	42,660
<b>78,638</b>	<b>68,640</b>	<b>67,748</b>	<b>Total Current Liabilities</b>		<b>1,114,847</b>	<b>1,070,506</b>	<b>1,074,351</b>
			<b>Non-Current Liabilities</b>				
44,789	44,789	48,570	Interest Bearing Liabilities	26	79,368	72,719	79,851
5,534	5,064	4,936	Provisions	27	997,078	933,083	909,226
-----	-----	-----	Other	28	32,907	33,866	34,623
<b>50,323</b>	<b>49,853</b>	<b>53,506</b>	<b>Total Non-Current Liabilities</b>		<b>1,109,353</b>	<b>1,039,668</b>	<b>1,023,700</b>
<b>128,961</b>	<b>118,493</b>	<b>121,254</b>	<b>Total Liabilities</b>		<b>2,224,200</b>	<b>2,110,174</b>	<b>2,098,051</b>
<b>206,392</b>	<b>195,414</b>	<b>199,419</b>	<b>Net Assets</b>		<b>6,155,906</b>	<b>5,871,273</b>	<b>5,762,123</b>
			<b>EQUITY</b>	<b>29</b>			
59,383	53,063	53,063	Reserves		1,722,707	1,237,928	1,237,928
147,009	142,351	146,356	Accumulated Funds		4,433,199	4,633,345	4,524,195
<b>206,392</b>	<b>195,414</b>	<b>199,419</b>	<b>Total Equity</b>		<b>6,155,906</b>	<b>5,871,273</b>	<b>5,762,123</b>

The accompanying notes form part of these Financial Statements

# Statement of Cash Flows

for the year ended 30 June 2004

Financials

PARENT			CONSOLIDATED			Notes			
Actual 2004 \$'000	Budget 2004 \$'000	Actual 2003 \$'000	Actual 2004 \$'000	Budget 2004 \$'000	Actual 2003 \$'000		Actual 2004 \$'000	Budget 2004 \$'000	Actual 2003 \$'000
			<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
			<b>Payments</b>						
(435,275)	(433,503)	(376,562)	Employee Related	(5,685,688)	(5,539,836)	(4,991,076)			
(7,503,703)	(7,370,051)	(6,874,324)	Grants and Subsidies	(650,947)	(596,282)	(612,449)			
(6,862)	(6,862)	(6,551)	Borrowing Costs	(10,300)	(9,483)	(10,245)			
(486,798)	(505,782)	(446,388)	Other	(3,186,302)	(2,856,862)	(2,786,117)			
<b>(8,432,638)</b>	<b>(8,316,198)</b>	<b>(7,703,825)</b>	<b>Total Payments</b>	<b>(9,533,237)</b>	<b>(9,002,463)</b>	<b>(8,399,887)</b>			
			<b>Receipts</b>						
104,261	114,896	123,676	Sale of Goods and Services	953,314	921,823	1,037,452			
5,764	4,344	3,253	Interest Received	57,635	40,661	43,385			
129,702	143,830	112,443	Other	689,081	458,691	452,398			
<b>239,727</b>	<b>263,070</b>	<b>239,372</b>	<b>Total Receipts</b>	<b>1,700,030</b>	<b>1,421,175</b>	<b>1,533,235</b>			
			<b>CASH FLOWS FROM GOVERNMENT</b>						
7,447,711	7,359,669	6,798,996	Recurrent Appropriation	7,447,711	7,359,669	6,798,996			
416,840	371,335	425,107	Capital Appropriation	416,840	371,335	425,107			
345,758	343,897	296,469	Cash Reimbursements from the Crown Entity	345,758	344,754	296,469			
24,933	-----	-----	Asset Sale Proceeds transferred to Department	-----	-----	-----			
<b>8,235,242</b>	<b>8,074,901</b>	<b>7,520,572</b>	<b>NET CASH FLOWS FROM GOVERNMENT</b>	<b>8,210,309</b>	<b>8,075,758</b>	<b>7,520,572</b>			
<b>42,331</b>	<b>21,773</b>	<b>56,119</b>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>34</b>	<b>377,102</b>	<b>494,470</b>	<b>653,920</b>		
			<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
312	-----	87	Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems	62,603	85,100	24,386			
12,492	-----	13,834	Proceeds from Sale of Investments	127,167	-----	188,677			
(13,554)	(15,000)	(17,519)	Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems	(428,136)	(456,700)	(515,573)			
(42,561)	(30,069)	(7,538)	Purchases of Investments	(146,904)	(21,986)	(195,158)			
<b>(43,311)</b>	<b>(45,069)</b>	<b>(11,136)</b>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(385,270)</b>	<b>(393,586)</b>	<b>(497,668)</b>			
			<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
-----	-----	-----	Proceeds from Borrowings and Advances	5,861	-----	3,641			
(3,090)	(3,090)	(2,001)	Repayment of Borrowings and Advances	(4,762)	(6,331)	(7,000)			
<b>(3,090)</b>	<b>(3,090)</b>	<b>(2,001)</b>	<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>1,099</b>	<b>(6,331)</b>	<b>(3,359)</b>			
<b>(4,070)</b>	<b>(26,386)</b>	<b>42,982</b>	<b>NET INCREASE/(DECREASE) IN CASH</b>	<b>(7,069)</b>	<b>94,553</b>	<b>152,893</b>			
58,762	58,762	15,780	Opening Cash and Cash Equivalents	403,079	403,079	250,186			
<b>54,692</b>	<b>32,376</b>	<b>58,762</b>	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>18</b>	<b>396,010</b>	<b>497,632</b>	<b>403,079</b>		

The accompanying notes form part of these Financial Statements

# Program Statement – Expenses and Revenues

for the year ended 30 June 2004

SUPPLEMENTARY FINANCIAL STATEMENT

EXPENSES AND REVENUES	Program 1.1 * Primary and Community Based Services		Program 1.2 * Aboriginal Health Services		Program 1.3 * Outpatient Services		Program 2.1 * Emergency Services		Program 2.2 * Overnight Acute Inpatient Services		Program 2.3 * Same Day Acute Inpatient Services		Program 3.1 * Mental Health Services		Program 4.1 * Rehabilitation and Extended Care Services		Program 5.1 * Population Health Services		Program 6.1 * Teaching and Research		Not Attributable		Total	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000
<b>Expenses</b>																								
<b>Operating Expenses</b>																								
– Employee Related	481,386	455,825	24,061	19,164	567,907	516,322	700,479	626,181	2,302,637	2,053,658	322,653	342,440	530,273	467,812	531,403	483,047	126,116	115,213	306,415	258,953	----	----	5,893,330	5,338,615
– Other Operating Expenses	169,588	146,462	13,753	8,244	282,816	260,573	257,844	230,904	1,063,513	982,509	232,664	228,038	141,948	132,594	151,413	148,343	128,918	100,156	85,327	74,373	----	----	2,527,784	2,312,196
Maintenance	22,187	23,214	1,753	2,911	32,189	29,921	32,964	30,009	96,343	96,739	18,577	18,534	16,086	15,689	21,870	20,858	6,241	7,401	13,742	10,528	----	----	261,952	255,804
Depreciation and Amortisation	23,439	23,731	1,126	627	45,802	46,661	45,102	40,511	158,984	145,122	24,860	27,513	24,507	22,279	30,667	28,075	5,423	5,280	11,084	10,293	----	----	370,994	350,092
Grants and Subsidies	76,264	79,263	9,384	8,484	65,790	61,108	22,430	18,835	176,322	182,429	10,873	17,799	36,455	32,041	140,625	125,184	33,164	36,338	51,120	38,123	----	----	622,427	599,604
Borrowing Costs	433	459	1	1	244	617	430	1,472	8,650	6,917	168	525	32	61	56	139	8	9	18	45	----	----	10,040	10,245
<b>Total Expenses</b>	<b>773,297</b>	<b>728,954</b>	<b>50,078</b>	<b>39,431</b>	<b>994,748</b>	<b>915,202</b>	<b>1,059,249</b>	<b>947,912</b>	<b>3,806,449</b>	<b>3,467,374</b>	<b>609,795</b>	<b>634,849</b>	<b>749,301</b>	<b>670,476</b>	<b>876,034</b>	<b>805,646</b>	<b>299,870</b>	<b>264,397</b>	<b>467,706</b>	<b>392,315</b>	<b>----</b>	<b>----</b>	<b>9,686,527</b>	<b>8,866,556</b>
<b>Revenue</b>																								
Sale of Goods and Services	29,723	40,082	2,053	1,985	68,806	87,893	70,452	72,253	484,610	496,903	34,844	41,460	43,840	50,650	160,935	137,529	4,187	15,939	35,209	44,968	----	----	934,659	989,662
Investment Income	3,222	3,095	109	43	6,602	4,738	2,941	2,789	16,357	14,339	2,119	2,128	1,974	2,153	4,367	2,958	1,406	1,175	17,299	10,869	----	----	56,396	44,287
Grants and Contributions	30,692	16,843	1,565	473	10,997	14,287	6,331	6,766	28,084	38,161	7,541	6,527	5,874	7,633	27,684	22,308	6,445	----	81,914	56,835	----	----	207,127	169,833
Other Revenue	157	3,194	232	228	5,588	2,540	5,303	2,672	19,892	8,062	2,407	1,852	1,702	1,040	4,014	3,202	2,856	1,566	9,916	5,281	----	----	52,067	29,637
<b>Total Revenue</b>	<b>63,794</b>	<b>63,214</b>	<b>3,959</b>	<b>2,729</b>	<b>91,993</b>	<b>109,458</b>	<b>85,027</b>	<b>84,480</b>	<b>548,943</b>	<b>557,465</b>	<b>46,911</b>	<b>51,967</b>	<b>53,390</b>	<b>61,476</b>	<b>197,000</b>	<b>165,997</b>	<b>14,894</b>	<b>18,680</b>	<b>144,338</b>	<b>117,953</b>	<b>----</b>	<b>----</b>	<b>1,250,249</b>	<b>1,233,419</b>
Gain/(Loss) on Disposal of Non Current Assets	2,395	10	(86)	62	1,046	(177)	2,151	40	(2,977)	213	95	(370)	399	(29)	650	(1,177)	79	(49)	1,619	----	----	----	5,371	(1,477)
<b>Net Cost of Services</b>	<b>707,108</b>	<b>665,730</b>	<b>46,205</b>	<b>36,640</b>	<b>901,709</b>	<b>805,921</b>	<b>972,071</b>	<b>863,392</b>	<b>3,260,483</b>	<b>2,909,696</b>	<b>562,789</b>	<b>583,252</b>	<b>695,512</b>	<b>609,029</b>	<b>678,384</b>	<b>640,826</b>	<b>284,897</b>	<b>245,766</b>	<b>321,749</b>	<b>274,362</b>	<b>----</b>	<b>----</b>	<b>8,430,907</b>	<b>7,634,614</b>
Government Contributions **	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	8,330,294	7,644,541	8,330,294	7,644,541
<b>RESULT FOR THE YEAR FROM ORDINARY ACTIVITIES</b>																								
Administered Revenues																					(100,613)	9,927		
Consolidated Fund																								
– Taxes, Fees and Fines																					1,801	1,736	1,801	1,736
<b>Total Administered Revenues</b>																					<b>1,801</b>	<b>1,736</b>	<b>1,801</b>	<b>1,736</b>

\* The name and purpose of each program is summarised in Note 17. The program statement uses statistical data to 31 December 2003 to allocate current year's financial information to each program.

\*\* Appropriations are made on an agency basis and not to individual programs. Consequently government contributions must be included in the 'Not Attributable' column.

	2004				2003			
	Recurrent Appropriation \$000	Expenditure/ Net Claim on Consolidated Fund \$000	Capital Appropriation \$000	Expenditure/ Net Claim on Consolidated Fund \$000	Recurrent Appropriation \$000	Expenditure/ Net Claim on Consolidated Fund \$000	Capital Appropriation \$000	Expenditure/ Net Claim on Consolidated Fund \$000
<b>Original Budget Appropriation/ Expenditure</b>								
<i>Appropriation Act</i>	7,356,141	7,345,381	371,335	371,335	6,648,551	6,641,551	425,107	425,107
S24 PF&AA – Transfers of Functions between Departments	-----	-----	-----	-----	1,353	1,353	-----	-----
S26 PF&AA – Commonwealth specific purpose payments	3,528	3,528			81,820	25,875		
	<b>7,359,669</b>	<b>7,348,909</b>	<b>371,335</b>	<b>371,335</b>	<b>6,731,724</b>	<b>6,668,779</b>	<b>425,107</b>	<b>425,107</b>
<b>Other Appropriations/Expenditure</b>								
Treasurer's Advance	3,902	3,902	8,040	8,040	8,867	8,867	-----	-----
Section 22 – expenditure for certain works and services	94,900	94,900	37,465	37,465	77,500	77,500	-----	-----
Transfers from another agency (\$25 of the <i>appropriation Act</i> )					43,850	43,850	-----	-----
	<b>98,802</b>	<b>98,802</b>	<b>45,505</b>	<b>45,505</b>	<b>130,217</b>	<b>130,217</b>	-----	-----
<b>Total Appropriations/ Expenditure / Net Claim on Consolidated Fund (includes transfer payments)</b>	<b>7,458,471</b>	<b>7,447,711</b>	<b>416,840</b>	<b>416,840</b>	<b>6,861,941</b>	<b>6,798,996</b>	<b>425,107</b>	<b>425,107</b>
<b>Amount drawn down against Appropriation</b>		<b>7,447,711</b>		<b>416,840</b>		<b>6,798,996</b>		<b>425,107</b>
<b>Liability to Consolidated Fund *</b>		-----		-----		-----		-----

The Summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first (except where otherwise identified or prescribed).

\* [The 'Liability to Consolidated Fund' represents the difference between the 'Amount Drawn down against Appropriation' and the 'Total Expenditure / Net Claim on Consolidated Fund'].

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

## 1. The NSW Health Department Reporting Entity

- (a) The NSW Health Department economic entity comprises all the operating activities of the NSW Ambulance Service; Area Health Services constituted under the *Health Services Act, 1997*; the Royal Alexandra Hospital for Children, the Corrections Health Service, the Institute of Clinical Excellence, and all Central Administration units of the Department.

Transactions of the Cancer Institute (as established by the Cancer Institute (NSW) Act, 2003) have been conducted through a cost centre within the Department and are included with the parent entity accounts.

The reporting economic entity is based on the control exercised by the Department, and, accordingly, encompasses Special Purposes and Trust Funds which, while containing assets which are restricted for specified uses by the grantor or donor, are nevertheless controlled by the entities referenced above.

- (b) In addition to the consolidated results, the Department's financial statements also include results for the parent entity, denoted in note 1(a) as Central Administration and the Health Administration Corporation (HAC), which was established through the Health Administration Act in 1982 and effectively empowers the Director-General as a corporation sole (HAC) to enter into various legal contracts such as the purchase, lease or sale of property.

The Health Administration Act requires that the monies of health professional boards be managed by HAC. Such monies are credited to the Department of Health's parent entity financial statements (Note 18 refers).

- (c) The consolidated accounts are those of the consolidated entity comprising the Department of Health (the parent entity) and its controlled entities. In the process of preparing the consolidated financial statements for the economic entity, consisting of the controlling and controlled entities, all inter entity transactions and balances have been eliminated.
- (d) The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

## 2. Summary of Significant Accounting Policies

The NSW Health Department's financial statements are a general purpose financial report which has been prepared on an accruals basis and in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group (UIG) Consensus Views, the requirements of the Public Finance and Audit Act 1983 and Regulations, and the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under section 9(2)(n) of the Act.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, other authoritative pronouncement of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AAS6 'Accounting Policies' is considered.

Except for certain investments and land and buildings, plant and equipment and infrastructure systems, which are recorded at valuation, the financial statements are prepared in accordance with the historical cost convention. All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

Other significant accounting policies used in the preparation of these financial statements are as follows:

### (a) Employee Benefits and Other Provisions

- i) *Salaries and Wages, Annual Leave, Sick Leave and On-Costs (including non-monetary benefits)*

Liabilities for Salaries and wages, annual leave and vesting sick leave and related on-costs are recognised and measured in respect of employees' services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled.

Employee benefits are dissected between the 'Current' and 'Non Current' components on the basis of anticipated payments for the next twelve months. This in turn is based on past trends and known resignations and retirements.

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

Unused non-vesting sick leave does not give rise to a liability, as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

The outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

ii) *Long Service Leave and Superannuation Benefits*

Long Service Leave provisions are measured for all controlled entities on a short hand basis at an escalated rate of 3.7% above the salary rates immediately payable at 30 June 2004 for all employees with five or more years of service. Actuarial assessment has found that this measurement technique produces results not materially different from the estimate determined by using the present value basis of measurement. Long Service Leave provisions for the parent entity have been calculated in accordance with the requirements of Treasury Circular T03/08. The parent entity's liability for Long Service Leave is assumed by the Crown Entity.

Employee leave entitlements are dissected between the 'Current' and 'Non Current' components on the basis of anticipated payments for the next twelve months. This in turn is based on past trends and known resignations and retirements.

The Department's liability (including controlled entities) for superannuation is assumed by the Crown Entity. The Department accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee entitlements and other liabilities'.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (ie Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

iii) *Other Provisions*

Other provisions exist when the entity has a present legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events. These provisions are recognised when it is probable that a future sacrifice of economic benefits will be required and the amount can be measured reliably.

**(b) Insurance**

The Department's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past experience.

**(c) Borrowing Costs**

Borrowing costs are recognised as expenses in the period in which they are incurred.

**(d) Revenue Recognition**

i) *Parliamentary Appropriations and Contributions from Other Bodies*

Parliamentary appropriations and contributions from Other Bodies (including grants and donations) are generally recognised as revenues when the agency obtains control over the assets comprising the appropriations/contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash.

An exception to the above is when appropriations are unspent at year-end. In this case, the authority to spend the money lapses and generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, unspent appropriations are accounted for as liabilities rather than revenue.

ii) *Sale of Goods and Services*

Revenue from the sale of goods and services comprises revenue from the provision of products or services ie user charges. User charges are recognised as revenue when the Department obtains control of the assets that result from them.

Patient fees are derived from chargeable inpatients and non-inpatients on the basis of rates charged in accordance with approvals communicated in the Government Gazette.

Specialist doctors with rights of private practice are charged an infrastructure charge for the use of hospital facilities at rates determined by the NSW Health Department. Charges are based on fees collected.

iii) *Investment Income*

Interest revenue is recognised as it accrues. Rent revenue is recognised in accordance with AAS17 'Accounting for Leases'. Dividend revenue is recognised when the Department's right to receive payment is established.

iv) *Grants and Contributions*

Grants and Contributions are generally recognised as revenues when the Department obtains control over the assets comprising the contributions. Control over contributions is normally obtained upon the receipt of cash.

**(e) Goods and Services Tax (GST)**

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

- The amount of GST incurred by the Department/its controlled entities as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- Receivables and payables are stated with the amount of GST included.

**(f) Research and Development Costs**

Research and development costs are charged to expense in the year in which they are incurred.

**(g) Acquisition of Assets**

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Department. Cost is determined as the fair value of the assets given as consideration plus the costs incidental to the acquisition.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value at the acquisition date. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained.

**(h) Plant and Equipment**

Individual items of plant and equipment costing \$5,000 and above are capitalised.

**(i) Depreciation**

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the NSW Health Department. Land is not a depreciable asset.

Details of depreciation rates for major asset categories are as follows:

Buildings	2.5%
Electro Medical Equipment	
– Costing less than \$200,000	10.0%
– Costing more than or equal to \$200,000	12.5%
Computer Equipment	20.0%
Computer Software	20.0% to 33.3%
Infrastructure Systems	2.5%
Office Equipment	10.0%
Plant and Machinery	10.0%
Linen	20.0%
Furniture, Fittings and Furnishings	5.0%

**(j) Revaluation of Non Current Assets**

Physical non-current assets are valued in accordance with the 'Guidelines for the Valuation of Physical Non-Current Assets at Fair Value'. This policy adopts fair value in accordance with AASB 1041.

Where available, fair value is determined having regard to the highest and best use of the asset on the basis of current market selling prices for the same or similar assets. Where market selling price is not available, the asset's fair value is measured as its market buying price ie the replacement cost of the asset's remaining future economic benefits.

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

Land and buildings and infrastructure assets are revalued at minimum every 5 years by independent valuation and with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value at reporting date.

Non-specialised generalised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

Otherwise, any balances of accumulated depreciation existing at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the Result for the Year from Ordinary Activities, the increment is recognised immediately as revenue in the Result for the Year from Ordinary Activities.

Revaluation decrements are recognised immediately as expenses in the Result for the Year from Ordinary Activities, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

## **(k) Maintenance and Repairs**

The costs of maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset in which case the costs are capitalised and depreciated.

## **(l) Leased Assets**

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred.

## **(m) Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of stock mainly on the basis of weighted average costs.

Obsolete items are disposed of upon identification in accordance with delegated authority.

## **(n) Other Financial Assets**

'Other financial assets' are generally recognised at cost, with the exception of TCorp Hour Glass Facilities and Managed Fund Investments, which are measured at market value.

For non-current 'other financial assets', revaluation increments and decrements are recognised in the same manner as physical non-current assets.

For current 'other financial assets', revaluation increments and decrements are recognised in the Statement of Financial Performance.

## **(o) Trust Funds**

The Department's controlled entities receive monies in a trustee capacity for various trusts as set out in Note 31. As the controlled entities perform only a custodial role in respect of these monies and because the monies cannot be used for the achievement of NSW Health's objectives, they are not brought to account in the financial statements.

## **(p) Administered Activities**

The Department administers, but does not control, certain activities on behalf of the Crown Entity. It is accountable for the transactions relating to those administered activities but does not have the discretion, for example, to deploy the resources for the achievement of the Department's own objectives.

Transactions and balances relating to the administered activities, which are confined to revenues, only are not recognised as Departmental revenue but are disclosed as 'Administered Revenues' in the Program Statement.

## **(q) Financial Instruments**

Financial instruments give rise to positions that are a financial asset of either the NSW Health Department or its counterparty and a financial liability (or equity instrument) of the other party. For the NSW Health Department these include cash at bank, receivables, other financial assets, accounts payable and interest bearing liabilities.

In accordance with Australian Accounting Standard AAS33, 'Presentation and Disclosure of Financial Instruments', information is disclosed in Note 39 in respect of the credit risk and interest rate risk of financial instruments. All such amounts are carried in the accounts at net fair value. The specific accounting policy in respect of each class of such financial instrument is stated hereunder.

Classes of instruments recorded at cost and their terms and conditions at balance date are as follows:

### *Cash*

Accounting Policies – Cash is carried at nominal values reconcilable to monies on hand and independent bank statements.

Terms and Conditions – Monies on deposit attract an effective interest rate of between 3.7% and 5.7% as compared to 3.7% and 6.5% in the previous year.

### *Receivables*

Accounting Policies – Receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.

Terms and Conditions – Accounts are generally issued on 30-day terms.

## *Investments (Other Financial Assets)*

Accounting Policies – Investments reported at cost include both short term and fixed term deposits, exclusive of Hour Glass funds invested with Treasury Corporation. Interest is recognised in the Statement of Financial Performance when earned. Shares are carried at cost with dividend income recognised when the dividends are declared by the investee.

Terms and Conditions – Short term deposits have an average maturity of 90 to 185 days and effective Interest rates of 4.4% to 8.7% as compared to 4.3% to 5.2% in the previous year. Fixed term deposits have a maturity of up to 5 years and effective interest rates of 3.0% to 5.8% as compared to 4.5% to 7.6% in the previous year.

### *Payables*

Accounting Policies – Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Health Service.

Terms and Conditions – Trade liabilities are settled within any terms specified. If no terms are specified, payment is made by the end of the month following the month in which the invoice is received.

### *Interest Bearing Liabilities*

Accounting Policies – Bank Overdrafts and Loans are carried at the principal amount. Interest is charged as an expense as it accrues. Finance Lease Liability is accounted for in accordance with Australian Accounting Standard, AAS17.

Terms and Conditions – Bank Overdraft interest is charged at the bank's benchmark rate.

Classes of instruments recorded at market value comprise:

### *Treasury Corporation Hour Glass Investments*

Accounting Policies – Treasury Corporation Hour Glass investments are stated at net fair value. Interest is recognised when earned.

Terms and Conditions – Deposits attracted interest rates of between 4.8% and 10.4% in the year ended 30 June 2004. This compares with interest rates of 3.3% to 4.9% in the previous year.

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

All financial instruments including revenue, expenses and other cash flows arising from instruments are recognised on an accruals basis.

## (r) Interest bearing liabilities

All loans are valued at current capital value. The finance lease liability is determined in accordance with AAS17 'Leases'.

## (s) Budgeted amounts

The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year and with any adjustments for the effects of additional appropriations, S21A, S24 and/or S26 of the Public Finance and Audit Act 1983.

The budgeted amounts in the Statement of Financial Performance and the Statement of Cash Flows are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the Statement of Financial Position, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts ie per the audited financial statements (rather than carried forward estimates).

## (t) Exemption from Public Finance and Audit Act 1983

The Treasurer has granted the Department an exemption under section 45e of the Public Finance and Audit Act 1983, from the requirement to use the line item title 'Surplus/(Deficit) for the Year from Ordinary Activities', in the Statement of Financial Performance. The Treasurer approved the title 'Result for the Year from Ordinary Activities' instead.

## (u) Transition to Australian equivalents to International Financial Reporting Standards (AIFRS)

### (1) Management of Transition

The NSW Health Department will apply the Australian Equivalents to International Financial Reporting Standards (AIFRS) from the reporting period beginning 1 July 2005.

The Department is managing the transition to the new standards by allocating internal resources and/or engaging consultants to analyse the pending standards and Urgent Issues Group Abstracts to identify key areas regarding policies, procedures, systems and financial impacts affected by the transition.

As a result of this exercise, the Department has taken the following steps to manage the transition to the new standards:

- The Chief Financial Officer is responsible for the project and will brief the Department's Finance Risk and Performance Management Committee to ensure that the Committee is informed on progress against the plan and any changes in reporting requirements mandated by NSW Health and the NSW Treasury.

The following phases that need to be undertaken have been identified:

- determination of opening values as at 1 July 2004 and full year comparatives for 2004/05
- preparation of 2005/06 accounts in accordance with AIFRS
- determination of specific policy changes and the accounting effect thereof

Work in each of these phases will be progressed in accordance with timetables to be agreed with NSW Treasury.

NSW Treasury is assisting agencies to manage the transition by developing policies, including mandates of options; presenting training seminars to all agencies; providing a website with up-to-date information to keep agencies informed of any new developments; and establishing an IAS Agency Reference Panel to facilitate a collaborative approach to manage the change.

### (2) Key Differences in Accounting Policies

The Department is aware of a number of differences in accounting policies that may arise from adopting AIFRS. Some differences arise because AIFRS requirements are different from existing AASB requirements. Other differences could arise from options in AIFRS. To ensure consistency at the whole of government level, NSW Treasury has advised the options it is likely to mandate, and will confirm these during 2004-05. This disclosure reflects these likely mandates.

The Department's accounting policies may also be affected by a proposed standard designed to harmonise accounting standards with Government Finance Statistics (GFS). This standard is likely to change the impact of AIFRS and significantly affect the presentation of the income statement. However, the impact is uncertain, because it depends on when this standard is finalised and whether it can be adopted in 2005-06.

Based on current information, the following key differences in accounting policies are expected to arise from adopting AIFRS:

- AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' requires retrospective application of the new AIFRS from 1 July 2004, with limited exemptions. Similarly, AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the opening balance of accumulated funds. This differs from current Australian requirements, because such changes must be recognised in the current period through profit or loss, unless a new standard mandates otherwise.
- AASB 117 'Leases' requires operating lease contingent rentals to be recognised as an expense on a straight-line basis over the lease term rather than expensing in the financial year incurred.
- AASB 1004 'Contributions' applies to not-for-profit entities only. Entities will either continue to apply the current requirements in AASB 1004 where grants are normally recognised on receipt, or alternatively apply the proposals on grants included in ED 125 Financial Reporting by Local Governments. If the ED 125 approach is applied, revenue and/or expense recognition will be delayed until the agency supplies the related goods and services (where grants are in-substance agreements for the provision of goods and services) or until conditions are satisfied.

#### (v) Changes in Accounting Policy

##### Salaried Medical Practitioners – Rights of Private Practice

With effect from the 2002/03 year the residue of funds available (after deducting the monthly infrastructure fees, medical practitioners drawings, due accounting costs and medical indemnity insurance premium reimbursements) is credited as revenue of each Health Service including amounts brought forward from 30 June 2002.

This recognises the capacity of each Health Service to control the use of the funds. Prior to 2002/03 the residue to hand was recognised as part of the Private Practice Trust Funds balance reported in Note 31.

The effects of the change in accounting policy for 2002/03 were increases in expenses and revenues of \$29.0 million and \$115.4 million respectively including the one off recognition of the cash residual previously recognised as a trust balance at 30 June 2002 (\$75.7 million).

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

Financials

PARENT		CONSOLIDATED		
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	
		<b>3. EMPLOYEE RELATED EXPENSES</b>		
		Employee related expenses comprise the following specific items:		
66,422	60,954	Salaries and Wages	4,565,245	4,061,087
12,151	11,888	Superannuation	468,097	424,436
3,577	2,007	Long Service Leave	166,685	183,514
5,125	5,676	Recreation Leave	445,718	443,723
-----	-----	Nursing Agency Payments	59,055	51,772
5,890	4,680	Other Agency Payments	25,494	18,567
735	1,126	Workers Compensation Insurance	157,314	149,172
5,257	5,983	Payroll Tax and Fringe Benefits Tax	5,722	6,344
<b>99,157</b>	<b>92,314</b>		<b>5,893,330</b>	<b>5,338,615</b>

Salaries and Wages includes the following amounts paid to members of Health Service Boards consistent with the Statutory Determination by the Minister for Health which provided remuneration effective from 1 July 2000.

The payments have been made within the following bands:

\$ range	2004 No. Paid	2004 \$000	2003 No. Paid	2003 \$000
\$0 to \$14,999	182	2,071	167	1,875
\$15,000 to \$29,999	21	442	32	630
Additional payments made on a Statewide basis, for example for travel		3		8

PARENT		CONSOLIDATED		
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	
		The following additional information is provided:		
-----	-----	Maintenance staff costs included in Employee Related Expenses	70,368	61,977
-----	-----	Employee Related Expenses capitalised – Land and Buildings	230	768
-----	-----	Employee Related Expenses capitalised – Plant and Equipment	787	130
		Note 5 further refers.		

<b>PARENT</b>			<b>CONSOLIDATED</b>	
<b>2004</b>	<b>2003</b>		<b>2004</b>	<b>2003</b>
<b>\$'000</b>	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>
		<b>4. OTHER OPERATING EXPENSES</b>		
10,203	21,456	Computer Related Expenses	44,754	53,737
35	26	Domestic Charges	92,182	88,330
----	----	Drug Supplies	332,963	303,114
----	----	Food Supplies	76,430	73,409
397	277	Fuel, Light and Power	61,134	58,883
61,193	45,524	General Expenses (b)	209,462	172,877
222,480	180,329	Insurance	230,787	188,869
14,470	14,581	Interstate Patient Outflows, NSW	100,755	95,059
68,343	55,163	Medical and Surgical Supplies	433,294	395,610
807	419	Operating Lease Rental Expense – minimum lease payments	39,121	29,872
2,615	2,175	Postal and Telephone Costs	55,756	50,158
2,867	2,424	Printing and Stationery	42,431	40,418
6,886	7,950	Rentals,Rates and Charges	36,923	36,772
----	----	Special Service Departments	173,080	161,575
15,160	14,479	Staff Related Costs	48,951	44,076
----	----	Sundry Operating Expenses (a)	120,372	108,634
3,500	3,490	Travel Related Costs	48,805	50,009
----	----	Visiting Medical Officers	380,584	360,794
<b>408,956</b>	<b>348,293</b>		<b>2,527,784</b>	<b>2,312,196</b>
----	----	<b>(a) Sundry Operating Expenses comprise:</b>		
----	----	Aircraft Expenses (Ambulance)	24,635	19,354
----	----	Contract for Patient Services	88,560	82,146
----	----	Isolated Patient Travel and Accommodation Assistance Scheme	7,177	7,134
----	----		<b>120,372</b>	<b>108,634</b>

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

Financials

PARENT			CONSOLIDATED	
2004 \$'000	2003 \$'000		2004 \$'000	2003 \$'000
		<b>4. OTHER OPERATING EXPENSES (CONTINUED)</b>		
		<b>(b) General Expenses include:</b>		
1,003	1,611	Advertising	10,458	13,191
360	413	Books and Magazines	9,188	9,788
		Consultancies		
2,746	1,926	– Operating Activities	11,702	10,745
1,199	1,430	– Capital Works	4,797	5,429
406	674	Courier and Freight	9,222	8,938
205	196	Auditors Remuneration – Audit of financial reports	2,386	2,063
6,474	6,681	Health Professional Registration Board Expenses	6,474	6,681
2,096	2,074	Legal Expenses	8,890	6,669
		Motor Vehicle Operating Lease Expense		
418	466	– minimum lease payments	41,900	39,054
-----	-----	Membership/Professional Fees	4,266	3,657
-----	-----	Payroll Services	473	417
11,761	11	Provision for Bad and Doubtful Debts	30,153	17,831

The 2003/04 Operating Expenses of the parent entity include bad debt expenses of \$11.761 million. The Department raised revenues in 2002/03 for this amount in expectation that the monies would be paid to the Department in extinguishment of the debt.

However, such monies were not received as 'retained revenue' but were provided to the Department from the NSW Treasury as a Consolidated Fund Recurrent Allocation. Although there has been a change in accounting treatment no loss of revenue has occurred.

PARENT			CONSOLIDATED	
2004 \$'000	2003 \$'000		2004 \$'000	2003 \$'000
		<b>5. MAINTENANCE</b>		
772	1,210	Repairs and Routine Maintenance	154,578	137,166
		Other:		
-----	-----	– Renovations and Additional Works	19,891	30,566
-----	-----	– Replacements and Additional Equipment less than \$5,000	87,483	88,072
<b>772</b>	<b>1,210</b>		<b>261,952</b>	<b>255,804</b>

The 2003/04 value of Employee Related Expense (note 3) applicable to Maintenance staff was \$70.368 million, such cost covering engineers, trades staff and apprentices' salary costs, workers compensation and superannuation.

<b>PARENT</b>			<b>CONSOLIDATED</b>	
<b>2004</b>	<b>2003</b>		<b>2004</b>	<b>2003</b>
<b>\$'000</b>	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>
		<b>6. DEPRECIATION AND AMORTISATION EXPENSE</b>		
1,306	638	Depreciation – Buildings	219,083	205,173
10,569	6,688	Depreciation – Plant and Equipment	143,877	137,333
-----	-----	Depreciation – Infrastructure Systems	4,218	3,799
2,568	2,623	Amortisation	3,816	3,787
<b>14,443</b>	<b>9,949</b>		<b>370,994</b>	<b>350,092</b>
		<b>7. GRANTS AND SUBSIDIES</b>		
49,876	75,495	Payments to the National Blood Authority and the Red Cross Blood Transfusion Service	49,876	75,495
-----	-----	Operating Payments to Other Affiliated Health Organisations	403,803	363,154
-----	-----	Capital Payments to Affiliated Health Organisations	7,089	4,770
		Grants		
27,677	19,020	– External Research	27,678	24,914
1,714	1,665	– NSW Institute of Psychiatry	1,714	1,665
3,556	3,661	– National Drug Strategy	3,556	3,661
33,872	33,553	– Non Government Voluntary Organisations	91,927	91,700
7,365,790	6,710,935	– Payments to Controlled Health Entities	-----	-----
21,113	31,053	Other Payments	36,784	34,245
<b>7,503,598</b>	<b>6,875,382</b>		<b>622,427</b>	<b>599,604</b>

*With effect from 1 July 2003, the payments made for blood services were reduced to the State contribution only under new arrangements agreed with the Commonwealth. Formerly, the Department had also received the Commonwealth contribution and paid such amount to the Australian Red Cross Blood Service.*

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

Financials

PARENT			CONSOLIDATED	
2004 \$'000	2003 \$'000		2004 \$'000	2003 \$'000
		<b>8. BORROWING COSTS</b>		
6,862	6,551	Finance Lease Interest Charges	9,466	9,286
----	----	Other Interest Charges	574	959
<b>6,862</b>	<b>6,551</b>		<b>10,040</b>	<b>10,245</b>
		<b>9. SALE OF GOODS AND SERVICES</b>		
		Sale of Goods and Services comprise the following:		
----	----	Patient Fees	263,656	254,901
----	----	Staff-Meals and Accommodation	14,828	13,455
		Infrastructure Charge		
----	----	– Monthly Facility Fees	127,669	125,150
----	----	– Annual Charge**	31,919	115,400
46,269	45,005	Department of Veterans' Affairs Agreement Funding	265,771	244,952
----	----	Ambulance Non Hospital User Charges	28,278	26,606
28,500	30,942	Motor Accident Authority Third Party Receipts	28,500	30,942
----	----	Car Parking	15,034	13,318
----	----	Child Care Fees	5,796	5,470
----	----	Commercial Activities	29,650	29,894
----	----	Fees for Medical Records	1,859	2,121
----	----	Non Staff Meals	16,216	16,109
----	----	Linen Service Revenues – Non Health Services	8,577	5,279
----	----	Sale of Prosthesis	25,130	20,941
----	----	Services Provided to Non NSW Health Organisations	11,407	12,317
392	525	Patient Inflows from Interstate	392	525
332	2,422	Revenue from Health Service Asset Sales	----	----
8,688	8,017	Computer Support Charges – Health Services	----	----
13,878	29,985	Other*	59,977	72,282
<b>98,059</b>	<b>116,896</b>		<b>934,659</b>	<b>989,662</b>

\*In 2003 Other Sale of Goods and Services revenue reported by both the Parent entity and as part of the Consolidated values included \$12.2 million in Commonwealth receipts for the Haemophilus Influenza Type B Program and ARCBS capital funding. In 2004 Commonwealth receipts for these items were paid via the Department's Consolidated Fund Recurrent Appropriation.

\*\*The 2003 value for Infrastructure Charge – Annual Charge included a one off recognition of the cash residual of \$75.7 million. This amount had been previously recognised as a trust balance until an accounting policy change was effected as reported in Note 2(v).

PARENT			CONSOLIDATED	
2004 \$'000	2003 \$'000		2004 \$'000	2003 \$'000
		<b>10. INVESTMENT INCOME</b>		
6,724	4,160	Interest	42,520	30,980
----	----	Lease and Rental Income	13,272	12,713
158	184	Other	604	594
<b>6,882</b>	<b>4,344</b>		<b>56,396</b>	<b>44,287</b>

<b>PARENT</b>			<b>CONSOLIDATED</b>	
<b>2004</b>	<b>2003</b>		<b>2004</b>	<b>2003</b>
<b>\$'000</b>	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>
		<b>11. GRANTS AND CONTRIBUTIONS</b>		
----	----	Clinical Drug Trials	10,265	10,004
7,913	3,430	Commonwealth Government grants	55,628	45,882
13,984	----	Health Super Growth	13,984	----
----	----	Industry Contributions/Donations	68,013	54,773
----	----	Mammography grants	4,311	----
----	----	Research grants	29,235	28,513
----	----	University Commission grants	1,153	977
1,506	3,742	Other grants	24,538	29,684
<b>23,403</b>	<b>7,172</b>		<b>207,127</b>	<b>169,833</b>
		<b>12. OTHER REVENUE</b>		
		Other Revenue comprises the following:		
----	----	Commissions	2,021	887
----	----	Conference and Seminar Fees	1,690	441
6,092	5,949	Health Professional Registration Fees	6,092	5,949
----	----	Treasury Managed Fund Hindsight Adjustment	27,694	----
----	----	Increment on Asset Revaluation	----	5,930
----	----	Sale of Merchandise, Old Wares and Books	2,098	1,539
398	305	Sundry Revenue	12,472	14,891
<b>6,490</b>	<b>6,254</b>		<b>52,067</b>	<b>29,637</b>
		<b>13. GAIN/(LOSS) ON DISPOSAL OF NON CURRENT ASSETS</b>		
5,840	1,067	Property, Plant and Equipment	206,654	122,718
(1,861)	(976)	Less Accumulated Depreciation	(150,728)	(97,110)
<b>3,979</b>	<b>91</b>	<b>Written Down Value</b>	<b>55,926</b>	<b>25,608</b>
(312)	(87)	Less Proceeds from Disposal	(61,297)	(24,131)
<b>(3,667)</b>	<b>(4)</b>	<b>Gain/(Loss) on Disposal of Non Current Assets</b>	<b>5,371</b>	<b>(1,477)</b>

#### 14. CONDITIONS ON CONTRIBUTIONS

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during current year for which expenditure in manner specified had not occurred as at balance date	16,806	62,944	42,972	122,722
Contributions recognised in previous years which were not expended in the current financial year	51,264	167,587	48,614	267,465
<b>Total amount of unexpended contributions as at balance date</b>	<b>68,070</b>	<b>230,531</b>	<b>91,586</b>	<b>390,187</b>

Comment on restricted assets appears in Note 24.

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

Financials

		<b>PARENT AND CONSOLIDATED</b>	
		<b>2004</b>	<b>2003</b>
		<b>\$'000</b>	<b>\$'000</b>
	<b>15. APPROPRIATIONS</b>		
	<b>Recurrent appropriations</b>		
	Total recurrent drawdowns from Treasury (per Summary of Compliance)	7,447,711	6,798,996
	<b>Total</b>	<b>7,447,711</b>	<b>6,798,996</b>
	<b>Comprising:</b>		
	Recurrent appropriations (per Statement of Financial Performance)	7,447,711	6,798,996
	<b>Total</b>	<b>7,447,711</b>	<b>6,798,996</b>
	<b>Capital appropriations</b>		
	Total capital drawdowns from Treasury (per Summary of Compliance)	416,840	425,107
	<b>Total</b>	<b>416,840</b>	<b>425,107</b>
	<b>Comprising:</b>		
	Capital appropriations (per Statement of Financial Performance)	416,840	425,107
	<b>Total</b>	<b>416,840</b>	<b>425,107</b>

		<b>PARENT</b>		<b>CONSOLIDATED</b>	
		<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
	<b>16. ACCEPTANCE BY THE CROWN ENTITY OF EMPLOYEE BENEFITS AND OTHER LIABILITIES</b>				
	The following liabilities and/or expenses have been assumed by the Crown Entity or other government agencies:				
	Superannuation	6,374	5,711	461,784	418,088
	Long Service Leave	3,577	2,007	3,577	2,007
	Payroll Tax	382	343	382	343
	<b>Total</b>	<b>10,333</b>	<b>8,061</b>	<b>465,743</b>	<b>420,438</b>

## **17. Programs/Activities of the Agency**

### **Program 1.1 Primary and Community Based Services**

Objective: To improve, maintain or restore health through health promotion, early intervention, assessment, therapy and treatment services for clients in a home or community setting.

### **Program 1.2 Aboriginal Health Services**

Objective: To raise the health status of Aborigines and to promote a healthy life style.

### **Program 1.3 Outpatient Services**

Objective: To improve, maintain or restore health through diagnosis, therapy, education and treatment services for ambulant patients in a hospital setting.

### **Program 2.1 Emergency Services**

Objective: To reduce the risk of premature death and disability for people suffering injury or acute illness by providing timely emergency diagnostic, treatment and transport services.

### **Program 2.2 Overnight Acute Inpatient Services**

Objective: To restore or improve health and manage risks of illness, injury and childbirth through diagnosis and treatment for people intended to be admitted to hospital on an overnight basis.

### **Program 2.3 Same Day Acute Inpatient Services**

Objective: To restore or improve health and manage risks of illness, injury and childbirth through diagnosis and treatment for people intended to be admitted to hospital and discharged on the same day.

### **Program 3.1 Mental Health Services**

Objective: To improve the health, well being and social functioning of people with disabling mental disorders and to reduce the incidence of suicide, mental health problems and mental disorders in the community.

### **Program 4.1 Rehabilitation and Extended Care Services**

Objective: To improve or maintain the well being and independent functioning of people with disabilities or chronic conditions, the frail aged and the terminally ill.

### **Program 5.1 Population Health Services**

Objective: To promote health and reduce the incidence of preventable disease and disability by improving access to opportunities and prerequisites for good health.

### **Program 6.1 Teaching and Research**

Objective: To develop the skills and knowledge of the health workforce to support patient care and population health. To extend knowledge through scientific enquiry and applied research aimed at improving the health and well being of the people of New South Wales.

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

Financials

PARENT			CONSOLIDATED	
2004 \$'000	2003 \$'000		2004 \$'000	2003 \$'000
		<b>18. CURRENT ASSETS – CASH</b>		
54,692	58,762	Cash at bank and on hand *	139,130	137,257
-----	-----	Deposits at call	277,208	283,172
<b>54,692</b>	<b>58,762</b>		<b>416,338</b>	<b>420,429</b>
		Cash assets recognised in the Statement of Financial Position are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows as follows:		
54,692	58,762	Cash	416,338	420,429
-----	-----	Bank Overdraft **	(20,328)	(17,350)
<b>54,692</b>	<b>58,762</b>	<b>Closing Cash and Cash Equivalents (per Statement of Cash Flows)</b>	<b>396,010</b>	<b>403,079</b>

\* Cash reported for the Parent entity in 2003/04 includes \$2.817 million lodged for the credit of the Health Administration Corporation by Health Professional Boards in accordance with the provisions of their respective Acts and the Health Administration Act, 1982. The comparable value for 2002/03 was \$3.556 million.

\*\* Health Services are not allowed to operate bank overdraft facilities. The amounts disclosed as 'bank overdrafts' meet Australian Accounting Standards reporting requirements, however the relevant Health Services are in effect utilising and operating commercially available banking facility arrangements to their best advantage. The total of these facilities at a Health Service level is a credit balance which is inclusive of cash at bank and investments.

<b>PARENT</b>			<b>CONSOLIDATED</b>	
2004 \$'000	2003 \$'000		2004 \$'000	2003 \$'000
		<b>19. CURRENT/NON CURRENT RECEIVABLES</b>		
		<b>Current</b>		
13,686	17,289	(a) Sale of Goods and Services	119,592	120,382
5,065	5,720	Goods and Services Tax	30,916	36,240
772	13,464	Other Debtors	36,503	27,121
<b>19,523</b>	<b>36,473</b>	<b>Sub Total</b>	<b>187,011</b>	<b>183,743</b>
(102)	(102)	Less Provision for Doubtful Debts	(28,625)	(23,764)
<b>19,421</b>	<b>36,371</b>		<b>158,386</b>	<b>159,979</b>
		(b) Bad debts written off during the year:		
		<b>Current Receivables</b>		
-----	-----	– Sale of Goods and Services	3,271	3,908
11,761	11	– Other	17,584	12,110
<b>11,761</b>	<b>11</b>		<b>20,855</b>	<b>16,018</b>
		<b>Non Current</b>		
-----	-----	(a) Sale of Goods and Services	3,870	5,984
-----	-----	Less Provision for Doubtful Debts	(533)	(550)
-----	-----		<b>3,337</b>	<b>5,434</b>
		(b) Bad debts written off during the year:		
		<b>Non Current Receivables</b>		
-----	-----	– Sale of Goods and Services	1,448	902
-----	-----	– Other	3,006	13
-----	-----		<b>4,454</b>	<b>915</b>
		<b>Receivables (both Current and Non Current) includes:</b>		
-----	-----	Patient Fees – Compensable	17,773	17,462
-----	-----	Patient Fees – Ineligibles	14,931	13,666
-----	-----	Patient Fees – Other	35,138	29,906

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

Financials

PARENT		CONSOLIDATED	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
		<b>20. INVENTORIES</b>	
		<b>Current – Finished Goods at cost</b>	
----	----	Drugs	25,818
----	----	Medical and Surgical Supplies	25,628
----	----	Food Supplies	30,971
----	----	Engineering Supplies	2,281
----	----	Other including Goods in Transit	2,155
----	----	<b>66,019</b>	<b>68,057</b>
		<b>21. CURRENT/NON CURRENT OTHER FINANCIAL ASSETS</b>	
		<b>Current</b>	
9,650	9,650	Other Loans and Deposits*	218,954
----	----	Shares	196,929
----	----	Other	23
26,932	7,376	– Intra Health Loans	----
<b>36,582</b>	<b>17,026</b>	<b>218,977</b>	<b>196,952</b>
		<b>Non Current</b>	
----	----	Other Loans and Deposits	37,775
3,301	3,301	Shares	36,843
----	----	Other	9,492
38,131	27,618	– Intra Health Loans	11,921
<b>41,432</b>	<b>30,919</b>	<b>47,267</b>	<b>48,764</b>
		<p>Shares reported by each of the Department's controlled entities are disclosed at market values. The shares reported by the Parent entity are reported at cost.</p> <p>* Other Financial Assets reported for the Parent entity in 2003/04 includes \$9.650 million lodged for the credit of the Health Administration Corporation by Health Professional Registration Boards in accordance with the provisions of their respective Acts and the Health Administration Act, 1982. The comparable value for 2002/03 was \$9.650 million.</p>	
		<b>22. CURRENT/NON CURRENT ASSETS – OTHER</b>	
		<b>Current</b>	
9,777	9,055	Prepayments	28,791
<b>9,777</b>	<b>9,055</b>	<b>28,791</b>	<b>22,583</b>
		<b>Non Current</b>	
----	----	Prepayments	5,543
----	----	Other	4,964
----	----	<b>14,950</b>	<b>11,659</b>

	<b>PARENT</b>	
	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>23. PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Land and Buildings</b>		
At Fair Value	183,703	176,658
Less Accumulated Depreciation	(54,626)	(49,578)
	<b>129,077</b>	<b>127,080</b>
<b>Plant and Equipment</b>		
At Fair Value	83,682	70,845
Less Accumulated Depreciation	(39,310)	(29,385)
	<b>44,372</b>	<b>41,460</b>
<b>Total Property, Plant and Equipment At Net Book Value</b>	<b>173,449</b>	<b>168,540</b>

	<b>PARENT</b>				
	<b>Land</b>	<b>Buildings</b>	<b>Leased Buildings</b>	<b>Plant and Equipment</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>23. PROPERTY, PLANT AND EQUIPMENT – RECONCILIATIONS</b>					
<b>2004</b>					
Carrying amount at start of year	59,487	37,645	29,948	41,460	168,540
Additions	-----	-----	-----	13,554	13,554
Disposals	(1,785)	(2,121)	-----	(73)	(3,979)
Net revaluation increment less revaluation decrements	7,893	1,884	-----	-----	9,777
Depreciation expense	-----	(1,306)	(2,568)	(10,569)	(14,443)
Reclassifications	-----	349	(349)	-----	-----
<b>Carrying amount at end of year</b>	<b>65,595</b>	<b>36,451</b>	<b>27,031</b>	<b>44,372</b>	<b>173,449</b>

All Land and Buildings for the parent entity were valued by the State Valuation Office independently of the Department on 1 July 2003.  
Plant and Equipment is recognised on the basis of depreciated cost.

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

## 23. PROPERTY, PLANT AND EQUIPMENT

### CONSOLIDATED

	2004 \$'000	2003 \$'000
<b>Land and Buildings</b>		
At Fair Value	10,815,087	10,140,351
Less Accumulated Depreciation	(4,065,553)	(3,906,990)
	<b>6,749,534</b>	<b>6,233,361</b>
<b>Plant and Equipment</b>		
At Fair Value	1,714,862	1,697,159
Less Accumulated Depreciation	(1,114,868)	(1,082,882)
	<b>599,994</b>	<b>614,277</b>
<b>Infrastructure Systems</b>		
At Fair Value	123,911	120,440
Less Accumulated Depreciation	(47,398)	(41,761)
	<b>76,513</b>	<b>78,679</b>
<b>Total Property, Plant and Equipment At Net Book Value</b>	<b>7,426,041</b>	<b>6,926,317</b>

### CONSOLIDATED

	Land \$000	Buildings \$000	Leased Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
--	---------------	--------------------	------------------------------	---------------------------------	------------------------------------	----------------

## 23. PROPERTY, PLANT AND EQUIPMENT – RECONCILIATIONS

### 2004

Carrying amount at start of year	1,118,967	5,049,388	65,006	614,277	78,679	6,926,317
Additions	1,680	293,237	-----	137,472	650	433,039
Disposals	(35,570)	(8,643)	-----	(11,702)	(11)	(55,926)
Net revaluation increment less revaluation decrements	208,051	285,554	-----	-----	-----	493,605
Depreciation expense	-----	(219,083)	(3,816)	(143,877)	(4,218)	(370,994)
Reclassifications	1,902	(7,176)	37	3,824	1,413	-----
<b>Carrying amount at end of year</b>	<b>1,295,030</b>	<b>5,393,277</b>	<b>61,227</b>	<b>599,994</b>	<b>76,513</b>	<b>7,426,041</b>

Land and Buildings include land owned by the NSW Health Department and administered by either the Department or its controlled entities.

Valuations for each of the Health Services are performed regularly within a five year cycle. Revaluation details are included in the individual entities' financial reports.

Plant and Equipment is predominately recognised on the basis of depreciated cost.

<b>PARENT</b>			<b>CONSOLIDATED</b>	
2004 \$'000	2003 \$'000		2004 \$'000	2003 \$'000
		<b>24. RESTRICTED ASSETS</b>		
		The Department's financial statements include the following assets which are restricted by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.		
----	----	Specific Purposes	145,383	128,362
----	----	Perpetually Invested Funds	5,992	5,798
----	----	Research Grants	87,682	81,675
----	----	Private Practice Funds	75,091	58,705
----	----	Other	76,039	73,105
----	----		<b>390,187</b>	<b>347,645</b>

Major categories included in the Consolidation are:

Category	Brief Details of Externally Imposed Conditions
<b>Specific Purposes Trust Funds</b>	Donations, contributions and fundraisings held for the benefit of specific patient, Department and/or staff groups.
<b>Perpetually Invested Trust Funds</b>	Funds invested in perpetuity. The income therefrom used in accordance with donors' or trustees' instructions for the benefit of patients and/or in support of hospital services.
<b>Research Grants</b>	Specific research grants.
<b>Private Practice Funds</b>	Annual Infrastructure Charges raised in respect of Salaried Medical Officers Rights of Private Practice arrangements.

<b>PARENT</b>			<b>CONSOLIDATED</b>	
2004 \$'000	2003 \$'000		2004 \$'000	2003 \$'000
		<b>25. PAYABLES</b>		
		<b>Current</b>		
152	1,444	Accrued Salaries and Wages	95,882	109,054
1,632	2,052	Taxation and Other Payroll Deductions	42,914	44,233
43,663	41,197	Creditors	376,305	353,971
		Other Creditors		
----	----	– Capital Works	27,697	17,770
2,151	3,491	– Intra Health Liability	----	----
<b>47,598</b>	<b>48,184</b>		<b>542,798</b>	<b>525,028</b>

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

Financials

PARENT			CONSOLIDATED	
2004 \$'000	2003 \$'000		2004 \$'000	2003 \$'000
		<b>26. CURRENT/NON CURRENT INTEREST BEARING LIABILITIES</b>		
		<b>Current</b>		
-----	-----	Bank Overdraft*	20,328	17,350
-----	-----	Other Loans and Deposits	2,118	1,218
3,510	2,819	Finance Leases [See note 30(d)]	7,397	6,715
<b>3,510</b>	<b>2,819</b>		<b>29,843</b>	<b>25,283</b>
		<b>Non Current</b>		
-----	-----	Other Loans and Deposits	8,581	3,620
44,789	48,570	Finance Leases [See note 30(d)]	70,787	76,231
<b>44,789</b>	<b>48,570</b>		<b>79,368</b>	<b>79,851</b>
		<b>Repayment of Borrowings (Excluding Finance Leases)</b>		
-----	-----	Not later than one year	22,446	18,568
-----	-----	Between one and five years	4,718	3,490
-----	-----	Later than five years	3,863	130
-----	-----	<b>Total Borrowings at face value (Excluding Finance Leases)</b>	<b>31,027</b>	<b>22,188</b>

\* Health Services are not allowed to operate bank overdraft facilities. The amounts disclosed as 'bank overdrafts' meet Australian Accounting Standards reporting requirements, however the relevant Health Services are in effect utilising and operating commercially available banking facility arrangements to their best advantage. The total of these facilities at a Health Service level is a credit balance which is inclusive of cash at bank and investments.

<b>PARENT</b>			<b>CONSOLIDATED</b>	
2004 \$'000	2003 \$'000		2004 \$'000	2003 \$'000
		<b>27. CURRENT/NON CURRENT LIABILITIES – PROVISIONS</b>		
		<b>Current</b>		
5,497	5,285	Recreation Leave	420,805	394,488
-----	-----	Long Service Leave	89,441	86,842
-----	-----	Sick Leave	50	50
<b>5,497</b>	<b>5,285</b>	<b>Total current provisions</b>	<b>510,296</b>	<b>481,380</b>
		<b>Non Current</b>		
5,534	4,936	Recreation Leave	168,384	163,664
-----	-----	Long Service Leave	827,884	744,783
-----	-----	Sick Leave	810	779
<b>5,534</b>	<b>4,936</b>	<b>Total non current provisions</b>	<b>997,078</b>	<b>909,226</b>
		<b>Aggregate Employee Benefits and Related On-costs</b>		
5,497	5,285	Provisions – current	510,296	481,380
5,534	4,936	Provisions – non current	997,078	909,226
1,784	2,892	Accrued Salaries and Wages and on costs (refer to Note 25)	138,796	153,287
<b>12,815</b>	<b>13,113</b>		<b>1,646,170</b>	<b>1,543,893</b>

### Change in Measurement of Annual and Long Services Leave values

The Long Service Leave component of Employee Related Expenses as disclosed in Note 3 and the Long Service Leave provisions reported above have been increased by 3.7% in respect of year end balances at 30 June 2004. The increase is consistent with the Department's assessment of measurement requirements per Accounting Standard, AASB 1028.

<b>PARENT</b>			<b>CONSOLIDATED</b>	
2004 \$'000	2003 \$'000		2004 \$'000	2003 \$'000
		<b>28. OTHER LIABILITIES</b>		
		<b>Current</b>		
22,033	11,460	Income in Advance	31,910	42,660
<b>22,033</b>	<b>11,460</b>		<b>31,910</b>	<b>42,660</b>
		<b>Non Current</b>		
-----	-----	Income in Advance	32,907	34,623
-----	-----		<b>32,907</b>	<b>34,623</b>

Income in advance has been received as a consequence of Health Services entering into agreements for the sale of surplus properties and the provision and operation of private health facilities and car parks.

## 29. EQUITY

	PARENT Accumulated Funds		PARENT Asset Revaluation Reserve		PARENT Total Equity		CONSOLIDATED Accumulated Funds		CONSOLIDATED Asset Revaluation Reserve		CONSOLIDATED Total Equity	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000
<b>Balance at the beginning of the Financial Year</b>	<b>146,356</b>	<b>113,229</b>	<b>53,063</b>	<b>30,140</b>	<b>199,419</b>	<b>143,369</b>	<b>4,524,195</b>	<b>4,513,421</b>	<b>1,237,928</b>	<b>1,058,095</b>	<b>5,762,123</b>	<b>5,571,516</b>
Changes in Equity – transactions with owners as owners												
Increase in net assets from administrative restructuring	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
<b>Total</b>	<b>-----</b>	<b>-----</b>	<b>-----</b>	<b>-----</b>	<b>-----</b>	<b>-----</b>	<b>-----</b>	<b>-----</b>	<b>-----</b>	<b>-----</b>	<b>-----</b>	<b>-----</b>
Changes in Equity – other than transactions with owners as owners												
Result for the Year from Ordinary Activities	(2,804)	33,127	-----	-----	(2,804)	33,127	(100,613)	9,927	-----	-----	(100,613)	9,927
Increment on Revaluation of:												
Land	-----	-----	7,893	8,200	7,893	8,200	-----	-----	208,051	94,159	208,051	94,159
Buildings and Improvements	-----	-----	1,884	14,723	1,884	14,723	-----	-----	285,554	77,015	285,554	77,015
Plant and Equipment	-----	-----	-----	-----	-----	-----	-----	-----	-----	954	-----	954
Infrastructure Systems	-----	-----	-----	-----	-----	-----	-----	-----	-----	8,890	-----	8,890
Investments	-----	-----	-----	-----	-----	-----	-----	-----	791	(338)	791	(338)
Transfers to/(from) Revaluation Reserves	3,457	-----	(3,457)	-----	-----	-----	9,617	847	(9,617)	(847)	-----	-----
<b>Total</b>	<b>653</b>	<b>33,127</b>	<b>6,320</b>	<b>22,923</b>	<b>6,973</b>	<b>56,050</b>	<b>(90,996)</b>	<b>10,774</b>	<b>484,779</b>	<b>179,833</b>	<b>393,783</b>	<b>190,607</b>
<b>Balance at the end of the financial year</b>	<b>147,009</b>	<b>146,356</b>	<b>59,383</b>	<b>53,063</b>	<b>206,392</b>	<b>199,419</b>	<b>4,433,199</b>	<b>4,524,195</b>	<b>1,722,707</b>	<b>1,237,928</b>	<b>6,155,906</b>	<b>5,762,123</b>

The asset revaluation reserve is used to record increments and decrements on the revaluation of non current assets. This accords with the Department's policy on the 'Revaluation of Physical Non Current Assets' and 'Investments', as discussed in Note 2(f).

Consistent with Australian Accounting Standards to recognise assets at fair value, some health services (Northern Sydney, Western Sydney, South Western Sydney, South Eastern Sydney and Illawarra) during 2003/04 revalued their assets on this basis with a net impact of a \$494 million increment in asset values.

<b>PARENT</b>			<b>CONSOLIDATED</b>	
2004 \$'000	2003 \$'000		2004 \$'000	2003 \$'000
		<b>30. COMMITMENTS FOR EXPENDITURE</b>		
		<b>(a) Capital Commitments</b>		
		Aggregate capital expenditure contracted for at balance date but not provided for in the accounts		
5,716	24,963	Not later than one year	240,847	290,090
-----	-----	Later than one year and not later than five years	153,072	160,493
-----	-----	Later than five years	143,000	-----
<b>5,716</b>	<b>24,963</b>	<b>Total Capital Expenditure Commitments (including GST)</b>	<b>536,919</b>	<b>450,583</b>
		Although not necessarily covered by contractual arrangement the Government is committed to capital expenditures (GST inclusive) as follows in accordance with the Department's Asset Acquisition Program:		
		Not later than one year	617,832	479,011
		Later than one year and not later than five years	1,586,465	1,627,557
		Later than five years	-----	-----
		<b>Total Capital Program (including GST)</b>	<b>2,204,297</b>	<b>2,106,568</b>
		<b>(b) Other Expenditure Commitments</b>		
		Aggregate other expenditure contracted for at balance date but not provided for in the accounts		
881	-----	Not later than one year	54,006	38,907
401	-----	Later than one year and not later than five years	34,420	26,300
-----	-----	Later than five years	501	-----
<b>1,282</b>	<b>-----</b>	<b>Total Other Expenditure Commitments (including GST)</b>	<b>88,927</b>	<b>65,207</b>

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

Financials

PARENT		CONSOLIDATED	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
		<b>30. COMMITMENTS FOR EXPENDITURE</b>	
		<b>(c) Operating Lease Commitments</b>	
		Commitments in relation to non cancellable operating leases are payable as follows:	
10,073	9,587	Not later than one year	101,120      88,522
34,466	34,160	Later than one year and not later than five years	234,466      253,048
2,175	10,296	Later than five years	27,566      62,412
<b>46,714</b>	<b>54,043</b>	<b>Total Operating Lease Commitments (including GST)</b>	<b>363,152      403,982</b>
		The operating leases include motor vehicles arranged through a lease facility negotiated by State Treasury.	
		Operating leases have also been arranged in respect of information technology and electro medical equipment.	
		These operating lease commitments are not recognised in the financial statements as liabilities.	
		<b>(d) Finance Lease Commitments (including GST)</b>	
9,831	10,087	Not later than one year	14,107      14,373
59,716	46,769	Later than one year and not later than five years	77,420      64,257
11,281	34,918	Later than five years	35,727      63,882
<b>80,828</b>	<b>91,774</b>	<b>Minimum Lease Payments</b>	<b>127,254      142,512</b>
(25,180)	(32,042)	Less: Future Financing Charges	(37,501)      (46,610)
(7,349)	(8,343)	Less: GST Component	(11,569)      (12,956)
<b>48,299</b>	<b>51,389</b>	<b>Finance Lease Liabilities</b>	<b>78,184      82,946</b>
3,510	2,819	Current	7,397      6,715
44,789	48,570	Non-Current	70,787      76,231
<b>48,299</b>	<b>51,389</b>		<b>78,184      82,946</b>
		<b>(e) Contingent Asset related to Commitments for Expenditure</b>	
		The total 'Expenditure Commitments' above includes input tax credits of \$12.231 million in relation to the Parent Entity and \$101.477 million in relation to the NSW Health Department that are expected to be recoverable from the Australian Taxation Office for the 2003/04 year.	
		The comparatives for 2002/03 are \$15.526 million and \$96.572 million respectively.	

### 31. Trust Funds

The NSW Health Department's controlled entities hold Trust Fund monies of \$44.0 million, which are used for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts. These monies are excluded from the financial statements as the Department or its controlled entities cannot use them for the achievement of their objectives. The following is a summary of the transactions in the trust account:

	Patients' Trust		Refundable Deposits		Private Practice Trust Funds		Total Trust Funds	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Cash Balance at the beginning of the financial year	2,764	5,081	17,530	12,751	18,413	114,705	38,707	132,537
Receipts	6,200	6,451	16,306	12,400	127,965	82,608	150,471	101,459
Expenditure	(5,413)	(8,768)	(11,772)	(7,621)	(128,015)	(178,900)	(145,200)	(195,289)
Cash Balance at the end of the financial year	3,551	2,764	22,064	17,530	18,363	18,413	43,978	38,707

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

## 32. Contingent Liabilities (Parent and Consolidated)

### (a) Claims on Managed Fund

Since 1 July 1989, the NSW Health Department has been a member of the NSW Treasury Managed Fund. The Fund will pay to or on behalf of the Department all sums, which it shall become legally liable to pay by way of compensation, or legal liability if sued except for employment related, discrimination and harassment claims that do not have statewide implications. The costs relating to such exceptions are to be absorbed by the Department. As such, since 1 July 1989, no contingent liabilities exist in respect of liability claims against the Department. A Solvency Fund (now called Pre-Managed Fund Reserve) was established to deal with the insurance matters incurred before 1 July 1989 that were above the limit of insurance held or for matters that were incurred prior to 1 July 1989 that would have become verdicts against the State. That Solvency Fund will likewise respond to all claims against the Department.

### (b) Workers Compensation Hindsight Adjustment

TMF normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 1997/98 final year and an interim adjustment for the 1999/2000 fund year were not calculated until 2003/04. As a result, the 1998/99 final and 2000/01 interim hindsight calculations will be paid in 2004/05.

The basis for calculating the hindsight premium is undergoing review and it is expected that the problems experienced will be rectified for future payments.

### (c) Third Schedule Organisations

Based on the definition of control in Australian Accounting Standard AAS24, Affiliated Health Organisations listed in the Third Schedule of the Health Services Act, 1997 are only recognised in the Department's consolidated Financial Statements to the extent of cash payments made.

However, it is accepted that a contingent liability exists which may be realised in the event of cessation of health service activities by any Affiliated Health Organisation. In this event the determination of assets and liabilities would be dependent on any contractual relationship, which may exist or be formulated between the administering bodies of the organisation and the Department.

### (d) Port Macquarie Base Hospital

The Health Administration Corporation (HAC) is in dispute with the operator (Mayne Health) of Port Macquarie Base Hospital over a possible breach of contract.

HAC has commenced legal proceedings against Mayne Health but as at the date these accounts were finalised, no determination or resolution has occurred.

### (e) Other Legal Matters

Four legal matters are currently before the Courts, which if the Department were unsuccessful in all matters, could give, rise to a liability of \$290,000.

### 33.Charitable Fundraising Activities

#### Fundraising Activities

The consolidation of fundraising activities by health services under Departmental control is shown below.

Income received and the cost of raising income for specific fundraising, has been audited and all revenue and expenses have been recognised in the financial statements of the individual health services. Fundraising activities are dissected as follows:

	INCOME RAISED \$000's	DIRECT EXPENDITURE* \$000's	INDIRECT EXPENDITURE+ \$000's	NET PROCEEDS \$000's
Appeals Consultants	165	50	23	92
Appeals (In House)	22,218	1,374	1,775	19,069
Fetes	320	149	2	169
Raffles	203	37	37	129
Functions	4,034	412	125	3,497
	26,940	2,022	1,962	22,956
Percentage of Income	100%	7.5%	7.3%	85.2%
* Direct Expenditure includes printing, postage, raffle prizes, consulting fees, etc. + Indirect Expenditure includes overheads such as office staff administrative costs, cost apportionment of light, power and other overheads. The net proceeds were used for the following purposes:				\$000's
Purchase of Equipment				5,729
Purchase of Land and Buildings				13
Research				7,128
Other Expenses				685
Held in Special Purpose and Trust Fund Pending Purchase				9,401

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

Financials

PARENT			CONSOLIDATED	
2004 \$'000	2003 \$'000		2004 \$'000	2003 \$'000
		<b>34. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO NET COST OF SERVICES</b>		
42,331	56,119	Net Cash Used on Operating Activities	377,102	653,920
(14,443)	(9,949)	Depreciation	(370,994)	(350,092)
(10,334)	(8,061)	Acceptance by the Government of Employee Entitlements and Other Liabilities	(465,743)	(420,438)
(810)	(3,262)	(Increase)/Decrease in Provisions	(116,768)	(209,589)
(16,228)	(12,918)	Increase/(Decrease) in Prepayments and Other Assets	3,771	(19,457)
(9,986)	3,141	(Increase)/ Decrease in Creditors	(17,770)	(52,453)
(3,667)	(4)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	5,371	(1,477)
(7,447,711)	(6,798,996)	Recurrent Appropriation	(7,447,711)	(6,798,996)
(416,840)	(425,107)	Capital Appropriation	(416,840)	(425,107)
(24,933)	-----	Other	18,675	(10,925)
<b>(7,902,621)</b>	<b>(7,199,037)</b>	<b>Net Cost of Services</b>	<b>(8,430,907)</b>	<b>(7,634,614)</b>
		<b>35. NON CASH FINANCING AND INVESTING ACTIVITIES</b>		
-----	-----	Assets Received by Donation	7,813	4,216
-----	-----		<b>7,813</b>	<b>4,216</b>

## 36. 2003/04 VOLUNTARY SERVICES

It is considered impracticable to quantify the monetary value of voluntary services provided to health services. Services provided include:

- Chaplaincies and Pastoral Care – Patient and Family Support
- Pink Ladies/Hospital Auxiliaries – Patient Services, Fund Raising
- Patient Support Groups – Practical Support to Patients and Relatives
- Community Organisations – Counselling, Health Education, Transport, Home Help and Patient Activities.

## 37. UNCLAIMED MONIES

Unclaimed salaries and wages of Health Services are paid to the credit of the Department of Industrial Relations and Employment in accordance with the provisions of the Industrial Arbitration Act, 1940, as amended.

All money and personal effects of patients which are left in the custody of Health Services by any patient who is discharged or dies in the hospital and which are not claimed by the person lawfully entitled thereto within a period of twelve months are recognised as the property of health services.

All such money and the proceeds of the realisation of any personal effects are lodged to the credit of the Samaritan Fund, which is used specifically for the benefit of necessitous patients or necessitous outgoing patients.

### 38. Budget Review

#### Net Cost of Services

The actual Net Cost of Services of \$8.431 billion included the following variations not recognised in the budget: \$M

Cash supplementation provided from either the Treasurer's Advance, Section 22 of the Public Finance and Audit Act or Section 25 of the Appropriation Act. The application of such monies included the funding of award increases for nurses, other award increases, Leap Year and Recognised Cost Pressures	88
Superannuation costs stemming from the payment of award increases	24
Increase in leave provisions stemming from award increases and due observation of Australian Accounting Standard measurement	75
Use of Cash in lieu of Treasury Managed Fund Hindsight adjustment	37
Expensing of Capital Projects that do not satisfy criteria for recognition as assets	78
Other Expenses incurred through Management of Cash and Other Financial Assets	65
	<b>367</b>

#### Result for the Year from Ordinary Activities

The Result for the Year from Ordinary Activities is derived as the difference between the above Net Cost of Services result and the amounts injected by Government for recurrent services, capital works and superannuation/long service leave costs:

	\$M
■ Variation from budget for Net Cost of Services as detailed above	367
■ Additional recurrent appropriation	(88)
■ Additional capital appropriation	(46)
■ Crown acceptance of employee liabilities	(24)
	<b>209</b>

The variation of \$209 million from budget is principally attributed to the increased leave expenses of \$75 million; the use of Cash in lieu of the Treasury Managed Fund Hindsight adjustment \$37 million; the extent of capital expensing above the injection of capital funding \$32 million; and other expenses incurred through the management of Cash and Other Financial Assets \$65 million.

#### Assets and Liabilities

Net assets increased by \$285 million from budget. This included the following variations:	\$M
The restatement of Property, Plant and Equipment per independent asset valuations	494
Increase in Leave Provisions due to awards and increases in accumulated leave entitlements	(75)
Decrease in Receivables	(12)
Cash decreases	(99)
Other	(23)
	<b>285</b>

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

## Cash Flows

- 2003/04 payments exceeded the budget by \$531 million reflecting additional payments supported by budget supplementation \$88 million; the expensing of capital projects \$78 million; the use of revenue favourabilities \$35 million, Goods and Services Tax (GST) payments offset by increases in cash receipts \$205 million, the use of cash \$102 million (in anticipation of factors such as TMF Hindsight receipts and asset sales) and other variations of \$23 million.
- 2003/04 receipts were \$279 million more than the budget as a result of the increase in GST related receipts of \$217 million and increased revenues/movements in receivables, etc of \$62 million.
- The movement of \$135 million in Cash Flows from Government results from supplementation provided after the budget was formulated.

### 39. FINANCIAL INSTRUMENTS

#### a) Interest Rate Risk

Interest rate risk, is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. The Department of Health's exposure to interest rate risks and the effective interest rates of financial assets and liabilities, both recognised and unrecognised, at the (consolidated) Statement of Financial Position date of 30 June are as follows:

Financial Instruments	Floating interest rate		Fixed interest rate maturing in:				Non-interest bearing		Total carrying amount as per the Statement of Financial Position			
			1 year or less		Over 1 to 5 years		More than 5 years					
	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000		
<b>Financial Assets</b>												
Cash	279,130	287,272	135,695	129,459	-----	-----	-----	-----	1,513	3,698	416,338	420,429
Receivables	-----	-----	-----	-----	-----	-----	-----	-----	161,723	165,413	161,723	165,413
Shares	3,301	3,301	-----	-----	-----	-----	-----	-----	6,214	8,643	9,515	11,944
Other Loans and Deposits	102,186	128,966	112,646	91,343	4,123	9,089	-----	4,374	37,774	-----	256,729	233,772
<b>Total Financial Assets</b>	<b>384,617</b>	<b>419,539</b>	<b>248,341</b>	<b>220,802</b>	<b>4,123</b>	<b>9,089</b>	<b>-----</b>	<b>4,374</b>	<b>207,224</b>	<b>177,754</b>	<b>844,305</b>	<b>831,558</b>
<b>Financial Liabilities</b>												
Borrowings-Bank Overdraft	20,328	17,350	-----	-----	-----	-----	-----	-----	-----	-----	20,328	17,350
Borrowings-Other	64,215	26,728	6,166	4,946	17,074	29,970	1,428	25,921	-----	219	88,883	87,784
Accounts Payable	-----	-----	-----	-----	-----	-----	-----	-----	542,798	525,028	542,798	525,028
<b>Total Financial Liabilities</b>	<b>84,543</b>	<b>44,078</b>	<b>6,166</b>	<b>4,946</b>	<b>17,074</b>	<b>29,970</b>	<b>1,428</b>	<b>25,921</b>	<b>542,798</b>	<b>525,247</b>	<b>652,009</b>	<b>630,162</b>

**39. FINANCIAL INSTRUMENTS****b) Credit Risk**

Credit risk is the risk of financial loss arising from another party to a contract/ or financial position failing to discharge a financial obligation thereunder. The Department of Health's maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the consolidated Statement of Financial Position.

Credit Risk by classification of counterparty.

	Governments		Banks		Patients		Other		Total	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000
<b>Financial Assets</b>										
Cash	105,029	86,541	248,159	243,826	-----	-----	63,150	90,062	416,338	420,429
Receivables	26,963	54,592	-----	-----	54,780	44,730	79,980	66,091	161,723	165,413
Shares	3,301	3,301	-----	23	-----	-----	6,214	8,620	9,515	11,944
Other Loans and Deposits	189,702	181,260	67,006	51,612	-----	-----	21	902	256,729	233,774
<b>Total Financial Assets</b>	<b>324,995</b>	<b>352,694</b>	<b>315,165</b>	<b>295,461</b>	<b>54,780</b>	<b>44,730</b>	<b>149,365</b>	<b>165,675</b>	<b>844,305</b>	<b>831,560</b>

The only significant concentration of credit risk arises in respect of patients ineligible for free treatment under the Medicare provisions. Receivables from this source totalled \$14.931 million at balance date.

**c) Net Fair Value**

As stated in Note 2(q) all financial instruments are carried at Net Fair Value, the values of which are reported in the Statement of Financial Position.

**d) Derivative Financial Instruments**

The Department of Health holds no Derivative Financial Instruments.



#### **40. After Balance Date Events**

The Minister for Health announced changes to the health system on 27 July 2004 including a statewide restructure of health administration.

The restructure of health administration amalgamates the existing 17 Area Health Services into eight areas and dissolves the boards of each Area Health Service and the Children's Hospital at Westmead.

Future financial reporting will reflect the changes effected and will necessitate the aggregation of current balances with due eliminations effected prior to presentation of results.



**END OF AUDITED FINANCIAL STATEMENTS**