



## INDEPENDENT AUDITOR'S REPORT

### Central Coast Local Health District

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of the Central Coast Local Health District (the District), which comprise the Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, 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 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015

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

#### Basis for Opinion

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

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

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (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 36. 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:

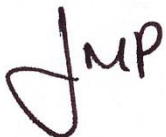
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the District carried out its 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.



Jan-Michael Perez  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

25 September 2020  
SYDNEY

# Central Coast Local Health District

## Certification of the Financial Statements

for the year ended 30 June 2020



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

1. The financial statements of the Central Coast Local Health District for the year ended 30 June 2020 have been prepared in accordance with:
  - a. Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
  - b. the requirements of the *Public Finance and Audit Act 1983* (the Act), the *Public Finance and Audit Regulation 2015*; and
  - c. NSW Treasurer's Directions issued under the Act.
2. The financial statements exhibit a true and fair view of the financial position and the financial performance of the Central Coast 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.

A handwritten signature in black ink, appearing to read "A Montague".

Dr Andrew Montague

**Chief Executive**

23 September 2020

A handwritten signature in black ink, appearing to read "Greg King".

Greg King

**District Director Asset Management,  
Finance and Procurement**

23 September 2020

# Central Coast Local Health District

## Statement of Comprehensive Income for the year ended 30 June 2020

		Consolidated	Consolidated	Consolidated	Parent	Parent
		Actual	Budget <sup>1</sup>	Actual	Actual	Actual
		2020	2020	2019	2020	2019
	Notes	\$000	\$000	\$000	\$000	\$000
<b>Continuing operations</b>						
<b>Expenses excluding losses</b>						
Employee related expenses	2	669,444	639,257	634,126	-	-
Personnel services	3	-	-	-	642,564	598,977
Visiting medical officers	4	32,969	32,814	30,222	32,969	30,222
Other expenses	5	203,683	199,230	198,581	203,683	198,581
Depreciation and amortisation	6	39,770	39,485	30,822	39,770	30,822
Grants and subsidies	7	7,778	7,758	8,034	7,778	8,034
Finance costs	8	148	99	-	148	-
<b>Total expenses excluding losses</b>		<b>953,792</b>	<b>918,643</b>	<b>901,785</b>	<b>926,912</b>	<b>866,636</b>
<b>Revenue</b>						
NSW Ministry of Health recurrent allocations	10	778,054	749,353	716,759	778,054	716,759
NSW Ministry of Health capital allocations	10	66,109	66,593	72,008	66,109	72,008
Acceptance by the Crown Entity of employee benefits	14	26,880	26,838	35,149	-	-
Sale of goods and services	11	-	-	88,529	-	88,529
Sale of goods and services from contracts with customers	11	88,321	93,802	-	88,321	-
Investment revenue	12	627	66	1,014	627	1,014
Grants and other contributions	13	13,003	12,487	16,114	13,003	16,114
Other income	15	4,108	2,659	3,991	4,108	3,991
<b>Total revenue</b>		<b>977,102</b>	<b>951,798</b>	<b>933,564</b>	<b>950,222</b>	<b>898,415</b>
<b>Operating result</b>		<b>23,310</b>	<b>33,155</b>	<b>31,779</b>	<b>23,310</b>	<b>31,779</b>
Gains / (losses) on disposal	16	(653)	(32)	(200)	(653)	(200)
Impairment losses on financial assets	19	67	(159)	(393)	67	(393)
<b>Net result from continuing operations</b>	<b>35</b>	<b>22,724</b>	<b>32,964</b>	<b>31,186</b>	<b>22,724</b>	<b>31,186</b>
<b>Net result</b>		<b>22,724</b>	<b>32,964</b>	<b>31,186</b>	<b>22,724</b>	<b>31,186</b>
<b>Other comprehensive income</b>						
<i>Items that will not be reclassified to net result in subsequent periods</i>						
Changes in revaluation surplus of property, plant and equipment	22	20,077	-	-	20,077	-
<b>Total other comprehensive income</b>		<b>20,077</b>	<b>-</b>	<b>-</b>	<b>20,077</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>42,801</b>	<b>32,964</b>	<b>31,186</b>	<b>42,801</b>	<b>31,186</b>

<sup>1</sup> Unaudited adjusted budget, see Note 37.

The accompanying notes form part of these financial statements.

**Central Coast Local Health District**  
**Statement of Financial Position as at 30 June 2020**

		Consolidated	Consolidated	Consolidated	Parent	Parent
		Actual	Budget <sup>1</sup>	Actual	Actual	Actual
		2020	2020	2019	2020	2019
	Notes	\$000	\$000	\$000	\$000	\$000
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	18	32,466	32,990	27,787	32,466	27,787
Receivables	19	17,219	(5,594)	23,736	17,219	23,736
Inventories	20	5,254	4,862	4,863	5,254	4,863
Financial assets at fair value	21	8,444	8,442	8,442	8,444	8,442
		<b>63,383</b>	<b>40,700</b>	<b>64,828</b>	<b>63,383</b>	<b>64,828</b>
Non-current assets held for sale	24	1,661	-	-	1,661	-
<b>Total current assets</b>		<b>65,044</b>	<b>40,700</b>	<b>64,828</b>	<b>65,044</b>	<b>64,828</b>
<b>Non-current assets</b>						
Property, plant & equipment	22					
- Land and buildings		828,483	801,962	762,642	828,483	762,642
- Plant and equipment		47,781	69,159	50,563	47,781	50,563
- Infrastructure systems		28,993	14,005	14,006	28,993	14,006
Total property, plant & equipment		905,257	885,126	827,211	905,257	827,211
Right-of-use assets	23	9,094	9,468	-	9,094	-
<b>Total non-current assets</b>		<b>914,351</b>	<b>894,594</b>	<b>827,211</b>	<b>914,351</b>	<b>827,211</b>
<b>Total assets</b>		<b>979,395</b>	<b>935,294</b>	<b>892,039</b>	<b>979,395</b>	<b>892,039</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Payables	27	43,274	47,996	49,522	43,274	49,522
Contract liabilities	28	1,952	-	-	1,952	-
Borrowings	29	2,922	1,527	-	2,922	-
Provisions	30	99,118	90,130	87,957	99,118	87,957
Other current liabilities	31	37,457	9,644	9,644	37,457	9,644
<b>Total current liabilities</b>		<b>184,723</b>	<b>149,297</b>	<b>147,123</b>	<b>184,723</b>	<b>147,123</b>
<b>Non-current liabilities</b>						
Contract liabilities	28	97	-	-	97	-
Borrowings	29	6,313	7,993	-	6,313	-
Provisions	30	1,244	1,244	1,123	1,244	1,123
Other non-current liabilities	31	4,394	-	-	4,394	-
<b>Total non-current liabilities</b>		<b>12,048</b>	<b>9,237</b>	<b>1,123</b>	<b>12,048</b>	<b>1,123</b>
<b>Total liabilities</b>		<b>196,771</b>	<b>158,534</b>	<b>148,246</b>	<b>196,771</b>	<b>148,246</b>
<b>Net assets</b>		<b>782,624</b>	<b>776,760</b>	<b>743,793</b>	<b>782,624</b>	<b>743,793</b>
<b>EQUITY</b>						
Reserves		70,508	49,894	49,894	70,508	49,894
Accumulated funds		712,116	726,866	693,899	712,116	693,899
<b>Total Equity</b>		<b>782,624</b>	<b>776,760</b>	<b>743,793</b>	<b>782,624</b>	<b>743,793</b>

<sup>1</sup> Unaudited adjusted budget, see Note 37.

The accompanying notes form part of these financial statements.

# Central Coast Local Health District

## Statement of Changes in Equity for the year ended 30 June 2020

### PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Revaluation Surplus \$000	Total \$000
<b>Balance at 1 July 2019</b>		693,899	49,894	743,793
Changes in accounting policy	1(f)	(3,970)	-	(3,970)
<b>Balance at 1 July 2019</b>		<b>689,929</b>	<b>49,894</b>	<b>739,823</b>
<b>Net result for the year</b>		<b>22,724</b>	<b>-</b>	<b>22,724</b>
<b>Other comprehensive income:</b>				
Net change in revaluation surplus of property, plant and equipment	22	-	20,077	20,077
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		(537)	537	-
<b>Total other comprehensive income</b>		<b>(537)</b>	<b>20,614</b>	<b>20,077</b>
<b>Total comprehensive income for the year</b>		<b>22,187</b>	<b>20,614</b>	<b>42,801</b>
<b>Balance at 30 June 2020</b>		<b>712,116</b>	<b>70,508</b>	<b>782,624</b>

	Notes	Accumulated Funds \$000	Revaluation Surplus \$000	Total \$000
<b>Balance at 1 July 2018</b>		661,113	49,894	711,007
Changes in accounting policy (AASB 9)		150	-	150
<b>Balance at 1 July 2018</b>		<b>661,263</b>	<b>49,894</b>	<b>711,157</b>
<b>Net result for the year</b>		<b>31,186</b>	<b>-</b>	<b>31,186</b>
<b>Other comprehensive income:</b>				
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Comprehensive Income for the Year</b>		<b>31,186</b>	<b>-</b>	<b>31,186</b>
<b>Transactions with owners in their capacity as owners</b>				
Increase / (decrease) in net assets from equity transfers	38	1,450	-	1,450
<b>Balance at 30 June 2019</b>		<b>693,899</b>	<b>49,894</b>	<b>743,793</b>

The accompanying notes form part of these financial statements.

# Central Coast Local Health District

## Statement of Cash Flows for the year ended 30 June 2020

	Notes	Consolidated Actual 2020 \$000	Consolidated Budget <sup>1</sup> 2020 \$000	Consolidated Actual 2019 \$000	Parent Actual 2020 \$000	Parent Actual 2019 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
Employee related		(638,324)	(617,867)	(601,760)	-	-
Suppliers for goods and services		(269,502)	(233,769)	(254,400)	(269,502)	(254,400)
Grants and subsidies		(8,701)	(8,681)	(8,898)	(8,701)	(8,898)
Finance costs		(148)	(99)	-	(148)	-
Personnel services		-	-	-	(638,324)	(601,760)
<b>Total payments</b>		<b>(916,675)</b>	<b>(860,416)</b>	<b>(865,058)</b>	<b>(916,675)</b>	<b>(865,058)</b>
<b>Receipts</b>						
NSW Ministry of Health recurrent allocations		778,054	749,353	716,759	778,054	716,759
NSW Ministry of Health capital allocations		66,109	66,593	72,008	66,109	72,008
Reimbursements from the Crown Entity		9,746	9,746	10,389	9,746	10,389
Sale of goods and services		95,305	98,164	89,868	95,305	89,868
Interest received		627	66	1,014	627	1,014
Grants and other contributions		8,357	15,013	17,430	8,357	17,430
Other		58,946	24,066	35,563	58,946	35,563
<b>Total receipts</b>		<b>1,017,144</b>	<b>963,001</b>	<b>943,031</b>	<b>1,017,144</b>	<b>943,031</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	35	<b>100,469</b>	<b>102,585</b>	<b>77,973</b>	<b>100,469</b>	<b>77,973</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from sale of property, plant and equipment		52	-	206	52	206
Purchases of property, plant and equipment		(93,573)	(95,806)	(72,437)	(93,573)	(72,437)
Purchases of financial assets		-	-	(577)	-	(577)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(93,521)</b>	<b>(95,806)</b>	<b>(72,808)</b>	<b>(93,521)</b>	<b>(72,808)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Payment of principal portion of lease liabilities		(2,269)	(1,576)	-	(2,269)	-
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(2,269)</b>	<b>(1,576)</b>	<b>-</b>	<b>(2,269)</b>	<b>-</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>						
Opening cash and cash equivalents	18	27,787	27,787	22,622	27,787	22,622
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	18	<b>32,466</b>	<b>32,990</b>	<b>27,787</b>	<b>32,466</b>	<b>27,787</b>

<sup>1</sup> Unaudited adjusted budget, see Note 37.

The accompanying notes form part of these financial statements.

# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

---

### 1. Statement of Significant Accounting Policies

#### a) Reporting entity

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

The District 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).

The District, 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 26), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- \* The Central Coast Local Health District Special Purpose Service Entity, which was established as a Division of the District on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the District 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 2020 have been authorised for issue by the Chief Executive on 17 September 2020.

#### b) Basis of preparation

The District'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 the District have been prepared on a going concern basis.

In alignment with the approach of other States and Territories, and following a recommendation by the National Cabinet of Commonwealth, the 2020-21 NSW Budget has been deferred until 17 November 2020. On this basis, the Secretary of NSW Health, the Chair of Central Coast Local Health District Board and the Chief Executive, through an interim Service Agreement, have agreed to service and funding levels for the forward financial year. The interim Service Agreement provides for 48 per cent of the District's annual funding.

When the NSW Budget is handed down in November 2020-21, the interim Service Agreement and funding arrangements will be replaced with a full-year 2020-21 Service Agreement and budget. The Service Agreement sets out the level of financial resources for public health services under the District's control and the source of these funds. By agreement, the Service Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the District fails to meet Service Agreement performance standards, the NSW Ministry of Health as the state manager will take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the NSW Ministry of Health.

Following the Novel Coronavirus (COVID-19) pandemic in late February 2020, the District has seen a decline in normal hospital activities. Restrictions were imposed by the Australian Government resulting in the suspension of non-urgent elective surgeries to ensure increased capacity across the health system. Critical resources were reassigned to plan and prepare for possible surges as a result of the outbreak. The unprecedented measures undertaken by both the Australian and State governments to contain the spread of COVID-19, have resulted in significant impacts to the economy and within the health sector.



# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

---

### 1. Statement of Significant Accounting Policies

Despite the impact of COVID-19, the going concern assumption remains appropriate. Reasons for this include:

- \* Allocated funds, combined with other revenues earned, are adequate to pay debts as and when they become due and payable.
- \* The District has the capacity to review the timing of NSW Ministry of Health allocation cash flows to ensure that debts can be paid when they become due and payable.
- \* The District has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the District and assist in meeting its overall budget target. The EIP is monitored and evaluated by the NSW Ministry of Health throughout the financial year.
- \* The Commonwealth has entered a National Partnership Agreement, in response to the COVID-19 pandemic, with States and Territories, including NSW. The Agreement will deliver funding to public hospitals and provide stability and certainty of funding while ensuring access to new life saving therapies in public hospitals. The District is subject to additional NSW Ministry of Health recurrent and capital allocations to provide for costs incurred related to COVID-19 activities and to ensure debts can be paid as and when they become due and payable.

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 the District's presentation and functional currency.

#### c) Statement of Compliance

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

#### d) Accounting for the Goods & Services Tax (GST)

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

- \* amount of GST incurred by the District 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.

#### e) 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.

#### f) Changes in accounting policy, including new or revised Australian Accounting Standards

##### (i) Effective for the first time in 2019-20

The accounting policies applied in 2019-20 are consistent with those of the previous financial year except as a result of new or revised Australian Accounting Standards that have been applied for the first time as follows:

The District applied AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities, and AASB 16 Leases for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019-20, but do not have an impact on the financial statements of the District.

# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

### 1. Statement of Significant Accounting Policies

#### AASB 15 Revenue from Contracts with Customers (AASB 15)

AASB 15 supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which the District expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires the District to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

In accordance with the transition provisions in AASB 15, the District has adopted AASB 15 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, i.e. 1 July 2019. The District has used the transitional practical expedient permitted by the standard to reflect the aggregate effect of all of the modifications that occur before 1 July 2018 when:

- \* identifying the satisfied and unsatisfied performance obligations;
- \* determining the transaction price; and
- \* allocating the transaction price to the satisfied and unsatisfied performance obligations.

The impact of applying the above practical expedients is not expected to significantly affect the financial statements.

The effect of adopting AASB 15 is as follows:

#### PARENT AND CONSOLIDATED

Impact on the Statement of Comprehensive Income (decrease):

		30 June 2020 AASB 15	30 June 2020 Without adoption of AASB 15	30 June 2020 Impact of AASB 15
	Notes	\$'000	\$'000	\$'000
<b>Revenue</b>				
Sale of goods and services from contracts with customers		88,321	88,321	-
Grants and other contributions	(a)	11,158	13,203	(2,045)
<b>Operating result</b>		<b>99,479</b>	<b>101,524</b>	<b>(2,045)</b>
<b>Net Result</b>		<b>99,479</b>	<b>101,524</b>	<b>(2,045)</b>

Impact on the Statement of Financial Position (decrease):

#### PARENT AND CONSOLIDATED

		30 June 2020 AASB 15	30 June 2020 Without adoption of AASB 15	30 June 2020 Impact of AASB 15
	Notes	\$'000	\$'000	\$'000
<b>Assets</b>				
<b>Total assets</b>		-	-	-
<b>Liabilities</b>				
Contract liabilities	(a)	2,049	-	2,049
Other liabilities		-	4	(4)
<b>Total liabilities</b>		<b>2,049</b>	<b>4</b>	<b>2,045</b>
<b>Equity</b>				
Accumulated funds		(2,049)	(4)	(2,045)
<b>Total adjustments to equity</b>		<b>(2,049)</b>	<b>(4)</b>	<b>(2,045)</b>

**1. Statement of Significant Accounting Policies**

The nature of these adjustments is described below:

- (a) Income from grants were previously recognised upon receipt of cash. Under the new revenue recognition requirements of AASB 15, income should be recognised when a performance obligation, by transferring a promised good or service, is satisfied. This may be at a point in time or over time. This has led to a deferral of grant income where the entity has not yet satisfied its obligations promised in the contract with the customer.

The reason for the changes in grants and other contributions is due to the non-recurring nature of grants and contributions received and varying nature of performance obligations across grant contracts resulting in different timing of revenue received.

**AASB 1058 Income of Not-for-Profit Entities (AASB 1058)**

AASB 1058 replaces most of the existing requirements in AASB 1004 Contributions. The scope of AASB 1004 is now limited mainly to contributions by owners (including parliamentary appropriations that satisfy the definition of a contribution by owners), administrative arrangements and liabilities of government departments assumed by other entities.

AASB 1058 applies to income with a donation component, i.e. transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives; and volunteer services. AASB 1058 adopts a residual approach, meaning that entities first apply other applicable Australian Accounting Standards (e.g. AASB 1004, AASB 15, AASB 16, AASB 9, AASB 137) to a transaction before recognising income.

Not-for-profit entities need to determine whether a transaction is/contains a donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15).

AASB 1058 requires recognition of receipt of an asset, after the recognition of any related amounts in accordance with other Australian Accounting Standards, as income:

- \* when the obligations under the transfer is satisfied, for transfers to enable an entity to acquire or construct a recognisable non-financial asset that will be controlled by the District.
- \* immediately, for all other income within the scope of AASB 1058.

In accordance with the transition provisions in AASB 1058, the District has adopted AASB 1058 retrospectively with the cumulative effect of initially applying the standard at the date of initial application, i.e. 1 July 2019. The District has adopted the practical expedient in AASB 1058 whereby existing assets acquired for consideration significantly less than fair value principally to enable the District to further its objectives, are not restated to their fair value.

**Central Coast Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2020

**1. Statement of Significant Accounting Policies**

The effect of adopting AASB 1058 is as follows:

**PARENT AND CONSOLIDATED**

Impact on the Statement of Comprehensive Income is a (decrease):

		30 June 2020 AASB 1058	30 June 2020 Without adoption of AASB 1058	30 June 2020 Impact of AASB 1058
	Notes	\$'000	\$'000	\$'000
<b>Revenue</b>				
Grants and other contributions	(a)	1,847	2,271	(424)
<b>Expenses</b>				
<b>Operating result</b>		1,847	2,271	(424)
<b>Net Result</b>		1,847	2,271	(424)

Impact on the Statement of Financial Position is a (decrease):

**PARENT AND CONSOLIDATED**

		30 June 2020 AASB 1058	30 June 2020 Without adoption of AASB 1058	30 June 2020 Impact of AASB 1058
	Notes	\$'000	\$'000	\$'000
<b>Assets</b>				
<b>Total assets</b>		-	-	-
<b>Liabilities</b>				
Other liabilities	(a)	4,394	-	4,394
<b>Total liabilities</b>		4,394	-	4,394
<b>Equity</b>				
Accumulated funds		(4,394)	-	(4,394)
<b>Total adjustments to equity</b>		(4,394)	-	(4,394)

The nature of these adjustments is described below:

- (a) Income from grants to construct non-financial assets to be controlled by the entity were previously recognised upon receipt of cash. Under the new revenue recognition requirements of AASB 1058, income should have been recognised over time as the non-financial assets are being constructed. This has led to the deferral of grant income where the entity has not yet satisfied its obligations to construct the assets.

The reason for the changes in grants and other contributions is due to the timing of revenue received to construct non-financial assets to be controlled by the entity.

**AASB 16 Leases**

AASB 16 supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases – Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the Statement of Financial Position.

*Lessor accounting*

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 does not have a significant impact for leases where the entity is the lessor.

**Central Coast Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2020

---

**1. Statement of Significant Accounting Policies**

*Lessee accounting*

AASB 16 requires the District to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. As the lessee, the District recognises a lease liability and right-of-use asset at the inception of the lease. The lease liability is measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, or the lessee's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The corresponding right-of-use asset is measured at the value of the lease liability adjusted for lease payments before inception, lease incentives, initial direct costs and estimates of costs for dismantling and removing the asset or restoring the site on which it is located.

The District has adopted the partial retrospective option in AASB 16, where the cumulative effect of initially applying AASB 16 is recognised on 1 July 2019 and the comparatives for the year ended 30 June 2019 are not restated.

In relation to leases that had previously been classified as 'operating leases' under AASB 117, a lease liability is recognised at 1 July 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 1.76%.

The corresponding right-of-use asset is initially recorded on transition at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position as at 30 June 2019.

For leases previously classified as finance leases the District recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date.

The District elected to use the practical expedient to expense lease payments for lease contracts that, at their commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is valued at \$10,000 or under when new (low-value assets).

In applying AASB 16 for the first time, the District has used the following practical expedients permitted by the standard:

- \* not reassess whether a contract is, or contains, a lease at 1 July 2019, for those contracts previously assessed under AASB 117 and Interpretation 4;
- \* applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- \* relying on its previous assessment on whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review;
- \* not recognise a lease liability and right-of-use-asset for short-term leases that end within 12 months of the date of initial application;
- \* excluding the initial direct costs from the measurement of the right-of- use asset at the date of initial application; and
- \* using hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The effect of adopting AASB 16 on the Statement of Financial Position as at 1 July 2019 is, as follows:

**PARENT AND CONSOLIDATED**

	<b>1 July 2019</b> <b>\$'000</b>
<hr/>	
<b>Assets</b>	
Right-of-use assets	6,816
<b>Total assets</b>	<b>6,816</b>
<b>Liabilities</b>	
Borrowings	6,816
<b>Total liabilities</b>	<b>6,816</b>
<b>Equity</b>	
Accumulated funds	-
	-

**Central Coast Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2020

**1. Statement of Significant Accounting Policies**

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

**PARENT AND CONSOLIDATED**

	<b>1 July 2019</b>
	<b>\$'000</b>
Operating lease commitments as at 30 June 2019 (GST included)	7,079
(Less): GST included in operating lease commitments	644
<b>Operating lease commitments as at 30 June 2019 (GST excluded)</b>	<b>6,435</b>
Weighted average incremental borrowing rate as at 1 July 2019	1.76%
<b>Discounted operating lease commitments as at 1 July 2019</b>	<b>6,212</b>
Add: commitments relating to leases previously classified as finance leases (GST excluded)	-
(Less): commitments relating to short-term leases	603
(Less): commitments relating to low-value assets	-
(Less): commitments including service charges	424
Add / (Less): contracts re-assessed as lease contracts	267
Add: Lease payments relating to renewal periods not included in operating lease commitments as at 30 June 2019	1,483
Add / (Less): adjustments relating to differences in rental amounts, including changes in the index or rate affecting variable payments	(48)
Add / (Less): Other adjustments	(71)
<b>Lease liabilities as at 1 July 2019</b>	<b>6,816</b>

**(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 the District have not been applied and are not yet effective. The possible impact of these Accounting Standards in the period of initial application includes:

**AASB 1059 Service Concession Arrangements**

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 District has completed its impact assessment of AASB 1059 by reviewing all material arrangements where the private sector is performing any services on behalf of the District. Any identified arrangements have been assessed whether it falls within the scope of AASB 1059. If it does meet the scoping guidelines of AASB 1059, financial impacts were calculated.

Upon review, the District has not identified any arrangements in scope of AASB 1059.

## Central Coast Local Health District

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2020

### 2. Employee related expenses

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Salaries and wages (including annual leave and ADO)	576,750	537,973	-	-
Superannuation - defined benefit plans	2,700	3,034	-	-
Superannuation - defined contribution plans	51,127	47,625	-	-
Long service leave	25,689	34,364	-	-
Redundancies	1,088	458	-	-
Workers' compensation insurance	12,006	10,587	-	-
Fringe benefits tax	84	85	-	-
	<b>669,444</b>	<b>634,126</b>	<b>-</b>	<b>-</b>

### 3. Personnel services

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Salaries and wages (including annual leave and ADO)	-	-	576,750	537,973
Superannuation - defined contribution plans	-	-	51,127	47,625
Long service leave	-	-	1,509	2,249
Redundancies	-	-	1,088	458
Workers' compensation insurance	-	-	12,006	10,587
Fringe benefits tax	-	-	84	85
	<b>-</b>	<b>-</b>	<b>642,564</b>	<b>598,977</b>

Personnel services of Central Coast Local Health District were provided by its controlled entity, Central Coast Local Health District Special Purpose Service Entity.

### 4. Visiting medical officers

Visiting medical officers (VMOs) enhance full-time medical specialist services by providing speciality input in a number of disciplines throughout the District's hospitals. VMO expenses of \$32,969 thousand (2019: \$30,222 thousand) represent part of the day-to-day running costs incurred in the normal operations of the District. These costs are expensed as incurred.

# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

### 5. Other expenses

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Advertising	117	179	117	179
Auditor's remuneration - audit of financial statements	205	199	205	199
Blood and blood products	5,650	5,696	5,650	5,696
Consultancies	410	62	410	62
Domestic supplies and services	10,434	9,568	10,434	9,568
Drug supplies	28,865	27,587	28,865	27,587
Food supplies	16,917	15,837	16,917	15,837
Fuel, light and power	6,391	6,950	6,391	6,950
Patient transport costs	8,924	7,841	8,924	7,841
Information management expenses	16,741	13,531	16,741	13,531
Insurance	662	695	662	695
Maintenance (see Note 5(b))	18,234	18,617	18,234	18,617
Medical and surgical supplies	32,644	31,377	32,644	31,377
Motor vehicle expenses	1,118	1,240	1,118	1,240
Postal and telephone costs	1,620	1,546	1,620	1,546
Printing and stationery	1,429	1,706	1,429	1,706
Rates and charges	923	685	923	685
Rental	-	2,210	-	2,210
Hosted services purchased from entities controlled by the immediate parent	8,743	8,269	8,743	8,269
Specialised services (dental, radiology, pathology, allied health, dialysis, psychology, respite and cancer)	27,785	27,829	27,785	27,829
Staff related costs	2,288	2,304	2,288	2,304
Travel related costs	1,827	2,655	1,827	2,655
Other (see Note 5(a))	11,756	11,998	11,756	11,998
	<b>203,683</b>	<b>198,581</b>	<b>203,683</b>	<b>198,581</b>

The majority of the costs in relation to drug supplies and some medical and surgical supplies expenses relate to the consumption of inventory held by the District.



# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

### 5. Other expenses (continued)

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
<b>(a) Other</b>				
Contract for patient services	182	258	182	258
Corporate support services	5,121	5,295	5,121	5,295
Courier and freight	301	338	301	338
Isolated patient travel and accommodation assistance scheme	210	131	210	131
Legal services	112	153	112	153
Membership/professional fees	777	809	777	809
Quality assurance / accreditation	11	52	11	52
Security services	815	789	815	789
Motor vehicle operating lease expense - minimum lease payments	-	944	-	944
Other operating lease expense - minimum lease payments	-	215	-	215
Expenses relating to short-term leases	989	-	989	-
Expenses relating to leases of low-value assets	35	-	35	-
Other miscellaneous	3,203	3,014	3,203	3,014
	<b>11,756</b>	<b>11,998</b>	<b>11,756</b>	<b>11,998</b>
<b>(b) Reconciliation of total maintenance</b>				
Maintenance contracts	6,846	5,169	6,846	5,169
New / replacement equipment under \$10,000	5,997	6,134	5,997	6,134
Repairs maintenance / non contract	5,371	7,285	5,371	7,285
Other	20	29	20	29
Maintenance expense - contracted labour and other (non-employee related) in Note 5	<b>18,234</b>	<b>18,617</b>	<b>18,234</b>	<b>18,617</b>
Employee related/personnel services maintenance expense included in Notes 2 and 3.	2,770	2,478	2,770	2,478
	<b>21,004</b>	<b>21,095</b>	<b>21,004</b>	<b>21,095</b>

# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

---

### 5. Other expenses (continued)

#### Recognition and Measurement

##### *Maintenance expense*

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

##### *Operating expenses*

Operating expenses generally represent the day-to-day running costs incurred in the normal operations of the District. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 27.

##### *Insurance*

The District'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 NSW Self Insurance Corporation (SiCorp), a controlled entity of the ultimate parent.

##### *Lease expense*

##### *Lease expense (up to 30 June 2019)*

##### Operating leases

Up to 30 June 2019, operating lease payments are recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. An operating lease is a lease other than a finance lease.

##### *Lease expense (from 1 July 2019)*

From 1 July 2019, the District recognises the lease payments associated with the following types of leases as an expense on a straight-line basis:

- Leases that meet the definition of short-term. i.e. where the lease term at commencement of the lease is 12 months or less. This excludes leases with a purchase option.
- Leases of assets that are valued at \$10,000 or under when new.

Variable lease payments are not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occurs.

# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

### 6. Depreciation and amortisation

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Depreciation - buildings	29,439	22,252	29,439	22,252
Depreciation - plant and equipment	6,383	7,054	6,383	7,054
Depreciation - infrastructure systems	1,538	1,516	1,538	1,516
Depreciation - right-of-use buildings	1,355	-	1,355	-
Depreciation - right-of-use plant and equipment	1,055	-	1,055	-
	<b>39,770</b>	<b>30,822</b>	<b>39,770</b>	<b>30,822</b>

Refer to Note 22 Property, plant and equipment and Note 23 Leases for recognition and measurement policies on depreciation.

### 7. Grants and subsidies

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Non-government organisations	3,097	3,009	3,097	3,009
Grants to research organisations	20	168	20	168
Grants paid to entities controlled by the immediate parent	110	131	110	131
Other grants	4,551	4,726	4,551	4,726
	<b>7,778</b>	<b>8,034</b>	<b>7,778</b>	<b>8,034</b>

#### Recognition and Measurement

Grants 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 grants and subsidies are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

---

### 8. Finance costs

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Interest expense from lease liabilities	148	-	148	-
	<b>148</b>	<b>-</b>	<b>148</b>	<b>-</b>

#### Recognition and Measurement

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.

## Central Coast Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

---

#### 9. Revenue

##### Recognition and Measurement

Until 30 June 2019, income is recognised in accordance with AASB 111 Construction Contracts, AASB 118 Revenue and AASB 1004 Contributions.

From 1 July 2019, income is recognised in accordance with the requirements of AASB 15 Revenue from Contracts with Customers (AASB 15) or AASB 1058 Income of Not-for-Profit Entities (AASB 1058), dependent on whether there is a contract with a customer defined by AASB 15.

Under the GSF Act 2018, the District's own source revenue (which includes but is not limited to receipts from NSW Ministry of Health recurrent and capital allocations, patient fees, non-patient fees, grants and other contributions, other ancillary services and proceeds from the sale of property, plant and equipment) meets the definition of deemed appropriation money under the GSF Act (Section 4.7).

Deemed appropriation money is money received directly by the District which forms part of the consolidated fund and is not appropriated to the District by an Act.

#### 10. NSW Ministry of Health allocations

Payments are made by the immediate parent as per the Service Agreement to the District and adjusted for approved supplementations, mostly for salary agreements and approved enhancement projects. The Service Agreement between the immediate parent and the District does not contain sufficiently specific enforceable performance obligations as defined by AASB 15 and are therefore recognised upon the receipt of cash, in accordance with AASB 1058.

The District recognised additional NSW Ministry of Health recurrent allocations of \$12.37M and NSW Ministry of Health capital allocations of \$1.20M to cover costs incurred with preparation, diagnosis and treatment of COVID-19 patients.

Interstate patient flows are funded through the NSW State Pool Account, based on activity and consistent with the price determined in cross border agreements. The funding is also recognised as part of the NSW Ministry of Health recurrent allocation from the immediate parent.

## Central Coast Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

#### 11. Sale of goods and services / Sale of goods and services from contracts with customers

##### (a) Sale of goods comprise the following:

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Pharmacy sales	625	627	625	627
Sale of prosthesis	1,420	1,143	1,420	1,143
Other	205	534	205	534
	<b>2,250</b>	<b>2,304</b>	<b>2,250</b>	<b>2,304</b>

##### (b) Rendering of services comprise the following:

###### *Patients*

###### Patient Fees:

- Inpatient fees	33,077	38,484	33,077	38,484
- Nursing home fees	177	53	177	53
- Non inpatient fees	1,466	1,519	1,466	1,519
Department of Veterans' Affairs	13,226	14,111	13,226	14,111
Highly specialised drugs	14,370	12,169	14,370	12,169
Motor Accident Authority third party	3,398	2,886	3,398	2,886

###### *Staff*

Private use of motor vehicles	64	69	64	69
Salary packaging fee	24	34	24	34
Meals and accommodation	1	2	1	2

###### *General community*

Car parking	2,701	1,038	2,701	1,038
Clinical services (excluding clinical drug trials)	-	12	-	12
Commercial activities	31	6	31	6
Fees for conferences and training	530	223	530	223
Fees for medical records	76	66	76	66
Information retrieval	-	1	-	1

###### *Non-NSW Health entities*

Services to other organisations	40	54	40	54
---------------------------------	----	----	----	----

###### *Entities controlled by the immediate parent*

Hosted service revenues	1,471	1,638	1,471	1,638
Linen service revenues	10	8	10	8

###### *Other*

Infrastructure fees - annual charge	3,757	3,450	3,757	3,450
Infrastructure fees - monthly facility charge	11,258	10,065	11,258	10,065
Other	394	337	394	337

	<b>86,071</b>	<b>86,225</b>	<b>86,071</b>	<b>86,225</b>
	<b>88,321</b>	<b>88,529</b>	<b>88,321</b>	<b>88,529</b>

#### Recognition and Measurement

##### Sale of goods (until 30 June 2019)

Revenue from the sale of goods is recognised when the District transfers the significant risks and rewards of ownership of the goods, usually on delivery of the goods.

**11. Sale of goods and services / Sale of goods and services from contracts with customers (continued)**

**Recognition and Measurement (continued)**

**Sale of goods from contracts with customers (from 1 July 2019)**

Revenue from the sale of goods is recognised when the District satisfies a performance obligation by transferring the promised goods. Sale of goods comprises of pharmacy sales, sale of prosthesis and other items. The District typically satisfies its performance obligations when the control of goods is transferred to the customer. The payments are typically due when invoiced.

Revenue from these sales is recognised based on the price specified in the contract, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term. No volume discount or warranty is provided on the sale.

**Rendering of services (until 30 June 2019)**

Revenue is recognised when the service is provided or by reference to the type and stage of services provided to date.

**Rendering of services from contracts with customers (from 1 July 2019)**

Revenue from rendering of services is recognised when the District satisfies the performance obligation by transferring the promised services. Revenue is typically recognised as follows:

*i. 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.

*ii. Department of Veterans' Affairs*

An agreement is in place with the Commonwealth Department of Veterans' Affairs through which direct funding is provided for the provision of health services to entitled veterans. For inpatient services, revenue is recognised by the District 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.

*iii. 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 admitted day patients, non admitted patients or patients on discharge. Revenue is recognised when the drugs have been provided to the patient.

*iv. Motor Accident Authority third party*

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

*v. 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.

Revenue is measured at the transaction price agreed under various contracts. No element of financing is deemed present as payments are due when the service is provided.

Refer to Note 28 for the disclosure of the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, and when the District expects to recognise the unsatisfied portion as revenue.

**Central Coast Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2020

---

**12. Investment revenue**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Interest income from financial assets at amortised cost	453	1,014	453	1,014
Net gain / (loss) from TCorp IM Funds measured at fair value through profit or loss	174	-	174	-
	<b>627</b>	<b>1,014</b>	<b>627</b>	<b>1,014</b>

**Recognition and Measurement**

*Interest income*

Interest income 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).



# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

### 13. Grants and other contributions

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Clinical drug trials	-	1,029	-	1,029
Commonwealth government grants	-	6,034	-	6,034
Cancer Institute grants received from an entity controlled by the immediate parent	-	1,281	-	1,281
Grants & contributions received from entities controlled by the ultimate parent	-	403	-	403
Grants & contributions received from entities controlled by the immediate parent	-	382	-	382
Other grants	-	3,272	-	3,272
<b>Grants to acquire / construct a recognisable non-financial asset to be controlled by the entity</b>				
Grants to acquire / construct non-financial asset	176	-	176	-
<b>Other grants with sufficiently specific performance obligations</b>				
Cancer Institute grants received from an entity controlled by the immediate parent	1,052	-	1,052	-
Clinical trials and research grants	2,613	-	2,613	-
Commonwealth government grants received for community based services	2,718	-	2,718	-
Commonwealth government grants other	910	-	910	-
Grants from entities controlled by the ultimate parent	485	-	485	-
Other grants	3,326	-	3,326	-
<b>Grants without specific performance obligations</b>				
Commonwealth government grants other	70	-	70	-
Other grants from entities controlled by the immediate parent	418	-	418	-
Other grants	28	-	28	-
Donations	1,207	3,713	1,207	3,713
	<b>13,003</b>	<b>16,114</b>	<b>13,003</b>	<b>16,114</b>

# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

---

### 13. Grants and other contributions

#### Recognition and Measurement

##### *Grants and other contributions (until 30 June 2019)*

Income from grants (other than contributions by owners) is recognised when the entity obtains control over the contribution. The District is deemed to have assumed control when the grant is received or receivable.

Contributions are recognised at their fair value. Contributions of services are recognised when and only when a fair value of those services can be reliably determined and the services would be purchased if not donated.

##### *Grants and other contributions (from 1 July 2019)*

Income from grants to acquire / construct a recognisable non-financial asset to be controlled by the District is recognised when the District satisfies its obligations under the transfer. The District satisfies the performance obligation under the transfer over time as the non-financial assets are being constructed. The percentage of cost incurred is used to recognise income, because this most closely reflects the progress to completion.

Revenue from grants with sufficiently specific performance obligations is recognised when the District satisfies a performance obligation by transferring the promised goods or services. The District typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. The District uses various methods to recognise revenue over time, depending on the nature and terms and conditions of the grant contract. The payments are typically based on agreed timetable or on achievement of different milestones set up in the contract.

Revenue from these grants is recognised based on the grant amount specified in the funding agreement/funding approval, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied.

Refer to Note 28 for the transaction price allocated to the performance obligations that have not been satisfied at the end of the year and when it is expected to be recognised as revenue.

Income from grants without sufficiently specific performance obligations is recognised when the District obtains control over the granted assets (e.g. cash).

##### *Volunteer services*

Receipt of volunteer services is recognised when and only when the fair value of those services can be reliably determined and the services would have been purchased if not donated. Volunteer services recognised are measured at fair value. The District receives volunteer services for the below activities:

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

Receipt of these services, while important, is not recognised because typically such services would not have been purchased if not donated.

# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

### 14. Acceptance by the Crown Entity of employee benefits

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

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Superannuation - defined benefit plans	2,700	3,034	-	-
Long service leave provision	24,180	32,115	-	-
	<b>26,880</b>	<b>35,149</b>	<b>-</b>	<b>-</b>

### 15. Other income

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Other income comprises the following:				
Commissions	99	33	99	33
Discounts	3	35	3	35
Insurance refunds	160	192	160	192
Rental income				
- other rental income	857	968	857	968
Property not previously recognised	2,236	-	2,236	-
Sale of merchandise, old wares and books	79	83	79	83
Treasury Managed Fund hindsight adjustment	-	1,123	-	1,123
Unclaimed deposits	6	1	6	1
Other	668	1,556	668	1,556
	<b>4,108</b>	<b>3,991</b>	<b>4,108</b>	<b>3,991</b>

### Recognition and Measurement

#### *Other Income*

Other income includes rental income arising from operating leases which is accounted for on a straight-line basis over the lease term under AASB 16 Leases. The rental income is incidental to the purpose for holding the property.

#### *Forgiveness of liabilities*

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

## Central Coast Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

#### 16. Gains / (losses) on disposal

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Property, plant and equipment	1,898	5,906	1,898	5,906
<i>Less: accumulated depreciation</i>	1,193	5,500	1,193	5,500
<b>Written down value</b>	<b>705</b>	<b>406</b>	<b>705</b>	<b>406</b>
<i>Less: proceeds from disposal</i>	52	206	52	206
<b>Gain / (Loss) on disposal of property, plant and equipment</b>	<b>(653)</b>	<b>(200)</b>	<b>(653)</b>	<b>(200)</b>
Right-of-use assets	27	-	27	-
<i>Less: accumulated depreciation</i>	3	-	3	-
<b>Written down value</b>	<b>24</b>	<b>-</b>	<b>24</b>	<b>-</b>
<i>Less: lease liabilities extinguished</i>	24	-	24	-
<b>Gain / (Loss) on disposal of right-of-use assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total gains / (losses) on disposal</b>	<b>(653)</b>	<b>(200)</b>	<b>(653)</b>	<b>(200)</b>

#### Recognition and Measurement

##### *Impairment losses on non-financial assets*

Impairment losses may arise on non-financial assets held by the entity from time to time. Accounting for impairment losses is dependent upon the individual asset (or group of assets) subject to impairment. Accounting Policies and events giving rise to impairment losses are disclosed in the following notes:

- Note 19 Receivables
- Note 22 Property, plant and equipment
- Note 23 Leases

#### 17. Conditions and restrictions on income of not-for-profit entities

The District receives various types of grants and donations from different grantors / donors, some of which may not have enforceable performance obligations. The District determines the grantor / donor expectations in determining the externally imposed restrictions and discloses them in accordance with different types of restrictions. The types of restrictions and income earned with restrictions are detailed in Note 26 Restricted assets.

# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

### 18. Cash and cash equivalents

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Cash at bank and on hand	32,466	27,787	32,466	27,787
	<b>32,466</b>	<b>27,787</b>	<b>32,466</b>	<b>27,787</b>

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.

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:

<b>Cash and cash equivalents (per Statement of Financial Position)</b>	32,466	27,787	32,466	27,787
<b>Closing cash and cash equivalents (per Statement of Cash Flows)</b>	<b>32,466</b>	<b>27,787</b>	<b>32,466</b>	<b>27,787</b>

Refer to Note 39 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Most cash and cash equivalents held by the District are restricted assets and are not held for operating and capital expenditure.

HealthShare NSW, a controlled entity of the immediate parent makes all payments to employees and most payments to suppliers of goods and services and grants and subsidies on behalf of the District. These payments are reported as expenses and operating cash outflows in the financial statements of the District.

HealthShare NSW receives payments directly from the NSW Ministry of Health on behalf of the District to fund these payments. These payments are reported as revenue (NSW Ministry of Health recurrent allocations) and operating cash inflows in the financial statements of the District when HealthShare NSW makes these payments on behalf of the District.

Health Infrastructure, a controlled entity of the immediate parent makes most payments to purchase property, plant and equipment on behalf of the District. These payments are reported as additions to property, plant and equipment and investing cash outflows in the financial statements of the District.

Health Infrastructure receives payments directly from the NSW Ministry of Health on behalf of the District to fund these payments. These payments are reported as revenue (NSW Ministry of Health capital allocations) and operating cash inflows in the financial statements of the District.

## Central Coast Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

#### 19. Receivables

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
<b>Current</b>				
Trade receivables from contracts with customers	4,027	-	4,027	-
Sale of goods and services	-	6,658	-	6,658
Intra health receivables	3,102	3,758	3,102	3,758
Goods and Services Tax	2,939	3,730	2,939	3,730
Other receivables	475	558	475	558
<b>Sub total</b>	<b>10,543</b>	<b>14,704</b>	<b>10,543</b>	<b>14,704</b>
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(124)	-	(124)	-
- Sale of goods and services	-	(308)	-	(308)
- Other receivables	(2)	(2)	(2)	(2)
<b>Sub total</b>	<b>10,417</b>	<b>14,394</b>	<b>10,417</b>	<b>14,394</b>
Prepayments	6,802	9,342	6,802	9,342
	<b>17,219</b>	<b>23,736</b>	<b>17,219</b>	<b>23,736</b>

#### (a) \* Movement in the allowance for expected credit losses

<b>Trade receivables from contracts with customers</b>				
Balance at the beginning of the year	(308)	-	(308)	-
Amounts written off during the year	116	-	116	-
(Increase) / decrease in allowance recognised in the net result <sup>1</sup>	68	-	68	-
<b>Balance at the end of the year</b>	<b>(124)</b>	<b>-</b>	<b>(124)</b>	<b>-</b>
<b>Sale of goods and services</b>				
Balance at the beginning of the year	-	(108)	-	(108)
Amounts written off during the year	-	193	-	193
(Increase) / decrease in allowance recognised in the net result <sup>1</sup>	-	(393)	-	(393)
<b>Balance at the end of the year</b>	<b>-</b>	<b>(308)</b>	<b>-</b>	<b>(308)</b>
<b>Other receivables</b>				
Balance at the beginning of the year	(2)	-	(2)	-
Amounts written off during the year	1	1	1	1
(Increase) / decrease in allowance recognised in the net result	(1)	(3)	(1)	(3)
<b>Balance at the end of the year</b>	<b>(2)</b>	<b>(2)</b>	<b>(2)</b>	<b>(2)</b>
	<b>(126)</b>	<b>(310)</b>	<b>(126)</b>	<b>(310)</b>

## Central Coast Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

#### 19. Receivables (continued)

(b) The current and non-current trade receivables from contracts with customers balances above include the following patient fee receivables:

Current and non-current include:

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Patient fees - compensable	165	260	165	260
Patient fees - ineligible	270	274	270	274
Patient fees - inpatient & other	2,993	5,710	2,993	5,710
	<b>3,428</b>	<b>6,244</b>	<b>3,428</b>	<b>6,244</b>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 39.

	Consolidated 2020 \$000	Parent 2020 \$000
Contract receivables (included in Note 19)	7,045	7,045
	<b>7,045</b>	<b>7,045</b>

#### Recognition and Measurement

All 'regular way' purchases or sales of receivables are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of receivables 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*

##### *Financial assets at amortised cost*

The District 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.

#### *Impairment*

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

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

For lease receivables, the District applies the simplified approach permitted by AASB 9 Financial Instruments, where the loss allowance is based on lifetime ECLs.

# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

### 20. Inventories

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
<b>Current</b>				
Drug supplies	2,206	2,286	2,206	2,286
Medical and surgical supplies	2,749	2,278	2,749	2,278
Other including goods in transit	299	299	299	299
	<b>5,254</b>	<b>4,863</b>	<b>5,254</b>	<b>4,863</b>

#### Recognition and Measurement

Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount. 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.

The cost of inventories acquired at no cost or for nominal consideration is the current replacement cost as at the date of acquisition. Current replacement cost is the cost the District would incur to acquire the asset. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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



# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

### 21. Financial assets at fair value

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
<b>Current</b>				
TCorpIM Funds Investment Facilities	8,444	8,442	8,444	8,442
	<b>8,444</b>	<b>8,442</b>	<b>8,444</b>	<b>8,442</b>

Refer to Note 39 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

#### 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.

#### *Classification and measurement*

The District'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 at fair value through profit or loss*

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.

## Central Coast Local Health District

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2020

### 22. Property, plant and equipment

#### (a) Total property, plant and equipment

##### PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>As at 30 June 2020</b>				
Gross carrying amount	1,263,881	92,612	62,508	1,419,001
Less: accumulated depreciation and impairment	435,398	44,831	33,515	513,744
<b>Net carrying amount</b>	<b>828,483</b>	<b>47,781</b>	<b>28,993</b>	<b>905,257</b>
<b>As at 30 June 2019</b>				
Gross carrying amount	1,073,540	93,928	60,604	1,228,072
Less: accumulated depreciation and impairment	310,898	43,365	46,598	400,861
<b>Net carrying amount</b>	<b>762,642</b>	<b>50,563</b>	<b>14,006</b>	<b>827,211</b>

<sup>1</sup> 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.

#### (a) Total property, plant and equipment - reconciliation

##### PARENT AND CONSOLIDATION

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	Total \$000
<b>Year ended 30 June 2020</b>				
Net carrying amount at beginning of year	762,642	50,563	14,006	827,211
<b>Adjusted net carrying amount at beginning of year</b>	<b>762,642</b>	<b>50,563</b>	<b>14,006</b>	<b>827,211</b>
Additions	84,813	12,519	363	97,695
Reclassification to assets held for sale	(1,661)	-	-	(1,661)
Disposals	(689)	(16)	-	(705)
Net revaluation increments less revaluation decrements	3,939	-	16,138	20,077
Depreciation expense	(29,439)	(6,383)	(1,538)	(37,360)
Reclassifications	8,878	(8,902)	24	-
<b>Net carrying amount at end of year</b>	<b>828,483</b>	<b>47,781</b>	<b>28,993</b>	<b>905,257</b>
<b>Year ended 30 June 2019</b>				
Net carrying amount at beginning of year	734,929	35,803	15,270	786,002
Additions	51,268	21,169	-	72,437
Disposals	-	(406)	-	(406)
Depreciation expense	(22,252)	(7,054)	(1,516)	(30,822)
Reclassifications	(1,303)	1,051	252	-
<b>Net carrying amount at end of year</b>	<b>762,642</b>	<b>50,563</b>	<b>14,006</b>	<b>827,211</b>

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 25.

#### (b) Property, plant and equipment held and used by the District

##### PARENT AND CONSOLIDATION

The District has no material property, plant and equipment where it is the lessor under operating leases. The majority of property, plant and equipment balances are for items held and used by the District.

## Central Coast Local Health District

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2020

---

### 22. Property, plant and equipment (continued)

#### Recognition and Measurement

##### *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 the District 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 the District. The costs are then accordingly reflected in the District financial statements. The District acquires most assets in this manner.

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.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer - Note 38).

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

##### *Capitalisation thresholds*

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

##### *Major inspection costs*

When a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

##### *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.

##### *Depreciation of property, plant and equipment*

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the District. 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:

	Useful lives
Buildings	40 years
Buildings - leasehold improvements	3-10 years
Plant and equipment	4-20 years
Infrastructure Systems	40 years

'Plant and equipment' comprises, among others, medical, computer and office equipment, motor vehicles, furniture and fittings and PODS (a detachable or self-contained unit on ambulances used for patient treatment).

'Infrastructure Systems' comprises public facilities 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.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period and adjusted if appropriate.

Subsequent to the adoption of AASB 16, the District, as a lessee, recognises a right-of-use asset at cost and a corresponding lease liability at the lease commencement date. Right-of-use assets that do not meet the definition of investment properties are included in Property, Plant and Equipment under the corresponding asset categories. Further information on right-of-use assets is contained in Note 23.

## Central Coast Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

---

#### 22. Property, plant and equipment (continued)

##### *Revaluation of property, plant and equipment*

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to Note 25 for further information regarding fair value.

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The District conducts a comprehensive revaluation at least every three years for its land and buildings and infrastructure. Interim desktop revaluations are conducted between comprehensive revaluations for those assets, where cumulative changes to indicators suggest fair value may differ materially from carrying value. The District uses an independent professionally qualified valuer for such revaluations.

The last comprehensive revaluation was completed on 31 December 2019 and was based on an independent assessment.

Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value.

Due to the COVID-19 pandemic in early 2020, the District management performed an additional assessment to determine if the fair value of its property plant and equipment as at 30 June 2020 materially differed from the carrying value. Management concluded that there is no definitive or conclusive market evidence to support any material adjustments. No adjustments were applied as a result.

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

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.

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated. Where the income approach or market approach is used, accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted if appropriate.

##### *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.

The District assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the District estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Specialised assets held for continuing use of their service capacity are rarely sold and their cost of disposal is typically negligible. Their recoverable amount is expected to be materially the same as fair value, where they are regularly revalued under AASB 13.

As a not-for-profit entity, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in net result and is treated as a revaluation increase. However, to the extent that an impairment loss on the same class of asset was previously recognised in net result, a reversal of that impairment loss is also recognised in net result.

##### *Derecognition of property, plant and equipment*

Property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in the consolidated Statement of Comprehensive Income.

# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

---

### 23. Leases

#### (a) Entity as a lessee

The District leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 7 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes. The District does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the District and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Potential future cash outflows of \$2.31M have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extensions and termination options was an increase in recognised lease liabilities and right-of-use assets of \$Nil.

From 1 July 2019, AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset and a corresponding lease liability for most leases.

The District has elected to recognise payments for short-term leases and low value leases as expenses on a straight line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value assets are assets with a fair value of \$10,000 or less when new and comprise mainly of small office and medical equipment items.

#### Right-of-use assets under leases

The following table presents right-of-use assets. There are no right-of-use assets that meet the definition of investment property.

#### PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
<b>2020</b>			
Balance at 1 July 2019	3,772	3,044	6,816
Additions	1,930	2,782	4,712
Disposals	-	(24)	(24)
Depreciation expense	(1,355)	(1,055)	(2,410)
<b>Balance at 30 June 2020</b>	<b>4,347</b>	<b>4,747</b>	<b>9,094</b>

**Central Coast Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2020

---

**23. Leases (continued)**

**(a) Entity as a lessee (continued)**

**Lease liabilities**

The following table presents liabilities under leases.

**PARENT AND CONSOLIDATION**

	<b>Total \$'000</b>
<b>2020</b>	
Balance at 1 July 2019	6,816
Additions	4,712
Interest expenses	148
Payments	(2,417)
Terminations	(24)
<b>Balance at 30 June 2020</b>	<b>9,235</b>

The following amounts were recognised in the Statement of Comprehensive Income for the year ended 30 June 2020 in respect of leases where the District is the lessee:

**PARENT AND CONSOLIDATION**

	<b>Total \$'000</b>
<b>2020</b>	
Depreciation expense of right-of-use assets	2,410
Interest expense on lease liabilities	148
Expenses relating to short-term leases	989
Expenses relating to leases of low-value assets	35
<b>Total amount recognised in the statement of comprehensive income</b>	<b>3,582</b>

The District had total cash outflows for leases of \$2,417 thousand for the year ended 30 June 2020.

## Central Coast Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

---

#### 23. Leases (continued)

##### (a) Entity as a lessee (continued)

Future minimum lease payments under non-cancellable leases as at 30 June 2019 are, as follows:

##### PARENT AND CONSOLIDATION

	Operating leases 2019 \$'000	Finance leases 2019 \$'000
Within one year	2,677	-
Later than one year and not later than five years	3,811	-
Later than five years	591	-
<b>Total (including GST)</b>	<b>7,079</b>	<b>-</b>
<i>Less: GST recoverable from the Australian Taxation Office</i>	644	-
<b>Total (excluding GST)</b>	<b>6,435</b>	<b>-</b>

The reconciliation between the total future minimum lease payments for finance leases and their present value as at 30 June 2019 are, as follows:

##### Leases at significantly below market terms and conditions principally to enable the entity to further its objectives

The District entered into a number of leases, with lease terms ranging from 3 to 16 with various local and federal government organisations for the use of community health, offices and buildings. The contract specifies lease payments of \$1 per annum. The leased premise is be used by the District to provide different community health services. The community health, offices and buildings account for a small portion of the similar assets the District is using for the purpose of providing community services. Therefore it does not have a significant impact on the District's operations.

##### Recognition and Measurement (under AASB 16 from 1 July 2019)

The District assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The District recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

---

### 23. Leases (continued)

#### (a) Entity as a lessee (continued)

##### *i. Right-of-use assets*

The District recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability (refer (ii) below), adjusted by any lease payments made at or before the commencement date, lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

The right-of-use assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Useful lives
Buildings	1 to 15 years
Plant and equipment	1 to 10 years
Motor vehicles and other equipment	1 to 5 years

If ownership of the leased asset transfers to the District at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. The District assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the District estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

##### *ii. Lease liabilities*

At the commencement date of the lease, the District recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase option reasonably certain to be exercised by the District; and
- payments of penalties for terminating the lease, if the lease term reflects the District exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for real estate leases, the incremental borrowing rate is used. The District does not borrow funds in the market. Instead they receive an allocation of the appropriations from the Crown Entity and where the Crown Entity needs additional funding, Treasury Corporation (TCorp) goes to the market to obtain these funds. As a result, the District is using TCorp rates as their incremental borrowing rates. These rates are published by NSW Treasury on a regular basis.



# Central Coast Local Health District

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2020

---

## 23. Leases (continued)

### (a) Entity as a lessee (continued)

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The District's lease liabilities are included in borrowings in Note 29.

#### *iii. Short-term leases and leases of low-value assets*

The District applies the short-term lease recognition exemption to its short-term leases of buildings, machinery, motor vehicles and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

#### *iv. Leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives*

The initial and subsequent measurement of right-of-use assets under leases at significantly below-market terms and conditions that are entered into principally to enable the District to further its objectives is the same as normal right-of-use assets. They are measured at cost, subject to impairment.

### Recognition and measurement (under AASB 117 until 30 June 2019)

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

Until 30 June 2019, a lease was classified at the inception date as a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to the District was classified as a finance lease.

Where a non-current asset was acquired by means of a finance lease, at the commencement of the lease, the asset was recognised at its fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability was established at the same amount. Lease payments were apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were recognised in finance costs in the Statement of Comprehensive Income.

Property, plant and equipment acquired under finance leases was depreciated over the useful life of the asset. However, if there is no reasonable certainty that the District will obtain ownership by the end of the lease term, the asset was depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments were recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

---

### 23. Leases (continued)

#### (b) Entity as a lessor

Central Coast Local Health District leases few retail spaces located within the hospital precincts under operating leases with rental payable monthly. Lease payments generally contain uplift clauses to align to the market conditions.

Central Coast Local Health District also leases land and buildings to NGO's under operating leases arrangements. Generally there are no rental payments as the District provides market rental assistance grants to offset the rental payments.

Central Coast Local Health District's overall exposure to changes in the residual value at the end of the current lease is not material as these leases form a very small part of the asset portfolio. Any expectations about the future residual values are reflected in the fair value of these properties.

#### Lessor for operating leases

Future minimum rentals receivable (undiscounted) under non-cancellable operating lease as at 30 June 2020 are, as follows:

#### PARENT AND CONSOLIDATION

	2020	2019
	\$'000	\$'000
Within one year	779	939
One to two years	686	785
Two to three years	599	687
Three to four years	520	600
Four to five years	489	520
Later than five years	615	1,059
<b>Total (excluding GST)</b>	<b>3,688</b>	<b>4,590</b>

#### Recognition and Measurement

##### *Lessor for operating leases*

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the Statement of Comprehensive Income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

### 24. Non-current assets held for sale

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
<b>Assets held for sale</b>				
Land and buildings	1,661	-	1,661	-
	<b>1,661</b>	<b>-</b>	<b>1,661</b>	<b>-</b>

In 2019/20 the properties at 11,13 and 15 Ward Street were moved into Assets Held for Sale following the demolition of the buildings in March, as the assets were identified by the District as being surplus to requirements. The buildings at 11 & 15 Ward Street were also deemed not economical to repair and were no longer in use. The net proceeds of the sale will be used for the purchase of major medical equipment for Wyong Hospital. The properties sold via Property NSW at auction on 23 June for \$2.2M with settlement still to be finalised.

Further details regarding fair value measurement are disclosed in Note 25.

#### Recognition and Measurement

The District has certain non-current assets classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are recognised at the lower of carrying amount and fair value less costs of disposal.

These assets are not depreciated while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are continued to be recognised.

**Central Coast Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2020

**25. Fair value measurement of non-financial assets**

**PARENT AND CONSOLIDATION**

**Fair value measurement and hierarchy**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

A number of the District's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13 Fair Value Measurement, the District 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).

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

**(a) Fair value hierarchy**

	Level 1	Level 2	Level 3	Total Fair Value
2020	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 22)				
- Land and buildings	-	32,555	713,082	745,637
- Infrastructure systems	-	-	28,629	28,629
Non-current assets held for sale (Note 24)	-	1,661	-	1,661
	-	<b>34,216</b>	<b>741,711</b>	<b>775,927</b>

There were no transfers between level 1 and 2 during the year ended 30 June 2020.

The above figures exclude leasehold improvements, work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 22.

	Level 1	Level 2	Level 3	Total Fair Value
2019	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 22)				
- Land and buildings	-	56,202	386,478	442,680
- Infrastructure systems	-	-	14,006	14,006
	-	<b>56,202</b>	<b>400,484</b>	<b>456,686</b>

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

The above figures exclude leasehold improvements, work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 22.

# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

---

### 25. Fair value measurement of non-financial assets (continued)

#### (b) Valuation techniques, inputs and processes

For land, buildings and infrastructure systems the District obtains external valuations by independent valuers at least every three years. The last revaluation was performed by CBRE PTY Limited for the 2019/20 financial year. CBRE PTY Limited is an independent entity and is not an associated entity of the District.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices (refer Note 22 reconciliation).

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

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

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

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

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

Non-current assets held for sale is a non-recurring item that is measured at the lower of its fair value less cost to sell or its carrying amount. These assets are categorised as level 2.

The property market is being impacted by the significant uncertainty that the COVID-19 outbreak has caused. Sales evidence have been utilised across the District to assess the land and non-specialised properties, in line with the valuation by the valuers made on a market approach.

## Central Coast Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

#### 25. Fair value measurement of non-financial assets (continued)

##### (c) Reconciliation of recurring Level 3 fair value measurements

###### PARENT AND CONSOLIDATION

2020	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
<b>Fair value as at 1 July 2019</b>	386,478	14,006	-	400,484
Derecognition of finance lease assets on initial application of AASB 16	-	-	-	-
<b>Adjusted fair value as at 1 July 2019</b>	<b>386,478</b>	<b>14,006</b>	<b>-</b>	<b>400,484</b>
Additions	330,275	23	-	330,298
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 22)	20,999	16,138	-	37,137
Depreciation expense	(24,670)	(1,538)	-	(26,208)
<b>Fair value as at 30 June 2020</b>	<b>713,082</b>	<b>28,629</b>	<b>-</b>	<b>741,711</b>

There were no transfers between level 1 or 2 during the year ended 30 June 2020.

2019	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
<b>Fair value as at 1 July 2018</b>	401,846	15,270	-	417,116
Additions	-	252	-	252
Depreciation expense	(15,368)	(1,516)	-	(16,884)
<b>Fair value as at 30 June 2019</b>	<b>386,478</b>	<b>14,006</b>	<b>-</b>	<b>400,484</b>

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

# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

### 26. Restricted assets

#### PARENT AND CONSOLIDATION

The District'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 2020.

Category	1 July 2019	Revenue	Expense	2020
	Opening			Closing
	\$000	\$000	\$000	\$000
Community welfare	286	112	90	308
Facility improvements	6,531	923	703	6,751
Holds funds in perpetuity	1,797	-	2	1,795
Patient welfare	3,140	2,686	3,097	2,729
Private practice disbursements (No.2 Accounts)	17,251	4,283	1,806	19,728
Public contributions	649	48	137	560
Research	653	1,388	38	2,003
Staff welfare	7	-	-	7
Training and education including conferences	4,708	818	574	4,952
	<b>35,022</b>	<b>10,258</b>	<b>6,447</b>	<b>38,833</b>

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

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

#### *Unclaimed monies*

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

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.

**Central Coast Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2020

**27. Payables**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
<b>Current</b>				
Accrued salaries, wages and on-costs	18,910	14,826	-	-
Taxation and payroll deductions	2,040	1,854	-	-
Accrued liability - purchase of personnel services	-	-	20,950	16,680
Creditors	8,267	14,992	8,267	14,992
Other creditors				
- Payables to entities controlled by the immediate parent	9,003	13,596	9,003	13,596
- Other	5,054	4,254	5,054	4,254
	<b>43,274</b>	<b>49,522</b>	<b>43,274</b>	<b>49,522</b>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 39.

**Recognition and Measurement**

These amounts represent liabilities for goods and services provided to the District 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 the District. Gains and losses are recognised in the net result when the liabilities are derecognised as well as through the amortisation process.



# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

### 28. Contract liabilities

	Consolidated 2020 \$000	Consolidated 1 July 2019 adjusted for AASB 15 \$000	Parent 2020 \$000	Parent 1 July 2019 adjusted for AASB 15 \$000
<b>Current</b>				
Contract liabilities	1,952	1,640	1,952	1,640
	<b>1,952</b>	<b>1,640</b>	<b>1,952</b>	<b>1,640</b>
<b>Non-current</b>				
Contract liabilities	97	-	97	-
	<b>97</b>	<b>-</b>	<b>97</b>	<b>-</b>

#### Recognition and Measurement

Contract liabilities relate to consideration received in advance from customers. The balance of the contract liabilities at the 30 June 2020 was impacted by the timing of payments received for grants and other contributions. The satisfaction of the specific performance obligations within the contract hadn't been met at the 30 June 2020. Revenue from the contract liabilities will be recognised when the specific performance obligations have been met.

The contract liability balance has increased during the year because of the timing of payments received.

	Consolidated 2020 \$000	Parent 2020 \$000
Revenue recognised that was included in the contract liability balance (adjusted for AASB 15) at the beginning of the year	1,640	1,640
Revenue recognised from performance obligations satisfied in previous periods	-	-
Transaction price allocated to the remaining performance obligations from contracts with customers	5,534	5,534

The transaction price allocated to the remaining performance obligations relates to the following revenue classes and is expected to be recognised as follows:

	2021 \$'000	2022 \$'000	2023 \$'000	≥ 2024 \$'000
<b>Specific revenue class</b>				
Grants and other contributions	3,553	1,908	74	-
	<b>3,553</b>	<b>1,908</b>	<b>74</b>	<b>-</b>

## Central Coast Local Health District

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

#### 29. Borrowings

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
<b>Current</b>				
Lease liability (see Note 23)	2,922	-	2,922	-
	<b>2,922</b>	<b>-</b>	<b>2,922</b>	<b>-</b>
<b>Non-current</b>				
Lease liability (see Note 23)	6,313	-	6,313	-
	<b>6,313</b>	<b>-</b>	<b>6,313</b>	<b>-</b>

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

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 39.

#### Recognition and Measurement

##### *Financial liabilities at amortised cost*

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 the net result when the liabilities are derecognised as well as through the amortisation process.

Borrowings are classified as current liabilities unless the District has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 39 (b) for derecognition policy.

#### Changes in liabilities arising from financing activities

##### PARENT AND CONSOLIDATION

	Other loans and deposits \$000	Leases \$000	Total liabilities from financing activities \$000
<b>30 June 2019</b>	-	-	-
Recognised on adoption of AASB 16	-	<b>6,816</b>	<b>6,816</b>
<b>1 July 2019</b>	-	6,816	6,816
Cash flows	-	(2,269)	(2,269)
New leases	-	4,688	4,688
<b>30 June 2020</b>	-	<b>9,235</b>	<b>9,235</b>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 39.

# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

### 30. Provisions

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
<b>Current</b>				
<b>Employee benefits and related on-costs</b>				
Annual leave - short term benefit	59,796	57,476	-	-
Annual leave - long term benefit	22,003	15,812	-	-
Long service leave consequential on-costs	14,304	12,916	-	-
Provision for other employee benefits	3,015	1,753	-	-
Provision for personnel services liability	-	-	99,118	87,957
<b>Total current provisions</b>	<b>99,118</b>	<b>87,957</b>	<b>99,118</b>	<b>87,957</b>
<b>Non-current</b>				
<b>Employee benefits and related on-costs</b>				
Long service leave consequential on-costs	1,244	1,123	-	-
Provision for personnel services liability	-	-	1,244	1,123
<b>Total non-current provisions</b>	<b>1,244</b>	<b>1,123</b>	<b>1,244</b>	<b>1,123</b>
<b>Aggregate employee benefits and related on-costs</b>				
Provisions - current	99,118	87,957	-	-
Provisions - non-current	1,244	1,123	-	-
Accrued salaries, wages and on-costs, taxation and payroll deductions (Note 27)	20,950	16,680	-	-
Liability - purchase of personnel services	-	-	121,312	105,760
	<b>121,312</b>	<b>105,760</b>	<b>121,312</b>	<b>105,760</b>

#### Recognition and Measurement

##### *Employee benefits and other provisions*

##### *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).

**30. Provisions (continued)**

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 19.1% are applied to the value of leave payable at 30 June 2020 (comparable on-costs for 30 June 2019 were 18.9%). The District has assessed the actuarial advice based on the District'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 District does not expect to settle the liability within 12 months as the District 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.

***Long service leave and superannuation***

The District'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. The District accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits'.

Specific on-costs relating to long service leave assumed by the Crown Entity are borne by the District.

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.

***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.

# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

### 31. Other liabilities

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
<b>Current</b>				
Unearned revenue	37,457	9,644	37,457	9,644
	<b>37,457</b>	<b>9,644</b>	<b>37,457</b>	<b>9,644</b>
<b>Non-current</b>				
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	4,394	-	4,394	-
	<b>4,394</b>	<b>-</b>	<b>4,394</b>	<b>-</b>

Unearned revenue was derived from the following:

In 2019, \$8.0M was received in advance from the University of Newcastle, under the terms of contract as rent in advance for the Central Coast Clinical School and Research Institute being constructed at the Gosford Campus. After the completion the University of Newcastle will lease part of the building for forty years ending 2061.

In 2020, a further \$29.3M was received in advance from the University of Newcastle, for the Central Coast Clinical School and Research Institute.

The 2020, non-current balance of \$4.4M was received in advance from the Australian Government, (Department of Health), under the terms of the grant agreement the funds are provided for the future purchases of radiation oncology equipment.

### PARENT AND CONSOLIDATION

#### Reconciliation of financial assets and corresponding liabilities arising from transfers to acquire or construct non-financial assets to be controlled by the District.

	2020 \$'000
Opening balance of liabilities arising from transfers to acquire/construct non-financial assets to be controlled by the entity	-
<i>Add:</i> adjustments upon initial application of AASB 1058	3,970
<b>Adjusted opening balance</b>	<b>3,970</b>
<i>Add:</i> receipt of cash during the financial year	600
<i>Less:</i> income recognised during the financial year	176
<b>Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity</b>	<b>4,394</b>

Refer to Note 13 for a description of the District's obligations under transfers received to acquire or construct non-financial assets to be controlled by the District.

# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

---

### 32. Commitments

#### (a) Capital commitments

Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment and infrastructure systems, contracted for at balance date and not provided for:

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Within one year	92,117	27,369	92,117	27,369
Later than one year and not later than five years	608	3,828	608	3,828
<b>Total (including GST)</b>	<b>92,725</b>	<b>31,197</b>	<b>92,725</b>	<b>31,197</b>

#### (b) Contingent asset related to commitments for expenditure

The total 'Capital expenditure commitments' of \$92.73M million as at 30 June 2020 includes input tax credits of \$8.43M million that are expected to be recoverable from the Australian Taxation Office (2019 \$2.83M).

### 33. Contingent liabilities and assets

#### PARENT AND CONSOLIDATION

The District is not aware of any contingent liabilities or assets which would have a material effect on the disclosures in these financial statements.

# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

### 34. Trust funds

#### PARENT AND CONSOLIDATION

The District holds trust funds of \$423 thousand (2019: \$435 thousand) which are held for the safe keeping for third parties.

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

Category	1 July 2019			30 June 2020
	Opening equity \$'000	Revenue \$000	Expense \$000	Closing equity \$'000
Private Patient Trust Funds	355	18,279	(18,634)	-
Third Party Funds	80	6,376	(6,033)	423
<b>Total trust funds</b>	<b>435</b>	<b>24,655</b>	<b>(24,667)</b>	<b>423</b>

Category	1 July 2018			30 June 2019
	Opening equity \$'000	Revenue \$000	Expense \$000	Closing equity \$'000
Private Patient Trust Funds	347	25,274	(25,266)	355
Third Party Funds	95	34	(49)	80
<b>Total trust funds</b>	<b>442</b>	<b>25,308</b>	<b>(25,315)</b>	<b>435</b>

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

Category	Purpose
Private Patient 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.

Any amounts drawn down from trust funds under the private practice arrangements are not included in the key management personnel compensation amounts or disclosed as a related party transaction in Note 40.

# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

### 35. Reconciliation of cash flows from operating activities to net result

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Net cash used on operating activities	100,469	77,973	100,469	77,973
Depreciation and amortisation expense	(39,770)	(30,822)	(39,770)	(30,822)
Allowance for impairment	67	(393)	67	(393)
(Increase) / decrease in unearned revenue	(27,991)	(8,340)	(27,991)	(8,340)
Decrease / (increase) in provisions	(11,283)	(6,353)	(11,283)	(6,353)
Increase / (decrease) in prepayments and other assets	(6,850)	8,415	(6,850)	8,415
Decrease / (increase) in payables	6,907	(9,094)	6,907	(9,094)
Decrease / (increase) in contract liabilities	(408)	-	(408)	-
Net gain / (loss) on sale of property, plant and equipment	(653)	(200)	(653)	(200)
Assets donated or brought to account (Note 36)	2,236	-	2,236	-
<b>Net result</b>	<b>22,724</b>	<b>31,186</b>	<b>22,724</b>	<b>31,186</b>

### 36. Non-cash financing and investing activities

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Assets donated or brought to account	2,236	-	2,236	-
Property, plant and equipment acquired by a lease	4,712	-	4,712	-
	<b>6,948</b>	<b>-</b>	<b>6,948</b>	<b>-</b>



# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

---

### 37. Adjusted budget review

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). The District's budget is not presented in parliament, therefore AASB 1055 Budgetary Reporting is not applicable. Unlike the requirement in AASB 1055 Budgetary Reporting to present original budget information, the District's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the District 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 budget entries in the financial statements are unaudited.

### PARENT AND CONSOLIDATION

#### Net result

The actual Net Result was lower than adjusted budget by \$10 million, primarily due to:

The impact of ongoing heavy activity demands driving increased costs as well as continuing additional non-activity operational costs incurred for the Gosford Inpatient facility that opened in April 2018. The impact of Covid-19 also resulted in increased expenditure.

#### Assets and liabilities

Total Assets were \$44.1M higher than budget due to increases in Property, Plant & Equipment resulting from revaluation increases and due to the implementation of AASB 16 Leases which saw the recognition of Right of Use Assets for leases for the first time in 2019-20.

Total Liabilities were \$38.2M higher than budget due to the recognition of Income in Advance amounts linked to payments received for the construction of the building for the Central Coast Medical School & Research Institute.

#### Cash flows

Net cash flows from operating activities was only \$2.1M (2%) below budget. The Net decrease in cash and cash equivalents was only \$0.5M.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 19 June 2019 are as follows:

	<b>\$000</b>
Initial allocation, 19 June 2019	718,029
2019/20 Increased Activity Relief	5,240
2019/20 Voluntary Redundancies	1,088
Impact of Private Health Fund rates reduction	3,300
NSW Treasury - Creditors Economic Stimulus Package	5,136
Their Futures Matter Supplementations	3,143
Covid-19 Impact Support	8,824
Other	4,593
<b>Balance as per Statement of Comprehensive Income</b>	<b>749,353</b>

**Central Coast Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2020

---

**38. Equity**

*Accumulated Funds*

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

*Revaluation Surplus*

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the District's policy on the revaluation of property, plant and equipment as discussed in Note 22.

**Equity transfers effected in the 2019/20 year were:**

- (a) Nil

**Equity transfers effected in the 2018/19 year were:**

- (b) An equity transfer was 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 \$1.45M relating to the transfer of Annual Leave provision balances to other NSW Health entities.

**Equity transfers effected comprised:**

	2020 \$000	2019 \$000
(a) Nil	-	-
(b) Annual Leave Provision - Transfer of Annual Leave Provisions between NSW Health entities	-	1,450
	-	1,450

**Assets and Liabilities transferred are as follows:**

	2020 \$000	2019 \$000
<b>Assets</b>		
(a) Nil	-	-
<b>Liabilities</b>		
(b) Annual Leave Provision	-	1,450
<b>Increase / (Decrease) in Net Assets From Equity Transfers</b>	-	1,450

**Recognition and Measurement**

*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. In most instances the District's equity transfers will approximate fair value.

# Central Coast Local Health District

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2020

## 39. Financial instruments

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

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

### (a) Financial instrument categories

#### PARENT AND CONSOLIDATION

Class	Category	Carrying	Carrying
		Amount	Amount
		2020	2019
		\$000	\$000
<b>Financial Assets</b>			
Cash and cash equivalents (Note 18)	Amortised cost	32,466	27,787
Receivables (Note 19) <sup>1</sup>	Amortised cost	7,478	10,664
Financial Assets at Fair Value (Note 21)	Fair value through profit or loss - mandatory classification	8,444	8,442
<b>Total Financial Assets</b>		<b>48,388</b>	<b>46,893</b>
<b>Financial Liabilities</b>			
Borrowings (Note 29)	Financial liabilities measured at amortised cost	9,235	-
Payables (Note 27) <sup>2</sup>	Financial liabilities measured at amortised cost	41,234	47,668
<b>Total Financial Liabilities</b>		<b>50,469</b>	<b>47,668</b>

#### Notes

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

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

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

### (b) Derecognition of financial assets and financial liabilities

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

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

# Central Coast Local Health District

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2020

---

## 39. Financial instruments (continued)

### (b) Derecognition of financial assets and financial liabilities (continued)

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

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

### (d) 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 the District. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses).

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

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

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

#### 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 1.62% in 2019-20 compared to 2.33% in the previous year. The TCorpIM Funds cash facility is discussed in market risk below.

#### Accounting policy for impairment of trade receivables and other financial assets

##### Receivables - trade receivables, other receivables and contract assets

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

The District applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, other receivables and contract assets.

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

## Central Coast Local Health District

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2020

### 39. Financial instruments (continued)

#### (d) Financial risk (continued)

##### i. Credit risk (continued)

Accounting policy for impairment of trade receivables and other financial assets (continued)

Receivables - trade receivables, other receivables and contract assets (continued)

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. The District has identified relevant factors, and accordingly has adjusted the historical loss rates based on expected changes in these factors.

Trade receivables, other receivables and contract assets 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 receivables, other receivables and contract assets as at 30 June 2020 and 30 June 2019 was determined as follows:

	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2020</b>						
Expected credit loss rate	0.62%	1.16%	9.19%	17.92%	26.41%	2.80%
Estimated total gross carrying amount <sup>1</sup>	3,207	773	185	106	231	4,502
Expected credit loss	20	9	17	19	61	126
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2019 <sup>2</sup></b>						
Expected credit loss rate	0.50%	1.88%	3.92%	16.44%	78.70%	4.30%
Estimated total gross carrying amount <sup>1</sup>	6,400	266	153	73	324	7,216
Expected credit loss	32	5	6	12	255	310

#### Notes

<sup>1</sup> The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB7 Financial Instruments: Disclosures. Therefore the 'total' will not reconcile to the receivables total in Note 19 and the contract assets total in Note .

<sup>2</sup> Prior year balances have been restated to include other receivables and contract assets

The District is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2020.

#### Other Financial Assets - Authority Deposits

The District has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. These deposits are considered to be low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. The District didn't recognise a provision for expected credit losses on its other financial assets as at 30 June 2020 (2019: \$Nil).

## Central Coast Local Health District

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2020

---

### 39. Financial instruments (continued)

#### (d) Financial risk (continued)

##### ii. Liquidity risk

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

The District 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.

The District has exposure to liquidity risk. However, the risk is minimised by the service agreement with the NSW Ministry of Health, as the annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the District 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. Until the 30 June 2019, 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 5 days from the date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than 30 days from the date of receipt of a correctly rendered invoice or a statement is received. From 1 July 2019, 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. For all suppliers, that has a correctly rendered invoice, that has a matched purchase order and where goods have been received, an immediate payment is made irrespective of current contract payment terms.

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 affected 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.

# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

### 39. Financial instruments (continued)

#### (d) Financial risk (continued)

##### ii. Liquidity risk (continued)

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

*Maturity Analysis and interest rate exposure of financial liabilities*

	EIR <sup>3</sup> %	Nominal Amount <sup>1</sup> \$000	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate \$000	Variable Interest Rate \$000	Non - Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000	> 5Yr \$000
<b>2020</b>								
Payables:								
- Creditors <sup>2</sup>		41,234	-	-	41,234	41,234	-	-
- Lease liabilities	1.95%	9,686	9,686	-	-	3,021	5,106	1,559
		<b>50,920</b>	<b>9,686</b>	<b>-</b>	<b>41,234</b>	<b>44,255</b>	<b>5,106</b>	<b>1,559</b>
<b>2019</b>								
Payables:								
- Creditors <sup>2</sup>		47,668	-	-	47,668	47,668	-	-
		<b>47,668</b>	<b>-</b>	<b>-</b>	<b>47,668</b>	<b>47,668</b>	<b>-</b>	<b>-</b>

#### Notes:

<sup>1</sup> The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the District 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.

<sup>2</sup> Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments: Disclosures).

<sup>3</sup> Weighted Average Effective Interest Rate (EIR).

# Central Coast Local Health District

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2020

---

## 39. Financial instruments (continued)

### 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. The District's exposures to market risk are primarily through interest rate risk on the District's borrowings and other price risks associated with the movement in the Hour Glass Investment Facilities. The District 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 the District 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 2019. 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 the District's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. The District does not account for any fixed rate financial instruments at fair value through profit or loss or at fair value through other comprehensive income. 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, the District 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:

	2020 \$000		2019 \$000	
	-1%	1%	-1%	1%
Net result	(317)	317	(362)	362
Equity	(317)	317	(362)	362



# Central Coast Local Health District

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2020

## 39. Financial instruments (continued)

### iii. Market risk (continued)

#### *Other price risk - TCorpIM Funds*

Exposure to 'other price risk' primarily arises through the investment in the TCorpIM Funds, which are held for strategic rather than trading purposes. The District has no direct equity investments. The District holds units in the following TCorpIM Funds trusts:

Facility	Investment Sectors	Investment Horizon	2020 \$000	2019 \$000
TCorpIM Medium-Term Growth Fund	Cash and fixed income, credit, equities, alternative assets and real assets	3 years to 7 years	5,130	5,119
TCorpIM Long-Term Growth Fund	Cash and fixed income, credit, equities, alternative assets and real assets	7 years and over	3,314	3,323

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

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

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

TCorp provides sensitivity analysis information for each of the investment facilities. For 30 June 2020, TCorp has adopted a new approach of applying a flat 10% sensitivity across all funds which is consistent with best market practice for investment funds. Previous years were based on historical volatility information collected over a ten year period, quoted at two standard deviations (ie 95% probability). TCorpIM Funds are measured at fair value through profit or loss and therefore any change in unit price impacts directly on net results.

A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from TCorpIM Funds statement).

	2020 Change in unit price	2019 Change in unit price	Impact on net result	
			2020 \$000	2019 \$000
TCorpIM Funds - Medium-Term Growth	10%	6%	513	307
TCorpIM Funds - Long-Term Growth	10%	13%	331	432

# Central Coast Local Health District

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2020

## 39. Financial instruments (continued)

### (e) Fair value measurement

#### i. Fair value compared to carrying amount

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

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

Therefore the fair value of the financial instruments does not differ from the carrying amount.

#### ii. Fair value recognised in the Statement of Financial Position

Financial instruments are generally recognised at cost, with the exception of the TCorpIM Funds investment facilities, which are measured at fair value. Management assessed that cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their fair values, largely due to the short-term maturities of these instruments.

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, the consolidated entity 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).

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2020 Total \$'000
TCorpIM Funds	-	8,444	-	8,444
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2019 Total \$'000
TCorpIM Funds	-	8,442	-	8,442

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

There were no transfers between level 1 and 2 during the period ended 30 June 2020.

The value of the TCorpIM Funds investment is based on the District's share of the value of the underlying assets of the facility, based on the market value. All of the TCorpIM Funds investment facilities are valued using 'redemption' pricing.

# Central Coast Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

### 40. Related party transactions

#### PARENT AND CONSOLIDATION

##### (a) Key management personnel compensation

Key management personnel compensation is as follows:

	2020 \$000	2019 \$000
Short-term employee benefits	711	644
Post-employment benefits	63	57
	<b>774</b>	<b>701</b>

During the financial year, Central Coast Local Health District obtained key management personnel services from the immediate parent and incurred \$400 thousand (2019: \$397 thousand) for these services. This amount does not form part of the key management personnel compensation disclosed above.

The District's key management personnel comprise its board members and chief executive (or acting chief executive) from time to time during the year.

Compensation for the Minister for Health is paid by the Legislature and is not reimbursed by the NSW 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 NSW 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.

##### (b) Transactions with key management personnel and their close family members

There were no transactions with key management personnel during the year (2019: Nil). Transactions occurred during the current and prior years with key management personnel's close family members for services performed as employees of the District. The work performed and the remuneration paid is immaterial both qualitatively and quantitatively to the District for both 2020 and 2019 year's.

##### (c) Transactions with the ultimate parent

There were no transactions with the ultimate parent during the financial period (2019: \$Nil).

##### (d) Transactions the District had with government related entities during the financial year

During the financial year and comparative year, the District entered into the various transactions with other entities consolidated as part of the NSW Ministry of Health (the immediate parent) and the NSW Total State Sector (the ultimate parent) within the normal course of business.

*The following operating expenses were incurred with entities controlled by the immediate parent:*

- Health Administration Corporation provides shared services for the majority of patient transport services and food supplies.
- Health Administration Corporation provides some specialised services which includes domestic supplies and services, pathology related costs, information management services and corporate support services.
- Various grants and subsidies towards research and other projects.

**Central Coast Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2020

---

**40. Related party transactions**

**(d) Transactions the District had with government related entities during the financial year (continued)**

*The following operating expenses were incurred with entities controlled by the ultimate parent:*

- Fringe benefits taxes
- Audit of the statutory financial statements
- Legal and consultancy services
- Insurance costs
- Various grants and subsidies towards research and other projects

*The following revenues were earned from entities controlled by the immediate parent:*

- Revenue from recurrent and capital allocations
- Various grants and contributions towards research and other projects
- Commercial activities revenue

*The following revenues were earned from entities controlled by the ultimate parent:*

- Motor Accident Authority third party revenue received from the State Insurance Regulatory Authority (SIRA)
- Various grants and other contributions towards research and other projects
- Clinical services revenue earned from NSW Police Force and Transport for NSW
- Interest income on TCorpIM Funds Investment facilities
- Motor vehicle rebates
- Insurance refunds
- Revenue from acceptance of long service leave liabilities and defined benefit

*Assets and liabilities as follows:*

- Receivables and payables in respect of the above noted related party revenue and expense transactions
- Some terms deposits are invested with TCorpIM Funds Investment facilities
- The majority of the construction of property, plant and equipment is managed and overseen by Health Administration Corporation
- The majority of capital commitments contracted but not provided for related to capital works overseen by the Health Administration Corporation.

**41. Events after the reporting period**

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

**END OF AUDITED FINANCIAL STATEMENTS**