

Sydney
Local Health District

Financial Statements

for the year ended 30 June 2018



INDEPENDENT AUDITOR'S REPORT

Sydney Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Sydney Local Health District (the District), which comprise the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statements of Changes in Equity and the Statement of Cash Flows 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 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *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.

Basis for Opinion

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

I am independent of the District and the consolidated entity in accordance with the requirements of the:

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

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament 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
- precluding the Auditor-General from providing 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 – Presentation of Budget Information

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 1(ae). 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 Responsibilities for the Financial Statements

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

In preparing the financial statements, the Chief Executive is responsible for assessing the ability of the District and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where operations will cease as a result of an administrative restructure.

Auditor's Responsibilities 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
- 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 description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. 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
- about any other information which may have been hyperlinked to/from the financial statements.



David Daniels
Director, Financial Audit Services

6 September 2018
SYDNEY

**Sydney Local Health District
Certification of the Financial Statements
for the year ended 30 June 2018**

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

- 1) The financial statements of Sydney Local Health District for the year ended 30 June 2018 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 (PFAA)*, the *Public Finance and Audit Regulation 2015 (Regulation)*; and
 - c) Financial Reporting Directions mandated by the Treasurer.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of Sydney Local Health District; and
- 3) We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Dr Teresa Anderson
Chief Executive
4 September 2018



John O'Connor
A/Executive Director of Finance
4 September 2018

Sydney Local Health District
Statement of Comprehensive Income for the year ended 30 June 2018

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2018 \$000	2018 \$000	2017 \$000		2018 \$000	2018 \$000	2017 \$000
			Expenses excluding losses			
			Operating Expenses			
----	----	----				
1,050,294	1,048,647	982,079		1,102,570	1,096,657	1,009,384
48,280	45,831	44,155	2	----	----	----
504,351	513,051	588,099	3	48,280	45,831	44,155
54,475	55,538	52,667	4	507,183	513,051	591,932
31,719	31,103	18,899	1(m), 5	55,393	55,538	53,511
229	----	4	6	31,927	31,103	19,257
12,431	12,431	12,143	1(h), 7	229	----	4
1,701,779	1,706,601	1,698,046	8	12,431	12,431	12,143
			Total Expenses excluding losses			
			Revenue			
1,388,556	1,358,556	1,281,324	1(i)	1,388,556	1,358,556	1,281,324
35,292	35,411	26,674	1(i)	35,292	35,411	26,674
----	----	----	1(e)(ii), 12	48,641	48,010	24,211
207,878	212,118	214,632	1(i), 9	207,878	212,118	214,632
4,227	7,202	4,732	1(i), 10	4,811	7,202	5,301
41,870	49,000	37,881	1(i), 11	47,645	49,000	44,369
22,589	17,019	41,494	13	24,492	17,019	44,097
1,700,412	1,679,306	1,606,737		1,757,315	1,727,316	1,640,608
(225)	----	(454)	14	(248)	----	(473)
(7,296)	(3,051)	(942)	15	(7,296)	(3,051)	(942)
(8,888)	(30,346)	(92,705)	31	(8,242)	(30,346)	(91,193)
			Net Result			
			Other Comprehensive Income			
			Items that will not be reclassified to net result			
			Net Increase/(Decrease) in Property, Plant &			
----	----	----	20	----	----	----
----	----	----		----	----	----
			Total Other Comprehensive Income			
(8,888)	(30,346)	(92,705)	TOTAL COMPREHENSIVE INCOME			
			(8,242) (30,346) (91,193)			

The accompanying notes form part of these financial statements.

Sydney Local Health District
Statement of Financial Position as at 30 June 2018

PARENT								CONSOLIDATION		
Actual	Adjusted Budget Unaudited	Actual		Notes	Actual	Adjusted Budget Unaudited	Actual			
2018	2018	2017			2018	2018	2017			
\$000	\$000	\$000			\$000	\$000	\$000			
ASSETS										
Current Assets										
96,820	87,531	100,359	Cash and Cash Equivalents	16	100,047	90,671	103,499			
71,574	76,892	77,932	Receivables	17	72,333	77,471	78,515			
11,513	9,226	9,225	Inventories	18	11,513	9,226	9,225			
77,209	76,305	76,305	Other Financial Assets	19	98,126	96,215	96,215			
257,116	249,954	263,821	Total Current Assets		282,019	273,583	287,454			
Non-Current Assets										
Property, Plant & Equipment										
1,102,962	1,101,520	1,110,726	- Land and Buildings	20	1,110,157	1,109,177	1,118,383			
91,559	92,643	96,336	- Plant and Equipment	20	94,602	95,128	98,820			
418	431	430	- Infrastructure Systems	20	418	431	430			
395	149	149	- Leasehold Improvements	20	395	149	149			
1,195,334	1,194,743	1,207,641	Total Property, Plant & Equipment		1,205,572	1,204,885	1,217,782			
891	553	553	Intangible Assets	21	891	553	553			
4,653	3,552	3,552	Other	22	4,653	3,552	3,552			
1,200,878	1,198,848	1,211,746	Total Non-Current Assets		1,211,116	1,208,990	1,221,887			
1,457,994	1,448,802	1,475,567	Total Assets		1,493,135	1,482,573	1,509,341			
LIABILITIES										
Current Liabilities										
83,985	101,983	94,823	Payables	25	84,347	102,235	95,075			
732	630	630	Borrowings	26	732	630	630			
299,825	294,195	298,163	Provisions	27	300,386	294,666	298,633			
255	251	251	Other	28	870	346	346			
384,797	397,059	393,867	Total Current Liabilities		386,335	397,877	394,684			
Non-Current Liabilities										
6,319	6,319	6,319	Borrowings	26	6,319	6,319	6,319			
2,370	2,370	1,985	Provisions	27	2,370	2,370	1,985			
8,689	8,689	8,304	Total Non-Current Liabilities		8,689	8,689	8,304			
393,486	405,748	402,171	Total Liabilities		395,024	406,566	402,988			
1,064,508	1,043,054	1,073,396	Net Assets		1,098,111	1,076,007	1,106,353			
EQUITY										
367,318	367,318	367,318	Reserves		369,821	369,820	369,821			
697,190	675,736	706,078	Accumulated Funds		728,290	706,187	736,532			
1,064,508	1,043,054	1,073,396	Total Equity		1,098,111	1,076,007	1,106,353			

The accompanying notes form part of these financial statements.

Sydney Local Health District
Statement of Changes in Equity for the year ended 30 June 2018

PARENT	Notes	Accumulated Funds	Revaluation Surplus	Total
		\$000	\$000	\$000
Balance at 1 July 2017		706,078	367,318	1,073,396
Total Equity at 1 July 2017		706,078	367,318	1,073,396
Net Result for the year		(8,888)	----	(8,888)
Other Comprehensive Income:				
Net Change in Revaluation Surplus of Property, Plant and Equipment	20	----	----	----
Available for Sale Financial Assets:				
Transfers on Disposal		----	----	----
Total Other Comprehensive Income		----	----	----
Total Comprehensive Income for the year		(8,888)	----	(8,888)
Balance at 30 June 2018		697,190	367,318	1,064,508
Balance at 1 July 2016		798,435	367,666	1,166,101
Total Equity at 1 July 2016		798,435	367,666	1,166,101
Net Result for the year		(92,705)	----	(92,705)
Other Comprehensive Income:				
Net Change in Revaluation Surplus of Property, Plant and Equipment	20	----	----	----
Available for Sale Financial Assets:				
Transfers on Disposal		348	(348)	----
Total Other Comprehensive Income		348	(348)	----
Total Comprehensive Income for the year		(92,357)	(348)	(92,705)
Balance at 30 June 2017		706,078	367,318	1,073,396

The accompanying notes form part of these financial statements.

Sydney Local Health District
Statement of Changes in Equity for the year ended 30 June 2018

CONSOLIDATION	Notes	Accumulated Funds	Revaluation Surplus	Total
		\$000	\$000	\$000
Balance at 1 July 2017		736,532	369,821	1,106,353
Total Equity at 1 July 2017		736,532	369,821	1,106,353
Net Result for the year		(8,242)	-----	(8,242)
Other Comprehensive Income:				
Net Change in Revaluation Surplus of Property, Plant and Equipment	20	----	----	----
Available for Sale Financial Assets:				
Transfers on Disposal		----	----	----
Total Other Comprehensive Income		----	----	----
Total Comprehensive Income for the year		(8,242)	-----	(8,242)
Balance at 30 June 2018		728,290	369,821	1,098,111
Balance at 1 July 2016		827,377	370,169	1,197,546
Total Equity at 1 July 2016		827,377	370,169	1,197,546
Net Result for the year		(91,193)	-----	(91,193)
Other Comprehensive Income:				
Net Change in Revaluation Surplus of Property, Plant and Equipment	20	----	----	----
Available for Sale Financial Assets:				
Transfers on Disposal		348	(348)	----
Total Other Comprehensive Income		348	(348)	----
Total Comprehensive Income for the year		(90,845)	(348)	(91,193)
Balance at 30 June 2017		736,532	369,821	1,106,353

The accompanying notes form part of these financial statements.

Sydney Local Health District
Statement of Cash Flows for the year ended 30 June 2018

PARENT								CONSOLIDATION		
Actual	Adjusted Budget Unaudited	Actual		Notes	Actual	Adjusted Budget Unaudited	Actual			
2018 \$000	2018 \$000	2017 \$000			2018 \$000	2018 \$000	2017 \$000			
			CASH FLOWS FROM OPERATING ACTIVITIES							
			Payments							
----	----	----	Employee Related		(1,052,470)	(1,052,572)	(992,201)			
(639,479)	(626,094)	(1,601,297)	Suppliers for Goods and Services		(643,098)	(626,703)	(616,584)			
(36,497)	(35,870)	(33,892)	Grants and Subsidies		(36,748)	(35,914)	(34,299)			
(229)	----	(5)	Finance Costs		(229)	----	(5)			
(1,048,935)	(1,052,552)	----	Other		----	----	----			
<u>(1,725,140)</u>	<u>(1,714,516)</u>	<u>(1,635,194)</u>	Total Payments		<u>(1,732,545)</u>	<u>(1,715,189)</u>	<u>(1,643,089)</u>			
			Receipts							
1,388,556	1,358,556	1,281,324	NSW Ministry of Health Recurrent Allocations		1,388,556	1,358,556	1,281,324			
35,292	35,411	26,674	NSW Ministry of Health Capital Allocations		35,292	35,411	26,674			
----	----	----	Reimbursements from the Crown Entity		17,551	17,551	16,655			
211,288	216,137	214,106	Sale of Goods and Services		211,365	216,126	214,895			
4,177	7,202	4,667	Interest Received		4,761	7,202	5,236			
62,969	69,907	57,801	Grants and Other Contributions		51,724	52,887	48,230			
73,956	66,966	96,068	Other		76,525	67,119	98,318			
<u>1,776,238</u>	<u>1,754,179</u>	<u>1,680,640</u>	Total Receipts		<u>1,785,774</u>	<u>1,754,852</u>	<u>1,691,332</u>			
<u>51,098</u>	<u>39,663</u>	<u>45,446</u>	NET CASH FLOWS FROM OPERATING ACTIVITIES	31	<u>53,229</u>	<u>39,663</u>	<u>48,243</u>			
			CASH FLOWS FROM INVESTING ACTIVITIES							
155	----	8	Proceeds from Sale of Property, Plant & Equipment and Intangibles		155	----	8			
153,953	153,953	151,996	Proceeds from Sale of Investments		154,953	154,953	153,444			
(53,990)	(52,491)	(55,539)	Purchases of Property, Plant & Equipment and Intangibles		(55,027)	(52,491)	(55,791)			
(154,857)	(153,953)	(153,404)	Purchases of Investments		(156,864)	(154,953)	(163,262)			
<u>(54,739)</u>	<u>(52,491)</u>	<u>(56,939)</u>	NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(56,783)</u>	<u>(52,491)</u>	<u>(65,601)</u>			
			CASH FLOWS FROM FINANCING ACTIVITIES							
792	(6,201)	6,992	Proceeds from Borrowings and Advances		792	(6,201)	6,992			
(690)	6,201	(43)	Repayment of Borrowings and Advances		(690)	6,201	(43)			
<u>102</u>	<u>----</u>	<u>6,949</u>	NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>102</u>	<u>----</u>	<u>6,949</u>			
(3,539)	(12,828)	(4,544)	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(3,452)	(12,828)	(10,409)			
100,359	100,359	104,903	Opening Cash and Cash Equivalents	16	103,499	103,499	113,908			
<u>96,820</u>	<u>87,531</u>	<u>100,359</u>	CLOSING CASH AND CASH EQUIVALENTS	16	<u>100,047</u>	<u>90,671</u>	<u>103,499</u>			

The accompanying notes form part of these financial statements.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Summary of Significant Accounting Policies

a) The Reporting Entity

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

SLHD is a NSW Government entity and is controlled by the NSW Ministry of Health, which is the immediate parent. The reporting entity is also controlled by the State of New South Wales (and is consolidated as part of the NSW Total State Sector Accounts), which is the ultimate parent. The reporting entity is a not-for-profit entity as profit is not its principal objective.

SLHD, 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 note 24), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * Sydney Local Health District Special Purpose Service Entity which was established as a Division of the SLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable SLHD to exercise its functions.
- * The Anzac Health and Medical Research Foundation, which conducts medical research on the Concord Hospital campus.

As a consequence the values in the financial statements presented herein consist of the parent entity and the consolidated entity which comprises the Parent, Special Purpose Service Entity and the Anzac Health and Medical Research Foundation. 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.

These consolidated financial statements for the year ended 30 June 2018 were authorised for issue by the Chief Executive on 4 September 2018.

b) Basis of Preparation

SLHD'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 the Public Finance and Audit Regulation 2015, and Financial Reporting Directions mandated by the Treasurer. The financial statements comply with the NSW Treasury mandates circular for NSW General Government Sector Entities. Further information on the adjusted budget figures can be found at Note 1(ae).

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

The Secretary of Health, the Chair of 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 SLHD'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 SLHD 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 assumption is appropriate include:

- * Allocated funds, combined with other revenues earned, are applied to pay debts as and when they become due and payable.
- * SLHD has the capacity to review timing of subsidy cashflows to ensure that debts can be paid when they become due and payable.
- * SLHD has developed an Efficiency Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by SLHD and assist in meeting its overall budget target. The EIP is monitored and evaluated by the Ministry throughout the financial year.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Summary of Significant Accounting Policies

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.

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 and Wages, Annual Leave, Sick Leave, Allocated Days Off (ADO) 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 and ADO are not expected to be settled wholly before 12 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 NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 17.9% are applied to the value of leave payable at 30 June 2018 (comparable on-costs for 30 June 2017 were 17.2%). SLHD has assessed the actuarial advice based on the SLHD's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the consolidated entity does not expect to settle the liability within 12 months as the consolidated entity does not have an unconditional right to defer settlement.

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

SLHD's liability for Long Service Leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity, which is a controlled entity of the ultimate parent.

SLHD 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 SLHD as shown in Note 27.

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 employee's salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employee's 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 SLHD 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.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Summary of Significant Accounting Policies

f) Insurance

SLHD's insurance activities are conducted through the NSW Treasury Managed Fund (TMF) Scheme of self insurance for government entities. The expense (premium) is determined by the Fund Manager based on past claims experience. The TMF is managed by Insurance and Care NSW (iCare), a controlled entity of the ultimate parent.

g) Grants and Subsidies

Grant and subsidies expense generally comprise contributions in cash or in kind to various local government authorities and not-for-profit community organisations to support their health-related objectives and activities. The grant and subsidies are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

h) Finance Costs

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

i) 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 SLHD 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).

Grants and Other Contributions

Grants and other contributions, comprising mainly cash and in-kind contributions, are recognised as revenues when control passes to SLHD and the contractual obligations have been satisfied. In-kind contributions are measured at fair value on transfer 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.

Highly Specialised Drugs

Revenue for highly specialised drugs is paid by the Commonwealth in accordance with the terms of the Commonwealth agreement through Medicare and reflects the recoupment of costs incurred under Section 100 of the National Health Act 1953 for highly specialised drugs. The agreement provides for the provision of medicines for the treatment of chronic conditions where specific criteria are 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. SLHD recognises the revenue on an accrual 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 SLHD 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. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

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

Debt Forgiveness

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

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Summary of Significant Accounting Policies

Use of Hospital Facilities

Specialist doctors with rights of private practice are subject to an infrastructure charge including service charges where applicable 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 SLHD 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 SLHD use in the advancement of SLHD or individuals within it.

Refer to Note 9(b) for further details.

Use of Outside Facilities

SLHD 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.

NSW Ministry of Health Allocations

Payments are made by the immediate parent on the basis of the allocation for SLHD 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 \$12.431 million (Tresillian and Scarba) have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. SLHD 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.

j) 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 SLHD 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.

k) Acquisition of Property, Plant and Equipment

Property, plant and equipment acquired are initially recognised at cost and subsequently revalued at fair value less accumulated depreciation and impairment. 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.

Most assets are acquired from Health Administration Corporation, a controlled entity of the immediate parent.

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

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 are owned by the Health Administration Corporation, an entity controlled by the immediate parent. Land and buildings which are operated/occupied by SLHD are deemed to be controlled by SLHD and are reflected as such in the financial statements.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Summary of Significant Accounting Policies

l) Capitalisation Thresholds

Property, plant and equipment and Intangibles costing \$10,000 and above individually (or forming part of a network costing more than \$10,000) are capitalised.

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 SLHD. 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:

	2018	2017
Artwork	5.0%	5.0%
Buildings	2.5%	2.5%
Infrastructure Systems	2.5%	2.5%
Plant and Equipment		
- 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%
- 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%
*Buildings - Leasehold	4%	4%

“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.

SLHD revalues land and buildings at a minimum of every three years by independent valuation and with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value at reporting date. The last revaluation for assets held by SLHD as at 30 June 2018 was completed in December 2015 and was based on an independent assessments.

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 20 and Note 23 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.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Summary of Significant Accounting Policies

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.

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 a loss in the net result, the increment is recognised immediately as a gain in the net result.

Revaluation decrements are recognised immediately as a loss 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

On initial recognition, the present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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.

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

r) Intangible Assets

SLHD recognises intangible assets only if it is probable that future economic benefits will flow to SLHD 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.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

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

Computer software developed or acquired by SLHD is recognised as an intangible asset and is 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. Most computer software is acquired from the Health Administration Corporation, a controlled entity of the immediate parent.

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.

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.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Summary of Significant Accounting Policies

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 held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

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. SLHD determines the classification of its financial assets after initial recognition and when allowed and appropriate, re-evaluates this at each financial year end.

* SLHD 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.

* TCorpIM Funds investment facilities are managed by New South Wales Treasury Corporation, a controlled entity of the ultimate parent. The facilities are designated at fair value through profit or loss as the management and performance of these financial assets is undertaken on a fair value basis, in accordance with a documented risk management strategy. Information about these assets is provided internally to SLHD's key management personnel.

* The risk management strategy of SLHD has been developed consistent with the investment powers granted under the provision of the Public Authorities (Financial Arrangements) Act 1987.

* TCorpIM Funds 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 TCorpIM Funds investments incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'.

* Held-to-maturity investments – Non-derivative financial assets with fixed or determinable payments and fixed maturity that SLHD has the positive intention and ability to hold to maturity are classified as 'held-to-maturity'.

These investments are measured at amortised cost using the effective interest method. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

* Available-for-sale investments - Any investments that do not fall into any other category are accounted for as available-for-sale investments and measured at fair value. Gains or losses on available-for-sale investments are recognised in other comprehensive income until disposed or impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the net result for the year. However, interest calculated using the effective interest method and dividends are recognised in the net result for the year.

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 SLHD commits to purchase or sell the asset.

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.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Summary of Significant Accounting Policies

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 SLHD transfers the financial asset:

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

Where SLHD has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of SLHD'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 SLHD 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 SLHD.

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 SLHD'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, SLHD 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).

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

Refer to Note 23 for further disclosures regarding fair value measurements of non-financial assets.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Summary of Significant Accounting Policies

ac) 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 SLHD'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.

ad) Trust Funds

SLHD receives monies in a trustee capacity for various trusts as set out in Note 30.

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

ae) 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). SLHD'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, SLHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between SLHD 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.

af) Emerging Asset

SLHD's emerging interest in the Lifehouse Class A Assets, Radiation Oncology Building and Lifehouse Main Building has been valued in accordance with the Ministry of Health's policy for Accounting for Privately Financed Projects. This policy required SLHD 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 40 years using the annuity method and the Government Bond rate of 4.74% at commencement of the concession period.

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

(i) Effective for the first time in 2017-18

The accounting policies applied in 2017-18 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:

* AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107 Statement of Cash Flows applies to annual periods beginning on or after 1 January 2017. The standard amends AASB 107 Statement of Cash Flows to require additional disclosures for financing activities in the Statement of Cash Flows. A reconciliation of liabilities arising from financing activities has been added to Note 33 of these financial statements.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Summary of Significant Accounting Policies

(ii) Issued but not yet effective

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

- * AASB 9 'Financial Instruments' applies to annual periods beginning on or after 1 January 2018. AASB 9 Financial Instruments will replace AASB 139 Financial Instruments: Recognition and Measurement and establishes new principles for the financial reporting of financial assets, financial liabilities and hedge accounting. AASB 9 Financial Instruments also introduces a forward-looking 'expected credit losses' impairment model, which may impact the timing and amount of impairment recognition.
- * AASB 16 'Leases' replaces all existing leases requirements and applies to annual periods beginning on or after 1 January 2019. For lessees, the distinction between operating and finance leases will no longer exist. Instead, AASB 16 will require lessees to account for practically all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low value' assets (e.g. personal computers below \$10,000) and short term leases (i.e. leases with a lease term of 12 months or less). At the commencement of a lease, a lessee will recognise a liability representing its obligation to make future lease payments and an asset representing its right of use to the underlying asset for the lease term. Lessees will be required to separately recognise interest expense on the lease liability and depreciation expense on the Right of Use asset rather than operating lease expense.

The lease expense recognition pattern for leases will generally be accelerated as compared to today. Some key balance sheet metrics may also be impacted. Also, the statement of cash flows for lessees will be affected as payments for the principal portion of the lease liability will be presented within financing activities.

Lessor accounting is substantially unchanged from existing's accounting under AASB 117. Lessors will continue to classify all leases using the same classification as in AASB 117 and distinguish between two types of leases: operating and finance leases.

The standard permits two methods of adoption: full retrospective – by retrospectively adjusting each prior reporting period presented and recognising the cumulative effect of initially applying the new requirements at the start of the earliest period, which would be 1 July 2018; or modified retrospective – by recognising the cumulative effect of initially applying the new requirements at the initial application, which would be 1 July 2019. NSW Treasury has mandated modified retrospective application of this accounting standard.

- * AASB 15 'Revenue from Contracts with Customers' (and associated amending standards AASB 2014-5, AASB 2015-8, AASB 2016-3, AASB 2016-7 and AASB 2016-8) applies to annual periods beginning on or after 1 January 2019 for not-for-profit entities. AASB 15 establishes a contract-based five-step analysis of transactions to determine the nature, amount and timing of revenue arising from contracts with customers. This new standard requires revenue to be recognised when control of the goods or services are transferred to the customer at the transaction price. This may impact the timing of recognising certain revenue currently recognised by reference to the stage of completion of the transaction.
- * AASB 1058 'Income of Not-for-Profit Entities' applies to not-for-profit entities and is effective for annual periods beginning on or after 1 January 2019. This standard requires entities to recognise income where the consideration to acquire an asset, including cash, is significantly less than the fair value principally to enable the entity to further its objectives. Under this standard, the timing of income recognition may be impacted depending on whether there is a liability or other performance obligation associated with the acquired asset, including cash. AASB 1058 also requires government agencies to recognise income for volunteer services received if the fair value of those services can be measured reliably and the services would have been purchased if they had not been donated. This is consistent with current practice under AASB 1004 'Contributions' and is not expected to materially impact these financial statements.
- * AASB 1059 'Service Concession Arrangements' is applicable to public sector entities only and requires the grantor to recognise a service concession asset in a service concession arrangement where it controls the asset. A corresponding financial liability and/or grant of right liability is also recognised depending on the nature of the consideration exchanged. Service concession assets (including those provided by the operator, an upgrade to or a major component replacement of an existing asset of the grantor; and existing assets of the grantor – also applicable to previously unrecognised intangible assets except goodwill) are initially measured at current replacement cost based on AASB 13 'Fair Value Measurement' principles. They are subsequently accounted for under AASB 116 'Property, Plant & Equipment' or AASB 138 'Intangible Assets'. Service concession liabilities are initially measured at the same amount as the service concession asset and subsequently measured using either the "financial liability" model applying AASB 9 or the "grant of right" model under AASB 1059. AASB 1059 requires retrospective application.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Summary of Significant Accounting Policies

Overview of Assessment Activities

NSW Health designed a project roadmap to implement the five new accounting standards above by their application dates. The project consists of 4 phases: Scoping, Data Gathering, In Depth Analysis and Implementation. The Scoping phase has been completed and the Data Gathering has begun. An external project consultant and project manager will be appointed and various steering committees and project teams will be formed as part of the implementation project. Central high level estimates on the impact of the new accounting standards were also calculated and reported to NSW Treasury by the central team at the Ministry of Health. Further details are available in the Ministry of Health's consolidated financial statements.

SLHD is continuously analysing and assessing the impact of the new accounting standards. This includes changes to our accounting policies, internal and external reporting requirements, IT systems, business processes and associated internal controls with the objectives of quantifying the expected first time adoption impacts as well as supporting ongoing compliance with the new accounting requirements.

Potential Impact on LHD's Financial Report.

While the consolidated entity is yet to undertake a detailed assessment of the classification and measurement of all of the accounting standards, the following general impacts are expected from the work conducted so far:

Financial Instruments

- * The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred impairment losses. This may result in earlier recognition of credit loss provisions.

Leases

- * The total assets and liabilities on the balance sheet will increase. Net total assets are expected to decrease due to a reduction of the capitalised asset being on a straight line basis whilst the liability reduces the principal amount of repayments. Net current assets will also show a decrease due to an element of the liability being disclosed as current liability.
- * Interest expenses will increase due to the unwinding of the effective interest rate implicit in the lease. Interest expense will be greater earlier in a lease life due to the higher principal value causing profit variability over the course of the lease life. This effect may be partially mitigated due to the number of leases held in the entity at different stages of their lease terms.
- * Depreciation expense will be booked on 'Right of Use' assets, which will be on a straight-line basis.
- * Operating cash flows will be higher as repayment of the principle portion of all lease liabilities will be classified as financing activities.

Revenue and Income of Not-for-Profit Entities

- * The deferral of some revenues of SLHD.
- * Impact on the estimates and judgements involved in the unbilled revenue process.
- * Specific quantitative and qualitative disclosures may be required under AASB 15 Revenue from Contracts with Customers.

Service Concession Arrangements

- * No significant impact expected on SLHD.
- * Service Concession assets and liabilities may be brought onto the balance sheet which are currently treated as emerging assets.

Application Date

SLHD plans to adopt the new standards on the required effective date in line with the NSW Treasury's instructions.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		2. Employee Related Expenses		
----	----	Salaries and Wages (including annual leave and ADO)	956,775	898,162
----	----	Superannuation - Defined Benefit Plans	8,594	9,121
----	----	Superannuation - Defined Contribution Plans	83,946	78,300
----	----	Long Service Leave	44,857	14,931
----	----	Redundancies	----	662
----	----	Workers' Compensation Insurance	8,241	8,163
----	----	Fringe Benefits Tax	157	45
-----	-----		-----	-----
-----	-----		1,102,570	1,009,384

The amounts below are capitalised and do not form part of the above total employee related costs:

----	----	Employee Related Expenses Capitalised - Land and Buildings	177	129
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		3. Personnel Services		
953,435	895,334	Salaries and Wages (including annual leave and ADO)	----	----
83,652	78,034	Superannuation - Defined Contribution Plans	----	----
4,809	(159)	Long Service Leave	----	----
----	662	Redundancies	----	----
8,241	8,163	Workers' Compensation Insurance	----	----
157	45	Fringe Benefits Tax	----	----
-----	-----		-----	-----
1,050,294	982,079		-----	-----

Personnel services of Sydney Local Health District was provided by its controlled entity, Sydney Local Health District Special Purpose Service Entity.

The amounts below are capitalised and do not form part of the above total personnel services:

177	129	Personnel Services Expenses Capitalised - Land and Buildings	----	----
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Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
4. Other Expenses				
111	174	Advertising	113	175
246	240	Auditor's Remuneration - Audit of Financial Statements	273	266
22,586	21,699	Blood and Blood Products	22,586	21,699
1,213	545	Consultancies	1,213	545
5,848	4,841	Contractors	6,123	4,988
17,792	18,030	Domestic Supplies and Services	17,805	18,037
69,097	74,834	Drug Supplies	69,136	74,857
25,700	25,232	Food Supplies	25,719	25,264
14,830	12,172	Fuel, Light and Power	14,831	12,172
7,990	3,942	Patient Transport Costs	7,990	3,942
23,933	22,344	Information Management Expenses	23,945	22,354
1,741	1,596	Insurance	1,773	1,629
37,022	36,905	Maintenance (See 4(b) below)	36,729	37,750
101,209	95,792	Medical and Surgical Supplies	101,236	95,810
1,958	1,943	Motor Vehicle Expenses	1,963	1,948
2,614	2,549	Postal and Telephone Costs	2,619	2,557
3,775	4,041	Printing and Stationery	3,810	4,070
2,112	2,019	Rates and Charges	2,116	2,030
3,562	3,947	Rental	3,562	3,947
153	277	Hosted Services Purchased from entities controlled by the immediate parent	153	277
69,182	61,221	Specialised Services (Pathology, Dental, Dialysis, Radiology, research and other departments)	70,641	62,381
16,357	16,728	Staff Related Costs	17,095	17,738
5,176	4,935	Travel Related Costs	5,322	5,095
70,144	172,093	Other (See 4(a) below)	70,430	172,401
504,351	588,099		507,183	591,932

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		4. Other Expenses		
		a) Other Includes:		
2,243	1,759	Aircraft Expenses (Ambulance)	2,243	1,759
47,162	45,797	Contract for Patient Services	47,162	45,797
10,931	10,383	Corporate Support Services	10,931	10,383
908	881	Courier and Freight	967	930
12	----	Isolated Patient Travel and Accommodation Assistance Scheme	12	----
3,201	935	Legal Services	3,247	935
551	441	Membership/Professional Fees	567	460
1,899	2,088	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,903	2,093
2,061	1,892	Other Operating Lease Expense - Minimum Lease Payments	2,061	1,892
145	116	Quality Assurance/Accreditation	145	116
686	814	Security Services	686	814
345	106,987	Other Miscellaneous	506	107,222
<u>70,144</u>	<u>172,093</u>		<u>70,430</u>	<u>172,401</u>

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		4. Other Expenses		
		b) Reconciliation of Total Maintenance		
17,344	18,349	Maintenance Contracts	17,515	18,451
6,900	10,343	New/Replacement Equipment under \$10,000	6,408	11,020
12,840	8,874	Repairs Maintenance/Non Contract	12,868	8,940
(62)	(661)	Other	(62)	(661)
<hr/>	<hr/>		<hr/>	<hr/>
37,022	36,905	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	36,729	37,750
7,463	7,233	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	7,463	7,233
<hr/>	<hr/>		<hr/>	<hr/>
44,485	44,138	Total Maintenance Expenses	44,192	44,983
<hr/> <hr/>	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>

'Auditor's Remuneration' was paid to The Audit Office of New South Wales, an entity controlled by the ultimate parent.

'Patient Transport Costs' were paid to Health Administration Corporation, which is an entity controlled by the immediate parent.

The majority of 'Information Management Expenses' were paid to Health Administration Corporation, an entity controlled by the immediate parent.

The majority of 'Domestic Supplies and Services', 'Food Supplies', 'Corporate Support Services', were paid to Health Administration Corporation, an entity controlled by the immediate parent.

The majority of 'Specialised Services' expenses were paid to the Health Administration Corporation, an entity controlled by the immediate parent.

Some 'Rental' and 'Staff Related costs' expenses were paid to entities controlled by the immediate parent.

Some 'Legal expenses' were paid to the Crown Solicitors Office, an entity controlled by the ultimate parent.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
5. Depreciation and Amortisation				
39,111	39,238	Depreciation - Buildings	39,573	39,699
14,908	12,974	Depreciation - Plant and Equipment	15,364	13,357
12	13	Depreciation - Infrastructure Systems	12	13
219	278	Amortisation - Leasehold Improvements	219	278
225	164	Amortisation - Intangible Assets	225	164
54,475	52,667		55,393	53,511
6. Grants and Subsidies				
18,498	17,635	Non-Government Organisations	18,498	17,635
556	241	Grants to Research Organisations	556	241
11,915	451	Grants paid to entities controlled by the immediate parent	11,915	451
750	572	Other Grants	958	930
31,719	18,899		31,927	19,257
7. Finance Costs				
229	4	Interest on Loans	229	4
229	4		229	4
8. Payments to Affiliated Health Organisations				
		Recurrent Sourced		
11,806	11,533	Tresillian Family Care Centres at Belmore, Willoughby, and Wollstonecraft	11,806	11,533
625	610	Central Sydney Scarba Service	625	610
12,431	12,143		12,431	12,143

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
9. Sale of Goods and Services				
a) Sale of Goods comprise the following:-				
1,583	656	Pharmacy Sales	1,583	656
10,064	10,090	Sale of Prosthesis	10,064	10,090
21	24	Other	21	24
11,668	10,770		11,668	10,770
b) Rendering of Services comprise the following:-				
		Patient Fees		
87,178	77,980	- Inpatient Fees	87,178	77,980
223	109	- Nursing Home Fees	223	109
4,417	3,511	- Non Inpatient Fees	4,417	3,511
9,780	12,356	Department of Veterans' Affairs	9,780	12,356
697	624	Staff-Meals and Accommodation	697	624
18,704	18,093	Infrastructure Fees - Monthly Facility Charge	18,704	18,093
9,791	10,362	Infrastructure Fees - Annual Charge	9,791	10,362
2,715	2,819	Cafeteria/Kiosk	2,715	2,819
4,006	4,066	Car Parking	4,006	4,066
1,047	1,239	Child Care Fees	1,047	1,239
22	4,800	Clinical Services (excluding Clinical Trials)	22	4,800
97	255	Commercial Activities	97	255
16	132	Enteral Nutrition	16	132
115	114	Fees for Medical Records	115	114
58	65	Information Retrieval	58	65
34,271	39,940	Highly Specialised Drugs	34,271	39,940
7,295	5,710	Motor Accident Authority Third Party	7,295	5,710
147	140	Private Use of Motor Vehicles	147	140
----	132	Salary Packaging Fee	----	132
7,668	13,641	Hosted Services Provided to entities controlled by immediate parent	7,668	13,641
4,048	6,007	Services Provided to Non NSW Health Organisations	4,048	6,007
----	12	Shared Corporate Services	----	12
3,915	1,755	Other	3,915	1,755
196,210	203,862		196,210	203,862
207,878	214,632		207,878	214,632

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
9. Sale of Goods and Services				
<p>The majority of 'Commercial Activities' revenue was earned from entities controlled by the immediate parent.</p> <p>The majority of 'Motor Accident Authority Third Party ' revenue was received from State Insurance Regulatory Authority (SIRA) an entity controlled by the ultimate parent.</p>				
10. Investment Revenue				
4,177	4,667	Interest	4,761	5,236
50	65	Other	50	65
4,227	4,732		4,811	5,301
4,227	4,732		4,811	5,301

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
11. Grants and Other Contributions				
6,827	7,406	Clinical Trials	6,827	7,406
11,786	11,476	Commonwealth Government Grants	11,786	11,476
5,258	4,198	Industry Contributions/Donations	6,340	4,942
4,606	4,487	Cancer Institute Grants	4,606	4,487
2,222	3,097	Grants & Contributions received from entities controlled by the ultimate parent	2,222	3,097
3,625	2,180	Grants & Contributions received from entities controlled by the immediate parent	3,625	2,180
2,780	1,788	Research Grants	7,473	7,532
4,766	3,249	Other Grants	4,766	3,249
41,870	37,881		47,645	44,369

The Cancer Institute is an entity controlled by the immediate parent.

The majority of grants that were received from entities controlled by the ultimate parent were received from the NSW Family and Community Service - Ageing Disability and Home Care and the NSW Department of Education.

The majority of grants that were received from entities controlled by the immediate parent were received from Western Sydney LHD, Northern Sydney LHD and Health Education and Training Institute.

12. Acceptance by the Crown Entity of Employee Benefits

The following liabilities and expenses have been assumed by the Crown Entity:

----	----	Superannuation-defined benefit	8,594	9,121
----	----	Long Service Leave	40,047	15,090
-----	-----		48,641	24,211

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		13. Other Income		
		Other Revenue comprises the following:-		
188	207	Commissions	188	207
1,407	1,182	Conference and Training Fees	1,407	1,182
----	1	Discounts	----	1
1,315	25,504	Insurance Refunds	1,315	25,504
4,606	5,901	Lease and Rental *	4,606	5,901
102	141	Sale of Merchandise, Old Wares and Books	102	141
301	763	Sponsorship	301	763
3,599	3,616	Treasury Managed Fund Hindsight Adjustment	3,599	3,616
----	10	Unclaimed Deposits	----	10
11,071	4,169	Other	12,974	6,772
22,589	41,494		24,492	44,097
		*Some 'Lease and Rental' revenue was received from entities controlled by the immediate parent.		
		14. Gain / (Loss) on Disposal		
9,661	22,402	Property, Plant and Equipment	9,753	22,544
(9,282)	(21,940)	Accumulated Depreciation	(9,351)	(22,063)
379	462	Written Down Value	402	481
154	8	Proceeds from Disposal	154	8
(225)	(454)	Gain/(Loss) on Disposal of Property, Plant and Equipment	(248)	(473)
(225)	(454)	Total Gain/(Loss) on Disposal	(248)	(473)
		15. Other Gains / (Losses)		
(7,296)	(942)	Impairment of Receivables	(7,296)	(942)
(7,296)	(942)		(7,296)	(942)

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
16. Cash and Cash Equivalents				
68,803	73,834	Cash at Bank and On Hand	72,030	76,975
28,017	26,525	Short Term Deposits	28,017	26,524
96,820	100,359		100,047	103,499

For the purposes of the Statement of Cash Flows, Cash and Cash Equivalents include Cash at Bank, Cash on Hand, Short Term Deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value, and net of outstanding bank overdraft.

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:

96,820	100,359	Cash and Cash Equivalents (per Statement of Financial Position)	100,047	103,499
96,820	100,359	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	100,047	103,499

Refer to Note 37 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
17. Receivables				
Current				
38,035	38,093	Sale of Goods and Services	38,467	38,642
6,279	10,306	Intra Health Receivables	6,279	10,306
3,272	4,270	Goods and Services Tax	3,255	4,191
26,057	26,515	Other Debtors	26,113	26,565
<u>73,643</u>	<u>79,184</u>	Sub Total	<u>74,114</u>	<u>79,704</u>
(5,549)	(3,816)	Less Allowance for Impairment	(5,549)	(3,816)
68,094	75,368	Sub Total	68,565	75,888
3,480	2,564	Prepayments	3,768	2,627
<u>71,574</u>	<u>77,932</u>		<u>72,333</u>	<u>78,515</u>
<p>'Intra Health Receivables' include amounts receivable from entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from South Western Sydney LHD and South Eastern Sydney.</p>				
a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(2,702)	(4,760)	Balance at Commencement of Reporting Period	(2,702)	(4,760)
4,696	2,214	Amounts written off during the period	4,696	2,214
(6,666)	(156)	(Increase)/decrease in Allowance Recognised in the Net Result	(6,666)	(156)
<u>(4,672)</u>	<u>(2,702)</u>	Balance at 30 June	<u>(4,672)</u>	<u>(2,702)</u>
b) Movement in the Allowance for Impairment				
Other Debtors				
(1,114)	(834)	Balance at Commencement of Reporting Period	(1,114)	(834)
867	507	Amounts written off during the period	867	507
(630)	(787)	(Increase)/decrease in Allowance Recognised in the Net Result	(630)	(787)
<u>(877)</u>	<u>(1,114)</u>	Balance at 30 June	<u>(877)</u>	<u>(1,114)</u>
<u>(5,549)</u>	<u>(3,816)</u>		<u>(5,549)</u>	<u>(3,816)</u>

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
17. 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:				
4,368	4,431	Patient Fees - Compensable	4,368	4,431
11,230	10,525	Patient Fees - Ineligible	11,230	10,525
11,800	10,801	Patient Fees - Inpatient & Other	11,800	10,801
27,398	25,757		27,398	25,757
27,398	25,757		27,398	25,757

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 37.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		18. Inventories		
5,247	4,751	Drugs	5,247	4,751
6,266	4,474	Medical and Surgical Supplies	6,266	4,474
<u>11,513</u>	<u>9,225</u>		<u>11,513</u>	<u>9,225</u>
		19. Other Financial Assets		
		Current		
77,209	76,305	Term Deposits	98,126	96,215
<u>77,209</u>	<u>76,305</u>		<u>98,126</u>	<u>96,215</u>

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
20. Property, Plant and Equipment				
Land and Buildings - Fair Value				
2,020,872	1,991,250	Gross Carrying Amount	2,034,422	2,004,800
917,910	880,524	Less: Accumulated Depreciation and Impairment	924,265	886,417
<u>1,102,962</u>	<u>1,110,726</u>	Net Carrying Amount	<u>1,110,157</u>	<u>1,118,383</u>
Plant and Equipment - Fair Value*				
219,712	218,862	Gross Carrying Amount	226,353	224,558
128,153	122,526	Less: Accumulated Depreciation and Impairment	131,751	125,738
<u>91,559</u>	<u>96,336</u>	Net Carrying Amount	<u>94,602</u>	<u>98,820</u>
Infrastructure Systems - Fair Value				
500	500	Gross Carrying Amount	500	500
82	70	Less: Accumulated Depreciation and Impairment	82	70
<u>418</u>	<u>430</u>	Net Carrying Amount	<u>418</u>	<u>430</u>
Leasehold Improvements - Fair Value*				
1,155	690	Gross Carrying Amount	1,155	690
760	541	Less: Accumulated Depreciation and Impairment	760	541
<u>395</u>	<u>149</u>	Net Carrying Amount	<u>395</u>	<u>149</u>
<u>1,195,334</u>	<u>1,207,641</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>1,205,572</u>	<u>1,217,782</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.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT

20. Property, Plant and Equipment - Reconciliation

A reconciliation of the carrying amount for each class of property, plant and equipment is set out below:

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2018					
Net carrying amount at start of year	1,110,726	96,336	430	149	1,207,641
Additions	38,257	14,704	----	465	53,426
Disposals	----	(379)	----	----	(379)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	(11,104)	----	----	(11,104)
Depreciation Expense	(39,111)	(14,908)	(12)	(219)	(54,250)
Reclassifications	(6,910)	6,910	----	----	----
Net carrying amount at end of year	1,102,962	91,559	418	395	1,195,334

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2017					
Net carrying amount at start of year	1,126,346	77,754	443	427	1,204,970
Additions	23,800	31,679	----	----	55,479
Disposals	(157)	(305)	----	----	(462)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	157	----	----	157
Depreciation Expense	(39,238)	(12,974)	(13)	(278)	(52,503)
Reclassifications	(25)	25	----	----	----
Net carrying amount at end of year	1,110,726	96,336	430	149	1,207,641

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 23.

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by SLHD [see note 1(k)].
- (ii) Indices provided by AON (2017: AON) were not applied in 2018 and 2017 as they were deemed immaterial.
- (iii) For land, buildings and infrastructure systems and Other Assets SLHD obtains external valuations by independent valuers every three years. The last revaluation was performed by AON for the 2015/16 financial year. AON is an independent entity and is not an employee of the SLHD.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

CONSOLIDATION

20. Property, Plant and Equipment - Reconciliation (Continued)

A reconciliation of the carrying amount for each class of property, plant and equipment is set out below:

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2018					
Net carrying amount at start of year	1,118,383	98,820	430	149	1,217,782
Additions	38,257	15,742	----	465	54,464
Disposals	----	(402)	----	----	(402)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	(11,104)	----	----	(11,104)
Depreciation Expense	(39,573)	(15,364)	(12)	(219)	(55,168)
Reclassifications	(6,910)	6,910	----	----	----
Net carrying amount at end of year	1,110,157	94,602	418	395	1,205,572

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2017					
Net carrying amount at start of year	1,134,464	80,388	443	427	1,215,722
Additions	23,800	31,931	----	----	55,731
Disposals	(157)	(324)	----	----	(481)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	157	----	----	157
Depreciation Expense	(39,699)	(13,357)	(13)	(278)	(53,347)
Reclassifications	(25)	25	----	----	----
Net carrying amount at end of year	1,118,383	98,820	430	149	1,217,782

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 23.

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by SLHD [see note 1(k)].
- (ii) Indices provided by AON (2017: AON) were not applied in 2018 and 2017 as they were deemed immaterial.
- (iii) For land, buildings and infrastructure systems and Other Assets SLHD obtains external valuations by independent valuers every three years. The last revaluation was performed by AON for the 2015/16 financial year. AON is an independent entity and is not an employee of the SLHD.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
21. Intangible Assets				
Intangibles				
1,411	848	Cost (Gross Carrying Amount)	1,411	848
520	295	Less Accumulated Amortisation and Impairment	520	295
<u>891</u>	<u>553</u>	Net Carrying Amount	<u>891</u>	<u>553</u>
<u>891</u>	<u>553</u>	Total Intangible Assets at Net Carrying Amount	<u>891</u>	<u>553</u>

21. Intangibles Assets - Reconciliation

PARENT & CONSOLIDATION

	Total \$000
2018	
Net carrying amount at start of year	553
Additions (From Internal Development or Acquired Separately)	563
Amortisation (Recognised in Depreciation and Amortisation)	(225)
Net carrying amount at end of year	891

	Total \$000
2017	
Net carrying amount at start of year	659
Additions (From Internal Development or Acquired Separately)	58
Amortisation (Recognised in Depreciation and Amortisation)	(164)
Net carrying amount at end of year	553

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		22. Other Assets		
		Non-Current		
		Emerging Rights to Assets (refer Note 1(af))		
4,653	3,552		4,653	3,552
<u>4,653</u>	<u>3,552</u>		<u>4,653</u>	<u>3,552</u>

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT & CONSOLIDATION

23. 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

2018	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
PARENT				
Property, Plant and Equipment (Note 20)				
- Land and Buildings	----	9,500	1,022,337	1,031,837
- Infrastructure Systems	----	----	418	418
Other Assets (Note 22) Emerging Assets	----	----	4,653	4,653
	-----	-----	-----	-----
	-----	9,500	1,027,408	1,036,908
CONSOLIDATION				
Property, Plant and Equipment (Note 20)				
- Land and Buildings	----	9,500	1,029,532	1,039,032
- Infrastructure Systems	----	----	418	418
Other Assets (Note 22) Emerging Assets	----	----	4,653	4,653
	-----	-----	-----	-----
	-----	9,500	1,034,603	1,044,103

There were no transfers between level 1 and 2 during the year ended 30 June 2018.

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 20.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT & CONSOLIDATION

23. Fair Value Measurement of Non-Financial Assets

2017	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
PARENT				
Property, Plant and Equipment (Note 20)				
- Land and Buildings	----	9,598	1,060,804	1,070,402
- Infrastructure Systems	----	----	430	430
Other Assets (Note 22) Emerging Assets	----	----	3,552	3,552
	-----	-----	-----	-----
	-----	9,598	1,064,786	1,074,384
CONSOLIDATION				
Property, Plant and Equipment (Note 20)				
- Land and Buildings	----	9,598	1,068,461	1,078,059
- Infrastructure Systems	----	----	430	430
Other Assets (Note 22) Emerging Assets	----	----	3,552	3,552
	-----	-----	-----	-----
	-----	9,598	1,072,443	1,082,041

There were no transfers between level 1 and 2 during the year ended 30 June 2017.

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 20.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT & CONSOLIDATION

23. Fair Value Measurement of Non-Financial Assets

b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure systems and other assets SLHD obtains external valuations by independent valuers every three years. The last revaluation was performed by AON for the 2015/16 financial year. AON is an independent entity and is not an associated entity of SLHD.

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 to Note 20 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.

The majority of the restricted land has been classified as Level 3, 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 and other assets, 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.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT & CONSOLIDATION

23. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2018	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
PARENT				
Fair value as at 1 July 2017	1,060,804	430	3,552	1,064,786
Additions	----	----	1,101	1,101
Disposals	----	----	----	----
Depreciation	(38,467)	(12)	----	(38,479)
Fair value as at 30 June 2018	1,022,337	418	4,653	1,027,408
CONSOLIDATION				
Fair value as at 1 July 2017	1,068,461	430	3,552	1,072,443
Additions	----	----	1,101	1,101
Disposals	----	----	----	----
Depreciation	(38,929)	(12)	----	(38,941)
Fair value as at 30 June 2018	1,029,532	418	4,653	1,034,603

There were no transfers between Level 1 or 2 during the periods.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT & CONSOLIDATION

23. Fair Value Measurement of Non-Financial Assets

2017	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
PARENT				
Fair value as at 1 July 2016	1,099,811	443	2,501	1,102,755
Additions	----	----	1,051	1,051
Disposals	(157)	----	----	(157)
Depreciation	(38,850)	(13)	----	(38,863)
Fair value as at 30 June 2017	<u><u>1,060,804</u></u>	<u><u>430</u></u>	<u><u>3,552</u></u>	<u><u>1,064,786</u></u>
CONSOLIDATION				
Fair value as at 1 July 2016	1,107,930	443	2,501	1,110,874
Additions	----	----	1,051	1,051
Disposals	(157)	----	----	(157)
Depreciation	(39,312)	(13)	----	(39,325)
Fair value as at 30 June 2017	<u><u>1,068,461</u></u>	<u><u>430</u></u>	<u><u>3,552</u></u>	<u><u>1,072,443</u></u>

There were no transfers between Level 1 or 2 during the periods.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

24. Restricted Assets

SLHD's financial statements include the following assets which are restricted for stipulated purposes and/or by externally imposed conditions, e.g. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.

PARENT	Opening Equity	Expenses	Revenue	Closing Equity
Category	1 July 2017	2018	2018	30 June 2018
	\$000	\$000	\$000	\$000
Community Welfare	1,715	(1,018)	675	1,372
Facility Improvements	50,650	(10,182)	11,568	52,036
Holds Funds in Perpetuity	532	----	1	533
Patient Welfare	3,363	(1,455)	576	2,484
Private Practice Disbursements (No.2 Accounts)	51,079	(7,662)	10,029	53,446
Public Contributions	2,369	(671)	636	2,334
Research	39,344	(10,403)	12,044	40,985
Staff Welfare	215	(26)	49	238
Training and Education incl. Conferences	15,217	(1,762)	837	14,292
	164,484	(33,179)	36,415	167,720

CONSOLIDATION	Opening Equity	Expenses	Revenue	Closing Equity
Category	1 July 2017	2018	2018	30 June 2018
	\$000	\$000	\$000	\$000
Community Welfare	1,715	(1,018)	675	1,372
Facility Improvements	75,843	(12,553)	14,914	78,204
Holds Funds in Perpetuity	532	----	1	533
Patient Welfare	3,363	(1,455)	576	2,484
Private Practice Disbursements (No.2 Accounts)	51,079	(7,662)	10,029	53,446
Public Contributions	2,369	(671)	636	2,334
Research	47,105	(15,697)	17,011	48,419
Staff Welfare	215	(26)	49	238
Training and Education incl. Conferences	15,217	(1,762)	837	14,292
	197,438	(40,844)	44,728	201,322

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

24. Restricted Assets

Restricted Financial Asset categories have been expanded in the 2017/18 financial year to provide more clarity to the users of the financial statements. As a result, comparative figures have been adjusted to conform to the current year's presentation.

Restricted assets are held for the following purpose and cannot be used for any other purpose.

Category	Purpose
Community Welfare	Improvements to service access, health literacy, public and preventative health care.
Facility Improvements	Repairs, maintenance, renovations and/or new equipment or building related expenditure.
Holds Funds in Perpetuity	Donor has explicitly requested be invested permanently and not otherwise expended.
Patient Welfare	Improvements such as medical needs, financial needs and standards for patients' privacy and dignity.
Private Practice Disbursements (No.2 Accounts)	Staff specialists' private practice arrangements to improve the level of clinical services provided.
Public Contributions	Donations or legacies received without any donor-specified conditions as to its use.
Research	Research to gain knowledge, understanding and insight.
Staff Welfare	Staff benefits such as staff recognition awards, functions and staff amenities improvements.
Training and Education incl. Conferences	Professional training, education and conferences.
Other	Does not meet the definition of any of the above categories.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
25. Payables				
Current				
----	----	Accrued Salaries, Wages and On-Costs	23,379	20,206
----	----	Taxation and Payroll Deductions	6,649	6,131
29,914	26,253	Accrued Liability - Purchase of Personnel Services	----	----
30,200	48,864	Creditors	30,192	48,857
Other Creditors				
19,187	18,434	- Payables to entities controlled by the immediate parent	19,187	18,434
4,684	1,272	- Other	4,940	1,447
83,985	94,823		84,347	95,075

'Creditors' include some amounts owing to entities controlled by the ultimate parent.

The majority of 'Payables to entities controlled by the immediate parent' relate to balances payable to the Health Administration Corporation, an entity controlled by the immediate parent.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 37.

26. Borrowings				
Current				
732	630	Other Loans and Deposits	732	630
732	630		732	630
Non-Current				
6,319	6,319	Other Loans and Deposits	6,319	6,319
6,319	6,319		6,319	6,319

'Other Loans and Deposits' include balances due to entities controlled by the ultimate parent. All of the balances are due to NSW Treasury.

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

Final Repayment of the loan is scheduled for 31 December 2027.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 37.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
27. Provisions				
Current				
----	----	Annual Leave - Short Term Benefit	104,777	100,425
----	----	Annual Leave - Long Term Benefit	63,851	58,047
----	----	Long Service Leave Consequential On-Costs	27,256	22,831
----	----	Provision for Other Employee Benefits *	4,202	2,030
199,525	182,863	Provision for Personnel Services Liability	----	----
100,300	115,300	Other **	100,300	115,300
299,825	298,163		300,386	298,633
<p>*Allocated Days Off (ADO) liabilities have been reclassified from 'ADO Liability' to 'Provision for Other Employee Benefits'. Prior year comparatives have been restated as a result.</p>				
<p>**In November 2016, a judgement was handed down by the NSW Supreme Court in regard to a legal matter. Final damages to be awarded to the claimant are yet to be determined by the Court. As per paragraph 92 of AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', further information about this matter has not been reported as it may prejudice the position of the entity in relation to the dispute.</p>				
Non-Current				
----	----	Long Service Leave Consequential On-Costs	2,370	1,985
2,370	1,985	Provision for Personnel Services Liability	----	----
2,370	1,985		2,370	1,985
Aggregate Employee Benefits and Related On-Costs				
----	----	Provisions - Current	200,086	183,333
----	----	Provisions - Non-Current	2,370	1,985
----	----	Accrued Salaries, Wages and On-Costs (Note 25)	30,028	26,337
231,809	211,101	Liability - Purchase of Personnel Services	----	----
231,809	211,101		232,484	211,655

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		28. Other Liabilities		
		Current		
255	251	Income in Advance	870	346
<u>255</u>	<u>251</u>		<u>870</u>	<u>346</u>

Most of income in advance balance is made up of amounts received in advance from NSW Ministry of Health, which is an entity controlled by the immediate parent.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
29. 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:				
29,805	34,715	Within one year	29,805	34,715
5,073	1,650	Later than one year and not later than five years	5,073	1,650
-----	-----	Later than five years	-----	-----
<u>34,878</u>	<u>36,365</u>	Total Capital Expenditure Commitments (Including GST)	<u>34,878</u>	<u>36,365</u>
The majority of 'Capital Commitments' contracted but not provided for related to capital works overseen by the Health Administration Corporation, an entity controlled by the immediate parent.				
b) Operating Lease Commitments				
Future non-cancellable operating lease rentals not provided for and payable:				
6,260	7,427	Within one year	6,260	7,427
5,611	6,952	Later than one year and not later than five years	5,611	6,952
-----	-----	Later than five years	-----	-----
<u>11,871</u>	<u>14,379</u>	Total Operating Lease Commitments (Including GST)	<u>11,871</u>	<u>14,379</u>
The operating lease commitments above are for properties, motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.				
c) Contingent Asset Related to Commitments for Expenditure				
The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments' of \$46.749M as at 30 June 2018 includes input tax credits of \$4.250M that are expected to be recoverable from the Australian Taxation Office (2017 \$4.613M).				

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

30. Trust Funds

SLHD holds trust funds of \$11.5M 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 SLHD 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		Third Party Funds		Total	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Balance at the beginning of the financial year	166	150	531	832	6,018	5,497	5,993	7,880	12,708	14,359
Revenue	299	228	82	(164)	38,173	38,284	3,000	2,815	41,554	41,163
Expenses	(335)	(212)	(66)	(137)	(37,908)	(37,763)	(4,469)	(4,702)	(42,778)	(42,814)
Balance at the end of the financial year	130	166	547	531	6,283	6,018	4,524	5,993	11,484	12,708

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
31. Reconciliation of Cash Flows from Operating Activities to Net Result				
51,098	45,446	Net Cash Flows from Operating Activities	53,229	48,243
(54,474)	(52,667)	Depreciation and Amortisation	(55,393)	(53,511)
(7,296)	(942)	Impairment of Receivables	(7,296)	(942)
(4)	(114)	(Increase)/ Decrease Income in Advance	(523)	338
(2,048)	(101,290)	(Increase)/ Decrease in Provisions	(2,139)	(101,151)
3,042	29,329	Increase / (Decrease) in Prepayments and Other Assets	3,194	28,036
11,021	(12,013)	(Increase)/ Decrease in Payables from Operating Activities	10,937	(11,733)
(224)	(454)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(248)	(473)
(10,003)	----	Assets donated or brought to account for the first time	(10,003)	----
<u>(8,888)</u>	<u>(92,705)</u>	Net Result	<u>(8,242)</u>	<u>(91,193)</u>
32. Non-Cash Financing and Investing Activities				
219	177	Assets Received by Donation	219	177
<u>219</u>	<u>177</u>		<u>219</u>	<u>177</u>

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

CONSOLIDATION

33. Changes in Liabilities arising from Financing Activities

	1 July 2017	Cash Flow	Non-cash Changes Other	30 June 2018
	\$000	\$000	\$000	\$000
Borrowings and Advances	6,949	102	-----	7,051

34. 2017/18 Voluntary Services

It is considered impracticable and immaterial to quantify the monetary value of voluntary services provided to SLHD. 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 the SLHD 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 the SLHD.

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.

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

36. Adjusted Budget Review - Parent and Consolidated

Net Result

The actual Net Result was better than the adjusted budget by \$22M, primarily due to:

In accordance with the Ministry of Health's Performance Framework SLHD has been rated at Performance Level 0 (highest possible rating), for the entire twelve months to the end of 30 June 2018. This performance is a continuation of the monthly rating achieved for the previous seven financial years.

As at 30 June 2018 the District's Consolidated Net Result is \$22.104M favourable to the full year budget. The Parent result was \$21.458M favourable to budget. This reflects the impact of comparing the twelve months result to the full year budget.

Assets and Liabilities

As at 30 June 2018 SLHD Consolidation had Current Assets of \$282.019M and Current Liabilities of \$386.335M. Non Current Assets totalled \$1,211.116M and Non Current Liabilities were \$8.689M. During 2015/16 the value of SLHD's land and buildings were revalued by an independent valuer. This financial year the District has continued to record an emerging asset for a building situated on the District's land that is owned and operated by Lifehouse Australia. Overall SLHD has a sound asset base with Net Assets of \$1,098.111M.

Cash Flows

At Consolidation level, SLHD's net decrease in Cash and Cash Equivalents for the 2017/18 financial year was (\$3.452M). This comprised a net increase in cash flows from Operating activities of \$53.229M, a net decrease in cash flows from Investing activities of \$56.783M which includes purchase of capital assets for \$55.027M and proceeds on sale of existing assets for \$0.155M; and Purchase of Investments/Proceeds from Sale of Investments with a net decrease for \$1.911M. The decrease in cash flows from Investing activities reflected a range of capital works and assets purchases including the Aged Care / Rehab Network (\$2.649M), Asset Refurbishment (\$1.110M), Medical Research Infrastructure (\$1.877M), RPA Energy Efficiency Government Program (EEGP) (\$1.970M), Concord Hospital CT Scanner Replacement (\$0.101M), HI WIP Transfers (\$30.054M), Emergency Departments Security and Duress Alarms Upgrade (\$2.961M), Chris O'Brien Life-House Equipment Interventional CT Scanner (\$0.344M), SLHD EEGP (\$0.522M), Concord Hospital - OT Renovation (\$0.840M), RPAH IRO Building Level 6 Refurbishment (\$0.701M), EEGP SLHD - Efficiency Upgrades at Croydon and Marrickville Health Centres (\$0.177M), RPAH Gynaecology Camera Stack/Towers (\$0.283M), Canterbury Hospital TSSU Equipment replacement (\$0.226M) and Minor works and equipment (\$11.212M).

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

36. Adjusted Budget Review - Parent and Consolidated

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July 2017 are as follows:

	\$000
Initial Allocation, 01/07/2017	1,257,740
Award Increases	3,250
Growth Allocation - as per Schedule C Initial budget 17/18	65,183
Highly Specialised Services	2,620
Integrated Care Initiative	1,460
Peritonectomy Service Expansion	2,300
2017/18 Chris O'Brien Lifehouse Junior Medical Officers	2,100
Oncology System and increase in annual service plan activity	1,154
Treatment of 2017-18 Expenditure - Concord Hospital - Superannuation	3,270
Ministerial Approved NGO Grants Program - Drug Summit 4 - 2017_18	1,263
National Partnership Agreement on Adult Public Dental Services	1,473
Nursing and Midwifery Enhancements	2,171
DVA Falling Volume	1,101
ICT Escalation - Cost of Maintenance of New Systems	1,253
Organ and Tissue Donation Service Funding	423
Transfer of National Partnership dental service funding	300
Transfer of Tresillian Budget	3,379
Translational Research Grants Scheme (TRGS)	227
Reduction in number of eligible contributors in Superannuation Defined Benefit Scheme (SASS/SSS) - Budget adjustment	4,244
Winter 2017 Activity	1,298
2017/18 for Hospital In Home Services	228
NSW Mental Health Reform Tranche 2 funding 2017-18	412
Lifehouse Australia	305
Better Value Care Initiatives	803
Evaluation of Rape and Domestic Violence Services Australia	200
Miscellaneous	399
	1,358,556
Balance as per Statement of Comprehensive Income	1,358,556

Sydney Local Health District
Notes to and forming part of the Financial Statements
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37. Financial Instruments

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

SLHD's main risks arising from financial instruments are outlined below, together with SLHD'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 risks faced by SLHD, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed on a continuous basis.

(a) Financial Instrument Categories

PARENT

Financial Assets Class:	Category	Carrying Amount 2018 \$000	Carrying Amount 2017 \$000
Cash and Cash Equivalents (Note 16)	N/A	96,820	100,359
Receivables (Note 17)*	Loans and receivables (at amortised cost)	64,822	71,098
Other Financial Assets (note 19)	Loans and receivables (at amortised cost)	77,209	76,305
		<u>238,851</u>	<u>247,762</u>
Financial Liabilities			
Borrowings (Note 26)		7,051	6,949
Payables (Note 25)**	Financial liabilities measured at amortised cost	77,336	88,692
		<u>84,387</u>	<u>95,641</u>

Notes

* Excludes statutory receivables and prepayments (i.e. not within scope of AASB7 Financial Instruments Disclosures)

**Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments Disclosures). Prior year comparatives have been restated to include Accrued Salaries, Wages and On-Costs

Sydney Local Health District
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for the year ended 30 June 2018

**37. Financial Instruments
CONSOLIDATION**

Financial Assets Class:	Category	Carrying Amount 2018 \$000	Carrying Amount 2017 \$000
Cash and Cash Equivalents (Note 16)	N/A	100,047	103,499
Receivables (Note 17)*	Loans and receivables (at amortised cost)	65,310	71,697
Other Financial Assets (note 19)	Loans and receivables (at amortised cost)	98,126	96,215
		263,483	271,411
Financial Liabilities			
Borrowings (Note 26)		7,051	6,949
Payables (Note 25)**	Financial liabilities measured at amortised cost	77,698	88,944
		84,749	95,893

Notes

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

**Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments Disclosures). Prior year comparatives have been restated to include Accrued Salaries, Wages and On-Costs

(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 SLHD. 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 SLHD, including cash, receivables and authority deposits. No collateral is held by SLHD. SLHD has not granted any financial guarantees.

Credit risk associated with SLHD'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 2.35% to 2.35% in 2017/18 compared to 2.35% to 2.60% in the previous year.

The TCorpIM Funds investment 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 SLHD 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.

SLHD 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 are not considered impaired.

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 SLHD's debtors are health insurance companies or compensation insurers settling claims in respect of inpatient treatments.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

37. Financial Instruments

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.

PARENT

	2018	2017
	\$000	\$000
Neither past due nor impaired	52,106	55,699
Past due but not impaired ^{1,2}		
< 3 months overdue	4,983	4,658
3 - 6 months overdue	6,608	6,422
> 6 months overdue	1,125	4,319
Impaired ^{1,2}		
< 3 months overdue	----	----
3 - 6 months overdue	----	----
> 6 months overdue	5,549	3,816
Total^{1,2}	70,371	74,914

CONSOLIDATION

	2018	2017
	\$000	\$000
Neither past due nor impaired	52,396	55,865
Past due but not impaired ^{1,2}		
< 3 months overdue	5,117	4,947
3 - 6 months overdue	6,672	6,566
> 6 months overdue	1,125	4,319
Impaired ^{1,2}		
< 3 months overdue	----	----
3 - 6 months overdue	----	----
> 6 months overdue	5,549	3,816
Total^{1,2}	70,859	75,513

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 Financial Instruments Disclosures. Therefore, the "total" will not reconcile to the receivables total recognised in the statement of financial position.

Authority Deposits

SLHD has placed funds on deposit with TCorpIM Funds investment facilities, 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 1.99% (2017: 2.37%), while over the year the weighted average interest rate was 1.99% (2017: 2.35%) on a weighted average balance during the year of \$24.420M (2017: \$26.525M). None of these assets are past due or impaired.

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37. Financial Instruments

(c) Liquidity Risk

Liquidity risk is the risk that SLHD will be unable to meet its payment obligations when they fall due. SLHD 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.

SLHD 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.

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

Maturity Analysis and interest rate exposure of financial liabilities

PARENT	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
2018								
Payables:								
- Creditors ²		77,336	-----	-----	77,336	77,336	-----	-----
Borrowings:								
- Loans and Deposits	2.91%	8,038	8,038	-----	-----	932	4,613	2,493
		<u>85,374</u>	<u>8,038</u>	<u>-----</u>	<u>77,336</u>	<u>78,268</u>	<u>4,613</u>	<u>2,493</u>
2017								
Payables:								
- Creditors ²		88,692	-----	-----	88,692	88,692	-----	-----
Borrowings:								
- Loans and Deposits	2.89%	8,031	8,031	-----	-----	837	4,182	3,012
		<u>96,723</u>	<u>8,031</u>	<u>-----</u>	<u>88,692</u>	<u>89,529</u>	<u>4,182</u>	<u>3,012</u>

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CONSOLIDATION	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
2018								
Payables:								
- Creditors ²		77,698	----	----	77,698	77,698	----	----
Borrowings:								
- Loans and Deposits	2.91%	8,038	8,038	----	----	932	4,613	2,493
		<u>85,736</u>	<u>8,038</u>	<u>----</u>	<u>77,698</u>	<u>78,630</u>	<u>4,613</u>	<u>2,493</u>
2017								
Payables:								
- Creditors ²		88,944	----	----	88,944	88,944	----	----
Borrowings:								
- Loans and Deposits	2.89%	8,031	8,031	----	----	837	4,182	3,012
		<u>96,975</u>	<u>8,031</u>	<u>----</u>	<u>88,944</u>	<u>89,781</u>	<u>4,182</u>	<u>3,012</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 SLHD 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.

2 **Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments Disclosures). Prior year comparatives have been restated to include Accrued Salaries Wages, On-Costs and Payroll Deductions.

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37. 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. SLHD's exposures to market risk are primarily through interest rate risk on SLHD's borrowings and other price risks associated with the movement in the unit price of the T-CorpIM Fund investment facilities. SLHD has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on net result 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 SLHD 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 2017. The analysis assumes that all other variables remain constant.

Interest rate risk

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

However, SLHD 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. SLHD 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 net result 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.

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

PARENT	Carrying Amount	-1% Net Result	Equity	+1% Net Result	Equity
	\$000	\$000	\$000	\$000	\$000
2018					
Financial Assets					
Cash and Cash Equivalents	96,820	(968)	(968)	968	968
Receivables	64,822	----	----	----	----
Other Financial Assets	77,209	(772)	(772)	772	772
Financial Liabilities					
Payables*	77,336	----	----	----	----
Borrowings	7,051	71	71	(71)	(71)
2017					
Financial Assets					
Cash and Cash Equivalents	100,359	(1,004)	(1,004)	1,004	1,004
Receivables	71,098	----	----	----	----
Other Financial Assets	76,305	(763)	(763)	763	763
Financial Liabilities					
Payables*	88,692	----	----	----	----
Borrowings	6,949	69	69	(69)	(69)

*Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments Disclosures). Prior year comparatives have been restated to include Accrued Salaries Wages, On-Costs and Payroll Deductions.

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37. Financial Instruments

CONSOLIDATION	Carrying Amount	-1% Net Result	Equity	+1% Net Result	Equity
	\$000	\$000	\$000	\$000	\$000
2018					
Financial Assets					
Cash and Cash Equivalents	100,047	(1,000)	(1,000)	1,000	1,000
Receivables	65,310	----	----	----	----
Other Financial Assets	98,126	(981)	(981)	981	981
Financial Liabilities					
Payables*	77,698	----	----	----	----
Borrowings	7,051	71	71	(71)	(71)
2017					
Financial Assets					
Cash and Cash Equivalents	103,499	(1,035)	(1,035)	1,035	1,035
Receivables	71,697	----	----	----	----
Other Financial Assets	96,215	(962)	(962)	962	962
Financial Liabilities					
Payables*	88,944	----	----	----	----
Borrowings	6,949	69	69	(69)	(69)

*Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments Disclosures). Prior year comparatives have been restated to include Accrued Salaries Wages, On-Costs and Payroll Deductions.

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38. Related Party Transactions

PARENT AND CONSOLIDATION

Key management personnel compensation is as follows:

	2018	2017
	\$000	\$000
Short-term employee benefits	681	746
Post-employment benefits	48	53
	729	799

During the financial year, Sydney Local Health District obtained key management personnel services from the immediate parent and incurred \$519K (2017: \$502K) for these services.

Compensation for the Minister for Health is paid by the Legislature and is not reimbursed by the Ministry of Health and its controlled entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

Remuneration for the Secretary and Deputy Secretaries are paid by the Ministry of Health and is not reimbursed by the health entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

Any amounts drawn down from the trust funds under the private practice arrangements are not included in the key management personnel compensation amounts or disclosed as a related party transaction.

Transactions with key management personnel and their close family members

There were no transactions with key management personnel and their close family members during the financial year (2017: \$Nil).

Transactions with ultimate parent

There were no transactions with the ultimate parent during the financial year (2017: \$Nil).

39. Events After the Reporting Period

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