

South Western Sydney Local Health District

Financial Statements

for the year ended 30 June 2019



INDEPENDENT AUDITOR'S REPORT

South Western Sydney Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the South Western Sydney 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.



David Daniels
Director, Financial Audit Services

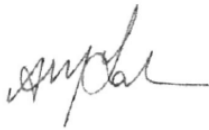
Delegate of the Auditor-General for New South Wales

5 September 2019
SYDNEY

**South Western Sydney 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 South Western Sydney 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*;
 - 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 South Western Sydney Local Health District; and
- 3) We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Amanda Larkin
Chief Executive
30 August 2019



Dimi Palamidas
Director Finance
30 August 2019

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					
-	-	-	Employee Related Expenses	2	1,309,108	1,283,792	1,206,432	
1,228,699	1,203,049	1,156,832	Personnel Services	3	-	-	-	
89,619	89,661	84,626	Visiting Medical Officers		89,619	89,661	84,626	
510,308	509,289	484,871	Other Expenses	4	510,308	509,289	484,871	
63,657	63,994	62,466	Depreciation and Amortisation	1(o), 5	63,657	63,994	62,466	
10,352	10,311	10,038	Grants and Subsidies	6	10,352	10,311	10,038	
2,211	2,211	2,465	Finance Costs	1(i), 7	2,211	2,211	2,465	
33,320	33,320	31,965	Payments to Affiliated Health Organisations	8	33,320	33,320	31,965	
1,938,166	1,911,835	1,833,263	Total Expenses excluding losses		2,018,575	1,992,578	1,882,863	
			Revenue					
1,643,793	1,608,693	1,531,731	NSW Ministry of Health Recurrent Allocations	1(j)	1,643,793	1,608,693	1,531,731	
82,825	83,198	26,955	NSW Ministry of Health Capital Allocations	1(j)	82,825	83,198	26,955	
-	-	-	Acceptance by the Crown Entity of Employee Benefits	1(e)(ii), 12	80,409	80,743	49,600	
186,156	185,297	196,670	Sale of Goods and Services	1(j), 9	186,156	185,297	196,670	
1,652	1,667	1,181	Investment Revenue	1(j), 10	1,652	1,667	1,181	
45,910	43,390	36,511	Grants and Other Contributions	1(j), 11	45,910	43,390	36,511	
10,389	10,239	8,008	Other Income	13	10,389	10,239	8,008	
1,970,725	1,932,484	1,801,056	Total Revenue		2,051,134	2,013,227	1,850,656	
32,559	20,649	(32,207)	Operating Result		32,559	20,649	(32,207)	
(1,994)	(11)	(384)	Gains / (Losses) on Disposal	14	(1,994)	(11)	(384)	
(3,868)	(1,793)	-	Impairment Losses on Financial Assets	17	(3,868)	(1,793)	-	
-	-	(3,242)	Other Gains / (Losses)	15	-	-	(3,242)	
26,697	18,845	(35,833)	Net Result from Continuing Operations	31	26,697	18,845	(35,833)	
-	-	-	Net Result from Discontinued Operations		-	-	-	
26,697	18,845	(35,833)	Net Result		26,697	18,845	(35,833)	
			Other Comprehensive Income					
			<i>Items that will not be reclassified to Net Result in subsequent periods</i>					
359,351	-	-	Changes in Revaluation Surplus of Property, Plant and Equipment	19	359,351	-	-	
359,351	-	-	Total Other Comprehensive Income		359,351	-	-	
386,048	18,845	(35,833)	TOTAL COMPREHENSIVE INCOME		386,048	18,845	(35,833)	

The accompanying notes form part of these financial statements.

South Western Sydney 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							
80,064	63,040	69,856		80,064	63,040	69,856	
42,776	60,125	60,936	16	42,776	60,125	60,936	
4,814	5,210	5,210	17	4,814	5,210	5,210	
127,654	128,375	136,002	18	127,654	128,375	136,002	
Total Current Assets							
Non-Current Assets							
1,080	1,125	1,125		1,080	1,125	1,125	
			17				
1,589,146	1,234,162	1,203,368		1,589,146	1,234,162	1,203,368	
79,016	101,386	92,294	19	79,016	101,386	92,294	
34,059	11,566	11,949		34,059	11,566	11,949	
126	326	326		126	326	326	
1,702,347	1,347,440	1,307,937		1,702,347	1,347,440	1,307,937	
766	(2,279)	397		766	(2,279)	397	
1,704,193	1,346,286	1,309,459	21	1,704,193	1,346,286	1,309,459	
Total Non-Current Assets							
Total Assets							
1,831,847	1,474,661	1,445,461		1,831,847	1,474,661	1,445,461	
LIABILITIES							
Current Liabilities							
110,488	129,995	121,264		110,488	129,995	121,264	
5,970	6,007	6,007	24	5,970	6,007	6,007	
225,440	211,968	212,506	25	225,440	211,968	212,506	
1,379	1,087	1,087	26	1,379	1,087	1,087	
343,277	349,057	340,864	27	343,277	349,057	340,864	
Total Current Liabilities							
Non-Current Liabilities							
47,544	52,983	51,303		47,544	52,983	51,303	
2,686	2,686	2,204	25	2,686	2,686	2,204	
19,924	20,466	20,466	26	19,924	20,466	20,466	
70,154	76,135	73,973	27	70,154	76,135	73,973	
Total Non-Current Liabilities							
Total Liabilities							
413,431	425,192	414,837		413,431	425,192	414,837	
Net Assets							
1,418,416	1,049,469	1,030,624		1,418,416	1,049,469	1,030,624	
EQUITY							
611,959	253,074	253,073		611,959	253,074	253,073	
806,457	796,395	777,551		806,457	796,395	777,551	
1,418,416	1,049,469	1,030,624		1,418,416	1,049,469	1,030,624	

The accompanying notes form part of these financial statements.

South Western Sydney 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		777,551	253,073	1,030,624
Changes in Accounting Policy	1ai)(i)	384	-	384
Restated balance at 1 July 2018		<u>777,935</u>	<u>253,073</u>	<u>1,031,008</u>
Net Result for the Year		26,697	-	26,697
Other Comprehensive Income:				
Net Change in Revaluation Surplus of Property, Plant and Equipment	19	-	359,351	359,351
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		465	(465)	-
Total Other Comprehensive Income		<u>465</u>	<u>358,886</u>	<u>359,351</u>
Total Comprehensive Income for the Year		<u>27,162</u>	<u>358,886</u>	<u>386,048</u>
Transactions With Owners In Their Capacity As Owners				
Increase / (Decrease) in Net Assets From Equity Transfers	37	1,360	-	1,360
Balance at 30 June 2019		<u>806,457</u>	<u>611,959</u>	<u>1,418,416</u>
Balance at 1 July 2017		813,384	253,073	1,066,457
Restated balance at 1 July 2017		<u>813,384</u>	<u>253,073</u>	<u>1,066,457</u>
Net Result for the Year		(35,833)	-	(35,833)
Total Other Comprehensive Income		-	-	-
Total Comprehensive Income for the Year		<u>(35,833)</u>	<u>-</u>	<u>(35,833)</u>
Balance at 30 June 2018		<u>777,551</u>	<u>253,073</u>	<u>1,030,624</u>

The accompanying notes form part of these financial statements.

South Western Sydney 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						
-	-	-	Employee Related	(1,229,191)	(1,215,096)	(1,149,537)
(668,603)	(652,117)	(614,294)	Suppliers for Goods and Services	(668,603)	(652,117)	(614,294)
(47,879)	(47,838)	(45,800)	Grants and Subsidies	(47,879)	(47,838)	(45,800)
(2,631)	(2,211)	(1,928)	Finance Costs	(2,631)	(2,211)	(1,928)
(1,229,191)	(1,215,096)	(1,149,537)	Other	-	-	-
(1,948,304)	(1,917,262)	(1,811,559)	Total Payments	(1,948,304)	(1,917,262)	(1,811,559)
Receipts						
1,643,793	1,608,693	1,531,731	NSW Ministry of Health Recurrent Allocations	1,643,793	1,608,693	1,531,731
82,825	83,198	26,955	NSW Ministry of Health Capital Allocations	82,825	83,198	26,955
17,143	17,143	14,682	Reimbursements from the Crown Entity	17,143	17,143	14,682
188,206	188,374	187,698	Sale of Goods and Services	188,206	188,374	187,698
1,634	1,667	1,168	Interest Received	1,634	1,667	1,168
48,181	45,995	38,363	Grants and Other Contributions	48,181	45,995	38,363
78,645	63,999	53,777	Other	78,645	63,999	53,777
2,060,427	2,009,069	1,854,374	Total Receipts	2,060,427	2,009,069	1,854,374
112,123	91,807	42,815	NET CASH FLOWS FROM OPERATING ACTIVITIES	112,123	91,807	42,815
CASH FLOWS FROM INVESTING ACTIVITIES						
7	-	44	Proceeds from Sale of Property, Plant & Equipment and Intangibles	7	-	44
(98,544)	(100,302)	(46,769)	Purchases of Property, Plant & Equipment and Intangibles	(98,544)	(100,302)	(46,769)
(98,537)	(100,302)	(46,725)	NET CASH FLOWS FROM INVESTING ACTIVITIES	(98,537)	(100,302)	(46,725)
CASH FLOWS FROM FINANCING ACTIVITIES						
(3,378)	1,679	(3,129)	Repayment of Borrowings and Advances	(3,378)	1,679	(3,129)
(3,378)	1,679	(3,129)	NET CASH FLOWS FROM FINANCING ACTIVITIES	(3,378)	1,679	(3,129)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS						
10,208	(6,816)	(7,039)	Opening Cash and Cash Equivalents	10,208	(6,816)	(7,039)
69,856	69,856	76,895	CLOSING CASH AND CASH EQUIVALENTS	69,856	69,856	76,895
80,064	63,040	69,856		80,064	63,040	69,856

The accompanying notes form part of these financial statements.

South Western Sydney 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

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

SWSLHD 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).

SWSLHD, 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 23), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * South Western Sydney Local Health District Special Purpose Service Entity, which was established as a Division of the SWSLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable SWSLHD 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 30 August 2019.

b) Basis of Preparation

SWSLHD'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 SWSLHD have been prepared on a going concern basis.

The Secretary of NSW Health, the Chair of South Western Sydney Local Health District Board and the Chief Executive, through the Service Agreement have agreed to service and funding levels for the forward financial year. The Service Agreement sets out the level of financial resources for public health services under SWSLHD'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 SWSLHD 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.
- * SWSLHD has the capacity to review timing of subsidy cash flows to ensure that debts can be paid when they become due and payable.
- * SWSLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by SWSLHD 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 SWSLHD'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).

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 18.1%). SWSLHD has assessed the actuarial advice based on the SWSLHD'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.

South Western Sydney 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

ii) Long Service Leave and Superannuation

SWSLHD'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.

SWSLHD 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 SWSLHD as shown in Note 26.

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.

f) Insurance

SWSLHD'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 SWSLHD 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

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

South Western Sydney 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

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 SWSLHD 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).

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

Refer to Note 9 (b) for further details.

Use of Outside Facilities

SWSLHD 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 SWSLHD 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 \$33.320m (net expense), for the Affiliated Health Organisations such as HammondCare (Braeside Hospital), Karitane, The Benevolent Society (South Western Sydney Scarba Service) and NSW Service for the Treatment and Rehabilitation of Torture and Trauma Survivors (STARTTS) have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. SWSLHD 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 includes lease income from operating leases where SWSLHD 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:

- * amount of GST incurred by SWSLHD 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 SWSLHD 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 SWSLHD. The costs are then accordingly reflected in SWSLHD financial statements. SWSLHD 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(ae) 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.

South Western Sydney Local Health District
Notes to and forming part of the Financial Statements
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1. Statement of Significant Accounting Policies

Land and buildings are owned by the Health Administration Corporation. Land and buildings which are operated/occupied by SWSLHD are deemed to be controlled by SWSLHD 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 SWSLHD. 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:

Buildings	2.5%
Leasehold Improvements	10.0%
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%
- Motor Vehicle Sedans	12.5%
- Motor Vehicles, Trucks & Vans	20.0%
- Office Equipment	10.0%
- Plant and Machinery	10.0%
Leasehold Improvements	33.0%

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.

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 22 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. SWSLHD 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) Assets Not Able to be Reliably Measured

SWSLHD does not hold any assets that are not recognised in the Statement of Financial Position due to those assets not being able to be reliably measured.

South Western Sydney Local Health District
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1. Statement of Significant Accounting Policies

s) 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.

t) Non-Current Assets Held for Sale

SWSLHD does not have any non-current assets classified as held for sale, where their carrying amount will be recovered principally through a sale transaction.

u) Intangible Assets

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

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

v) 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.

w) 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:

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.

x) 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.

y) 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.

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

SWSLHD 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 SWSLHD'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 SWSLHD'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.

South Western Sydney Local Health District
Notes to and forming part of the Financial Statements
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1. Statement of Significant Accounting Policies

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.

z) Financial Assets at Fair Value

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.

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

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

- * SWSLHD 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 SWSLHD's key management personnel.

The risk management strategy of SWSLHD 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 SWSLHD 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 SWSLHD 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.

aa) Impairment of Financial Assets

Impairment under AASB 9 (from 1 July 2018)

SWSLHD 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 SWSLHD expects to receive, discounted at the original effective interest rate.

Receivables

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

South Western Sydney Local Health District
Notes to and forming part of the Financial Statements
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1. Statement of Significant Accounting Policies

Impairment of financial assets under AASB 139 (for the comparative period ended 30 June 2018)

All financial assets, except those measured at fair value through profit or loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that SWSLHD will not be able to collect all amounts due, as a result of one or more events that occurred after the initial recognition of the asset, the estimated cash flows have been affected.

For certain categories of financial assets, such as trade receivables, SWSLHD first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Further, receivables are assessed for impairment on a collective basis if they were assessed not to be impaired individually.

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

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

ab) Payables

These amounts represent liabilities for goods and services provided to SWSLHD 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 SWSLHD.

ac) Borrowings

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 1 for derecognition policy.

ad) Fair Value Hierarchy

A number of SWSLHD'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, SWSLHD 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).

SWSLHD 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 22 and Note 38 for further disclosures regarding fair value measurements of non-financial and financial assets.

ae) 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, SWSLHD recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, SWSLHD does not recognise that asset.

af) 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 SWSLHD's policy on the revaluation of property, plant and equipment as discussed in Note 1(p).

ag) Trust Funds

SWSLHD receives monies in a trustee capacity for various trusts as set out in Note 29.

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

South Western Sydney Local Health District
Notes to and forming part of the Financial Statements
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1. Statement of Significant Accounting Policies

ah) 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). SWSLHD'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, SWSLHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between SWSLHD and the NSW Ministry of Health at the beginning of the financial year, as well as any adjustments for the effects of additional supplementation provided in accordance with delegations to derive a final budget at year end (i.e. adjusted budget). The budget amounts are not subject to audit and, accordingly, the relevant column entries in the financial statements are denoted as 'Unaudited'.

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

ai) 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:

SWSLHD 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).

SWSLHD 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	384
Total Adjustment on equity		384
Accumulated funds		(384)

a) Classification and measurement of financial instruments

On 1 July 2018 (the date of initial application of AASB 9), SWSLHD's management has assessed which business models apply to the financial assets of SWSLHD 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 SWSLHD.

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

	Notes	Accumulated funds	Total change in equity
		\$'000	\$'000
Closing balance 30 June 2018 - AASB 139		777,551	777,551
Recognition of AASB 9 expected credit losses	17	384	384
Total impact		384	384
Opening balance 1 July 2018 - AASB 9		777,935	777,935

SWSLHD 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 SWSLHD'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.

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

South Western Sydney Local Health District
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1. Statement of Significant Accounting Policies

In summary, upon the adoption of AASB 9, SWSLHD 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	62,061	62,445	384

b) *Impairment*

The adoption of AASB 9 has changed SWSLHD'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 SWSLHD 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	Re-measurement	ECL under AASB 9 as at 1 July 2018
	\$'000	\$'000	\$'000
Loans and receivables under AASB 139 / Financial assets at amortised cost under AASB 9	(3,343)	384	(2,959)

(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 SWSLHD 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.

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for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

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 SWSLHD'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 SWSLHD so far and the known and expected impacts:

Leases

SWSLHD 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 \$36.05m 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 \$0.82m 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 SWSLHD 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 \$7.37m
- * Operating lease expense recognised under AASB 17 Leases will decrease by approximately \$0.46m 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

SWSLHD 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. SWSLHD expects the following impacts from the preliminary work performed so far:

- * No significant impact expected on SWSLHD.

Application Date

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

South Western Sydney 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)	1,111,099	1,041,273
-	-	Superannuation - Defined Benefit Plans	5,946	6,553
-	-	Superannuation - Defined Contribution Plans	97,848	90,494
-	-	Long Service Leave	80,498	48,244
-	-	Redundancies	106	211
-	-	Workers' Compensation Insurance	13,463	19,483
-	-	Fringe Benefits Tax	148	174
-	-		1,309,108	1,206,432
		The amounts below are capitalised and do not form part of the above total employee related costs:		
-	-	Employee Related Expenses Capitalised - Land and Buildings	349	-
-	-		349	-
		3. Personnel Services		
1,111,099	1,041,273	Salaries and Wages (including Annual Leave and ADO)	-	-
97,848	90,494	Superannuation - Defined Contribution Plans	-	-
6,035	5,197	Long Service Leave	-	-
106	211	Redundancies	-	-
13,463	19,483	Workers' Compensation Insurance	-	-
148	174	Fringe Benefits Tax	-	-
1,228,699	1,156,832		-	-

South Western Sydney 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				
97	123	Advertising	97	123
242	236	Auditor's Remuneration - Audit of Financial Statements	242	236
14,428	13,135	Blood and Blood Products	14,428	13,135
1,613	926	Consultancies	1,613	926
3,039	2,651	Contractors	3,039	2,651
21,049	20,122	Domestic Supplies and Services	21,049	20,122
72,619	69,877	Drug Supplies	72,619	69,877
35,117	32,081	Food Supplies	35,117	32,081
13,654	11,798	Fuel, Light and Power	13,654	11,798
14,238	12,431	Patient Transport Costs	14,238	12,431
22,188	17,484	Information Management Expenses	22,188	17,484
1,554	1,435	Insurance	1,554	1,435
40,351	45,616	Maintenance (See Note 4(b))	40,351	45,616
103,986	95,391	Medical and Surgical Supplies	103,986	95,391
2,155	1,959	Motor Vehicle Expenses	2,155	1,959
1,903	2,058	Postal and Telephone Costs	1,903	2,058
3,657	4,179	Printing and Stationery	3,657	4,179
2,016	1,892	Rates and Charges	2,016	1,892
4,829	3,624	Rental	4,829	3,624
6,206	7,668	Hosted Services Purchased from Entities Controlled by the Immediate Parent	6,206	7,668
76,220	75,011	Specialised Services (Dental, Radiology, Pathology, Allied Health)	76,220	75,011
12,819	14,517	Staff Related Costs	12,819	14,517
5,827	5,776	Travel Related Costs	5,827	5,776
50,501	44,881	Other (See Note 4(a))	50,501	44,881
510,308	484,871		510,308	484,871

South Western Sydney 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:		
-	25	Aircraft Expenses (Ambulance)	-	25
7,917	8,895	Contract for Patient Services	7,917	8,895
13,443	13,882	Corporate Support Services	13,443	13,882
614	614	Courier and Freight	614	614
113	77	Isolated Patient Travel and Accommodation Assistance Scheme	113	77
535	358	Legal Services	535	358
740	960	Membership/Professional Fees	740	960
2,680	2,524	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	2,680	2,524
5,523	2,444	Other Operating Lease Expense - Minimum Lease Payments	5,523	2,444
41	150	Quality Assurance/Accreditation	41	150
7,224	6,820	Security Services	7,224	6,820
11,671	8,132	Other Miscellaneous	11,671	8,132
50,501	44,881		50,501	44,881
		b) Reconciliation of Total Maintenance		
25,391	23,272	Maintenance Contracts	25,391	23,272
7,744	15,931	New/Replacement Equipment under \$10,000	7,744	15,931
7,103	6,371	Repairs Maintenance/Non Contract	7,103	6,371
113	42	Other	113	42
40,351	45,616	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	40,351	45,616
4,081	4,029	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	4,081	4,029
44,432	49,645		44,432	49,645

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

The majority of '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 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.

All of 'Hosted Services Purchased from Entities Controlled by the Immediate Parent' were paid to Sydney Local Health District.

South Western Sydney 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		
46,160	44,971	Depreciation - Buildings	46,160	44,971
16,459	16,547	Depreciation - Plant and Equipment	16,459	16,547
671	384	Depreciation - Infrastructure Systems	671	384
200	419	Amortisation - Leasehold Improvements	200	419
167	145	Amortisation - Intangible Assets	167	145
63,657	62,466		63,657	62,466
		6. Grants and Subsidies		
8,844	8,442	Non-Government Organisations	8,844	8,442
935	908	Grants to Research Organisations	935	908
320	10	Grants Paid to Entities Controlled by the Immediate Parent	320	10
253	678	Other Grants	253	678
10,352	10,038		10,352	10,038
		7. Finance Costs		
531	537	Finance Lease Interest Charges	531	537
1,680	1,928	Interest on Loans	1,680	1,928
2,211	2,465		2,211	2,465
		8. Payments to Affiliated Health Organisations		
18,990	18,675	HammondCare Health (Braeside Hospital)	18,990	18,675
7,023	6,039	Karitane	7,023	6,039
503	559	The Benevolent Society (South Western Sydney Scarba Service)	503	559
6,804	6,692	NSW Service for the Treatment and Rehabilitation of Torture and Trauma Survivors - STARTTS	6,804	6,692
33,320	31,965		33,320	31,965

South Western Sydney 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:-		
275	275	Pharmacy Sales	275	275
4,341	4,537	Sale of Prosthesis	4,341	4,537
185	144	Other	185	144
		b) Rendering of Services comprise the following:-		
		Patient Fees:		
74,274	73,093	- Inpatient Fees	74,274	73,093
323	464	- Nursing Home Fees	323	464
3,884	3,786	- Non Inpatient Fees	3,884	3,786
15,595	18,617	Department of Veterans' Affairs	15,595	18,617
37	57	Staff Meals and Accommodation	37	57
16,356	21,877	Infrastructure Fees - Monthly Facility Charge	16,356	21,877
9,187	9,703	Infrastructure Fees - Annual Charge	9,187	9,703
9,170	9,006	Car Parking	9,170	9,006
1,961	1,811	Child Care Fees	1,961	1,811
455	12	Clinical Services (excluding Clinical Drug Trials)	455	12
1,014	1,105	Commercial Activities	1,014	1,105
259	249	Fees for Medical Records	259	249
25	23	Information Retrieval	25	23
34,570	34,546	Highly Specialised Drugs	34,570	34,546
13,336	14,395	Motor Accident Authority Third Party	13,336	14,395
98	122	Private Use of Motor Vehicles	98	122
-	153	Hosted Services Provided to Entities Controlled by Immediate Parent	-	153
741	523	Services Provided to Non NSW Health Organisations	741	523
-	4	Shared Corporate Services	-	4
70	62	Multi Purpose Service Centre Fees	70	62
-	2,106	Other	-	2,106
186,156	196,670		186,156	196,670

The majority of 'Motor Accident Authority Third Party' revenue was received from the State Insurance Regulatory Authority (SIRA), an entity controlled by the ultimate parent.

		10. Investment Revenue		
1,634	1,168	Interest	1,634	1,168
18	13	Other	18	13
1,652	1,181		1,652	1,181

South Western Sydney 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				
3,428	3,374	Clinical Drug Trials	3,428	3,374
13,759	13,650	Commonwealth Government Grants	13,759	13,650
224	332	Commonwealth Teaching Hospital Grants	224	332
2,794	3,759	Industry Contributions / Donations	2,794	3,759
7,476	7,343	Cancer Institute Grants Received from an Entity Controlled by the Immediate Parent	7,476	7,343
3,429	2,096	Grants & Contributions Received from Entities Controlled by the Ultimate Parent	3,429	2,096
5,323	778	Grants & Contributions Received from Entities Controlled by the Immediate Parent	5,323	778
612	157	Research Grants	612	157
8,865	5,022	Other Grants	8,865	5,022
45,910	36,511		45,910	36,511
<p>The majority of 'Grants & Contributions Received from Entities Controlled by the Ultimate Parent' were received from Department of Family and Community Services NSW grant for 'Integrated Domestic & Family Violence Service' (IDFVS) (FY \$0.56m), NSW Dept of Education \$0.56m for NESA Courses, NSW Dept. of Industry (via HETI) Smart & Skilled Funding \$0.32m & NSW Department of Education funding for the delivery of NSW Education Standards Authority (NESA) Courses to secondary students (Certificate III in Health Services Assistance) \$0.76m</p> <p>The majority of 'Grants & Contributions Received from Entities Controlled by the Immediate Parent' were received from NSW Health for PEACH Palliative Care Home Support Package \$3.83m, ACI \$0.19m across various research and vocational training grants, HETI \$0.24m</p>				
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	5,946	6,553
-	-	Long Service Leave Provision	74,463	43,047
-	-		80,409	49,600
13. Other Income				
356	483	Commissions	356	483
2,208	2,131	Conference and Training Fees	2,208	2,131
363	46	Discounts	363	46
7	45	Insurance Refunds	7	45
2,565	3,083	Lease and Rental	2,565	3,083
1	-	Sale of Merchandise, Old Wares and Books	1	-
234	172	Sponsorship	234	172
3,148	108	Treasury Managed Fund Hindsight Adjustment	3,148	108
1,507	1,940	Other	1,507	1,940
10,389	8,008		10,389	8,008
14. Gains / (Losses) on Disposal				
15,905	7,892	Property, Plant and Equipment	15,905	7,892
(13,904)	(7,464)	Less: Accumulated Depreciation	(13,904)	(7,464)
2,001	428	Written Down Value	2,001	428
7	44	Less: Proceeds from Disposal	7	44
(1,994)	(384)	Gain / (Loss) on Disposal of Property, Plant and Equipment	(1,994)	(384)
(1,994)	(384)	Total Gains / (Losses) on Disposal	(1,994)	(384)
15. Other Gains / (Losses)				
-	(3,242)	Impairment of Receivables	-	(3,242)
-	(3,242)		-	(3,242)

South Western Sydney 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				
39,419	30,139	Cash at Bank and On Hand	39,419	30,139
40,645	39,717	Short Term Deposits	40,645	39,717
80,064	69,856		80,064	69,856
<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>				
80,064	69,856	Cash and Cash Equivalents (per Statement of Financial Position)	80,064	69,856
80,064	69,856	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	80,064	69,856

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

South Western Sydney 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		
29,639	31,108	Sale of Goods and Services	29,639	31,108
5,224	12,182	Intra Health Receivables	5,224	12,182
4,228	5,959	Goods and Services Tax	4,228	5,959
4,723	12,465	Other Debtors	4,723	12,465
<u>43,814</u>	<u>61,714</u>	Sub Total	<u>43,814</u>	<u>61,714</u>
(3,937)	-	Less: Allowance for Expected Credit Losses *	(3,937)	-
-	(3,343)	Less: Allowance for Impairment **	-	(3,343)
<u>39,877</u>	<u>58,371</u>	Sub Total	<u>39,877</u>	<u>58,371</u>
2,899	2,565	Prepayments	2,899	2,565
<u>42,776</u>	<u>60,936</u>		<u>42,776</u>	<u>60,936</u>
<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 Health Infrastructure (HI) \$1.36m, Health Education & Training Institute (HETI) \$0.79m, Cancer Institute \$0.67m and South Eastern Sydney Local Health District (SESLHD) \$0.33m.</p>				
a) * Movement in the Allowance for Expected Credit Losses				
Sale of Goods and Services				
(3,311)	-	Balance as at 30 June 2018 under AASB 139	(3,311)	-
384	-	Amounts restated through opening Accumulated Funds	384	-
<u>(2,927)</u>	-	Balance at 1 July 2018 under AASB 9	<u>(2,927)</u>	-
2,875	-	Amounts Written Off During the Year	2,875	-
<u>(3,862)</u>	-	(Increase) / Decrease in Allowance Recognised in the Net Result	<u>(3,862)</u>	-
<u>(3,915)</u>	-	Balance at 30 June 2019	<u>(3,915)</u>	-
Other Debtors				
(32)	-	Balance as at 30 June 2018 under AASB 139	(32)	-
(32)	-	Balance at 1 July 2018 under AASB 9	(32)	-
16	-	Amounts Written Off During the Year	16	-
<u>(6)</u>	-	(Increase) / Decrease in Allowance Recognised in the Net Result	<u>(6)</u>	-
<u>(22)</u>	-	Balance at 30 June 2019	<u>(22)</u>	-
<u>(3,937)</u>	-		<u>(3,937)</u>	-
b) ** Movement in the Allowance for Impairment				
Sale of Goods and Services				
-	(3,338)	Balance at 1 July 2017	-	(3,338)
-	3,321	Amounts Written Off During the Year	-	3,321
<u>-</u>	<u>(3,294)</u>	(Increase) / Decrease in Allowance Recognised in the Net Result	<u>-</u>	<u>(3,294)</u>
<u>-</u>	<u>(3,311)</u>	Balance at 30 June 2018	<u>-</u>	<u>(3,311)</u>
Other Debtors				
-	(109)	Balance at 1 July 2017	-	(109)
-	25	Amounts Written Off During the Year	-	25
<u>-</u>	<u>52</u>	(Increase) / Decrease in Allowance Recognised in the Net Result	<u>-</u>	<u>52</u>
<u>-</u>	<u>(32)</u>	Balance at 30 June 2018	<u>-</u>	<u>(32)</u>
<u>-</u>	<u>(3,343)</u>		<u>-</u>	<u>(3,343)</u>
Non-Current				
1,080	1,125	Prepayments	1,080	1,125
<u>1,080</u>	<u>1,125</u>		<u>1,080</u>	<u>1,125</u>
c) The current and non-current sale of goods and services balances above include the following patient fee receivables:				
Current and Non-Current include:				
4,611	4,217	Patient Fees - Compensable	4,611	4,217
9,072	7,438	Patient Fees - Ineligible	9,072	7,438
10,374	12,094	Patient Fees - Inpatient & Other	10,374	12,094
<u>24,057</u>	<u>23,749</u>		<u>24,057</u>	<u>23,749</u>

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

South Western Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		18. Inventories		
4,514	4,978	Drug Supplies	4,514	4,978
213	145	Medical and Surgical Supplies	213	145
87	87	Engineering Supplies	87	87
<u>4,814</u>	<u>5,210</u>		<u>4,814</u>	<u>5,210</u>

South Western Sydney 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		
2,196,858	1,979,658	Gross Carrying Amount	2,196,858	1,979,658
607,712	776,290	<i>Less: Accumulated Depreciation and Impairment</i>	607,712	776,290
1,589,146	1,203,368	Net Carrying Amount	1,589,146	1,203,368
		Plant and Equipment - Fair Value*		
194,966	224,876	Gross Carrying Amount	194,966	224,876
115,950	132,582	<i>Less: Accumulated Depreciation and Impairment</i>	115,950	132,582
79,016	92,294	Net Carrying Amount	79,016	92,294
		Infrastructure Systems - Fair Value		
38,039	15,044	Gross Carrying Amount	38,039	15,044
3,980	3,095	<i>Less: Accumulated Depreciation and Impairment</i>	3,980	3,095
34,059	11,949	Net Carrying Amount	34,059	11,949
		Leasehold Improvements - Fair Value*		
1,791	1,791	Gross Carrying Amount	1,791	1,791
1,665	1,465	<i>Less: Accumulated Depreciation and Impairment</i>	1,665	1,465
126	326	Net Carrying Amount	126	326
1,702,347	1,307,937	Total Property, Plant and Equipment at Net Carrying Amount	1,702,347	1,307,937

* 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.

South Western Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT AND CONSOLIDATION

20. Property, Plant and Equipment - Reconciliation

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

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2019					
Net Carrying Amount at Beginning of Year	1,203,368	92,294	11,949	326	1,307,937
Additions	79,047	19,896	-	-	98,943
Disposals	(1,411)	(590)	-	-	(2,001)
Equity Transfers - Transfers In / (Out)	836	-	-	-	836
Transfers within NSW Health Entities through Statement of Comprehensive Income	-	770	-	-	770
Net Revaluation Increment Less Revaluation Decrements	347,614	-	11,737	-	359,351
Depreciation Expense	(46,160)	(16,459)	(671)	(200)	(63,490)
Reclassifications	5,852	(16,895)	11,044	-	1
Net Carrying Amount at End of Year	1,589,146	79,016	34,059	126	1,702,347

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2018					
Net Carrying Amount at Beginning of Year	1,227,399	83,620	12,338	745	1,324,102
Additions	20,940	25,615	(5)	-	46,550
Disposals	-	(428)	-	-	(428)
Transfers within NSW Health Entities through Statement of Comprehensive Income	-	34	-	-	34
Depreciation Expense	(44,971)	(16,547)	(384)	(419)	(62,321)
Net Carrying Amount at End of Year	1,203,368	92,294	11,949	326	1,307,937

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 22.

(i) Land and Buildings include land owned by the Health Administration Corporation but controlled by SWSLHD [see Note 1(m)].

South Western Sydney Local Health District
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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		21. Intangible Assets		
		<i>Intangibles - Perpetual Software Licenses</i>		
1,352	815	Cost (Gross Carrying Amount)	1,352	815
586	418	Less: Accumulated Amortisation and Impairment	586	418
766	397	Net Carrying Amount	766	397
766		Total Intangible Assets at Net Carrying Amount	766	
766		Total Intangible Assets at Net Carrying Amount	766	

PARENT AND CONSOLIDATION

Intangible Assets - Reconciliation

	Total
	\$000
2019	
Net Carrying Amount at Beginning of Year	397
Additions	536
Amortisation (Recognised in Depreciation and Amortisation)	(167)
Net Carrying Amount at End of Year	766
2018	
Net Carrying Amount at Beginning of Year	323
Additions	219
Amortisation (Recognised in Depreciation and Amortisation)	(145)
Net Carrying Amount at End of Year	397

South Western Sydney Local Health District
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22. 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 1 \$000	Level 2 \$000	Level 3 \$000	Total Fair Value \$000
Property, Plant and Equipment (Note 19)				
- Land and Buildings	-	76,032	1,407,975	1,484,007
- Infrastructure Systems	-	-	34,359	34,359
	-	76,032	1,442,334	1,518,366

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 Note 19.

2018	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total Fair Value \$000
Property, Plant and Equipment (Note 19)				
- Land and Buildings	-	69,224	1,051,338	1,120,562
- Infrastructure Systems	-	-	12,249	12,249
	-	69,224	1,063,587	1,132,811

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 SWSLHD obtains external valuations by independent valuers at least every three years. The last revaluation was performed by APV Valuers and Asset Management for the FY2018/19 financial year. APV Valuers and Asset Management is an independent entity and is not an associated entity of SWSLHD.

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. Following the revaluation by APV Valuers and Asset Management as at 31/12/18, no adjustments were required to be made by way of application of indices.

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.

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

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

South Western Sydney Local Health District
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PARENT AND CONSOLIDATION

22. 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	1,051,338	12,249	1,063,587
Additions	58,018	-	58,018
Revaluation Increments / (Decrements) recognised in Other Comprehensive Income – included in line item 'Changes in Revaluation Surplus of Property, Plant and Equipment' (Note 20)	324,552	11,737	336,289
Transfers from Level 2	22,433	-	22,433
Transfers to Level 2	(8,050)	-	(8,050)
Disposals	(12)	-	(12)
Depreciation expense	(45,219)	(671)	(45,890)
Equity Transfers - Transfers In / (Out)	261	-	261
Revaluation reclassification	4,654	11,044	15,698
Fair Value as at 30 June 2019	1,407,975	34,359	1,442,334

2018	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair Value as at 1 July 2017	1,092,803	12,633	1,105,436
Depreciation expense	(41,465)	(384)	(41,849)
Fair Value as at 30 June 2018	1,051,338	12,249	1,063,587

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

23. Restricted Assets

SWSLHD'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
Community Welfare	4,027	965	1,221	4,283
Facility Improvements	16,934	2,440	3,824	18,319
Patient Welfare	2,175	651	888	2,411
Private Practice Disbursements (No.2 Accounts)	29,158	7,583	9,904	31,478
Public Contributions	3,080	1,579	761	2,262
Research	10,333	3,929	4,426	10,830
Staff Welfare	583	20	81	643
Training and Education Including Conferences	7,002	695	1,043	7,350
	73,291	17,861	22,147	77,577

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.
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.

South Western Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
24. Payables				
Current				
-	-	Accrued Salaries, Wages and On-Costs	29,576	25,464
-	-	Taxation and Payroll Deductions	8,706	7,744
38,282	33,208	Accrued Liability - Purchase of Personnel Services	-	-
39,065	45,761	Creditors	39,065	45,761
		Other Creditors		
1,816	975	- Capital Works	1,816	975
16,801	12,057	- Payables to Entities Controlled by the Immediate Parent	16,801	12,057
14,524	29,263	- Other	14,524	29,263
110,488	121,264		110,488	121,264

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. These include HealthShare NSW \$2.6m, Other Local Health Districts \$2.5m, MOH \$0.207m & NSW Health Pathology \$0.149m

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

25. Borrowings

Current				
5,000	5,056	Other Loans and Deposits	5,000	5,056
970	951	Finance Leases [see note 1(w)]	970	951
5,970	6,007		5,970	6,007
Non-Current				
14,651	17,972	Other Loans and Deposits	14,651	17,972
32,893	33,331	Finance Leases [see note 1(w)]	32,893	33,331
47,544	51,303		47,544	51,303

'Other Loans and Deposits' are balances for the Liverpool Hospital Carpark loan due to the immediate parent, NSW Ministry of Health.

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

Final repayment of the Liverpool Hospital Carpark loan is scheduled for 25th June, 2024.

Finance Leases relates to the arrangement with the Ingham Institute for Applied Medical Research to create a research precinct on the grounds of Liverpool Hospital. The goal being to undertake medical research that can be translated and applied to the needs of the local population and wider Australia. As part of this arrangement, the Ingham Institute building has been sub-leased to SWSLHD to allow its employees to conduct research across a number of streams.

The final repayments for the Ingham Finance Lease are to be made in 2051/52. The arrangement was recognised as a Non-Cash 'Donation' and has no impact on the Statement of Cash Flows.

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

South Western Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		25. Borrowings		
		a) Finance Leases		
		Minimum lease payments in relation to finance leases are payable as follows:		
970	951	Within one year	970	951
4,077	3,997	Later than one year and not later than five years	4,077	3,997
39,673	40,722	Later than five years	39,673	40,722
44,720	45,670	Minimum Lease Payments	44,720	45,670
10,857	11,388	Less: Future Finance Charges	10,857	11,388
33,863	34,282	Present Value of Minimum Lease Payments	33,863	34,282
		The present value of finance lease payments is as follows:		
445	420	Within one year	445	420
2,052	1,942	Later than one year and not later than five years	2,052	1,942
31,365	31,920	Later than five years	31,365	31,920
33,863	34,282	Present Value of Minimum Lease Payments Classified as:	33,863	34,282
970	951	Current (Note 25)	970	951
32,893	33,331	Non-Current (Note 25)	32,893	33,331
33,863	34,282		33,863	34,282

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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		26. Provisions		
		Current		
-	-	Annual Leave - Short Term Benefit	118,006	111,204
-	-	Annual Leave - Long Term Benefit	71,365	71,763
-	-	Long Service Leave Consequential On-Costs	30,894	25,343
-	-	Provision for Other Employee Benefits	5,175	4,196
225,440	212,506	Provision for Personnel Services Liability	-	-
225,440	212,506		225,440	212,506
		Non-Current		
-	-	Long Service Leave Consequential On-Costs	2,686	2,204
2,686	2,204	Provision for Personnel Services Liability	-	-
2,686	2,204		2,686	2,204
		Aggregate Employee Benefits and Related On-Costs		
-	-	Provisions - Current	225,440	212,506
-	-	Provisions - Non-Current	2,686	2,204
-	-	Accrued Salaries, Wages and On-Costs, Taxation and Payroll Deductions (Note 24)	38,282	33,208
266,408	247,918	Liability - Purchase of Personnel Services	-	-
266,408	247,918		266,408	247,918
		27. Other Liabilities		
		Other Current Liabilities		
1,379	1,087	Unearned Revenue	1,379	1,087
1,379	1,087		1,379	1,087
		Other Non-Current Liabilities		
19,924	20,466	Unearned Revenue	19,924	20,466
19,924	20,466		19,924	20,466

South Western Sydney Local Health District
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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
28. 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:				
92,967	21,879	Within one year	92,967	21,879
22,430	1,141	Later than one year and not later than five years	22,430	1,141
115,397	23,020	Total (Including GST)	115,397	23,020
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:				
3,146	3,669	Within one year	3,146	3,669
4,519	7,124	Later than one year and not later than five years	4,519	7,124
7,665	10,793	Total (Including GST)	7,665	10,793
The 'Operating Lease Commitments' above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.				
c) Input Tax Receivable Related to Commitments for Expenditure				
The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments (Entity as Lessee)' of \$123.06m as at 30 June 2019 includes input tax credits of \$2.38m that are expected to be recoverable from the Australian Taxation Office (2018 \$1.75m).				

South Western Sydney Local Health District
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PARENT AND CONSOLIDATION

29. Trust Funds

SWSLHD holds trust funds of \$1.3 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 SWSLHD 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 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Balance at the beginning of the financial year	172	122	481	96	6	-	618	545	1,277	764
Add : Receipts	-	50	43	379	41,964	40,984	1,095	1,097	43,102	42,509
Less : Expenditure	(1)	-	(0)	6	(41,981)	(40,978)	(1,095)	(1,024)	(43,077)	(41,996)
Balance at the end of the financial year	171	172	524	481	(11)	6	618	618	1,302	1,277

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.

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30. Contingent Liabilities and Assets

- a) On 27 August 2018, Garfield Fernandez and Apikali Fotu (Plaintiffs), commenced representative proceedings (led by Legal Aid NSW) referred to as a "class action" in the Supreme Court of NSW against the State of NSW and NSW Local Health Districts (Defendants). The basis of the claim is that third party guarantees given on or after 4 March 2011 by class members for Medicare Ineligible patients are invalid.

As at 30 June, 2019 management have ascertained that approximately 179 active debt recovery proceedings were in place against third party guarantors with the reimbursement estimated at \$0.9m.

- b) There are no Contingent Assets to be recognised.

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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
31. Reconciliation of Cash Flows from Operating Activities to Net Result				
112,123	42,815	Net Cash Used on Operating Activities	112,123	42,815
(63,657)	(62,466)	Depreciation and Amortisation Expense	(63,657)	(62,466)
(3,868)	(3,242)	Allowance for impairment	(3,868)	(3,242)
250	622	(Increase) / Decrease in Unearned Revenue	250	622
(13,941)	(19,502)	Decrease / (Increase) in Provisions	(13,941)	(19,502)
(14,963)	15,031	Increase / (Decrease) in Prepayments and Other Assets	(14,963)	15,031
11,463	(9,136)	Decrease / (Increase) in Payables	11,463	(9,136)
420	395	Amortisation of Finance Lease Liabilities	420	395
(1,994)	(384)	Net Gain / (Loss) on Sale of Property, Plant and Equipment	(1,994)	(384)
864	34	Assets Donated or Brought to Account / Emerging Assets Recognised	864	34
26,697	(35,833)	Net Result	26,697	(35,833)
32. Non-Cash Financing and Investing Activities				
864	34	Assets Donated or Brought to Account	864	34
864	34		864	34

South Western Sydney Local Health District
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PARENT AND CONSOLIDATION

33. Changes in Liabilities Arising from Financing Activities

	2018	Cash Flow	Non-Cash	2019
	\$000	\$000	Changes Other	\$000
			\$000	
Borrowings and Advances	57,310	(3,378)	(418)	53,514

34. 2018/19 Voluntary Services

It is considered impracticable to quantify the monetary value of voluntary services provided to SWSLHD. 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 |
|---|---|

35. Unclaimed Monies

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

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.

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PARENT AND CONSOLIDATION

36. Adjusted Budget Review

Net Result

The actual Net Result was favourable to the Adjusted Budget by \$8.2m, primarily due to:
 Favourability in Revenue of \$38.2m being offset by un-favourability in Expense of \$26.0m. Other Items were \$4.0m un-favourable to budget.

The Revenue result was due to additional General Fund cash assistance subsidy of \$35.1m being provided without a corresponding budget and the \$3.1m favourability in Restricted Financial Assets. The requirement for this additional supplementation was driven by the current year General Fund expenditure overrun of \$23.4m.

The un-favourability in Expense was primarily due to Employee Related Expenditure, namely the resourcing requirement to meet the demand pressures particular in acute inpatient and emergency services. SWSLHD has been above activity targets throughout the whole financial year.

Assets and Liabilities

The \$369.0m favourability in Net Assets to Budget was due to the \$358.9m impact of the 3 yearly property revaluation carried out in 2018/19. Additionally actual liabilities were below budget, primarily in Trade Creditors.

Cash Flows

The overall \$17.0m favourability in actual cash flows to budget were a result of the additional recurrent cash assistance subsidy that was provided being offset by the higher than budgeted Operating Activities expenditure, particularly Employee Related Expenditure.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 21 June, 2018 are as follows:

	\$000
Initial Allocation, 1st July 2018	1,504,183
Growth & Escalation	80,783
Special Projects	
NSW Palliative Care Program PEACH	1,268
Their Future Matters (formerly Keep Them Safe) Funding Allocations 2018-19	1,275
Winter Funding Supplementation	440
Intellectual Disability Health Program	266
Nursing and Midwifery Strategy Reserves and Enhancements	1,112
Workplace Culture and Safety	327
Sustaining NSW Families Program	570
New Parents and Children Initiative	831
Palliative Care Home Support Packages (PEACH)	1,268
National Partnership Agreement on Adult Public Dental Services	2,700
NDIS Budget Retraction	(743)
Additional Activity in Emergency Department	2,533
Other Initiatives	11,880
Balance as per Statement of Comprehensive Income	1,608,693

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37. Increase / (Decrease) in Net Assets from Equity Transfers

Equity transfers effected in the 2018/19 year were:

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 \$0.524m relating to the transfer of Annual Leave provision balances to other NSW Health entities.

Equity transfers effected in the 2017/18 year were:

Nil

	2019	2018
	\$000	\$000
Equity transfers effected comprised:		
Annual Leave Provision - Transfer of Annual Leave Provisions between NSW Health entities	(524)	-
Land & Buildings Transfer	(836)	-
	(1,360)	-

Assets and Liabilities transferred are as follows:

	2019	2018
	\$000	\$000
Assets		
Land Transfer	575	-
Building Transfer	261	-
Liabilities		
Annual Leave Provision	524	-
Increase / (Decrease) in Net Assets From Equity Transfers	1,360	-

South Western Sydney Local Health District
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38. Financial Instruments

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

SWSLHD's main risks arising from financial instruments are outlined below, together with SWSLHD'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 SWSLHD, 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	80,064
Receivables (Note 17) ¹	Amortised cost	35,649
Total Financial Assets		115,713
Financial Liabilities		
Borrowings (Note 25)	Financial liabilities measured at amortised cost	53,514
Payables (Note 24) ²	Financial liabilities measured at amortised cost	101,782
Total Financial Liabilities		155,296

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	69,856
Receivables (Note 17) ¹	Loans and receivables (at amortised cost)	52,412
Total Financial Assets		122,268
Financial Liabilities		
Borrowings (Note 25)	Financial liabilities measured at amortised cost	57,310
Payables (Note 24) ²	Financial liabilities measured at amortised cost	113,520
Total Financial Liabilities		170,830

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).

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

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

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38. Financial Instruments

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 2.34% in 2018/19 compared to 2.14% 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.

SWSLHD 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. SWSLHD 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	5.34%	8.10%	9.19%	23.82%	33.00%	13.21%
Estimated total gross carrying amount at default	16,862	2,321	2,292	856	7,308	29,639
Expected credit loss	901	188	211	204	2,412	3,915
1 July 2018						
Expected credit loss rate	3.76%	3.15%	11.55%	20.75%	27.58%	9.41%
Estimated total gross carrying amount at default	18,924	3,624	1,290	742	6,527	31,108
Expected credit loss	711	114	149	154	1,800	2,928

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

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 SWSLHD 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.

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

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

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38. Financial Instruments

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

	2018
	\$000
Neither past due nor impaired	46,939
Past due but not impaired ^{1,2}	
< 3 months overdue	1,147
3 - 6 months overdue	4,326
> 6 months overdue	-
Impaired ^{1,2}	
< 3 months overdue	522
3 - 6 months overdue	812
> 6 months overdue	2,009
Total ^{1,2}	55,755

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 SWSLHD will be unable to meet its payment obligations when they fall due. SWSLHD 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.

SWSLHD 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.

SWSLHD 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 SWSLHD 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.

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38. Financial Instruments

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

Maturity Analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Interest Rate	Interest Rate Exposure				Maturity Dates		
		Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
2019								
Payables:								
- Creditors ²		101,782	-	-	101,782	101,782	-	-
Borrowings:								
- Loans and Deposits	7.74%	23,685	23,685	-	-	5,000	18,685	-
- Finance Leases	1.55%	44,720	-	44,720	-	970	4,077	39,673
		170,187	23,685	44,720	101,782	107,752	22,762	39,673
2018								
Payables:								
- Creditors ²		113,520	-	-	113,520	113,520	-	-
Borrowings:								
- Loans and Deposits	7.74%	28,685	28,685	-	-	5,000	20,000	3,685
- Finance Leases	1.55%	45,670	-	45,670	-	951	3,997	40,722
- Public Private Partnership		-	-	-	-	-	-	-
- Other (EEGP Fairfield Hospital)	2.51%	57	57	-	-	57	-	-
		187,932	28,742	45,670	113,520	119,528	23,997	44,407

Notes:

¹ The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which SWSLHD 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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38. 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. SWSLHD's exposures to market risk are primarily through interest rate risk on SWSLHD's borrowings and other price risks associated with the movement in the Hour Glass Investment Facilities. SWSLHD 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 SWSLHD 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 SWSLHD's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. SWSLHD 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, SWSLHD 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	80,064	(801)	(801)	801	801
Receivables	35,649	-	-	-	-
Financial Liabilities					
Payables ¹	101,782	-	-	-	-
Borrowings	53,514	535	535	(535)	(535)
2018					
Financial Assets					
Cash and Cash Equivalents	69,856	(699)	(699)	699	699
Receivables	52,412	-	-	-	-
Financial Liabilities					
Payables ¹	113,520	-	-	-	-
Borrowings	57,310	573	573	(573)	(573)

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

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

South Western Sydney Local Health District
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39. Related Party Transactions

PARENT AND CONSOLIDATION

Key management personnel compensation is as follows:

	2019	2018
	\$000	\$000
Short-Term Employee Benefits	1,016	627
Post-Employment Benefits	57	60
	<u>1,073</u>	<u>687</u>

During the financial year, South Western Sydney Local Health District obtained key management personnel services from the immediate parent and incurred \$0.484m (2018: \$0.459m) 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.

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).

40. Events After the Reporting Period

No known matters have arisen subsequent to balance date that would require these financial statements to be amended

END OF AUDITED FINANCIAL STATEMENTS