

**Nepean
Blue Mountains
Local Health District**

Financial Statements
for the year ended 30 June 2019



INDEPENDENT AUDITOR'S REPORT

Nepean Blue Mountains Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Nepean Blue Mountains Local Health District (the District), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement 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 2019, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of 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(ah). 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 determines is necessary to enable the preparation and fair presentation of the 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.



Dominika Ryan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

9 September 2019
SYDNEY

**Nepean Blue Mountains Local Health District
Certification of the Financial Statements
for the year ended 30 June 2019**

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

- 1) The financial statements of Nepean Blue Mountains Local Health District for the year ended 30 June 2019 have been prepared in accordance with:
 - a) Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
 - b) the requirements of the *Public Finance and Audit Act 1983 (the Act)* , the *Public Finance and Audit Regulation 2015* ; and
 - c) NSW Treasurer's Directions issued under the Act.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of Nepean Blue Mountains 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.



Kay Hyman
Chief Executive
5 September 2019



Rebecca Beech
Executive Director, Finance & Corporate Services
5 September 2019

Nepean Blue Mountains Local Health District
Statement of Comprehensive Income for the year ended 30 June 2019

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2019	2019	2018		2019	2019	2018
\$000	\$000	\$000		\$000	\$000	\$000
Continuing Operations						
Expenses excluding losses						
-	-	-				
507,997	499,448	481,904		543,145	514,237	502,107
42,286	36,483	38,860	2	-	-	-
273,327	269,721	259,644	3	42,286	36,483	38,860
25,720	25,793	24,422	4	273,327	269,721	259,644
5,104	5,337	3,455	1(o), 5	25,720	25,793	24,422
8	44	23	6	5,104	5,337	3,455
1,500	-	-	1(i), 7	8	44	23
			8	1,500	-	-
855,942	836,826	808,308		891,090	851,615	828,511
Revenue						
728,608	716,901	684,574				
70,910	53,375	23,401	1(j)	728,608	716,901	684,574
-	-	-	1(j)	70,910	53,375	23,401
83,740	89,095	87,832				
1,131	964	961	1(e)(ii), 12	35,148	14,789	20,203
7,642	6,007	12,815	1(j), 9	83,740	89,095	87,832
8,479	3,815	6,550	1(j), 10	1,131	964	961
900,510	870,157	816,133	1(j), 11	7,642	6,007	12,815
			13	8,479	3,815	6,550
44,568	33,331	7,825		935,658	884,946	836,336
(24)	(225)	(715)				
(395)	(300)	-	14	(24)	(225)	(715)
-	-	(1,327)	17	(395)	(300)	-
44,149	32,806	5,783	15	-	-	(1,327)
			30	44,149	32,806	5,783
-	-	-				
44,149	32,806	5,783		44,149	32,806	5,783
Other Comprehensive Income						
(48)	-	33,575				
(48)	-	33,575	19	(48)	-	33,575
44,101	32,806	39,358		44,101	32,806	39,358

The accompanying notes form part of these financial statements.

Nepean Blue Mountains Local Health District
Statement of Changes in Equity for the year ended 30 June 2019

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Revaluation Surplus \$000	Total \$000
Balance at 1 July 2018		421,651	64,029	485,680
Changes in Accounting Policy	1ag)(i)	390	-	390
Restated balance at 1 July 2018		422,041	64,029	486,070
Net Result for the Year		44,149	-	44,149
Other Comprehensive Income:				
Net Change in Revaluation Surplus of Property, Plant and Equipment	19	-	(48)	(48)
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		402	(402)	-
Total Other Comprehensive Income		402	(450)	(48)
Total Comprehensive Income for the Year		44,551	(450)	44,101
Transactions With Owners In Their Capacity As Owners				
Increase / (Decrease) in Net Assets From Equity Transfers	36	2,626	-	2,626
Balance at 30 June 2019		469,218	63,579	532,797
Balance at 1 July 2017		415,948	30,374	446,322
Restated balance at 1 July 2017		415,948	30,374	446,322
Net Result for the Year		5,783	-	5,783
Other Comprehensive Income:				
Net Change in Revaluation Surplus of Property, Plant and Equipment	19	-	33,575	33,575
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		(80)	80	-
Total Other Comprehensive Income		(80)	33,655	33,575
Total Comprehensive Income for the Year		5,703	33,655	39,358
Balance at 30 June 2018		421,651	64,029	485,680

The accompanying notes form part of these financial statements.

Nepean Blue Mountains Local Health District
Statement of Financial Position as at 30 June 2019

PARENT			CONSOLIDATION				
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual	
2019	2019	2018		2019	2019	2018	
\$000	\$000	\$000		\$000	\$000	\$000	
ASSETS							
Current Assets							
48,637	36,402	47,072		48,637	36,402	47,072	
27,341	23,754	23,683	16	27,341	23,754	23,683	
3,532	4,552	4,648	17	3,532	4,552	4,648	
79,510	64,708	75,403	18	79,510	64,708	75,403	
Non-Current Assets							
893	1,182	1,182		893	1,182	1,182	
553,430	527,686	494,777	17	553,430	527,686	494,777	
41,404	48,758	38,856	19	41,404	48,758	38,856	
5,876	4,956	5,423		5,876	4,956	5,423	
58	-	-		58	-	-	
600,768	581,400	539,056		600,768	581,400	539,056	
525	524	621	20	525	524	621	
602,186	583,106	540,859		602,186	583,106	540,859	
681,696	647,814	616,262		681,696	647,814	616,262	
LIABILITIES							
Current Liabilities							
68,611	57,612	55,966		68,611	57,612	55,966	
-	-	176	23	-	-	176	
79,080	70,671	73,394	24	79,080	70,671	73,394	
75	122	122	25	75	122	122	
147,766	128,405	129,658	26	147,766	128,405	129,658	
Non-Current Liabilities							
1,133	924	924		1,133	924	924	
1,133	924	924	25	1,133	924	924	
148,899	129,329	130,582		148,899	129,329	130,582	
532,797	518,485	485,680		532,797	518,485	485,680	
EQUITY							
63,579	64,028	64,029		63,579	64,028	64,029	
469,218	454,457	421,651		469,218	454,457	421,651	
532,797	518,485	485,680		532,797	518,485	485,680	

The accompanying notes form part of these financial statements.

Nepean Blue Mountains Local Health District
Statement of Cash Flows for the year ended 30 June 2019

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2019	2019	2018		2019	2019	2018
\$000	\$000	\$000		\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
-	-	-		(507,944)	(508,361)	(481,294)
(335,184)	(335,718)	(331,142)		(335,184)	(335,718)	(331,142)
(7,280)	(6,013)	(3,786)		(7,280)	(6,013)	(3,786)
(8)	(44)	(23)		(8)	(44)	(23)
(507,944)	(508,361)	(481,294)		-	-	-
(850,416)	(850,136)	(816,245)		(850,416)	(850,136)	(816,245)
Receipts						
728,608	716,901	684,574		728,608	716,901	684,574
70,910	53,375	23,401		70,910	53,375	23,401
7,252	7,252	7,716		7,252	7,252	7,716
88,359	91,318	88,527		88,359	91,318	88,527
1,131	963	961		1,131	963	961
8,282	6,647	12,993		8,282	6,647	12,993
32,460	31,449	33,216		32,460	31,449	33,216
937,002	907,905	851,388		937,002	907,905	851,388
86,586	57,769	35,143		86,586	57,769	35,143
NET CASH FLOWS FROM OPERATING ACTIVITIES						
			30			
CASH FLOWS FROM INVESTING ACTIVITIES						
643	-	93		643	-	93
(85,488)	(68,263)	(31,768)		(85,488)	(68,263)	(31,768)
(84,845)	(68,263)	(31,675)		(84,845)	(68,263)	(31,675)
CASH FLOWS FROM FINANCING ACTIVITIES						
(176)	(176)	(604)		(176)	(176)	(604)
(176)	(176)	(604)		(176)	(176)	(604)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS						
1,565	(10,670)	2,864		1,565	(10,670)	2,864
47,072	47,072	44,208	16	47,072	47,072	44,208
48,637	36,402	47,072	16	48,637	36,402	47,072

The accompanying notes form part of these financial statements.

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

a) The Reporting Entity

Nepean Blue Mountains Local Health District (NBMLHD) was established under the provisions of the Health Services Act 1997 with effect from 1 January 2011.

NBMLHD 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).

NBMLHD, 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 22), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * Nepean Blue Mountains Local Health District Special Purpose Service Entity, which was established as a Division of the NBMLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable NBMLHD to exercise its functions.

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

These consolidated financial statements for the year ended 30 June 2019 have been authorised for issue by the Chief Executive on 5 September 2019.

b) Basis of Preparation

NBMLHD's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (AAS) (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 (the Act) and the Public Finance and Audit Regulation 2015, and the NSW Treasurer's Directions issued under the Act. The financial statements comply with the NSW Treasury mandates circular for NSW General Government Sector Entities.

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

The Secretary of NSW Health, the Chair of Nepean Blue Mountains 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 NBMLHD'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 NBMLHD fails to meet Service Agreement performance standards, the NSW 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 NSW Ministry of Health.

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.
- * NBMLHD has the capacity to review timing of subsidy cash flows to ensure that debts can be paid when they become due and payable.
- * NBMLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by NBMLHD and assist in meeting its overall budget target. The EIP is monitored and evaluated by the NSW Ministry of Health throughout the financial year.

Property, plant and equipment, assets held for sale and certain financial assets and liabilities 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, which is NBMLHD's presentation and functional 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.

Certain comparative information has been reclassified to ensure consistency with current year presentation and classification.

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, they are required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted).

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

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 18.1% are applied to the value of leave payable at 30 June 2019 (comparable on-costs for 30 June 2018 were 17.3%). NBMLHD has assessed the actuarial advice based on the NBMLHD'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

NBMLHD'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.

NBMLHD 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 NBMLHD as shown in Note 25.

Long service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using the long-term Commonwealth Government bond rate at the reporting date.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (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 are recognised when NBMLHD has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

f) Insurance

NBMLHD'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) Payments to Affiliated Health Organisations

Payments to non-government affiliated health organisations generally comprise contributions in cash or in kind. Non-government affiliated health organisations support the NSW Ministry of Health's role of 'system manager' in relation to the NSW public health system. The payments are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

i) Finance Costs

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing 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.

j) 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 NBMLHD transfers the significant risks and rewards of ownership of the goods, usually on delivery of the goods.

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

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

Grants and other contributions, comprising mainly cash and in-kind contributions, are recognised as revenues when control passes to NBMLHD 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. NBMLHD recognises the revenue on an accruals basis from the time the patient is treated or admitted into hospital.

Department of Veterans' Affairs

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

Investment Revenue

Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For financial assets that become credit impaired the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

Forgiveness of Liabilities

The gross amount of a liability forgiven by a credit provider is recognised by the borrower as other income.

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 NBMLHD 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 NBMLHD use in the advancement of NBMLHD or individuals within it.

Refer to Note 9 (b) for further details.

Use of Outside Facilities

NBMLHD 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 NBMLHD 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 NSW Ministry of Health. Allocations are normally recognised upon the receipt of cash.

General operating expenses/revenues of Hawkesbury District Health Service (operated by St John of God) have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. NBMLHD 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.

Other Income

Other income includes lease income from operating leases where NBMLHD is the lessor. Income is recognised on a straight-line basis over the lease term.

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

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

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

- * amount of GST incurred by NBMLHD 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.

l) Interstate Patient Flows

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

m) 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.

Health Administration Corporation, a controlled entity of the immediate parent, manages the approved major capital works program for the NSW Ministry of Health and its controlled entities. Health Administration Corporation receives NSW Ministry of Health Capital Allocations and grants on behalf of NBMLHD and makes payments to contractors and suppliers. Health Administration Corporation initially records all costs incurred as work in progress or expenses and subsequently transfers to NBMLHD. The costs are then accordingly reflected in NBMLHD financial statements. NBMLHD acquires most assets in this manner.

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

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. Land and buildings which are operated/occupied by NBMLHD are deemed to be controlled by NBMLHD and are reflected as such in the financial statements.

n) 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.

o) 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 NBMLHD. 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:

Artwork	5.0%
Buildings	2.5%
Leasehold Improvements	2.5%
Infrastructure Systems	2.5%
Plant and Equipment	
- Computer Equipment	20.0%
- Electro Medical Equipment	
* Costing less than \$200,000	10.0%
* Costing more than or equal to \$200,000	12.5%
- Furniture, Fittings and Furnishings	5.0%
- Linen	25.0%
- Motor Vehicle Sedans	12.5%
- Motor Vehicles, Trucks & Vans	20.0%
- Office Equipment	10.0%
- Plant and Machinery	10.0%
Intangibles	10.0%

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.

p) 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.

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

Property, plant and equipment is measured at the highest and best use by market participant's 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 19 and Note 21 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. NBMLHD has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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

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

Revaluation increments are recognised in other comprehensive income and credited to revaluation surplus in equity. However, to the extent that an increment reverses a revaluation decrement in respect of the same 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, except to the extent that it offsets an existing revaluation surplus on the same class of assets, in which case, the decrement is 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.

q) 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 Impairment of Assets 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.

r) Restoration Costs

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.

s) Intangible Assets

NBMLHD recognises intangible assets only if it is probable that future economic benefits will flow to NBMLHD 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 NBMLHD's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

Computer software developed or acquired by NBMLHD are recognised as intangible assets and are amortised over ten 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.

t) 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.

u) 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.

As a lessee:

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1. Statement of Significant Accounting Policies

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.

As a lessor:

NBMLHD, as the lessor, classifies its leases as finance leases if it transfers to the lessee substantially all the risks and rewards incidental to ownership of the leased asset. The leased assets are recognised as current and non-current receivables at amounts equal to the net investment in the lease.

Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

v) 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.

w) Receivables

Recognition and Measurement

All 'regular way' purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Other financial assets are initially measured at fair value plus any transaction costs. Other financial assets include intra health loans and deposits with a maturity of three months or more.

Subsequent measurement under AASB 9 Financial Instruments (from 1 July 2018)

NBMLHD holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Other financial assets are classified and subsequently measured at amortised cost as they are held for collection of contractual cash flows solely representing payments of principal and interest. Impairment losses are presented as a separate line item in the statement of comprehensive income. Any gain or loss arising on derecognition is recognised directly in net results and presented in other gains / (losses) together with foreign exchange gains and losses.

Amounts due from lessees under finance leases are classified at amortised cost and recognised at the amount of NBMLHD's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on NBMLHD's net investment outstanding in respect of the leases.

Classification and measurement under AASB 139 Financial Instruments: Recognition and Measurement (for comparative period ended 30 June 2018)

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Amounts due from lessees under finance leases are classified as loans and receivables and recognised at the amount of the consolidated entity's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the consolidated entity's net investment outstanding in respect of the leases.

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

Classification and measurement under AASB 9 (from 1 July 2018)

NBMLHD's financial assets at fair value are classified, at fair value through profit or loss. The classification was based on the purpose of acquiring such assets.

Transaction costs of financial assets carried at fair value through profit or loss are expensed in net results.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. TCorpIM Funds are managed and their performance is evaluated on a fair value basis and therefore the business model is neither to hold to collect contractual cash flows or sell the financial asset. Hence these investments are mandatorily required to be measured at fair value through profit or loss.

Notwithstanding the criteria to be classified at amortised cost or at fair value through other comprehensive income, financial assets may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognised in net results and presented net within other gains / (losses), except for TCorpIM Funds that are presented in 'investment revenue' in the period in which it arises.

Classification and measurement under AASB 139 (for comparative period ended 30 June 2018)

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

Nepean Blue Mountains Local Health District
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1. Statement of Significant Accounting Policies

- * NBMLHD 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 or repurchasing 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 NBMLHD's key management personnel.

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

TCorpIM Funds investment 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 investment 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 NBMLHD 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 less any impairment. 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 NBMLHD 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.

x) Impairment of Financial Assets

Impairment under AASB 9 (from 1 July 2018)

NBMLHD recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that NBMLHD expects to receive, discounted at the original effective interest rate.

Receivables

For trade receivables, NBMLHD applies a simplified approach in calculating ECLs. NBMLHD recognises a loss allowance based on lifetime ECLs at each reporting date. NBMLHD has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward looking factors specific to the receivable.

y) De-recognition of Financial Assets and Financial Liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the entity transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass through arrangement and either:

- * NBMLHD has transferred substantially all the risks and rewards of the asset; or
- * NBMLHD has neither transferred nor retained substantially all the risks and rewards for the asset, but has transferred control.

When NBMLHD has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where NBMLHD has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of NBMLHD continuing involvement in the asset. In that case, NBMLHD also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

z) Payables

These amounts represent liabilities for goods and services provided to NBMLHD and other amounts. Payables are recognised initially at fair value, net of directly attributable transaction costs.

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 NBMLHD.

aa) Borrowings

Nepean Blue Mountains Local Health District
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1. Statement of Significant Accounting Policies

Borrowings classified as financial liabilities at amortised cost are initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net result when the liabilities are derecognised as well as through the amortisation process.

Finance lease liabilities are determined in accordance with AASB 117 Leases.

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 1y) for derecognition policy.

ab) Fair Value Hierarchy

A number of NBMLHD'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, NBMLHD categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- * Level 1 – quoted (unadjusted) 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).

NBMLHD 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 21 and Note 37 for further disclosures regarding fair value measurements of non-financial and financial assets.

ac) Equity Transfers

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs/functions and parts thereof between entities controlled by the ultimate parent are recognised as an adjustment to 'Accumulated Funds'. This treatment is consistent with AASB 1004 Contributions and Australian Accounting Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.

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

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

ad) Equity and Reserves

(i) Accumulated Funds

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

(ii) Revaluation Surplus

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

(iii) Separate Reserves

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

ae) Trust Funds

NBMLHD receives monies in a trustee capacity for various trusts as set out in Note 28.

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

af) Adjusted Budget 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). NBMLHD'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, NBMLHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between NBMLHD 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 35.

ag) Changes in Accounting Policy, Including New or Revised Australian Accounting Standards

(i) Effective for the first time in 2018-19

The accounting policies applied in 2018-19 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:

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
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1. Statement of Significant Accounting Policies

NBMLHD has adopted AASB 9 Financial Instruments (AASB 9), which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 Financial Instruments: Disclosures (AASB 7R).

NBMLHD applied AASB 9 retrospectively but has not restated the comparative information which is reported under AASB 139 Financial Instruments: Recognition and Measurement (AASB 139). Any differences arising from the adoption of AASB 9 have been recognised directly in accumulated funds and other components of equity.

The effect of adopting AASB 9 on the Statement of Financial Position (increase / (decrease)) as at 1 July 2018 is set out below:

	Notes	1 July 2018 \$'000
Assets		
Receivables	17	390
Total Adjustment on equity		390
Accumulated funds		(390)

a) *Classification and measurement of financial instruments*

On 1 July 2018 (the date of initial application of AASB 9), NBMLHD's management has assessed which business models apply to the financial assets by NBMLHD and has classified its financial instruments into the appropriate AASB 9 categories. The classification and measurement requirements of AASB 9 did not have a material impact to NBMLHD.

The impact of transition to AASB 9 on reserves and accumulated funds is, as follows:

	Notes	Accumulated funds \$'000	Total change in equity \$'000
Closing balance 30 June 2018 - AASB 139		421,651	421,651
Recognition of AASB 9 expected credit losses	17	390	390
Total impact		390	390
Opening balance 1 July 2018 - AASB 9		422,041	422,041

NBMLHD continued measuring at fair value, all financial assets previously held at fair value under AASB 139.

The following are the changes in the classification of NBMLHD's financial assets:

- Trade receivables and other financial assets (i.e., term deposits) classified as 'Loans and receivables' (L&R) under AASB 139 as at 30 June 2018 are held to collect contractual cash flows representing solely payments of principal and interest. At 1 July 2018, these are classified and measured as debt instruments at amortised cost.

- Investments in TCorpIM Funds are managed on a fair value basis and hence were designated at fair value through profit or loss (FVPL) under AASB 139 as at 30 June 2018. Under AASB 9, these are now mandatorily required at transition date of 1 July 2018 and going forward to be classified and measured as fair value through profit or loss.

- NBMLHD has not designated any financial liabilities at fair value through profit or loss. There are no changes in the classification and measurement for NBMLHD's financial liabilities.

In summary, upon the adoption of AASB 9, NBMLHD had the following required or elected reclassifications as at 1 July 2018:

AASB 139 measurement category	Measurement category		Carrying amount		Difference \$'000
	AASB 139	AASB 9	Original \$'000	New \$'000	
Receivables	L&R	Amortised cost	24,865	25,255	390

b) *Impairment*

The adoption of AASB 9 has changed NBMLHD's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires NBMLHD to recognise an allowance for ECLs for all debt instruments not held at fair value through profit and loss.

Set out below is the reconciliation of the closing impairment allowances under AASB 139 to the opening loss allowances determined under AASB 9:

	Allowance for impairment under AASB 139 as at 30 June 2018 \$'000	Re-measurement \$'000	ECL under AASB 9 as at 1 July 2018 \$'000
Loans and receivables under AASB 139 / Financial assets at amortised cost under AASB 9	(1,959)	390	(1,569)

Nepean Blue Mountains Local Health District
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1. Statement 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 NBMLHD have not been applied and are not yet effective. The possible impact of these Accounting Standards in the period of initial application includes:

AASB 16 Leases replaces all existing lease 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 Leases 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 new standard will gross up the Statement of Financial Position and change Statement of Comprehensive Income and cash flow presentation. Rent and lease expense will be replaced by depreciation and interest expense in Statement of Comprehensive Income. This results in a front-loaded lease expense, decreasing the net result and equity position. The Statement of Cash Flows for lessees will also be affected as payments for the principal portion of the lease liability will be presented within financing activities.

Lessor accounting is substantially unchanged from today's accounting under AASB 117 Leases. Lessors will continue to classify all leases using the same classification as in AASB 117 Leases 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 a 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 Revenue from Contracts with Customers 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 Income of Not-for-Profit Entities 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 is effective for annual periods beginning on or after 1 January 2020. This standard 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 Financial Instruments or, the 'grant of right' model under AASB 1059 Service Concession Arrangements. AASB 1059 Service Concession Arrangements requires retrospective application.

Overview of Assessment Activities

The Ministry of Health has formed a project team to lead the implementation of the new accounting standards. The objective of the project is to continuously analyse and assess 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.

The project team has conducted various data gathering tasks with health entities around leases and certain revenue streams.

Work currently underway includes:

- * implementation of an IT solution for lease management and accounting
- * comprehensive review and capture of lease information
- * review of accounting policies and processes surrounding leases and revenue.

Potential Impact on NBMLHD's Financial Report

While the consolidated entity, controlled by the ultimate parent, is yet to complete full implementation and adoption of the new accounting standards, the following summaries work undertaken by NBMLHD so far and the known and expected impacts:

Nepean Blue Mountains Local Health District
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1. Statement of Significant Accounting Policies

Leases

NBMLHD has compiled a lease register and calculated the likely impact of the new leasing standards, to be as follows.

- * The total assets and liabilities on the Statement of Financial Position will increase by approximately \$12,448 thousand on the date of transition (on 1 July 2019). In subsequent years, total equity is expected to decrease due to a reduction in capitalised assets being on a straight line basis whilst the liability reduces the principal amount of repayments.
- * Interest expenses will increase by approximately \$285 thousand in the 2019-2020 financial year 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 leases life. This effect may be partially mitigated due to the number of leases held by NBMLHD 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. For 2019-2020 financial year, depreciation expense is expected to be higher by approximately \$5,115 thousand.
- * Operating lease expense recognised under AASB 17 Leases will decrease by approximately \$1,201 thousand in the 2019-2020 financial year.
- * Operating cash flows will be higher as repayment of the principal portion of all lease liabilities will be classified as financing activities.
- * The assessment outcomes are based on certain assumptions and are indicative only. There are likely to be variances with the actual impacts to be reported in 2019-2020 financial year and onwards.

Revenue and Income of Not-for-Profit Entities

NBMLHD in consultation with the NSW Ministry of Health has performed a preliminary impact assessment by the major revenue lines. The review has not indicated any material impact arising from the adoption of the new revenue accounting standard. The likely impacts are:

- * Deferral of 'Grants and Other Contributions' revenue. The impacts are not expected to be material as most funds received correlates to the level of activities performed during the year and most contracts are short to medium term only. Some timing differences is expected between inflow of funds and the level of activity, which may require some deferral or accrual of grant and other contribution revenue.
- * Specific quantitative and qualitative disclosures will be required under AASB 15 Revenue from Contracts with Customers.

Service Concession Arrangements

The work on Service Concession Arrangements is in progress. NBMLHD expects the following impacts from the preliminary work performed so far:

- * Service Concession assets and liabilities may be brought onto the Statement of Financial Position which are currently treated as emerging assets. A detailed assessment has not been completed to determine the actual impacts.

Application Date

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

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		2. Employee Related Expenses		
-	-	Salaries and Wages (including Annual Leave and ADO)	458,435	436,585
-	-	Superannuation - Defined Benefit Plans	2,860	3,079
-	-	Superannuation - Defined Contribution Plans	41,025	38,665
-	-	Long Service Leave	34,909	19,065
-	-	Redundancies	163	44
-	-	Workers' Compensation Insurance	5,737	4,613
-	-	Fringe Benefits Tax	16	56
-	-		543,145	502,107
		3. Personnel Services		
458,435	436,585	Salaries and Wages (including Annual Leave and ADO)	-	-
41,025	38,665	Superannuation - Defined Contribution Plans	-	-
2,621	1,941	Long Service Leave	-	-
163	44	Redundancies	-	-
5,737	4,613	Workers' Compensation Insurance	-	-
16	56	Fringe Benefits Tax	-	-
507,997	481,904		-	-

Personnel services of Nepean Blue Mountains Local Health District were provided by its controlled entity, Nepean Blue Mountains Local Health District Special Purpose Service Entity.

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		4. Other Expenses		
70	88	Advertising	70	88
165	160	Auditor's Remuneration - Audit of Financial Statements	165	160
4,366	4,315	Blood and Blood Products	4,366	4,315
738	679	Consultancies	738	679
2,103	99	Contractors	2,103	99
7,409	6,719	Domestic Supplies and Services	7,409	6,719
28,833	36,114	Drug Supplies	28,833	36,114
13,425	13,022	Food Supplies	13,425	13,022
5,244	4,643	Fuel, Light and Power	5,244	4,643
6,547	5,909	Patient Transport Costs	6,547	5,909
17,842	14,707	Information Management Expenses	17,842	14,707
725	697	Insurance	725	697
14,671	11,653	Maintenance (See Note 4(b))	14,671	11,653
42,944	40,269	Medical and Surgical Supplies	42,944	40,269
746	962	Motor Vehicle Expenses	746	962
1,159	1,013	Postal and Telephone Costs	1,159	1,013
2,467	2,491	Printing and Stationery	2,467	2,491
909	681	Rates and Charges	909	681
2,767	2,789	Rental	2,767	2,789
26,409	25,603	Specialised Services (Dental, Radiology, Pathology, Allied Health)	26,409	25,603
3,549	3,430	Staff Related Costs	3,549	3,430
2,662	2,118	Travel Related Costs	2,662	2,118
87,577	81,483	Other (See Note 4(a))	87,577	81,483
273,327	259,644		273,327	259,644

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		4. Other Expenses		
		a) Other Includes:		
69,038	64,985	Contract for Patient Services	69,038	64,985
4,611	4,859	Corporate Support Services	4,611	4,859
248	223	Courier and Freight	248	223
108	90	Isolated Patient Travel and Accommodation Assistance Scheme	108	90
173	447	Legal Services	173	447
350	172	Membership/Professional Fees	350	172
936	1,116	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	936	1,116
3,812	3,822	Other Operating Lease Expense - Minimum Lease Payments	3,812	3,822
1	29	Quality Assurance/Accreditation	1	29
1,339	772	Security Services	1,339	772
6,961	4,968	Other Miscellaneous	6,961	4,968
87,577	81,483		87,577	81,483
		b) Reconciliation of Total Maintenance		
5,009	4,946	Maintenance Contracts	5,009	4,946
4,276	3,374	New/Replacement Equipment under \$10,000	4,276	3,374
5,371	3,305	Repairs Maintenance/Non Contract	5,371	3,305
15	28	Other	15	28
14,671	11,653	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	14,671	11,653
2,544	2,499	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	2,544	2,499
17,215	14,152		17,215	14,152

Transactions with Related Parties:

'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, 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' and 'Corporate Support Services' were paid to Health Administration Corporation, an entity controlled by the immediate parent.

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

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

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

Some 'Other Miscellaneous' were paid to entities controlled by the immediate parent.

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		5. Depreciation and Amortisation		
19,331	18,710	Depreciation - Buildings	19,331	18,710
5,845	5,260	Depreciation - Plant and Equipment	5,845	5,260
449	355	Depreciation - Infrastructure Systems	449	355
95	97	Amortisation - Intangible Assets	95	97
<u>25,720</u>	<u>24,422</u>		<u>25,720</u>	<u>24,422</u>
		6. Grants and Subsidies		
3,234	3,047	Non-Government Organisations	3,234	3,047
34	-	Grants to Research Organisations	34	-
232	260	Grants Paid to Entities Controlled by the Immediate Parent	232	260
1,604	148	Other Grants	1,604	148
<u>5,104</u>	<u>3,455</u>		<u>5,104</u>	<u>3,455</u>
		7. Finance Costs		
8	23	Interest on Loans	8	23
<u>8</u>	<u>23</u>		<u>8</u>	<u>23</u>
		8. Payments to Affiliated Health Organisations		
		a) Capital Sourced		
1,500	-	Penrith Aboriginal Health Care Centre	1,500	-
<u>1,500</u>	<u>-</u>		<u>1,500</u>	<u>-</u>

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		9. Sale of Goods and Services		
		a) Sale of Goods comprise the following:-		
49	46	Pharmacy Sales	49	46
2,329	2,334	Sale of Prosthesis	2,329	2,334
16	21	Other	16	21
		b) Rendering of Services comprise the following:-		
		Patient Fees:		
29,643	27,160	- Inpatient Fees	29,643	27,160
755	699	- Nursing Home Fees	755	699
1,547	1,357	- Non Inpatient Fees	1,547	1,357
7,843	9,168	Department of Veterans' Affairs	7,843	9,168
26	36	Staff Meals and Accommodation	26	36
11,536	11,012	Infrastructure Fees - Monthly Facility Charge	11,536	11,012
3,434	3,230	Infrastructure Fees - Annual Charge	3,434	3,230
12	-	Cafeteria/Kiosk	12	-
4,332	3,825	Car Parking	4,332	3,825
1,506	1,400	Child Care Fees	1,506	1,400
368	252	Clinical Services (excluding Clinical Drug Trials)	368	252
(33)	116	Commercial Activities	(33)	116
1	1	Enteral Nutrition	1	1
87	89	Fees for Medical Records	87	89
4	3	Information Retrieval	4	3
15,071	22,307	Highly Specialised Drugs	15,071	22,307
3,305	2,960	Motor Accident Authority Third Party	3,305	2,960
-	(7)	Patient Transport Fees	-	(7)
16	28	Private Use of Motor Vehicles	16	28
262	296	Salary Packaging Fee	262	296
-	165	Hosted Services Provided to Entities Controlled by Immediate Parent	-	165
1,162	873	Services Provided to Non NSW Health Organisations	1,162	873
8	-	Shared Corporate Services	8	-
461	461	Other	461	461
83,740	87,832		83,740	87,832
		10. Investment Revenue		
1,131	961	Interest	1,131	961
1,131	961		1,131	961

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
11. Grants and Other Contributions				
383	592	Clinical Drug Trials	383	592
3,441	3,501	Commonwealth Government Grants	3,441	3,501
681	5,026	Industry Contributions / Donations	681	5,026
		Cancer Institute Grants Received from an Entity Controlled by the Immediate Parent		
821	767	Grants & Contributions Received from Entities Controlled by the Ultimate Parent	821	767
1,380	270	Grants & Contributions Received from Entities Controlled by the Immediate Parent	1,380	270
211	874	Research Grants	211	874
266	391	Other Grants	266	391
459	1,394		459	1,394
7,642	12,815		7,642	12,815
Transactions with Related Parties:				
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 Dept of Education.				
The majority of grants that were received from entities controlled by the immediate parent were received from Agency for Clinical Innovation (ACI).				
12. Acceptance by the Crown Entity of Employee Benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
-	-	Superannuation - Defined Benefit Plans	2,860	3,079
-	-	Long Service Leave Provision	32,288	17,124
-	-		35,148	20,203

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		13. Other Income		
		Other Income comprises the following:-		
-	(3)	Bad Debts Recovered	-	(3)
163	167	Commissions	163	167
181	81	Conference and Training Fees	181	81
2,088	2,141	Discounts	2,088	2,141
509	115	Insurance Refunds	509	115
558	680	Lease and Rental	558	680
29	44	Sponsorship	29	44
1,124	1,535	Treasury Managed Fund Hindsight Adjustment	1,124	1,535
3,827	1,790	Other	3,827	1,790
8,479	6,550		8,479	6,550
		Some 'Lease and Rental' income was received from entities controlled by the immediate parent.		
		Some 'Other' income was received from entities controlled by the immediate parent.		
		14. Gains / (Losses) on Disposal		
541	7,250	Property, Plant and Equipment	541	7,250
(434)	(6,442)	Less: Accumulated Depreciation	(434)	(6,442)
107	808	Written Down Value	107	808
118	93	Less: Proceeds from Disposal	118	93
11	(715)	Gain / (Loss) on Disposal of Property, Plant and Equipment	11	(715)
560	-	Assets Held for Sale	560	-
525	-	Less: Proceeds from Disposal	525	-
(35)	-	Gain / (Loss) on Disposal of Assets Held for Sale	(35)	-
(24)	(715)	Total Gains / (Losses) on Disposal	(24)	(715)
		15. Other Gains / (Losses)		
-	(1,327)	Impairment of Receivables	-	(1,327)
-	(1,327)		-	(1,327)

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
16. Cash and Cash Equivalents				
48,637	47,072	Cash at Bank and On Hand	48,637	47,072
<u>48,637</u>	<u>47,072</u>		<u>48,637</u>	<u>47,072</u>
<p>For the purposes of the Statement of Cash Flows, 'Cash and Cash Equivalents' includes cash at bank, cash on hand, short-term deposits with original maturities of three months or less, which are subject to an insignificant risk of changes in value, and net of outstanding bank overdraft.</p> <p>Cash and Cash Equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:</p>				
48,637	47,072	Cash and Cash Equivalents (per Statement of Financial Position)	48,637	47,072
<u>48,637</u>	<u>47,072</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>48,637</u>	<u>47,072</u>

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

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		17. Receivables		
		Current		
9,353	8,677	Sale of Goods and Services	9,353	8,677
2,059	5,572	Intra Health Receivables	2,059	5,572
3,987	3,562	Goods and Services Tax	3,987	3,562
10,299	6,942	Other Debtors	10,299	6,942
25,698	24,753	Sub Total	25,698	24,753
(1,209)	-	Less: Allowance for Expected Credit Losses *	(1,209)	-
-	(1,959)	Less: Allowance for Impairment **	-	(1,959)
24,489	22,794	Sub Total	24,489	22,794
2,852	889	Prepayments	2,852	889
27,341	23,683		27,341	23,683
		Transactions with Related Parties:		
<p>'Intra Health Receivables' includes amounts receivable from entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from Agency for Clinical Innovation, Western Sydney Local Health District and Western NSW Local Health District.</p>				
a) * Movement in the Allowance for Expected Credit Losses				
Sale of Goods and Services				
(1,959)	-	Balance as at 30 June 2018 under AASB 139	(1,959)	-
453	-	Amounts restated through opening Accumulated Funds	453	-
(1,506)	-	Balance at 1 July 2018 under AASB 9	(1,506)	-
743	-	Amounts Written Off During the Year	743	-
-	-	Amounts Recovered During the Year	-	-
-	-	Administrative Restructures - Transfers (In) / Out	-	-
(446)	-	(Increase) / Decrease in Allowance Recognised in the Net Result	(446)	-
(1,209)	-	Balance at 30 June 2019	(1,209)	-
Other Debtors				
(63)	-	Amounts restated through opening Accumulated Funds	(63)	-
(63)	-	Balance at 1 July 2018 under AASB 9	(63)	-
11	-	Amounts Written Off During the Year	11	-
51	-	(Increase) / Decrease In Allowance Recognised In the Net Result	51	-
-	-	Balance at 30 June 2019	-	-
(1,209)	-		(1,209)	-
b) ** Movement in the Allowance for Impairment				
Sale of Goods and Services				
-	(1,959)	Amounts Written Off During the Year	-	(1,959)
-	(1,959)	Balance at 30 June 2018	-	(1,959)

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		17. Receivables		
		Non-Current		
		Prepayments		
893	1,182		893	1,182
<u>893</u>	<u>1,182</u>		<u>893</u>	<u>1,182</u>

'Intra Health Receivables' includes amounts receivable from entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from Agency of Clinical Innovation, Western Sydney Local Health District and Western NSW Local Health District.

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$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:		
637	449	Patient Fees - Compensable	637	449
1,707	2,019	Patient Fees - Ineligible	1,707	2,019
4,776	4,643	Patient Fees - Inpatient & Other	4,776	4,643
7,120	7,111		7,120	7,111

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

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		18. Inventories		
		Drug Supplies		
3,532	4,648		3,532	4,648
<u>3,532</u>	<u>4,648</u>		<u>3,532</u>	<u>4,648</u>

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
19. Property, Plant and Equipment				
Land and Buildings - Fair Value				
950,273	869,940	Gross Carrying Amount	950,273	869,940
396,843	375,163	Less: Accumulated Depreciation and Impairment	396,843	375,163
<u>553,430</u>	<u>494,777</u>	Net Carrying Amount	<u>553,430</u>	<u>494,777</u>
Plant and Equipment - Fair Value*				
94,997	87,037	Gross Carrying Amount	94,997	87,037
53,593	48,181	Less: Accumulated Depreciation and Impairment	53,593	48,181
<u>41,404</u>	<u>38,856</u>	Net Carrying Amount	<u>41,404</u>	<u>38,856</u>
Infrastructure Systems - Fair Value				
19,552	18,650	Gross Carrying Amount	19,552	18,650
13,676	13,227	Less: Accumulated Depreciation and Impairment	13,676	13,227
<u>5,876</u>	<u>5,423</u>	Net Carrying Amount	<u>5,876</u>	<u>5,423</u>
Leasehold Improvements - Fair Value*				
58	-	Gross Carrying Amount	58	-
<u>58</u>	<u>-</u>	Net Carrying Amount	<u>58</u>	<u>-</u>
<u>600,768</u>	<u>539,056</u>	Total Property, Plant and Equipment at Net Carrying Amount	<u>600,768</u>	<u>539,056</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.

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT AND CONSOLIDATION

19. 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
2019					
Net Carrying Amount at Beginning of Year	494,777	38,856	5,423	-	539,056
Additions	74,125	11,272	33	58	85,488
Reclassification to Assets Held for Sale	(560)	-	-	-	(560)
Disposals	(53)	(54)	-	-	(107)
Equity Transfers - Transfers In / (Out)	2,564	-	-	-	2,564
Net Revaluation Increment Less Revaluation Decrements	(48)	-	-	-	(48)
Depreciation Expense	(19,331)	(5,845)	(449)	-	(25,625)
Reclassifications	1,956	(2,825)	869	-	-
Net Carrying Amount at End of Year	553,430	41,404	5,876	58	600,768

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2018					
Net Carrying Amount at Beginning of Year	464,707	29,902	3,887	-	498,496
Additions	25,268	6,499	-	-	31,767
Reclassifications to Intangibles	-	(142)	-	-	(142)
Disposals	-	(808)	-	-	(808)
Transfers within NSW Health Entities through Statement of Comprehensive Income	-	493	-	-	493
Net Revaluation Increment Less Revaluation Decrements	31,748	-	1,827	-	33,575
Depreciation Expense	(18,710)	(5,260)	(355)	-	(24,325)
Reclassifications	(8,236)	8,172	64	-	-
Net Carrying Amount at End of Year	494,777	38,856	5,423	-	539,056

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 21.

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by NBMLHD [see Note 1(m)].
- (ii) Indices provided by AON Valuation Services were not applied as they were deemed immaterial.

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		20. Intangible Assets		
		<i>Intangibles</i>		
1,027	1,028	Cost (Gross Carrying Amount)	1,027	1,028
502	407	Less: Accumulated Amortisation and Impairment	502	407
<u>525</u>	<u>621</u>	Net Carrying Amount	<u>525</u>	<u>621</u>
<u>525</u>	<u>621</u>	Total Intangible Assets at Net Carrying Amount	<u>525</u>	<u>621</u>

PARENT AND CONSOLIDATION

20. Intangible Assets - Reconciliation

	Total \$000
2019	
Net Carrying Amount at Beginning of Year	620
Amortisation (Recognised in Depreciation and Amortisation)	(95)
Net Carrying Amount at End of Year	525
	Total \$000
2018	
Net Carrying Amount at Beginning of Year	576
Reclassifications from Plant & Equipment	142
Amortisation (Recognised in Depreciation and Amortisation)	(97)
Net Carrying Amount at End of Year	621

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT AND CONSOLIDATION

21. 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

2019	Level 2	Level 3	Total Fair Value
	\$000	\$000	\$000
Property, Plant and Equipment (Note 19)			
- Land and Buildings	-	460,100	460,100
- Infrastructure Systems	-	5,876	5,876
	-	465,976	465,976

There were no transfers between level 1 and 2 during the year ended 30 June 2019.

The above figures exclude work in progress and newly completed projects which are carried at cost, and as a result they will not agree to

2018	Level 2	Level 3	Total Fair Value
	\$000	\$000	\$000
Property, Plant and Equipment (Note 19)			
- Land and Buildings	643	473,000	473,643
- Infrastructure Systems	-	5,423	5,423
	643	478,423	479,066

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

The above figures exclude work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 19.

b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure systems the NBMLHD obtains external valuations by independent valuers at least every three years. The last revaluation was performed by AON Valuation Services for the FY 2017/18 financial year. AON Valuation Services is an independent entity and is not an associated entity of NBMLHD.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices (refer Note 19 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 valuer 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 as, although observable inputs have been used, a significant level of professional judgement is required to adjust inputs in determining the land valuations. Certain parcels of land have zoning restrictions, for example hospital grounds, and values are adjusted accordingly.

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

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

Nepean Blue Mountains Local Health District
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for the year ended 30 June 2019

PARENT AND CONSOLIDATION

21. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2019	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair Value as at 1 July 2018	473,000	5,423	478,423
Additions	4,528	902	5,430
Revaluation Increments / (Decrements) recognised in Other Comprehensive Income – included in line item 'Changes in Revaluation Surplus of Property, Plant and Equipment' (Note 19)	(48)	-	(48)
Disposals	(613)	-	(613)
Depreciation expense	(19,331)	(449)	(19,780)
Equity Transfers - Transfers In / (Out)	484	-	484
Fair Value as at 30 June 2019	460,100	5,876	465,976

There were no transfers between Level 1 or 2 during the year ended 30 June 2019

2018	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair Value as at 1 July 2017	460,059	3,887	463,946
Additions	546	64	610
Revaluation Increments / (Decrements) recognised in Net Result – included in the line item 'Other Gains / (Losses)' (Note 15)	31,748	-	31,748
Revaluation Increments / (Decrements) recognised in Other Comprehensive Income – included in line item 'Changes in Revaluation Surplus of Property, Plant and Equipment' (Note 19)	-	1,827	1,827
Transfers to Level 2	(643)	-	(643)
Disposals	-	-	-
Depreciation expense	(18,710)	(355)	(19,065)
Fair Value as at 30 June 2018	473,000	5,423	478,423

There were no transfers between Level 1 or 2 during the year ended 30 June 2018

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22. Restricted Assets

NBMLHD's financial statements include the following assets which are restricted for stipulated purposes and/or by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions. They consist of cash assets and rights and obligations to receive and make payments as at 30 June 2019.

Category	Opening Equity 1 July 2018 \$000	Expense 2019 \$000	Revenue 2019 \$000	Closing Equity 30 June 2019 \$000
Facility Improvements	8,244	1,090	1,507	8,661
Patient Welfare	5,478	226	332	5,584
Private Practice Disbursements (No.2 Accounts)	30,516	7,717	4,101	26,900
Public Contributions	739	287	317	769
Research	383	201	746	928
Staff Welfare	1,390	68	94	1,416
Training and Education Including Conferences	1,903	85	152	1,969
	48,653	9,674	7,247	46,226

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 funds be invested permanently and not otherwise
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 amenity
Training and Education Including Conferences	Professional training, education and conferences.
Other	Doesn't meet the definition of any of the above categories.

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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		23. Payables		
		Current		
-	-	Accrued Salaries, Wages and On-Costs	13,235	11,534
-	-	Taxation and Payroll Deductions	3,072	2,819
16,307	14,353	Accrued Liability - Purchase of Personnel Services	-	-
28,156	28,553	Creditors	28,156	28,553
6,892	4,584	- Payables to Entities Controlled by the Immediate Parent	6,892	4,584
17,256	8,476	- Other	17,256	8,476
68,611	55,966		68,611	55,966

Transactions with Related Parties:

'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.

24. Borrowings

		Current		
-	176	Other Loans and Deposits	-	176
-	176		-	176

Transactions with Related Parties:

'Other Loans and Deposits' include some balances due to entities controlled by the immediate parent. All balances represent SEDA loan.

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

Nepean Blue Mountains Local Health District
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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		25. Provisions		
		Current		
-	-	Annual Leave - Short Term Benefit	50,741	48,068
-	-	Annual Leave - Long Term Benefit	13,452	13,218
-	-	Long Service Leave Consequential On-Costs	13,032	10,620
-	-	Provision for Other Employee Benefits	1,855	1,488
79,080	73,394	Provision for Personnel Services Liability	-	-
79,080	73,394		79,080	73,394
		Non-Current		
-	-	Long Service Leave Consequential On-Costs	1,133	924
1,133	924	Provision for Personnel Services Liability	-	-
1,133	924		1,133	924
		Aggregate Employee Benefits and Related On-Costs		
-	-	Provisions - Current	79,080	73,394
-	-	Provisions - Non-Current	1,133	924
-	-	Accrued Salaries, Wages and On-Costs, Taxation and Payroll Deductions (Note 23)	16,307	14,353
96,520	88,671	Liability - Purchase of Personnel Services	-	-
96,520	88,671		96,520	88,671
		26. Other Liabilities		
		Other Current Liabilities		
75	122	Unearned Revenue	75	122
75	122		75	122

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019 \$000	2018 \$000		2019 \$000	2018 \$000
27. Commitments				
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:				
27,373	67,386	Within one year	27,373	67,386
4,648	33,306	Later than one year and not later than five years	4,648	33,306
-	-	Later than five years	-	-
32,021	100,692	Total (Including GST)	32,021	100,692
<u>Transactions with Related Parties:</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				
<i>Entity as Lessee</i>				
Future minimum rentals payable under non-cancellable operating leases at balance date are, as follows:				
6,429	6,463	Within one year	6,429	6,463
17,322	19,010	Later than one year and not later than five years	17,322	19,010
5,917	6,606	Later than five years	5,917	6,606
29,668	32,079	Total (Including GST)	29,668	32,079
The 'Operating Lease Commitments' above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.				

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
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2019	2018		2019	2018
\$000	\$000		\$000	\$000

27. Commitments

c) Input Tax Receivable Related to Commitments for Expenditure

The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments (Entity as Lessee)' of \$58.715 million as at 30 June 2019 includes input tax credits of \$5.34M that are expected to be recoverable from the Australian Taxation Office (2018 \$12.07M).

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
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PARENT AND CONSOLIDATION

28. Trust Funds

NBMLHD holds trust funds of \$2.1 million which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

These funds are excluded from the financial statements as NBMLHD 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	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at the beginning of the financial year	318	336	905	902	378	11,444	793	-	2,395	12,682
Add : Receipts	3	2	25	19	6,801	768	17,530	17,946	24,359	18,735
Less : Expenditure	(3)	(20)	(36)	(16)	(6,808)	(11,835)	(17,761)	(17,152)	(24,607)	(29,023)
Balance at the end of the financial year	319	318	894	905	371	378	562	793	2,147	2,395

The following list provides a brief description of the purpose of the trust fund categories.

Category	Purpose
Patient Trust	The safe custody of patients' valuables including monies.
Refundable Deposits	A sum of money held in trust as a security deposit.
Private Practice Trust Funds	The revenue derived from private patient and other billable services provided by Staff Specialists.
Third Party Funds	A sum of money held in trust on behalf of external parties, e.g. external foundations, volunteer groups and auxiliaries.
Unclassified	Further information required before the funds can be categorised into an appropriate trust.

**Nepean Blue Mountains Local Health District
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PARENT AND CONSOLIDATION

29. Contingent Liabilities and Assets

- a) The District is not aware of any contingent liabilities or assets other than those disclosed in note 27 (c) which would have a material effect on the disclosures in these financial statements

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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
30. Reconciliation of Cash Flows from Operating Activities to Net Result				
86,586	35,143	Net Cash Used on Operating Activities	86,586	35,143
(25,720)	(24,422)	Depreciation and Amortisation Expense	(25,720)	(24,422)
(395)	(1,327)	Allowance for impairment	(395)	(1,327)
46	149	(Increase) / Decrease in Unearned Revenue	46	149
(5,955)	(6,741)	Decrease / (Increase) in Provisions	(5,955)	(6,741)
1,951	3,633	Increase / (Decrease) in Prepayments and Other Assets	1,951	3,633
(12,338)	(430)	Decrease / (Increase) in Payables	(12,338)	(430)
(24)	(715)	Net Gain / (Loss) on Sale of Property, Plant and Equipment	(24)	(715)
-	493	Non-Cash Revenue Items	-	493
(2)	-	Assets Donated or Brought to Account / Emerging Assets Recognised	(2)	-
44,149	5,783	Net Result	44,149	5,783
31. Non-Cash Financing and Investing Activities				
-	493	Assets Donated or Brought to Account	-	493
-	493		-	493

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
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PARENT AND CONSOLIDATION

32. Changes in Liabilities Arising from Financing Activities

	2018	Cash Flow	Non-Cash Changes Other	2019
	\$000	\$000	\$000	\$000
Borrowings and Advances	176	(176)	-	-

33. 2018/19 Voluntary Services

It is considered impracticable to quantify the monetary value of voluntary services provided to NBMLHD. Services received free, or for nominal consideration include:

- | | |
|---|---|
| <ul style="list-style-type: none"> - Chaplaincies and Pastoral Care - Pink Ladies / Hospital Auxiliaries - Patient Support Groups - Community Organisations | <ul style="list-style-type: none"> - Patient and Family Support - Patient Services, Fund Raising - Practical Support to Patients and Relatives - Counselling, Health Education, Transport, Home Help and Patient Activities |
|---|---|

34. Unclaimed Monies

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

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.

**Nepean Blue Mountains Local Health District
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PARENT AND CONSOLIDATION

35. Adjusted Budget Review

Net Result

The consolidated Net Result reflects unfavourability of \$3.872mill with expense being \$12.961mill unfavourable and revenue \$9.152mill favourable.

The total revenue position includes cash assistance of \$11.725mill, with a favourable result in Other Sources of Revenue \$4.529mill and a shortfall of \$6.795mill in User Charges.

Employee Related Expenses, as a result of increased FTE's and a revised leave actuarial methodology, and Visiting Medical Officer Payments were the primary contributors to the expense unfavourability.

Provision for doubtful debts and loss on sale of assets also contributed \$0.106mill favourability to the Net Result noted above.

Assets and Liabilities

Total Assets moved \$65.126mill during the year with the main contributor being WIP Buildings \$67.458mill.

Total Liabilities increased during the year by \$18.009mill with increases in Trade Payables \$8.427mill and Annual Leave Provisions \$5.893mill.

Cash Flows

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 01 July 2018 are as follows:

	\$000
Initial Allocation, 1 July 2018	664,786
Other Escalations	18,474
New initiatives	18,581
2018/19 Revenue Alignment Patient Fees	11,786
Revenue Final Alignment	4,728
National Partnership Agreement on Adult Public Dental Services	2,400
Other Adjustments	210
Nurse/Midwife Strategy Reserve	716
Critical Maintenance Works	484
Fire Services Assistance Program	960
Organ and Tissue Donation Funding	350
Their Futures Matter- Formerly Keep Them Safe	320
Winter Funding	240
Workplace Culture and Safety	196
Rural Doctors Obstetric and Anaesthetic Incentive Grants	149
2018 Funding of Medical Speciality Training position	150
Increasing Access to Elective Surgery Initiative Phase 2	665
Their Futures Matter- Formerly Keep Them Safe	320
Other Enhancements	842
Balance as per Statement of Comprehensive Income	716,901

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
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36. Increase / (Decrease) in Net Assets from Equity Transfers

Equity transfers effected in the 2018/19 year were:

- a) An equity transfer has been made between NSW Health entities to realign the annual leave liability to the current legal employer as held in the payroll system (StaffLink) for various employment arrangements, including staff on rotation and secondment. This has resulted in an increase in net assets of \$62 thousand relating to the transfer of Annual Leave provision balances to other NSW Health entities.
- b) An equity transfer has been made between NSW Ambulance and NBMLHD to transfer the Land and Buildings of Ambulance Station in Nepean Hospital, Penrith to NBMLHD. This has resulted in an increase in net assets of \$2564 thousand.

Equity transfers effected in the 2017/18 year were:

Nil

	2019	2018
	\$000	\$000
Equity transfers effected comprised:		
a) Annual Leave Provision - Transfer of Annual Leave Provisions between NSW Health entities	62	-
b) Transfer of Ambulance Land and Buildings in Penrith to NBMLHD	2,564	-
	2,626	-

Assets and Liabilities transferred are as follows:

	2019	2018
	\$000	\$000
Assets		
a) Transfer of Ambulance Land and Buildings in Penrith to NBMLHD	2,564	-
Liabilities		
a) Annual Leave Provision	62	-
Increase / (Decrease) in Net Assets From Equity Transfers	2,626	-

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
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37. Financial Instruments

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

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

a) Financial Instrument Categories

i. As at 30 June 2019 under AASB 9

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Class	Category	Carrying Amount 2019 \$000
Cash and Cash Equivalents (Note 16)	N/A	48,637
Receivables (Note 17) ¹	Amortised cost	20,502
Total Financial Assets		69,139
Financial Liabilities		
Payables (Note 23) ²	Financial liabilities measured at amortised cost	65,539
Total Financial Liabilities		65,539

Notes

¹ Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

² Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

ii. As at 30 June 2018 under AASB 139 (comparative period)

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Class	Category	Carrying Amount 2018 \$000
Cash and Cash Equivalents (Note 16)	N/A	47,072
Receivables (Note 17) ¹	Loans and receivables (at amortised cost)	19,232
Total Financial Assets		66,304
Financial Liabilities		
Borrowings (Note 24)	Financial liabilities measured at amortised cost	176
Payables (Note 23) ²	Financial liabilities measured at amortised cost	53,147
Total Financial Liabilities		53,323

Notes

¹ Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

² Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

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37. Financial Instruments

b) Financial Risk

i. 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 NBMLHD. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses or allowance for impairment).

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

Credit risk associated with NBMLHD'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.

NBMLHD considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, NBMLHD may also consider a financial asset to be in default when internal or external information indicates that NBMLHD is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by NBMLHD.

Cash and Cash Equivalents

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 0.00% (Restricted funds bank balance: 2.35%) in 2018/19 compared to 2.35% in the previous year.

Accounting policy for impairment of Trade Debtors and Other Financial Assets under AASB 9

Receivables - Trade Debtors

Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand.

NBMLHD applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. NBMLHD has not identified any relevant factors, and accordingly not adjusted the historical loss rates based on no expected changes in these factors.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 90 days past due.

The loss allowance for trade debtors (Sale of Goods and Services) as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows:

	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2019						
Expected credit loss rate	2.79%	19.09%	22.53%	26.88%	42.21%	12.92%
Estimated total gross carrying amount at default	6,271	806	303	139	1,833	9,353
Expected credit loss	175	154	68	37	774	1,209
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1 July 2018						
Expected credit loss rate	2.60%	10.40%	12.37%	123.11%	58.90%	17.36%
Estimated total gross carrying amount at default	5,588	576	564	130	1,819	8,677
Expected credit loss	145	60	70	160	1,071	1,506

NBMLHD is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2019.

Nepean Blue Mountains Local Health District
Notes to and forming part of the Financial Statements
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37. Financial Instruments

Accounting policy for impairment of Trade Debtors and Other Financial Assets under AASB 139 (comparative period only)

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 NBMLHD 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.

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

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

For the comparative period 30 June 2018, the ageing analysis of trade debtors is as follows:

	2018
	\$000
Neither past due nor impaired	18,102
Past due but not impaired ^{1,2}	
< 3 months overdue	589
3 - 6 months overdue	219
> 6 months overdue	322
Impaired ^{1,2}	
< 3 months overdue	551
3 - 6 months overdue	569
> 6 months overdue	838
Total ^{1,2}	21,191

Notes

1 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.

ii. Liquidity Risk

Liquidity risk is the risk that NBMLHD will be unable to meet its payment obligations when they fall due. NBMLHD 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 the use of overdrafts, loans and other advances.

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

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

NBMLHD 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 NBMLHD 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).

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.

Nepean Blue Mountains Local Health District
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37. Financial Instruments

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

Maturity Analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Interest Rate	Interest Rate Exposure			Maturity Dates	
		Nominal Amount ¹	Fixed Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr
		\$000	\$000	\$000	\$000	\$000
2019						
Payables:						
- Creditors ²		65,539	-	65,539	65,539	-
Borrowings:						
- Loans and Deposits	3.81%	-	-	-	-	-
		65,539	-	65,539	65,539	-
2018						
Payables:						
- Creditors ²		53,147	-	53,147	53,147	-
Borrowings:						
- Loans and Deposits	3.81%	176	176	-	176	-
		53,323	176	53,147	53,323	-

Notes:

1 The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which NBMLHD 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).

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37. Financial Instruments

iii. 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. NBMLHD's exposures to market risk are primarily through interest rate risk on NBMLHD's borrowings and other price risks associated with the movement in the Hour Glass Investment Facilities. NBMLHD 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 NBMLHD 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 as for 2018. The analysis assumes that all other variables remain constant.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through NBMLHD's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. NBMLHD does not account for any fixed rate financial instruments at fair value through profit or loss or as at fair value through other comprehensive income or available for sale (until 30 June 2018). Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official Reserve Bank of Australia 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.

However, NBMLHD is not permitted to borrow external to the NSW Ministry of Health (except energy loans which are negotiated through NSW Treasury). Both NSW Treasury and NSW Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates:

		-1%		+1%	
	Carrying Amount \$000	Net Result \$000	Equity \$000	Net Result \$000	Equity \$000
2019					
Financial Assets					
Cash and Cash Equivalents	48,637	(486)	(486)	486	486
Receivables	20,502	-	-	-	-
Financial Liabilities					
Payables ¹	65,539	-	-	-	-
2018					
Financial Assets					
Cash and Cash Equivalents	47,072	(471)	(471)	471	471
Receivables	19,232	-	-	-	-
Financial Liabilities					
Payables ¹	53,147	-	-	-	-
Borrowings	176	2	2	(2)	(2)

¹ Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments: Disclosures).

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38. Related Party Transactions

PARENT AND CONSOLIDATION

Key management personnel compensation is as follows:

	2019	2018
	\$000	\$000
Short-Term Employee Benefits	652	561
Post-Employment Benefits	58	47
	710	608

During the financial year, Nepean Blue Mountains Local Health District obtained key management personnel services from the immediate parent and incurred \$0.368 million (2018: \$0.360 million) 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.

Transactions with key management personnel and their close family members

There were no transactions with key management personnel and their close family members (2018: \$Nil).

Transactions with the ultimate parent

There were no transactions with the ultimate parent during the financial period (2018: \$Nil).

39. Events After the Reporting Period

No matters have arisen subsequent to reporting date that would require these financial statements to be amended.

END OF AUDITED FINANCIAL STATEMENTS

