

**Northern Sydney
Local Health District**

Financial Statements

for the year ended 30 June 2016



INDEPENDENT AUDITOR'S REPORT

Northern Sydney Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Northern Sydney Local Health District (the District), which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows, and the service group statements for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the District and the consolidated entity. The consolidated entity comprises the District and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the District and the consolidated entity as at 30 June 2016, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report.

I am independent of the District in accordance with the auditor independence requirements of:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (the Code).

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of matter paragraph

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 1(af). The note states that AASB 1055 'Budgetary Reporting' is not applicable to the District. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the District's financial statements present adjusted budget information.

The Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for preparing financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive determines is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive must assess the ability of the District and the consolidated entity to continue as a going concern unless operations will be dissolved by an Act of Parliament or otherwise cease. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the District or the consolidated entity carried out their activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented.

S Bond

Sally Bond
Director, Financial Audit Services

6 September 2016
SYDNEY

**Northern Sydney Local Health District
Certification of the Financial Statements
for the year ended 30 June 2016**

I state, pursuant to section 45F of the *Public Finance and Audit Act 1983*:

- 1) The financial statements of the Northern Sydney Local Health District for the year ended 30 June 2016 have been prepared in accordance with:
 - a) Australian Accounting Standards (which include Australian Accounting Interpretations);
 - b) the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulations 2015* and the Treasurer's Directions;
 - c) the Financial Reporting Code for NSW General Government Sector Entities.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Northern Sydney Local Health District; and
- 3) I am not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Adj. Assoc. Professor Vicki Taylor
Chief Executive
6 September 2016



Jen Smithwick
Acting Director, Finance and Corporate Services
6 September 2016

Northern Sydney Local Health District
Statement of Comprehensive Income for the year ended 30 June 2016

PARENT			CONSOLIDATION				
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual	
2016 \$000	2016 \$000	2015 \$000		2016 \$000	2016 \$000	2015 \$000	
Expenses excluding losses							
Operating Expenses							
---	---	---	Employee Related	2	956,398	951,686	897,710
906,091	901,021	853,028	Personnel Services	3	---	---	---
52,813	52,521	50,234	Visiting Medical Officers		52,813	52,521	50,234
392,616	392,339	368,796	Other Operating Expenses	4	392,616	392,339	368,796
63,858	64,189	60,646	Depreciation and Amortisation	1(m), 5	63,858	64,189	60,646
8,692	7,021	10,146	Grants and Subsidies	6	8,692	7,021	10,146
71,100	71,057	70,079	Finance Costs	1(g), 7	71,100	71,057	70,079
32,460	32,460	33,841	Payments to Affiliated Health Organisations	8	32,460	32,460	33,841
1,527,630	1,520,608	1,446,770	Total Expenses excluding losses		1,577,937	1,571,273	1,491,452
Revenue							
1,155,978	1,155,976	1,108,947	NSW Ministry of Health Recurrent Allocations	1(h)	1,155,978	1,155,976	1,108,947
61,374	61,407	131,574	NSW Ministry of Health Capital Allocations	1(h)	61,374	61,407	131,574
---	---	---	Acceptance by the Crown Entity of Employee Benefits	1(e)(ii), 12	50,307	50,665	44,682
230,566	232,142	214,064	Sale of Goods and Services	9	230,566	232,142	214,064
3,096	2,884	3,034	Investment Revenue	10	3,096	2,884	3,034
42,950	37,334	77,247	Grants and Contributions	11	42,950	37,334	77,247
21,677	17,506	9,269	Other Revenue	13	21,677	17,506	9,269
1,515,641	1,507,249	1,544,135	Total Revenue		1,565,948	1,557,914	1,588,817
(284)	(154)	(5,013)	Gain / (Loss) on Disposal	14	(284)	(154)	(5,013)
(1,742)	(1,581)	(10,306)	Other Gains / (Losses)	15	(1,742)	(1,581)	(10,306)
(14,015)	(15,094)	82,046	Net Result	33	(14,015)	(15,094)	82,046
Other Comprehensive Income							
Items that will not be reclassified to net result							
---	---	114,713	Net Increase/(Decrease) in Property, Plant & Equipment Revaluation Surplus	21	---	---	114,713
---	---	114,713	Total Other Comprehensive Income		---	---	114,713
(14,015)	(15,094)	196,759	TOTAL COMPREHENSIVE INCOME		(14,015)	(15,094)	196,759

The accompanying notes form part of these financial statements.

Northern Sydney Local Health District
Statement of Financial Position as at 30 June 2016

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2016 \$000	2016 \$000	2015 \$000		2016 \$000	2016 \$000	2015 \$000
ASSETS						
Current Assets						
124,866	123,002	132,926		124,866	123,002	132,926
63,431	63,092	55,890	18	63,431	63,092	55,890
9,546	9,757	9,757	19	9,546	9,757	9,757
197,843	195,851	198,573	20	197,843	195,851	198,573
Total Current Assets						
Non-Current Assets						
1,332	1,365	1,365		1,332	1,365	1,365
1,903,922	1,918,718	1,915,986	19	1,903,922	1,918,718	1,915,986
75,931	61,755	76,782	21	75,931	61,755	76,782
19,457	20,571	20,571	21	19,457	20,571	20,571
199	300	300	21	199	300	300
1,999,509	2,001,344	2,013,639		1,999,509	2,001,344	2,013,639
2,544	3,172	3,172	21	2,544	3,172	3,172
7,623	7,166	7,166	21	7,623	7,166	7,166
2,011,008	2,013,047	2,025,342	22	2,011,008	2,013,047	2,025,342
2,208,851	2,208,898	2,223,915	23	2,208,851	2,208,898	2,223,915
Total Non-Current Assets						
Total Assets						
LIABILITIES						
Current Liabilities						
97,652	100,983	103,575		97,652	100,983	103,575
291	15	15	26	291	15	15
134,304	134,363	132,032	27	134,304	134,363	132,032
6,818	5,787	5,655	28	6,818	5,787	5,655
239,065	241,148	241,277	29	239,065	241,148	241,277
Total Current Liabilities						
Non-Current Liabilities						
723,872	721,763	721,763		723,872	721,763	721,763
1,618	1,618	1,415	27	1,618	1,618	1,415
25,374	26,523	26,523	28	25,374	26,523	26,523
750,864	749,904	749,701	29	750,864	749,904	749,701
Total Non-Current Liabilities						
Total Liabilities						
Net Assets						
EQUITY						
150,416	150,415	150,416		150,416	150,415	150,416
1,068,506	1,067,431	1,082,521		1,068,506	1,067,431	1,082,521
1,218,922	1,217,846	1,232,937		1,218,922	1,217,846	1,232,937
Total Equity						

The accompanying notes form part of these financial statements.

Northern Sydney Local Health District
Statement of Changes in Equity for the year ended 30 June 2016

PARENT AND CONSOLIDATION	Notes	Accumulated Funds	Asset Revaluation Surplus	Total
		\$000	\$000	\$000
Balance at 1 July 2015		1,082,521	150,416	1,232,937
Total Equity at 1 July 2015		<u>1,082,521</u>	<u>150,416</u>	<u>1,232,937</u>
Net Result for the year		(14,015)	----	(14,015)
Total Comprehensive Income for the year		<u>(14,015)</u>	<u>----</u>	<u>(14,015)</u>
Balance at 30 June 2016		<u><u>1,068,506</u></u>	<u><u>150,416</u></u>	<u><u>1,218,922</u></u>
Balance at 1 July 2014		1,000,373	35,805	1,036,178
Total Equity at 1 July 2014		<u>1,000,373</u>	<u>35,805</u>	<u>1,036,178</u>
Net Result for the year		82,046	----	82,046
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	21	----	114,713	114,713
Available for Sale Financial Assets:				
Transfers on Disposal		102	(102)	----
Total Other Comprehensive Income		<u>102</u>	<u>114,611</u>	<u>114,713</u>
Total Comprehensive Income for the year		<u>82,148</u>	<u>114,611</u>	<u>196,759</u>
Balance at 30 June 2015		<u><u>1,082,521</u></u>	<u><u>150,416</u></u>	<u><u>1,232,937</u></u>

The accompanying notes form part of these financial statements.

Northern Sydney Local Health District
Statement of Cash Flows for the year ended 30 June 2016

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2016	2016	2015		2016	2016	2015
\$000	\$000	\$000		\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
				(917,757)	(918,233)	(863,131)
(46,413)	(44,742)	(49,690)	Employee Related	(46,413)	(44,742)	(49,690)
(71,101)	(71,057)	(70,080)	Grants and Subsidies	(71,101)	(71,057)	(70,080)
(1,422,670)	(1,411,607)	(1,323,227)	Finance Costs	(504,913)	(493,374)	(460,096)
			Other			
<u>(1,540,184)</u>	<u>(1,527,406)</u>	<u>(1,442,997)</u>	Total Payments	<u>(1,540,184)</u>	<u>(1,527,406)</u>	<u>(1,442,997)</u>
Receipts						
1,155,978	1,155,976	1,108,947	NSW Ministry of Health Recurrent Allocations	1,155,978	1,155,976	1,108,947
61,374	61,407	131,574	NSW Ministry of Health Capital Allocations	61,374	61,407	131,574
15,746	15,746	14,776	Reimbursements from the Crown Entity	15,746	15,746	14,776
236,786	239,754	211,253	Sale of Goods and Services	236,786	239,754	211,253
2,920	2,729	2,811	Interest Received	2,920	2,729	2,811
49,670	44,055	87,928	Grants and Contributions	49,670	44,055	87,928
57,106	49,863	54,142	Other	57,106	49,863	54,142
<u>1,579,580</u>	<u>1,569,530</u>	<u>1,611,431</u>	Total Receipts	<u>1,579,580</u>	<u>1,569,530</u>	<u>1,611,431</u>
<u>39,396</u>	<u>42,124</u>	<u>168,434</u>	NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>39,396</u>	<u>42,124</u>	<u>168,434</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
89	1,330	1,330	Proceeds from Sale of Property, Plant & Equipment and Intangibles	89	1,330	1,330
64,828	64,828	62,585	Proceeds from Sale of Investments	64,828	64,828	62,585
(49,930)	(53,378)	(137,280)	Purchases of Property, Plant & Equipment and Intangibles	(49,930)	(53,378)	(137,280)
(64,828)	(64,828)	(62,585)	Purchases of Investments	(64,828)	(64,828)	(62,585)
<u>(49,841)</u>	<u>(52,048)</u>	<u>(135,950)</u>	NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(49,841)</u>	<u>(52,048)</u>	<u>(135,950)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
2,500	2,500	116	Proceeds from Borrowings and Advances	2,500	2,500	116
(115)	(2,500)	---	Repayment of Borrowings and Advances	(115)	(2,500)	---
<u>2,385</u>	<u>---</u>	<u>116</u>	NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>2,385</u>	<u>---</u>	<u>116</u>
(8,060)	(9,924)	32,600	NET INCREASE / (DECREASE) IN CASH	(8,060)	(9,924)	32,600
132,926	132,926	100,326	Opening Cash and Cash Equivalents	132,926	132,926	100,326
<u>124,866</u>	<u>123,002</u>	<u>132,926</u>	CLOSING CASH AND CASH EQUIVALENTS	<u>124,866</u>	<u>123,002</u>	<u>132,926</u>

The accompanying notes form part of these financial statements.

Northern Sydney Local Health District
Service Group Statements
for the year ended 30 June 2016

	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Total		
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Expenses Excluding Losses																					
Operating Expenses																					
Employee Related	31,018	31,542	365	339	117,232	97,376	83,520	87,597	418,977	388,377	145,214	135,310	88,683	100,089	13,763	12,863	47,616	44,217	956,398	897,710	
Other Medical Officers	245	299			6,391	6,272	5,286	4,696	34,560	32,619	1,534	1,573	857	980	1,445	1,094	2,426	2,701	52,813	50,234	
Other Operating Expenses	7,374	12,043	92	68	60,274	52,202	31,126	20,147	205,545	199,044	29,796	28,210	39,561	38,315	5,624	5,433	13,222	13,334	392,616	388,796	
Depreciation and Amortisation	991	878	6	6	11,329	10,193	5,592	5,256	31,460	29,214	6,521	7,495	3,705	3,858	1,010	855	3,044	2,891	63,858	60,646	
Grants and Subsidies	5,085	5,756		1	269	4			412	94	1,328	1,009	767	2,562	72	146	755	574	8,892	10,146	
Finance Costs	1,125	897			12,139	12,226	5,504	4,885	42,126	42,061	2,556	2,809	2,181	2,772	1,257	115	4,212	4,314	71,100	70,079	
Payments to Affiliated Health Organisations	96				2,204						2,553	4,729	27,607	29,112					32,460	33,841	
Total Expenses Excluding Losses	45,906	51,415	463	414	210,038	178,273	141,029	122,581	733,080	681,408	168,602	161,135	163,371	177,888	23,171	20,506	71,275	68,031	1,577,937	1,491,452	
Revenue																					
NSW Ministry of Health Recurrent Allocations **																					
NSW Ministry of Health Capital Allocations **																					
Acceptance by the Crown Entity of Employee Benefits	974	1,669		9	4,974	4,650	5,682	4,749	25,476	20,835	8,267	7,108	3,425	3,031	190	362	1,319	2,339	1,155,978	1,108,947	
Sale of Goods and Services	366	122		1	17,177	16,572	3,940	4,297	154,108	155,140	13,631	14,207	36,539	20,966	1,553	1,729	2,940	1,430	61,374	131,574	
Investment Revenue	43	29			96	102	93	77	1,566	1,742	121	45	72	105	16	15	1,083	919	50,307	44,682	
Grants and Contributions	1,056	1,983			2,968	6,769	396	348	8,129	11,419	1,751	3,853	11,443	24,708	7,953	11,427	9,252	16,739	230,566	214,084	
Other Revenue	283	106			2,099	1,765	2,597	1,570	11,561	4,841	3,642	763	1,471	21	2	106	2	91	42,950	77,247	
Total Revenue	2,726	3,909		10	27,814	29,788	12,708	11,042	200,860	193,977	27,412	25,982	52,950	48,431	9,724	13,639	14,602	21,518	1,217,352	1,240,521	
Gain / (Loss) on Disposal	(2)	(5)			(8)	(4,160)	(5)	(18)	(28)	(332)	38	(465)	128	(21)	(404)	(1)	(3)	(10)	(284)	(5,013)	
Other Gains / (Losses)	(47)	(197)		(1)	(215)	(1,300)	(140)	(758)	(725)	(4,821)	(354)	(2,045)	(166)	(879)	(23)	(57)	(72)	(418)	(1,742)	(10,306)	
Net Result	(43,231)	(47,708)	(463)	(405)	(182,647)	(153,775)	(128,466)	(112,315)	(532,873)	(502,585)	(162,506)	(157,664)	(110,459)	(130,157)	(13,974)	(6,825)	(56,748)	(46,941)	1,217,352	1,240,521	
Other Comprehensive Income																					
Net Increase/(Decrease) in PP&E Revaluation Surplus																					
Total Other Comprehensive Income	(43,231)	(47,708)	(463)	(369)	(182,647)	(141,390)	(128,466)	(102,666)	(532,873)	(453,090)	(162,506)	(131,965)	(110,459)	(127,959)	(13,874)	(5,306)	(56,748)	(42,262)	1,217,352	1,240,521	
Total Comprehensive Income	(86,462)	(95,416)	(929)	(774)	(365,294)	(295,165)	(256,932)	(215,281)	(1,065,746)	(956,180)	(325,012)	(289,629)	(220,918)	(258,118)	(27,848)	(11,131)	(113,496)	(88,203)	1,217,352	1,240,521	

* The name and purpose of each service group is summarised in Note 17

** Allocations are made on an entity basis and not to individual Service Groups. Consequently, allocations must be included in "Not Attributable" column.

Northern Sydney Local Health District
Service Group Statements (Continued)
for the year ended 30 June 2016

	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Not Attributable		Total			
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS																								
Current Assets																								
Cash and Cash Equivalents	3,633	4,582	37	37	16,621	15,889	11,160	10,925	58,009	61,622	15,004	16,144	12,928	15,636	1,834	1,828	5,640	6,063						
Receivables	101	32			4,808	4,327	1,084	1,122	42,395	40,506	3,750	3,705	10,052	5,370	430	451	809	373						
Inventories	179	319	2	2	1,466	1,381	757	533	4,998	5,285	724	746	982	1,014	137	144	321	353						
Total Current Assets	3,913	4,933	39	39	22,895	21,597	13,001	12,580	105,402	107,393	19,478	20,596	23,942	22,220	2,401	2,423	6,770	6,789						
Non-Current Assets																								
Receivables	2	1			101	106	23	27	890	989	79	91	211	131	9	11	17	9						
Property, Plant and Equipment																								
- Land and Buildings	29,549	27,740	187	205	343,732	322,028	166,717	166,057	937,969	922,931	194,423	236,796	110,467	121,880	30,116	27,004	90,762	91,345						
- Plant and Equipment	1,178	1,112	7	8	13,709	12,905	6,849	6,655	37,407	36,986	7,754	9,489	4,406	4,884	1,201	1,082	3,620	3,661						
- Infrastructure Systems	302	288	2	2	3,513	3,457	1,704	1,783	9,584	9,909	1,987	2,542	1,125	1,309	308	290	928	981						
- Leasehold Improvements	3	4			36	50	17	26	99	146	20	37	12	19	3	4	9	14						
Intangible Assets	39	46			459	533	223	275	1,254	1,528	280	392	148	202	40	45	121	151						
Other	222	247	2	1	1,015	857	681	589	3,542	3,322	916	870	789	854	112	99	344	327						
Total Non-Current Assets	31,295	29,448	198	216	362,965	339,836	176,974	175,412	990,745	975,811	205,438	250,217	117,162	129,279	31,788	28,535	95,801	96,488						
TOTAL ASSETS	35,208	34,381	237	255	365,860	361,533	189,975	187,992	1,996,147	1,983,204	224,917	270,816	141,104	151,499	34,190	30,956	102,571	103,277						
LIABILITIES																								
Current Liabilities																								
Payables	1,834	3,362	23	19	14,932	14,661	7,742	5,658	51,122	55,901	7,411	7,923	9,640	10,760	1,399	1,526	3,289	3,745						
Borrowings	6	1			39	2	26	1	136	6	35	2	30	2	4		13	1						
Provisions	4,356	4,639	51	50	16,463	14,322	13,133	12,884	58,834	57,120	20,392	19,901	12,655	14,721	1,933	1,892	6,687	6,503						
Other	198	195	2	2	908	676	609	465	3,168	2,620	819	687	706	674	100	78	308	258						
Total Current Liabilities	6,396	8,217	76	71	32,002	29,661	21,510	19,008	113,280	115,647	26,657	28,513	23,031	26,157	3,438	3,496	10,297	10,507						
Non-Current Liabilities																								
Borrowings	21,060	24,881	213	200	96,354	86,272	64,696	59,321	336,297	334,537	86,979	87,657	74,946	85,989	10,630	9,924	32,697	32,922						
Provisions	52	50	1	1	198	153	158	138	709	612	246	213	150	158	23	20	81	70						
Other	738	914	7	7	3,378	3,170	2,268	2,180	11,768	12,296	3,049	3,221	2,627	3,160	373	365	1,146	1,210						
Total Non-Current Liabilities	21,850	25,845	221	208	99,930	89,595	67,122	61,639	348,794	347,505	90,274	91,091	77,723	89,307	11,026	10,309	33,924	34,202						
TOTAL LIABILITIES	28,246	34,062	297	279	132,332	119,256	88,632	80,647	462,054	463,152	116,931	119,604	100,754	115,464	14,462	13,805	44,221	44,706						
NET ASSETS	6,962	319	(60)	(24)	233,128	242,277	100,383	107,345	634,093	620,052	105,986	151,212	40,350	38,035	19,728	17,153	58,350	58,568						

* The name and purpose of each service group is summarised in Note 17

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

a) The Reporting Entity

The Northern Sydney Local Health District (the NSLHD) was established under the provisions of the Health Services Act 1997 with effect from 1 January 2011.

The NSLHD, as a reporting entity, comprises all the entities under its control, namely:

* The parent entity, comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Restricted Assets (as disclosed in notes 16 and 25), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.

* The Northern Sydney Local Health District Special Purpose Service Entity which was established as a Division of the NSLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the NSLHD to exercise its functions.

As a consequence the values in the annual financial statements presented herein consist of the parent entity and the consolidated entity which comprises the parent and special purpose service entity. In the process of preparing the consolidated financial statements consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated, and like transactions and other events are accounted for using uniform accounting policies.

The reporting entity is a NSW Government entity which is consolidated as part of the NSW Ministry of Health and NSW Total State Sector Accounts. The NSLHD is a not-for-profit entity (as profit is not its principal objective).

These consolidated financial statements for the year ended 30 June 2016 have been authorised for issue by the Chief Executive on 6 September 2016.

b) Basis of Preparation

The NSLHD's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2015, and the Treasurers' Directions. The financial statements comply with the Financial Reporting Code for NSW General Government Sector Entities. Further information on the adjusted budget figures can be found at Note 1(a).

The financial statements of the NSLHD have been prepared on a going concern basis.

The Secretary of Health, the Chair of the Northern Sydney Local Health District Board and the Chief Executive, through the Service Agreement have agreed to service and funding levels for the forward financial year. The Service Agreement sets out the level of financial resources for public health services under the NSLHD's control and the source of these funds. By agreement, the Service Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the NSLHD fails to meet Service Agreement performance standards, the Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the Ministry.

Other circumstances why the going concern is appropriate include:

* Allocated funds, combined with other revenues earned, are applied to pay debts as and when they become due and payable.

* The NSLHD has the capacity to review timing of subsidy cashflows to ensure that debts can be paid when they become due and payable.

* The NSLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the NSLHD and assist in meeting its overall budget target. The EIP is monitored and evaluated by the Ministry throughout the financial year.

Property, plant and equipment, assets (or disposal groups) held for sale and financial assets at 'fair value through profit and loss' and available for sale are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

c) Comparative Information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

d) Statement of Compliance

The financial statements and notes comply with Australian Accounting Standards which include Australian Accounting Interpretations.

e) Employee Benefits and Other Provisions

i) Salaries & Wages, Annual Leave, Sick Leave and On-Costs

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted).

Actuarial advice obtained by Treasury has confirmed that the annual leave on annual leave liability can be used to approximate the present value of the annual leave liability. On-costs of 16.7% are applied to the value of leave payable at 30 June 2016 (comparable on-costs for 30 June 2015 were 16.5%). The NSLHD has assessed the actuarial advice based on the NSLHD's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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.

ii) Long Service Leave and Superannuation

The NSLHD's liability for Long Service Leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity.

The NSLHD 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 benefits'.

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the NSLHD as shown in Note 28.

Long Service Leave is measured at present value in accordance with AASB 119, Employee Benefits. This is based on the application of certain factors (specified in NSW Treasury Circular 15/09) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

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

iii) Consequential On-Costs

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of workers' compensation insurance premiums and fringe benefits tax.

iv) Other Provisions

Other provisions exist when the NSLHD has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

f) Insurance

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

g) Finance Costs

Finance costs are recognised as expenses in the period in which they are incurred in accordance with Treasury's Mandate to not-for-profit NSW general government sector entities.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

h) Income Recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

Sale of Goods

Revenue from the sale of goods is recognised as revenue when the NSLHD transfers the significant risks and rewards of ownership of the assets.

Rendering of Services

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

Patient Fees

Patient fees are derived from chargeable inpatients and non-inpatients on the basis of rates specified by the NSW Ministry of Health. Revenue is recognised on an accrual basis when the service has been provided to the patient.

High Cost Drugs

High cost drug revenue is paid by the Commonwealth through Medicare and reflects the recoupment of costs incurred for Section 100 highly specialised drugs, in accordance with the terms of the Commonwealth agreement. The agreement provides for the provision of medicines for the treatment of chronic conditions where specific criteria is met in respect of day admitted patients, non admitted patients or patients on discharge. Revenue is recognised when the drugs have been provided to the patient.

Motor Accident Authority Third Party

A bulk billing agreement exists in which motor vehicle insurers effect payment directly to NSW Health for the hospital costs for those persons hospitalised or attending for inpatient treatment as a result of motor vehicle accidents. The NSLHD recognises the revenue on an accruals basis from the time the patient is treated or admitted into hospital.

Department of Veterans' Affairs

An agreement is in place with the Commonwealth Department of Veterans' Affairs through which direct funding is provided for the provision of health services to entitled veterans. For inpatient services, revenue is recognised by the NSLHD on an accrual basis by reference to patient admissions. Non admitted patients are recognised by the Ministry of Health in the form of a block grant.

Investment Revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139, Financial Instruments: Recognition and Measurement.

Dividend revenue is recognised in accordance with AASB 118 Revenue, when the NSLHD's right to receive payment is established.

Debt Forgiveness

Debts are accounted for as extinguished when and only when settlement occurs through repayment or replacement by another liability.

Use of Hospital Facilities

Specialist doctors with rights of private practice are subject to an infrastructure charge for the use of hospital facilities at rates determined by the NSW Ministry of Health. Charges consist of two components:

- * a monthly charge raised by the NSLHD based on a percentage of receipts generated.
- * the residual of the Private Practice Trust Fund at the end of each financial year, such sum being credited for the NSLHD use in the advancement of the NSLHD or individuals within it.

Use of Outside Facilities

The NSLHD uses a number of facilities owned and maintained by the local authorities in the area to deliver community health services for which no charges are raised by the authorities.

Where material, the cost method of accounting is used for the initial recording of all such services. Cost is determined as the fair value of the services given and is then recognised as revenue with a matching expense.

Grants and Contributions

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

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

NSW Ministry of Health Allocations

Payments are made by the NSW Ministry of Health on the basis of the allocation for the NSLHD as adjusted for approved supplementations mostly for salary agreements and approved enhancement projects.

This allocation is included in the Statement of Comprehensive Income before arriving at the "Net Result" on the basis that the allocation is earned in return for the health services provided on behalf of the Ministry. Allocations are normally recognised upon the receipt of cash.

General operating expenses/revenues of Greenwich & Neringah Hospitals (HammondCare) and Royal Rehabilitation Centre, Sydney have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. The NSLHD is not deemed to own or control the various assets/liabilities of the aforementioned Health Organisations and such amounts have been excluded from the Statement of Financial Position. Any exceptions are specifically listed in the notes that follow.

i) Accounting for the Goods & Services Tax (GST)

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

- * amount of GST incurred by the NSLHD as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- * receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

j) Interstate Patient Flows

Interstate patient flows are funded through the State Pool, based on activity and consistent with the price determined in the service level agreement. The funding is recognised as recurrent allocation.

k) Acquisition of Assets

Assets acquired are initially recognised at cost. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer Note 1(ac)).

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted over the period of credit.

Land and buildings which are owned by the Health Administration Corporation and operated/occupied by the NSLHD are deemed to be controlled by the NSLHD and are reflected as such in the financial statements.

l) Capitalisation Thresholds

Individual items of Property, Plant & Equipment and Intangibles are capitalised where their cost is \$10,000 or above.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

m) Depreciation of Property, Plant and Equipment

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 NSLHD. Land is not a depreciable asset. All material identifiable components of assets are depreciated over their useful lives.

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

	2016	2015
Buildings	2.5%	2.5%
Computer Equipment	20%	20%
Electro Medical Equipment		
- Costing less than \$200,000	10%	10%
- Costing more than or equal to \$200,000	12.5%	12.5%
Furniture, Fittings and Furnishings	5%	5%
Infrastructure Systems	2.5%	2.5%
Linen	25%	25%
Motor Vehicle Sedans	12.5%	12.5%
Motor Vehicles, Trucks & Vans	20%	20%
Office Equipment	10%	10%
Plant and Machinery	10%	10%

"Infrastructure Systems" means assets that comprise public facilities and which provide essential services and enhance the productive capacity of the economy including roads, bridges, water infrastructure and distribution works, sewerage treatment plants, seawalls and water reticulation systems.

Depreciation rates are subsequently varied where changes occur in the assessment of the remaining useful life of the assets reported.

n) Revaluation of Non-Current Assets

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 Fair Value Measurement, AASB 116 Property, Plant and Equipment and AASB 140 Investment Property.

Investment property is separately discussed at Note 1(q).

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and takes into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 21 and Note 24 for further information regarding fair value.

To ensure that the carrying amount for each asset does not differ materially from its fair value at reporting date, indices are sourced. The indices reflect an assessment of movements made in the period between revaluations.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. The entity has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated.

For other assets valued using other valuation techniques, 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.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

Revaluation increments are credited directly to the revaluation surplus, 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 net result, the increment is recognised immediately as revenue in the Net Result.

Revaluation decrements are recognised immediately as expenses in the net result for the year, except that, to the extent that a credit balance exists in the revaluation surplus in respect of the same class of assets, they are debited directly to the revaluation surplus.

As a not-for-profit entity, 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 revaluation surplus in respect of that asset is transferred to accumulated funds.

o) Impairment of Property, Plant and Equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. As property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

p) Restoration Costs

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

q) Investment Properties

Investment property is held to earn rentals or for capital appreciation, or both. However, for not-for-profit entities, property held to meet service delivery objectives rather than to earn rental or for capital appreciation does not meet the definition of investment property and is accounted for under AASB 116, Property, Plant and Equipment.

The NSLHD does not have any property that meets the definition of Investment Property.

r) Intangible Assets

The NSLHD recognises intangible assets only if it is probable that future economic benefits will flow to the NSLHD and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost.

Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the NSLHD's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

Computer software developed or acquired by the NSLHD are recognised as intangible assets and are amortised over four years using the straight line method based on the useful life of the asset for both internally developed assets and direct acquisitions.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

s) Maintenance

Day-to-day servicing costs or maintenance are charged as expenses as incurred except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

t) Leased Assets

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

Where a non-current asset is acquired by means of a finance lease, at the commencement of the lease term, the asset is recognised at its fair value or, if lower, the present value of the minimum lease payments, 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 recognised as an expense on a straight-line basis over the lease term.

u) Inventories

Inventories are stated at the lower of cost and net realisable value, adjusted when applicable for any loss of service potential. Costs are assigned to individual items of stock mainly on the basis of weighted average costs.

Obsolete items are disposed of in accordance with instructions issued by the NSW Ministry of Health.

v) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the Net Result when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

w) Investments

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. The NSLHD determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

* The NSLHD subsequently measures investments classified as 'held for trading' or designated upon initial recognition "at fair value through profit or loss" at fair value.

Financial assets are classified as 'held for trading' if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the net result for the year.

The T Corp Hour-Glass Investment facilities are designated at fair value through profit or loss as these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the NSLHD's key management personnel.

The risk management strategy of the NSLHD has been developed consistent with the investment powers granted under the provision of the Public Authorities (Financial Arrangements) Act.

T Corp investments are made in an effort to improve interest returns on cash balances otherwise available whilst also providing secure investments.

The movement in the fair value of the T Corp Hour-Glass Investment facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'.

Purchases or sales of investments under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date; i.e. the date the NSLHD commits to purchase or sell the asset.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the Statement of Financial Position date.

x) Impairment of financial assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the net result for the year, based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument classified as "available for sale", must be made through the reserve. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

y) De-recognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the NSLHD transfers the financial asset:

- * where substantially all the risks and rewards have been transferred; or
- * where the NSLHD has not transferred substantially all the risks and rewards, if the NSLHD has not retained control.

Where the NSLHD has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the NSLHD's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

z) Payables

These amounts represent liabilities for goods and services provided to the NSLHD and other amounts. Payables are recognised initially at fair value.

Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the NSLHD.

aa) Borrowings

Loans are not held for trading or designated at fair value through profit or loss and are recognised at amortised cost using the effective interest rate method. Gains or losses are recognised in the net result for the year on derecognition.

Borrowings include finance lease liabilities. The finance lease liability is determined in accordance with AASB 117, Leases.

ab) Fair Value Hierarchy

A number of the NSLHD's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13 Fair Value Measurement, the NSLHD categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- * Level 1 - quoted prices in active markets for identical assets / liabilities that the entity can access at the measurement date.
- * Level 2 - inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- * Level 3 - inputs that are not based on observable market data (unobservable inputs).

The NSLHD recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer Note 24 and Note 38 for further disclosures regarding fair value measurements of financial and non-financial assets.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

ac) Equity Transfers

The transfer of net assets between entities is as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector entities is designated or required by Accounting Standards to be treated as contributions by owners and is recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB 1004, Contributions and Australian Accounting Interpretation 1038, Contributions by Owners Made to Wholly-Owned Public Sector Entities.

Transfers arising from an administrative restructure involving not-for-profit entities and for-profit government entities are recognised at the amount at which the asset was recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, the NSLHD recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the NSLHD does not recognise that asset.

ad) Equity and Reserves

(i) Accumulated Funds

The category "accumulated funds" includes all current and prior period retained funds.

(ii) Revaluation Surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the NSLHD's policy on the revaluation of property, plant and equipment as discussed in Note 1(n).

(iii) Separate Reserves

Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards.

ae) Trust Funds

The NSLHD receives monies in a trustee capacity for various trusts as set out in Note 31.

As the NSLHD performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the NSLHD's own objectives, these funds are not recognised in the financial statements.

af) Adjusted Budgeted Amounts

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). The NSLHD's budget is not presented in parliament, therefore AASB 1055 Budgetary Reporting is not applicable. Unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the NSLHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the NSLHD and the NSW Ministry of Health at the beginning of the financial year, as well as any adjustments for the effects of additional supplementation provided in accordance with delegations to derive a final budget at year end (i.e. adjusted budget). The budget amounts are not subject to audit and, accordingly, the relevant column entries in the financial statements are denoted as "Unaudited".

Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 36.

ag) Emerging Asset

The NSLHD's emerging interest in the Royal North Shore Hospital Car Park has been valued in accordance with the Ministry of Health's policy for Accounting for Privately Financed Projects. This policy required the NSLHD to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the asset's estimated working life. The estimated written down replacement cost was then allocated on a systematic basis over the concession period of 23 years using the annuity method and the Government Bond rate of 6% at commencement of the concession period.

ah) Service Group Statements Allocation Methodology

Service group definitions are based and allocated on methodology determined by the Independent Hospital Pricing Authority, refer note 17.

Revenue and expenses are allocated to service groups using statistical data for the twelve months ended 30 June 2015, then adjusted for any material change in service delivery or funding distribution occurring in the 2015-16 financial year.

In respect of assets and liabilities, the NSLHD identifies those components that can be specifically identified and reported by service groups.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

ai) Changes in Accounting Policy, including new or revised Australian Accounting Standards

(i) Effective for the first time in 2015-16

The accounting policies applied in 2015-16 are consistent with those of the previous financial year except as a result of new or revised Australian Accounting Standards that have been applied for the first time as follows:

The early adoption of AASB 2015-7, Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities. The standard allows for exemption from making certain Level 3 'Fair Value Measurement' disclosures held primarily for current service potential rather than the generation of future net cash inflows.

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise. The following new Australian Accounting Standards, excluding standards not considered applicable or material to NSW Health, have not been applied and are not yet effective. The possible impact of these Standards in the period of initial application includes:

AASB 16, Leases will have application from 1 January 2019. The standard introduces a new approach to lease accounting that requires a lessee to recognise assets and liabilities for the rights and obligations created by leases. We believe that the application of this standard will likely have a significant transitional impact as a result of all leases, except short term (<12 months) and low value, brought on balance sheet.

AASB 15, AASB 2014-5, AASB 2015-8 and AASB 2016-3, Revenue from Contracts with Customers, has application from 1 January 2018. We believe this standard will impact on the timing recognition of certain revenues given the core principle of the new standard requires revenue to be recognised when the goods or services are transferred to the customer at the transaction price (as opposed to stage of completion of the transaction). The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

AASB 2015-6, Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049], has application from 1 July 2016. Based on preliminary evaluation, this standard is likely to increase disclosures to the financial statements relating to related party transactions, outstanding balances and Key Management Personnel remuneration.

AASB 2014-7, Amendments to various Australian Accounting Standards as a result of the changes from AASB 9 (December 2014) and will have application from 1 January 2018 and comprises changes to improve and simplify the approach for classification and measurement of financial assets. The new AASB 9 includes revised guidance on the classification and measurement of financial assets and supersedes AASB 9 (December 2009) and AASB 9 (December 2010). The change is not expected to materially impact the financial statements.

AASB 2016-2, Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107, will apply from 1 January 2017. The standard amends AASB 107 to require additional disclosures regarding financing activities in the Statement of Cash Flows. The change is not expected to materially impact the financial statements.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
		2. Employee Related		
----	----	Salaries and Wages (including annual leave)	818,089	771,170
----	----	Superannuation - Defined Benefit Plans	8,225	9,095
----	----	Superannuation - Defined Contribution Plans	73,313	67,852
----	----	Long Service Leave	44,617	37,856
----	----	Redundancies	1,302	1,919
----	----	Workers' Compensation Insurance	10,504	9,185
----	----	Fringe Benefits Tax	348	633
-----	-----		-----	-----
-----	-----		956,398	897,710
		3. Personnel Services		
818,089	771,170	Salaries and Wages	----	----
73,313	67,852	Superannuation - Defined Contribution Plans	----	----
2,535	2,269	Long Service Leave	----	----
1,302	1,919	Redundancies	----	----
10,504	9,185	Workers' Compensation Insurance	----	----
348	633	Fringe Benefits Tax	----	----
-----	-----		-----	-----
906,091	853,028		-----	-----
		4. Other Operating Expenses		
209	146	Advertising	209	146
218	175	Auditor's Remuneration - Audit of Financial Statements	218	175
8,918	8,129	Blood and Blood Products	8,918	8,129
330	1,302	Consultancies	330	1,302
----	49	Contractors	----	49
15,156	12,844	Domestic Supplies and Services	15,156	12,844
49,988	41,277	Drug Supplies	49,988	41,277
15,175	13,716	Food Supplies	15,175	13,716
9,343	11,000	Fuel, Light and Power	9,343	11,000
5,317	5,423	Hospital Ambulance Transport Costs	5,317	5,423
18,745	17,748	Information Management Expenses	18,745	17,748
930	1,452	Insurance	930	1,452
45,186	34,760	Maintenance (See 4(b) below)	45,186	34,760
76,078	73,465	Medical and Surgical Supplies	76,078	73,465
1,904	1,912	Motor Vehicle Expenses	1,904	1,912
2,676	2,649	Postal and Telephone Costs	2,676	2,649
1,501	2,144	Printing and Stationery	1,501	2,144
1,912	1,918	Rates and Charges	1,912	1,918
1,953	1,892	Rental	1,953	1,892
1,258	1,170	Hosted Services Purchased from Other NSW Health Entities	1,258	1,170
42,477	45,473	Special Service Departments	42,477	45,473
6,752	8,557	Staff Related Costs	6,752	8,557
4,977	5,145	Travel Related Costs	4,977	5,145
81,613	76,450	Other (See 4(a) below)	81,613	76,450
-----	-----		-----	-----
392,616	368,796		392,616	368,796

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
4. Other Operating Expenses				
a) Other Includes:				
7,054	6,451	Contract for Patient Services	7,054	6,451
11,338	5,968	Corporate Support Services	11,338	5,968
607	724	Courier and Freight	607	724
18	18	Isolated Patient Travel and Accommodation Assistance Scheme	18	18
805	762	Legal Services	805	762
597	476	Membership/Professional Fees	597	476
1,513	1,625	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,513	1,625
44,812	50,426	Public Private Partnership Contracted Services	44,812	50,426
913	780	Other Operating Lease Expense - Minimum Lease Payments	913	780
55	51	Quality Assurance/Accreditation	55	51
596	391	Security Services	596	391
13,305	8,778	Other Miscellaneous	13,305	8,778
81,613	76,450		81,613	76,450
b) Reconciliation of Total Maintenance				
11,754	12,549	Maintenance Contracts	11,754	12,549
28,067	17,485	New/Replacement Equipment under \$10,000	28,067	17,485
6,298	5,822	Repairs Maintenance/Non Contract	6,298	5,822
(933)	(1,096)	Other	(933)	(1,096)
45,186	34,760	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	45,186	34,760
3,431	3,236	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	3,431	3,236
48,617	37,996		48,617	37,996

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
5. Depreciation and Amortisation				
48,545	42,832	Depreciation - Buildings	48,545	42,832
13,170	14,914	Depreciation - Plant and Equipment	13,170	14,914
1,114	1,882	Depreciation - Infrastructure Systems	1,114	1,882
101	101	Amortisation - Leasehold Improvements	101	101
928	917	Amortisation - Intangible Assets	928	917
63,858	60,646		63,858	60,646
6. Grants and Subsidies				
4,326	5,044	Non-Government Organisations	4,326	5,044
-----	1,834	Community Packages	-----	1,834
477	725	Grants to Research Organisations	477	725
504	36	Grants to Other NSW Health Entities	504	36
3,385	2,507	Other Grants	3,385	2,507
8,692	10,146		8,692	10,146
7. Finance Costs				
71,083	70,079	Public Private Partnership Lease Interest Charges	71,083	70,079
18	-----	Interest on Loans	18	-----
(1)	-----	Other Interest Charges	(1)	-----
71,100	70,079		71,100	70,079
8. Payments to Affiliated Health Organisations				
(a) Recurrent Sourced				
17,053	17,185	Greenwich & Neringah Hospitals (HammondCare)	17,053	17,185
15,407	16,656	Royal Rehabilitation Centre Sydney	15,407	16,656
32,460	33,841		32,460	33,841

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
9. Sale of Goods and Services				
a) Sale of Goods comprise the following:-				
359	364	Pharmacy Sales	359	364
11,954	10,846	Sale of Prosthesis	11,954	10,846
2,346	4,374	Other	2,346	4,374
b) Rendering of Services comprise the following:-				
		Patient Fees		
99,759	92,238	- Inpatient Fees	99,759	92,238
97	100	- Nursing Home Fees	97	100
4,583	3,414	- Non Inpatient Fees	4,583	3,414
28,698	26,144	Department of Veterans' Affairs	28,698	26,144
78	20	Staff-Meals and Accommodation	78	20
20,128	19,048	Infrastructure Fees - Monthly Facility Charge	20,128	19,048
5,829	7,042	Infrastructure Fees - Annual Charge	5,829	7,042
316	188	Car Parking	316	188
2,371	2,922	Child Care Fees	2,371	2,922
1,481	1,064	Clinical Services (excluding Clinical Drug Trials)	1,481	1,064
2,872	2,796	Commercial Activities	2,872	2,796
178	145	Fees for Medical Records	178	145
3	5	Information Retrieval	3	5
18,703	10,768	High Cost Drugs	18,703	10,768
14,131	13,063	Motor Accident Authority Third Party	14,131	13,063
73	98	Patient Transport Fees	73	98
139	157	Private Use of Motor Vehicles	139	157
910	427	Salary Packaging Fee	910	427
9,380	9,189	Hosted Services Provided to Other NSW Health Entities	9,380	9,189
3,167	3,257	Services Provided to Non NSW Health Organisations	3,167	3,257
---	11	Shared Corporate Services	---	11
3,011	6,384	Other	3,011	6,384
230,566	214,064		230,566	214,064
10. Investment Revenue				
2,920	2,811	Interest	2,920	2,811
176	223	Other	176	223
3,096	3,034		3,096	3,034

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
11. Grants and Contributions				
3,168	2,645	Clinical Drug Trials	3,168	2,645
10,574	11,270	Commonwealth Government Grants	10,574	11,270
7,835	6,333	Industry Contributions/Donations	7,835	6,333
8,689	6,163	Cancer Institute Grants	8,689	6,163
2,540	6,596	NSW Government Grants	2,540	6,596
1,488	3,358	Grants from Other NSW Health Entities	1,488	3,358
4,340	4,744	Research Grants	4,340	4,744
4,316	36,138	Other Grants	4,316	36,138
42,950	77,247		42,950	77,247
<i>Other Grants for FY2015, includes a one-off grant of \$30.2m received from the Ministry of Health.</i>				
12. Acceptance by the Crown Entity of Employee Benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
----	----	Superannuation-defined benefit	8,225	9,095
----	----	Long Service Leave	42,082	35,587
----	----		50,307	44,682
13. Other Revenue				
Other Revenue comprises the following:-				
6	----	Bad Debts Recovered	6	----
70	64	Commissions	70	64
101	110	Conference and Training Fees	101	110
56	----	Discounts	56	----
109	4	Insurance Refunds	109	4
3,978	3,984	Lease and Rental	3,978	3,984
25	22	Sale of Merchandise, Old Wares and Books	25	22
1	57	Sponsorship	1	57
10,577	3,055	Treasury Managed Fund Hindsight Adjustment	10,577	3,055
6,754	1,973	Other	6,754	1,973
21,677	9,269		21,677	9,269

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
		14. Gain / (Loss) on Disposal		
5,456	22,709	Property, Plant and Equipment	5,456	22,709
<u>(5,083)</u>	<u>(16,366)</u>	Accumulated Depreciation	<u>(5,083)</u>	<u>(16,366)</u>
373	6,343	Written Down Value	373	6,343
89	1,330	Proceeds from Disposal	89	1,330
<u>(284)</u>	<u>(5,013)</u>	Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>(284)</u>	<u>(5,013)</u>
<u>(284)</u>	<u>(5,013)</u>	Total Gain/(Loss) on Disposal	<u>(284)</u>	<u>(5,013)</u>
		15. Other Gains / (Losses)		
-----	(6,693)	Property, Plant and Equipment Asset Revaluation Increment/(Decrement)	-----	(6,693)
<u>(1,742)</u>	<u>(3,613)</u>	Impairment of Receivables	<u>(1,742)</u>	<u>(3,613)</u>
<u>(1,742)</u>	<u>(10,306)</u>		<u>(1,742)</u>	<u>(10,306)</u>

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT & CONSOLIDATION

16. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at reporting date	180	21,691	604	22,475
Contributions recognised in previous years which were not expended in the current reporting period	470	58,188	25,288	83,946
Total amount of unexpended contributions as at reporting date	650	79,879	25,892	106,421

Comment on restricted assets appears in Note 25

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

17. Service Groups of the NSLHD

Service Group 1.1 - Primary and Community Based Services

Service Description: This service group covers the provision of health services for persons attending community health centres or in the home, including health promotion activities, women's health, dental, drug and alcohol and HIV/AIDS services. It also covers co-ordination of domestic violence and sexual assault prevention. Grants to non-government organisations are also included.

Objective: This service group contributes to making prevention everybody's business and strengthening primary health and continuing care in the community by working towards a range of intermediate results that include the following:

- improved access to early intervention, assessment, therapy and treatment services for claims in a home or community setting
- reduced rate of avoidable hospital admissions for conditions identified in the State Plan that can be appropriately treated in the community and
- reduced rate of hospitalisation from fall-related injury for people aged 65 years and over.

Service Group 1.2 - Aboriginal Health Services

Service Description: This service group covers the provision of supplementary health services to Aboriginal people, particularly in the areas of health promotion, health education and disease prevention. This program excludes most services for Aboriginal people provided directly by Local Health Districts and other general health services that are used by all members of the community.

Objective: This service group contributes to ensuring a fair and sustainable health system by working towards a range of intermediate results that include the following:

- the building of regional partnerships for the provision of health services
- raising the health status of Aboriginal people and
- promoting a healthy lifestyle.

Service Group 1.3 - Outpatient Services

Service Description: This service group covers the provision of services in outpatient clinics including low level emergency care, diagnostic and pharmacy services and radiotherapy treatment.

Objective: This service group contributes to creating better experiences for people using health services and ensuring a fair and sustainable health system by working towards a range of intermediate results including improving, maintaining or restoring the health of ambulant patients in a hospital setting through diagnosis, therapy, education and treatment services.

Service Group 2.1 - Emergency Services

Service Description: This service group covers the provision of emergency road and air ambulance services and treatment of patients in emergency departments of public hospitals.

Objective: This service group contributes to creating better experiences for people using the health system by working towards a range of intermediate results including reduced risk of premature death or disability by providing timely emergency diagnostic treatment and transport services.

Service Group 2.2 - Inpatient Hospital Services

Service Description: This service group covers the provision of health care to patients admitted to hospitals, including elective surgery and maternity services.

Objective: This service group contributes to creating better experiences for people using the health system by working towards a range of intermediate results that include the following:

- timely treatment of booked surgical patients, resulting in improved clinical outcomes, quality of life and patient satisfaction and
- reduced rate of unplanned and unexpected hospital readmissions.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

17. Service Groups of the NSLHD

Service Group 3.1 - Mental Health Services

Service Description: This service group covers the provision of an integrated and comprehensive network of services by Local Health Districts and community based organisations for people seriously affected by mental illnesses and mental health problems. It also covers the development of preventative programs that meet the needs of specific client groups.

Objective: This service group contributes to strengthening primary health and continuing care in the community by working towards a range of intermediate results that include the following:

- improving the health, wellbeing and social functioning of people with disabling mental disorders and
- reducing the incidence of suicide, mental health problems and mental disorders in the community.

Service Group 4.1 - Rehabilitation and Extended Care Services

Service Description: This service group covers the provision of appropriate health care services for persons with long-term physical and psycho-physical disabilities and for the frail-aged. It also includes the coordination of the Ministry's services for the aged and disabled, with those provided by other agencies and individuals.

Objective: This service group contributes to strengthening primary health and continuing care in the community and creating better experiences for people using the health system by working towards a range of intermediate results including improving or maintaining the wellbeing and independent functioning of people with disabilities or chronic conditions, the frail and terminally ill.

Service Group 5.1 - Population Health Services

Service Description: This service group covers the provision of health services targeted at broad population groups including environmental health protection, food and poisons regulation and monitoring of communicable diseases.

Objective: This service group contributes to making prevention everybody's business by working towards a range of intermediate results that include the following:

- reduced incidence of preventable disease and disability and
- improved access to opportunities and prerequisites for good health.

Service Group 6.1 - Teaching and Research

Service Description: This service group covers the provision of professional training for the needs of the New South Wales health system. It also includes strategic investment in research and development to improve the health and wellbeing of the people of New South Wales.

Objective: This service group contributes to ensuring a fair and sustainable health system by working towards a range of intermediate results that include the following:

- developing the skills and knowledge of the health workforce to support patient care and population health and
- extending knowledge through scientific enquiry and applied research aimed at improving the health and wellbeing of the people of New South Wales.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
18. Cash and Cash Equivalents				
60,038	70,341	Cash at Bank and On Hand	60,038	70,341
64,828	62,585	Short Term Deposits	64,828	62,585
<u>124,866</u>	<u>132,926</u>		<u>124,866</u>	<u>132,926</u>
<p>For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.</p> <p>Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:</p>				
124,866	132,926	Cash and Cash Equivalents (per Statement of Financial Position)	124,866	132,926
<u>124,866</u>	<u>132,926</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>124,866</u>	<u>132,926</u>

Refer to Note 38 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
19. Receivables				
Current				
33,442	33,801	Sale of Goods and Services	33,442	33,801
10,177	8,873	Intra Health Receivables	10,177	8,873
8,073	6,414	Goods and Services Tax	8,073	6,414
10,519	6,886	Other Debtors	10,519	6,886
<u>62,211</u>	<u>55,974</u>	Sub Total	<u>62,211</u>	<u>55,974</u>
(4,057)	(4,902)	Less Allowance for Impairment	(4,057)	(4,902)
<u>58,154</u>	<u>51,072</u>	Sub Total	<u>58,154</u>	<u>51,072</u>
5,277	4,818	Prepayments	5,277	4,818
<u>63,431</u>	<u>55,890</u>		<u>63,431</u>	<u>55,890</u>
a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(2,750)	(4,761)	Balance at Commencement of Reporting Period	(2,750)	(4,761)
2,348	3,884	Amounts written off during the period	2,348	3,884
206	114	Amounts recovered during the period	206	114
(1,601)	(1,986)	(Increase)/decrease in Allowance Recognised in the Net Result	(1,601)	(1,986)
<u>(1,797)</u>	<u>(2,750)</u>	Balance at 30 June	<u>(1,797)</u>	<u>(2,750)</u>
b) Movement in the Allowance for Impairment				
Other Debtors				
(2,152)	(718)	Balance at Commencement of Reporting Period	(2,152)	(718)
33	192	Amounts written off during the period	33	192
(141)	(1,626)	(Increase)/decrease in Allowance Recognised in the Net Result	(141)	(1,626)
<u>(2,260)</u>	<u>(2,152)</u>	Balance at 30 June	<u>(2,260)</u>	<u>(2,152)</u>
<u>(4,057)</u>	<u>(4,902)</u>		<u>(4,057)</u>	<u>(4,902)</u>
Non-Current				
1,332	1,365	Prepayments	1,332	1,365
<u>1,332</u>	<u>1,365</u>		<u>1,332</u>	<u>1,365</u>

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
		19. Receivables		
		c) The current and non-current sale of goods and services balances above include the following patient fee receivables:		
		(Current and Non-Current) include:		
2,283	2,652	Patient Fees - Compensable	2,283	2,652
3,705	3,008	Patient Fees - Ineligible	3,705	3,008
13,311	15,286	Patient Fees - Inpatient & Other	13,311	15,286
19,299	20,946		19,299	20,946

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 38.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
20. Inventories				
2,285	2,224	Drugs	2,285	2,224
5,460	5,761	Medical and Surgical Supplies	5,460	5,761
58	59	Engineering Supplies	58	59
1,743	1,713	Other Including Goods in Transit	1,743	1,713
<u>9,546</u>	<u>9,757</u>		<u>9,546</u>	<u>9,757</u>

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
21. Property, Plant and Equipment				
Land and Buildings - Fair Value				
2,502,632	2,466,151	Gross Carrying Amount	2,502,632	2,466,151
598,710	550,165	Less: Accumulated Depreciation and Impairment	598,710	550,165
<u>1,903,922</u>	<u>1,915,986</u>	Net Carrying Amount	<u>1,903,922</u>	<u>1,915,986</u>
Plant and Equipment - Fair Value*				
160,452	153,700	Gross Carrying Amount	160,452	153,700
84,521	76,918	Less: Accumulated Depreciation and Impairment	84,521	76,918
<u>75,931</u>	<u>76,782</u>	Net Carrying Amount	<u>75,931</u>	<u>76,782</u>
Infrastructure Systems - Fair Value				
43,754	43,754	Gross Carrying Amount	43,754	43,754
24,297	23,183	Less: Accumulated Depreciation and Impairment	24,297	23,183
<u>19,457</u>	<u>20,571</u>	Net Carrying Amount	<u>19,457</u>	<u>20,571</u>
Leasehold Improvements - Fair Value*				
1,006	1,006	Gross Carrying Amount	1,006	1,006
807	706	Less: Accumulated Depreciation and Impairment	807	706
<u>199</u>	<u>300</u>	Net Carrying Amount	<u>199</u>	<u>300</u>
<u>1,999,509</u>	<u>2,013,639</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>1,999,509</u>	<u>2,013,639</u>

* For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 14-01.

Northern Sydney Local Health District
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PARENT & CONSOLIDATION

21. Property, Plant and Equipment - Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2016						
Net carrying amount at start of year	433,272	1,482,714	76,782	20,571	300	2,013,639
Additions	----	36,481	12,503	----	----	48,984
Reclassifications to Intangibles	----	----	(300)	----	----	(300)
Disposals	----	----	(373)	----	----	(373)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	489	----	----	489
Depreciation Expense	----	(48,545)	(13,170)	(1,114)	(101)	(62,930)
Net carrying amount at end of year	433,272	1,470,650	75,931	19,457	199	1,999,509
2015						
Net carrying amount at start of year	324,103	1,341,396	86,446	63,506	401	1,815,852
Additions	----	148,335	8,678	----	----	157,013
Reclassifications to Intangibles	----	----	(3,755)	----	----	(3,755)
Disposals	----	(3,639)	(2,706)	----	----	(6,345)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	2,583	----	----	2,583
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	109,169	8,778	----	(3,234)	----	114,713
Impairment Losses (Recognised in "Other Gains/Losses)	----	----	----	(6,693)	----	(6,693)
Depreciation Expense	----	(42,833)	(14,914)	(1,881)	(101)	(59,729)
Reclassifications	----	30,677	450	(31,127)	----	----
Net carrying amount at end of year	433,272	1,482,714	76,782	20,571	300	2,013,639

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 24.

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the NSLHD [see note 1(k)].
- (ii) Indices provided by AON Risk Solutions were not applied as immaterial.

Northern Sydney Local Health District
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PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
22. Intangible Assets				
		Intangibles		
4,473	4,173	Cost (Gross Carrying Amount)	4,473	4,173
1,929	1,001	Less Accumulated Amortisation and Impairment	1,929	1,001
<u>2,544</u>	<u>3,172</u>	Net Carrying Amount	<u>2,544</u>	<u>3,172</u>
<u>2,544</u>	<u>3,172</u>	Total Intangible Assets at Net Carrying Amount	<u>2,544</u>	<u>3,172</u>

PARENT & CONSOLIDATION

22. Intangibles - Reconciliation

	Intangibles \$000	Total \$000
2016		
Net carrying amount at start of year	3,172	3,172
Reclassifications from Plant & Equipment	300	300
Amortisation (Recognised in Depreciation and Amortisation)	(928)	(928)
Net carrying amount at end of year	2,544	2,544

	Intangibles \$000	Total \$000
2015		
Net carrying amount at start of year	335	335
Reclassifications from Plant & Equipment	3,755	3,755
Amortisation (Recognised in Depreciation and Amortisation)	(918)	(918)
Net carrying amount at end of year	3,172	3,172

Northern Sydney Local Health District
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
		23. Other Assets		
		Non-Current		
		Emerging Rights to Assets (refer Note 1(ag))		
7,623	7,166		7,623	7,166
7,623	7,166		7,623	7,166

Northern Sydney Local Health District
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PARENT & CONSOLIDATION

24. Fair Value Measurement of Non-Financial Assets

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels.

a) Fair Value Hierarchy

2016	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 21)				
- Land and Buildings	---	770,526	1,027,984	1,798,510
- Infrastructure Systems	---	---	19,457	19,457
Other Assets (Note 23) Emerging Assets	---	---	7,623	7,623
	----	770,526	1,055,064	1,825,590

There were no transfers between level 1 and 2 during the period ended 30 June 2016.

2015	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 21)				
- Land and Buildings	---	656,612	1,067,761	1,724,374
- Infrastructure Systems	---	---	20,571	20,571
Other Assets (Note 23) Emerging Assets	---	---	7,166	7,166
	----	656,612	1,095,498	1,752,111

There were no transfers between level 1 and 2 during the period ended 30 June 2015.

Work in Progress and Newly Completed Projects are carried at cost, therefore excluded from figures above and as a result will not agree to Note 21.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT & CONSOLIDATION

24. Fair Value Measurement of Non-Financial Assets

b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure systems the NSLHD obtains external valuations by independent valuers every three years. The last revaluation was performed by AON Risk Solutions for the 2014/15 financial year. AON Risk Solutions is an independent entity and is not an employee of the NSLHD.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices refer, note 21 reconciliation.

The non-current assets categorised in a) above have been measured as either level 2 or level 3 based on the following valuation techniques and inputs:

For land, the valuation by the valuers is made on a market approach, comparing similar assets (not identical) and observable inputs. The most significant input is price per square metre.

All commercial and non-restricted land is included in Level 2 as these land valuations have a high level of observable inputs although these lands are not identical.

All of the restricted land has been classified as level 3 as, although observable inputs have been used, a significant level of professional judgement is required to adjust inputs in determining the land valuations. Certain parcels of land have zoning restrictions, for example hospital grounds, and values are adjusted accordingly.

For buildings and infrastructure, many assets are of a specialised nature or use, and thus the most appropriate valuation method is depreciated replacement cost. These assets are included as Level 3 as these assets have a high level of unobservable inputs. However, residential properties are valued on a market approach and included in level 2.

Non-Current Assets Held for Sale is a non-recurring item that is measured at fair value less cost to sell, which is less than its carrying amount. These assets are categorised as level 2.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT & CONSOLIDATION

24. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2016	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2015	1,067,761	20,571	7,166	1,095,498
Additions	----	----	457	457
Depreciation	(40,012)	(1,114)	----	(41,126)
Fair value as at 30 June 2016	<u>1,027,749</u>	<u>19,457</u>	<u>7,623</u>	<u>1,054,829</u>

Transfers from Level 2 mainly relate to assets initially recognised at cost (e.g. Work in Progress) which have in the current year, been subject to asset revaluations consistent with the specialised nature/use of the assets.

2015	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2014	366,994	63,506	----	430,500
Additions	59,741	----	430	60,171
Revaluation increments/decrements recognised in net result – included in the line item 'Other gains/ (losses)'	----	(6,693)	----	(6,693)
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	15,899	(3,234)	6,736	19,401
Transfers from Level 2	624,883	236	----	625,119
Disposals	(1,170)	----	----	(1,170)
Depreciation	(29,713)	(1,881)	----	(31,594)
Reclassification	31,127	(31,127)	----	----
Fair value as at 30 June 2015	<u>1,067,761</u>	<u>20,807</u>	<u>7,166</u>	<u>1,095,734</u>

Transfers from Level 2 mainly relate to assets initially recognised at cost (e.g. Work in Progress) which have in the current year, been subject to asset revaluations consistent with the specialised nature/use of the assets.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
25. Restricted Assets				
<p>The NSLHD'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.</p>				
		Category		
52,708	56,877	Specific Purposes	52,708	56,877
22,593	21,171	Research Grants	22,593	21,171
31,120	30,271	Private Practice Funds	31,120	30,271
106,421	108,319		106,421	108,319

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
		26. Payables		
		Current		
----	----	Accrued Salaries, Wages and On-Costs	18,291	22,304
----	----	Taxation and Payroll Deductions	4,822	1,237
23,113	23,541	Accrued Liability - Purchase of Personnel Services	----	----
35,630	31,190	Creditors	35,630	31,190
1	----	Interest	1	----
		Other Creditors		
10,062	8,103	- Intra Health Liability	10,062	8,103
19,515	28,883	- PPP Monthly Service Fees	19,515	28,883
9,331	11,858	- Other	9,331	11,858
97,652	103,575		97,652	103,575

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 38.

		27. Borrowings		
		Current		
236	15	Other Loans and Deposits	236	15
55	----	Public Private Partnership	55	----
291	15		291	15
		Non-Current		
2,265	101	Other Loans and Deposits	2,265	101
721,607	721,662	Public Private Partnership	721,607	721,662
723,872	721,763		723,872	721,763

No assets have been pledged as security/collateral for liabilities and there are no restrictions on any title to property.

Final Repayment is scheduled for 2037.

Other loans still to be extinguished represent monies to be repaid to the NSW Treasury.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 38.

Northern Sydney Local Health District
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PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
28. Provisions				
Current				
----	----	Annual Leave - Short Term Benefit	94,954	85,995
----	----	Annual Leave - Long Term Benefit	20,744	29,764
----	----	Long Service Leave Consequential On-Costs	18,606	16,273
134,304	132,032	Provision for Personnel Services Liability	----	----
134,304	132,032		134,304	132,032
Non-Current				
----	----	Long Service Leave Consequential On-Costs	1,618	1,415
1,618	1,415	Provision for Personnel Services Liability	----	----
1,618	1,415		1,618	1,415
Aggregate Employee Benefits and Related On-Costs				
----	----	Provisions - Current	134,304	132,032
----	----	Provisions - Non-Current	1,618	1,415
----	----	Accrued Salaries, Wages and On-Costs (Note 26)	23,113	23,541
159,035	156,988	Liability - Purchase of Personnel Services	----	----
159,035	156,988		159,035	156,988
29. Other Liabilities				
Current				
6,818	5,655	Income in Advance	6,818	5,655
6,818	5,655		6,818	5,655
Non-Current				
25,374	26,523	Income in Advance	25,374	26,523
25,374	26,523		25,374	26,523
<p>Current Income in Advance reflects clinical trial and project funding. Non Current balance represents rent received in advance for the use of building and car park facilities for the thirty one years ending 2047.</p>				

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
30. Commitments for Expenditure				
a) Capital Commitments				
Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure systems, and intangible assets, contracted for at balance date and not provided for:				
39,028	19,370	Not later than one year	39,028	19,370
<u>8,328</u>	<u>6,419</u>	Later than one year and not later than five years	<u>8,328</u>	<u>6,419</u>
<u><u>47,356</u></u>	<u><u>25,789</u></u>	Total Capital Expenditure Commitments (Including GST)	<u><u>47,356</u></u>	<u><u>25,789</u></u>
b) Operating Lease Commitments				
Future non-cancellable operating lease rentals not provided for and payable:				
1,496	1,878	Not later than one year	1,496	1,878
<u>1,683</u>	<u>1,791</u>	Later than one year and not later than five years	<u>1,683</u>	<u>1,791</u>
<u><u>3,179</u></u>	<u><u>3,668</u></u>	Total Operating Lease Commitments (Including GST)	<u><u>3,179</u></u>	<u><u>3,668</u></u>

The operating lease commitments above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
c) Finance Lease Commitments				
Minimum lease payment commitments in relation to finance leases are payable as follows:				
76,519	74,547	Not later than one year	76,519	74,547
326,495	318,217	Later than one year and not later than five years	326,495	318,217
1,607,887	1,692,683	Later than five years	1,607,887	1,692,683
<u>2,010,901</u>	<u>2,085,447</u>	Minimum Lease Payments	<u>2,010,901</u>	<u>2,085,447</u>
<u>1,289,239</u>	<u>1,363,786</u>	Less: Future Finance Charges	<u>1,289,239</u>	<u>1,363,786</u>
<u>721,662</u>	<u>721,662</u>	Present Value of Minimum Lease Payments	<u>721,662</u>	<u>721,662</u>
The present value of finance lease commitments is as follows:				
55	---	Not later than one year	55	---
6,352	2,184	Later than one year and not later than five years	6,352	2,184
715,255	719,478	Later than five years	715,255	719,478
<u>721,662</u>	<u>721,662</u>	Present Value of Minimum Lease Payments Classified as:	<u>721,662</u>	<u>721,662</u>
55	---	(a) Current (Note 27)	55	---
721,607	721,662	(b) Non-Current (Note 27)	721,607	721,662
<u>721,662</u>	<u>721,662</u>		<u>721,662</u>	<u>721,662</u>

Royal North Shore Hospital Campus redevelopment Public Private Partnership (PPP) Contract awarded in October 2008. Project construction completed and commissioned in October 2014. PPP Contract will expire in 2037.

On 11 December 2014, Healthscope signed a contract with Health Administration Corporation (HAC) and Northern Sydney Local Health District to design, build, operate and maintain the new Northern Beaches Hospital. In 2018, the hospital will open to provide care to both public and private patients. No commitments related to this project are recognised as at 30 June 2016.

d) Contingent Asset Related to Commitments for Expenditure

The total of 'Commitments for Expenditure' above, i.e. \$772 million as at 30 June 2016 includes input tax credits of \$76m that are expected to be recoverable from the Australian Taxation Office (2015 \$75m).

Northern Sydney Local Health District
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PARENT & CONSOLIDATION

31. Trust Funds

The NSLHD holds trust funds of \$3.1 million which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

These funds are excluded from the financial statements as the NSLHD cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

	Patient Trust		Refundable Deposits		Private Practice Trust Funds		Total	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Balance at the beginning of the financial year	232	605	412	227	2,499	2,233	3,143	3,065
Revenue	1,533	1,712	356	348	42,839	43,393	44,728	45,453
Expenses	(1,741)	(2,085)	(351)	(163)	(42,684)	(43,127)	(44,777)	(45,375)
Balance at the end of the financial year	24	232	417	412	2,654	2,499	3,094	3,143

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32 Contingent Liabilities and Assets

a) Workers Compensation Hindsight Adjustment

Treasury Managed Fund workers compensation insurance hindsight adjustments are calculated 3 years (interim) and 5 years (final) after the start of each policy year. Hindsight (payments/refunds) adjust insurance contributions paid to reflect actual claims experience. iCare Self Insurance (manager of the Treasury Managed Fund) calculates hindsight adjustments after the 'hindsight date' has past. At 30 June 2016, hindsight adjustments were due for the 2011/12 (final) and 2013/14 (interim) policy years. Adjustments for the 30 June 2016 'hindsight date' have not been provided by the Treasury Managed Fund. It is not possible for the NSLHD to reliably quantify the hindsight benefit to be received or amount payable.

Northern Sydney Local Health District
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PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
33. Reconciliation of Cash Flows from Operating Activities to Net Result				
39,396	168,434	Net Cash Flows from Operating Activities	39,396	168,434
(63,858)	(60,646)	Depreciation and Amortisation	(63,858)	(60,646)
(1,742)	(3,613)	Allowance for Impairment	(1,742)	(3,613)
(14)	(76)	(Increase)/ Decrease Income in Advance	(14)	(76)
(2,476)	(4,435)	(Increase)/ Decrease in Provisions	(2,476)	(4,435)
9,753	(1,964)	Increase / (Decrease) in Prepayments and Other Assets	9,753	(1,964)
5,210	(3,948)	(Increase)/ Decrease in Payables from Operating Activities	5,210	(3,948)
	(6,693)	Revaluation of Property, Plant and Equipment recognised in "Other gains/(losses)"	----	(6,693)
(284)	(5,013)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(284)	(5,013)
(14,015)	82,046	Net Result	(14,015)	82,046

34. 2015/16 Voluntary Services

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

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

35. Unclaimed Monies

Unclaimed salaries and wages are paid to the credit of the NSW Treasury in accordance with the provisions of the *Industrial Relations Act, 1996*.

All money and personal effects of patients which are left in the custody of NSLHD 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 NSLHD.

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.

Northern Sydney Local Health District
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PARENT AND CONSOLIDATION

36. Adjusted Budget Review - Parent and Consolidated

Net Result

The actual Net Result was higher than adjusted budget by \$1 million, primarily due to:

Revenue being favourable by \$8 million which was largely attributable to higher than expected Grants & Contributions and Other Revenue from the District's Special Purpose Trust Funds.

Expenditure being unfavourable by \$7 million, reflecting additional expenditure to fund the specific projects for which the Special Purpose Trust Fund revenue was intended; and employee related expenses were \$5 million over budget as a result of higher than expected emergency department activity across the District.

Assets and Liabilities

Actual Consolidated Total Assets are \$47 thousand favourable to budget. There was a variance to budget related to the capitalisation of the P2 Car Park as an emerging asset. Furthermore, Cash and Cash Equivalents were \$2 million favourable to budget.

Actual Consolidated Total Liabilities were \$1 million favourable to budget. The main variance to budget related to the decrease in Payables of \$3 million due to transition of RNS Soft Facility Management.

Cash Flows

Actual Operating Cash Flows were \$3 million unfavourable to budget. The variance to the budget is related to additional employee related expenditure within Special Purpose Trust Funds.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 01 July 2015 are as follows:

	\$000
Initial Allocation, 01 July 2015	1,101,663
Award Increases	51,682
Supplementation reduction PPP Interest	(342)
Supplementation reduction PPP Insurance	(73)
PPP SPV Expenses	(440)
Reduction in 14/15 Initial Budget PPP	(1,974)
Voluntary Redundancy Reimbursement	1,210
Transition of Soft Facilities from Infrashore	1,000
Nurse and Midwifery Initiatives 2015-16	843
Living Well-NSW Mental Health Reform Funded Projects	643
Musculoskeletal Initiative	561
Kolling Institute Transition Funding	800
Others	403
Balance as per Statement of Comprehensive Income	1,155,976

Northern Sydney Local Health District
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37. Increase/(Decrease) in Net Assets from Equity Transfers

Equity transfers effected in the 2014/15 year were:

Nil equity transfers were effected in 2014/15.

Equity transfers effected in the 2015/16 year were:

Nil equity transfers were effected in 2015/16.

Northern Sydney Local Health District
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38. Financial Instruments

The NSLHD's principal financial instruments are outlined below. These financial instruments arise directly from the NSLHD's operations or are required to finance its operations. The NSLHD does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The NSLHD's main risks arising from financial instruments are outlined below, together with the NSLHD's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risk faced by the NSLHD, to set risk limits and controls and monitor risks. Compliance with policies is reviewed by the Audit & Risk Management Committee and the internal auditors on a regular basis.

(a) Financial Instrument Categories

PARENT AND CONSOLIDATION

Financial Assets Class:	Category	Carrying Amount 2016 \$000	Carrying Amount 2015 \$000
Cash and Cash Equivalents (note 18)	N/A	124,866	132,926
Receivables (note 19)*	Loans and receivables (at amortised cost)	50,081	44,658
		<u>174,947</u>	<u>177,584</u>

Northern Sydney Local Health District
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36. Financial Instruments

Financial Liabilities

Borrowings (note 27)		724,163	721,778
Payables (note 26)**	Financial liabilities measured at amortised cost	92,830	102,338
		816,993	824,116

Notes

* Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)

**Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7)

(b) Credit Risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the NSLHD. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from financial assets of the NSLHD, including cash, receivables and authority deposits. No collateral is held by the NSLHD. The NSLHD has not granted any financial guarantees.

Credit risk associated with the NSLHD's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. Authority deposits held with NSW TCorp are guaranteed by the State.

Cash

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 2.6% in 2015/16 compared to 2.85% in the previous year.

The TCorp Hour-Glass cash facility is discussed in paragraph (d) below.

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the NSW Ministry of Health Accounting Manual for Public Health Organisations and Fee Procedures Manual are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the NSLHD will not be able to collect all amounts due. This evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

The NSLHD is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2016: \$36.8m; 2015: \$32.0m) and not more than 3 months past due (2016: \$4.3m; 2015: \$3.6m) are not considered impaired. Together these represent 91.32% of the total trade debtors. In addition Patient Fees Compensables are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the NSLHD's debtors are health insurance companies or compensation insurers settling claims in respect of inpatient treatments.

Financial assets that are past due or impaired could be either 'Sales of Goods and Services' or 'Other Debtors' in the 'Receivables' category of the Statement of Financial Position. Patient Fees Ineligibles represent the majority of financial assets that are past due or impaired.

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38. Financial Instruments

	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
2016			
<3 months overdue	4,324	4,324	----
3 months - 6 months overdue	1,626	1,626	----
> 6 months overdue	4,057	----	4,057
2015			
<3 months overdue	3,613	3,613	----
3 months - 6 months overdue	1,152	1,152	----
> 6 months overdue	4,902	----	4,902

Notes

1 Each column in the table reports "gross receivables".

2 The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the "total" will not reconcile to the receivables total recognised in the statement of financial position.

Authority Deposits

The NSLHD has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 2.1% (2015: 2.22%), while over the year the weighted average interest rate was 2.47% (2015: 2.75%) on a weighted average balance during the year of \$63.6m (2015: \$61.5m). None of these assets are past due or impaired.

(c) Liquidity Risk

Liquidity risk is the risk that the NSLHD will be unable to meet its payment obligations when they fall due. The NSLHD continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through effective management of cash, investments and liquid assets and liabilities.

The NSLHD has negotiated no loan outside of arrangements with the NSW Ministry of Health or Treasury.

During the current and prior years, there were no defaults of loans payable. No assets have been pledged as collateral.

The NSLHD has exposure to liquidity risk. However, the risk is minimised by the service agreement with the NSW Ministry of Health, as the annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the NSLHD fails to meet service agreement performance standards, the Ministry as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 1).

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set by the NSW Ministry of Health in accordance with NSW Treasury Circular 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise.

For other suppliers, where settlement cannot be effected in accordance with the above, e.g. due to short term liquidity constraints, contact is made with creditors and terms of payment are negotiated to the satisfaction of both parties.

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38. Financial Instruments

The table below summarises the maturity profile of the NSLHD's financial liabilities together with the interest rate exposure.

Maturity Analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Interest Rate	Interest Rate Exposure				Maturity Dates		
		Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
2016								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		18,291	----	----	18,291	18,291	----	----
- Creditors		74,539	----	----	74,539	74,539	----	----
Borrowings:								
- Loans and Deposits	2.57%	2,836	2,836	----	----	300	1,198	1,338
- Public Private Partnership	9.85%	2,010,901	----	2,010,901	----	76,519	326,495	1,607,887
		<u>2,106,567</u>	<u>2,836</u>	<u>2,010,901</u>	<u>92,830</u>	<u>169,649</u>	<u>327,693</u>	<u>1,609,225</u>
2015								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		22,304	----	----	22,304	22,304	----	----
- Creditors		80,034	----	----	80,034	80,034	----	----
Borrowings:								
- Loans and Deposits	2.97%	130	130	----	----	10	83	37
- Public Private Partnership	9.71%	2,085,447	----	2,085,447	----	74,547	318,217	1,692,683
		<u>2,187,915</u>	<u>130</u>	<u>2,085,447</u>	<u>102,338</u>	<u>176,895</u>	<u>318,300</u>	<u>1,692,720</u>

Notes:

1 The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the NSLHD can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the Statement Of Financial Position.

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38. Financial Instruments

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The NSLHD's exposures to market risk are primarily through interest rate risk on the NSLHD's borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. The NSLHD has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the NSLHD operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2015. The analysis assumes that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk arises primarily through the NSLHD's interest bearing liabilities.

However, the NSLHD is not permitted to borrow external to the NSW Ministry of Health (except energy loans which are negotiated through NSW Treasury).

Both NSW Treasury and NSW Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. The NSLHD does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change of interest rates would not affect profit or loss or equity.

A reasonably possible change of +/-1% is used consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

The NSLHD's exposure to interest rate risk is set out below.

	Carrying Amount \$000	-1% Net Result	Equity	+1% Net Result	Equity
2016					
Financial Assets					
Cash and Cash Equivalents	124,866	(1,249)	(1,249)	1,249	1,249
Receivables	50,081	---	---	---	---
Financial Liabilities					
Payables	92,830	---	---	---	---
Borrowings	724,163	7,242	7,242	(7,242)	(7,242)
2015					
Financial Assets					
Cash and Cash Equivalents	132,926	(1,329)	(1,329)	1,329	1,329
Receivables	44,658	---	---	---	---
Financial Liabilities					
Payables	102,338	---	---	---	---
Borrowings	721,778	7,218	7,218	(7,218)	(7,218)

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Other price risk - TCorp Hour-Glass Investment facilities

Exposure to 'other price risk' primarily arises through the investment in the NSW TCorp Hour-Glass Investment Facilities, which are held for strategic rather than trading purposes. The NSLHD has no direct equity investments. The NSLHD holds units in the following Hour-Glass investment trusts:

Facility	Investment Sectors	Investment Horizon	2016 \$000	2015 \$000
Cash facility	Cash and money market instruments	Up to 1.5 years	64,828	62,585

The unit price of each facility is equal to the total fair value of net assets held by the facility divided by the total number of units on issue for that facility. Unit prices are calculated and published daily.

NSW TCorp as trustee for each of the above facilities is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, NSW TCorp has appointed external managers to manage the performance and risk of each facility in accordance with a mandate agreed by the parties. NSW TCorp has also leveraged off internal expertise to manage certain fixed income assets for the Hour-Glass facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the Hour-Glass facilities limits the NSLHD's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

NSW TCorp provides sensitivity analysis information for each of the Investment facilities, using historically based volatility information collected over a ten year period, quoted at two standard deviations (ie 95% probability). NSW TCorp Hour-Glass Investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity).

A reasonably possible change is based on the percentage change in unit price (as advised by NSW TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from Hour-Glass Statement).

Impact on net result	Change in unit price	2016 \$000	2015 \$000
Hour-Glass Investment - Cash facility	+/- 1%	604	584

(e) Fair Value Measurement

(i) Fair value compared to carrying amount

Financial instruments are generally recognised at cost, with the exception of the NSW TCorp Hour-Glass facilities, which are measured at fair value.

The amortised cost of financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short term nature of many of the financial instruments.

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(ii) Fair Value recognised in the Statement of Financial Position

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2016 Total \$'000
TCorp Hour-Glass Invt.Facility	----	64,828	----	64,828
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2015 Total \$'000
TCorp Hour-Glass Invt.Facility	----	62,585	----	62,585

(The table above only includes financial assets as no financial liabilities were measured at fair value in the Statement of Financial Position.)

There were no transfers between level 1 and 2 during the period ended 30 June 2016.

As discussed, the value of the Hour-Glass Investments is based on the NSLHD's share of the value of the underlying assets of the facility, based on the market value. All of the Hour-Glass facilities are valued using 'redemption' pricing.

39. Events after the Reporting Period

In July 2016, iCare Self Insurance advised of the Treasury Managed Fund workers compensation insurance hindsight adjustment calculations for the 2010/11 and 2012/13 policy years. This has resulted in a hindsight refund (revenue) of \$7.04M being recognised as a receivable at 30 June 2016.

Other than the above, there has not been any matters arising subsequent to balance date that would require these financial statements to be amended.

END OF AUDITED FINANCIAL STATEMENTS