



INDEPENDENT AUDITOR'S REPORT

Hunter New England Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Hunter New England 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 their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

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

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (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 38. 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.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

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

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



Dominika Ryan
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

21 September 2020
SYDNEY

Hunter New England Local Health District

Certification of the Financial Statements

for the year ended 30 June 2020



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

1. The financial statements of the Hunter New England 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 Hunter New England 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, consisting of several loops and a long horizontal stroke extending to the right.

Michael DiRienzo
Chief Executive
21 September 2020

Hunter New England Local Health District
Statement of Comprehensive Income for the year ended 30 June 2020

	Notes	Consolidated Actual 2020 \$000	Consolidated Budget ¹ 2020 \$000	Consolidated Actual 2019 \$000	Parent Actual 2020 \$000	Parent Actual 2019 \$000
Continuing operations						
Expenses excluding losses						
Employee related expenses	2	1,441,580	1,445,332	1,423,012	-	-
Personnel services	3	-	-	-	1,376,788	1,327,823
Visiting medical officers	4	112,696	114,289	106,469	112,696	106,469
Other expenses	5	640,123	653,765	606,138	640,123	606,138
Depreciation and amortisation	6	105,693	105,175	94,165	105,693	94,165
Grants and subsidies	7	7,843	6,959	6,358	7,843	6,358
Finance costs	8	6,694	6,697	6,721	6,694	6,721
Payments to Affiliated Health Organisations	9	149,092	149,092	143,155	149,092	143,155
Total expenses excluding losses		2,463,721	2,481,309	2,386,018	2,398,929	2,290,829
Revenue						
NSW Ministry of Health recurrent allocations	11	1,965,016	1,983,796	1,887,356	1,965,016	1,887,356
NSW Ministry of Health capital allocations	11	147,273	150,774	68,106	147,273	68,106
Acceptance by the Crown Entity of employee benefits	15	64,792	64,772	95,189	-	-
Sale of goods and services	12	-	-	272,804	-	272,804
Sale of goods and services from contracts with customers	12	268,201	278,640	-	268,201	-
Investment revenue	13	1,599	2,565	2,532	1,599	2,532
Grants and other contributions	14	90,285	80,040	65,947	90,285	65,947
Other income	16	9,829	8,797	10,068	9,829	10,068
Total revenue		2,546,995	2,569,384	2,402,002	2,482,203	2,306,813
Operating result		83,274	88,075	15,984	83,274	15,984
Gains / (losses) on disposal	17	(2,891)	(785)	(4,351)	(2,891)	(4,351)
Impairment losses on financial assets	20	(1,275)	(825)	(519)	(1,275)	(519)
Net result from continuing operations	36	79,108	86,465	11,114	79,108	11,114
Net result		79,108	86,465	11,114	79,108	11,114
Other comprehensive income						
<i>Items that will not be reclassified to net result in subsequent periods</i>						
Changes in revaluation surplus of property, plant and equipment	22	4,084	-	868,592	4,084	868,592
Total other comprehensive income		4,084	-	868,592	4,084	868,592
TOTAL COMPREHENSIVE INCOME		83,192	86,465	879,706	83,192	879,706

¹ Unaudited adjusted budget, see Note 38.

The accompanying notes form part of these financial statements.

Hunter New England Local Health District
Statement of Financial Position as at 30 June 2020

	Notes	Consolidated Actual 2020 \$000	Consolidated Budget ¹ 2020 \$000	Consolidated Actual 2019 \$000	Parent Actual 2020 \$000	Parent Actual 2019 \$000
ASSETS						
Current assets						
Cash and cash equivalents	19	110,856	81,954	103,395	110,856	103,395
Receivables	20	49,582	62,546	63,472	49,582	63,472
Inventories	21	3,197	2,597	2,597	3,197	2,597
		163,635	147,097	169,464	163,635	169,464
Total current assets		163,635	147,097	169,464	163,635	169,464
Non-current assets						
Receivables	20	246	254	-	246	-
Property, plant & equipment	22					
- Land and buildings		2,263,475	2,263,943	2,158,534	2,263,475	2,158,534
- Plant and equipment		147,542	143,245	140,162	147,542	140,162
- Infrastructure systems		47,281	46,655	46,655	47,281	46,655
Total property, plant & equipment		2,458,298	2,453,843	2,345,351	2,458,298	2,345,351
Right-of-use assets	23	17,345	17,187	-	17,345	-
Intangible assets	24	697	1,088	1,088	697	1,088
Total non-current assets		2,476,586	2,472,372	2,346,439	2,476,586	2,346,439
Total assets		2,640,221	2,619,469	2,515,903	2,640,221	2,515,903

Hunter New England Local Health District
Statement of Financial Position as at 30 June 2020 (continued)

	Notes	Consolidated Actual 2020 \$000	Consolidated Budget ¹ 2020 \$000	Consolidated Actual 2019 \$000	Parent Actual 2020 \$000	Parent Actual 2019 \$000
LIABILITIES						
Current liabilities						
Payables	27	161,015	154,566	157,273	161,015	157,273
Contract liabilities	28	3,190	-	-	3,190	-
Borrowings	29	5,208	4,872	2,223	5,208	2,223
Provisions	30	234,489	223,565	219,203	234,489	219,203
Other current liabilities	31	2,063	11,613	238	2,063	238
		405,965	394,616	378,937	405,965	378,937
Total current liabilities		405,965	394,616	378,937	405,965	378,937
Non-current liabilities						
Borrowings	29	89,432	77,857	74,058	89,432	74,058
Provisions	30	4,198	4,032	3,911	4,198	3,911
Other non-current liabilities	31	225	240	240	225	240
		93,855	82,129	78,209	93,855	78,209
Total non-current liabilities		93,855	82,129	78,209	93,855	78,209
Total liabilities		499,820	476,745	457,146	499,820	457,146
Net assets		2,140,401	2,142,724	2,058,757	2,140,401	2,058,757
EQUITY						
Reserves		1,001,717	999,432	999,431	1,001,717	999,431
Accumulated funds		1,138,684	1,143,292	1,059,326	1,138,684	1,059,326
Total Equity		2,140,401	2,142,724	2,058,757	2,140,401	2,058,757

¹ Unaudited adjusted budget, see Note 38.

The accompanying notes form part of these financial statements.

Hunter New England Local Health District
Statement of Changes in Equity for the year ended 30 June 2020

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Asset Revaluation \$000	Total \$000
Balance at 1 July 2019		1,059,326	999,431	2,058,757
Changes in accounting policy	1(f)	(1,548)	-	(1,548)
Restated balance as at 1 July 2019		1,057,778	999,431	2,057,209
Net result for the year		79,108	-	79,108
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	22	-	4,084	4,084
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		1,798	(1,798)	-
Total other comprehensive income		1,798	2,286	4,084
Total comprehensive income for the year		80,906	2,286	83,192
Balance at 30 June 2020		1,138,684	1,001,717	2,140,401

	Notes	Accumulated Funds \$000	Asset Revaluation \$000	Total \$000
Balance at 1 July 2018		1,047,293	132,641	1,179,934
Changes in accounting policy (AASB 9)		(370)	-	(370)
Balance at 1 July 2018		1,046,923	132,641	1,179,564
Net result for the year		11,114	-	11,114
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	22	-	868,592	868,592
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		1,802	(1,802)	-
Total other comprehensive income		1,802	866,790	868,592
Total Comprehensive Income for the Year		12,916	866,790	879,706
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	39	(513)	-	(513)
Balance at 30 June 2019		1,059,326	999,431	2,058,757

The accompanying notes form part of these financial statements.

Hunter New England Local Health District
Statement of Cash Flows for the year ended 30 June 2020

	Notes	Consolidated Actual 2020 \$000	Consolidated Budget ¹ 2020 \$000	Consolidated Actual 2019 \$000	Parent Actual 2020 \$000	Parent Actual 2019 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		(1,386,167)	(1,406,949)	(1,337,210)	-	-
Suppliers for goods and services		(829,007)	(840,229)	(795,381)	(829,007)	(795,381)
Grants and subsidies		(173,209)	(172,324)	(166,271)	(173,209)	(166,271)
Finance costs		(6,693)	(6,697)	(6,722)	(6,693)	(6,722)
Personnel services		-	-	-	(1,386,167)	(1,337,210)
Total payments		(2,395,076)	(2,426,199)	(2,305,584)	(2,395,076)	(2,305,584)
Receipts						
NSW Ministry of Health recurrent allocations		1,965,016	1,983,796	1,887,356	1,965,016	1,887,356
NSW Ministry of Health capital allocations		147,273	150,774	68,106	147,273	68,106
Reimbursements from the Crown Entity		27,506	27,506	27,226	27,506	27,226
Sale of goods and services		287,213	282,941	269,451	287,213	269,451
Interest received		1,602	2,565	2,520	1,602	2,520
Grants and other contributions		99,696	94,902	70,875	99,696	70,875
Other		89,218	87,149	88,578	89,218	88,578
Total receipts		2,617,524	2,629,633	2,414,112	2,617,524	2,414,112
NET CASH FLOWS FROM OPERATING ACTIVITIES	36	222,448	203,434	108,528	222,448	108,528
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and equipment		5,791	1,173	6,438	5,791	6,438
Purchases of property, plant and equipment and intangibles		(219,219)	(221,811)	(101,322)	(219,219)	(101,322)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(213,428)	(220,638)	(94,884)	(213,428)	(94,884)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from borrowings and advances		3,215	3,215	-	3,215	-
Repayment of borrowings and advances		(2,383)	(5,090)	(8,988)	(2,383)	(8,988)
Payment of principal portion of lease liabilities		(2,391)	(2,362)	-	(2,391)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		(1,559)	(4,237)	(8,988)	(1,559)	(8,988)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		7,461	(21,441)	4,656	7,461	4,656
Opening cash and cash equivalents	19	103,395	103,395	98,739	103,395	98,739
CLOSING CASH AND CASH EQUIVALENTS	19	110,856	81,954	103,395	110,856	103,395

¹ Unaudited adjusted budget, see Note 38.

The accompanying notes form part of these financial statements.

Hunter New England 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 Hunter New England Local Health District (the HNELHD) was established under the provisions of the Health Services Act 1997 with effect from 1 January 2011.

The HNELHD 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 HNELHD, 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 Hunter New England Local Health District Special Purpose Service Entity, which was established as a Division of the HNELHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the HNELHD 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 21 September 2020.

b) Basis of preparation

The HNELHD'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 HNELHD 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 Hunter New England 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 LHD'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 HNELHD'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 HNELHD 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 HNELHD 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.

Hunter New England 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 HNELHD 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 HNELHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the HNELHD 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 HNELHD 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 HNELHD'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 HNELHD 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 HNELHD 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 HNELHD.

Hunter New England 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 HNELHD expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires the HNELHD 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 HNELHD 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 HNELHD 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 (increase / (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
Revenue				
Sale of goods and services from contracts with customers		268,201	268,201	-
Grants and other contributions	(a)(b)	38,401	41,542	(3,141)
Operating result		306,602	309,743	(3,141)
Net Result		306,602	309,743	(3,141)

Impact on the Statement of Financial Position (increase / (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
Liabilities				
Contract liabilities	(b)	3,190	-	3,190
Other liabilities		-	49	(49)
Total liabilities		3,190	49	3,141
Equity				
Accumulated funds		(3,190)	(49)	(3,141)
Total adjustments to equity		(3,190)	(49)	(3,141)

The adoption of AASB 15 did not have an impact on Other Comprehensive Income and the Statement of Cash Flows for the financial year.

Hunter New England 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 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 the accrual of grant income where the entity has satisfied its obligations promised in the contract with the customer.
- (b) 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 HNELHD.
- * immediately, for all other income within the scope of AASB 1058.

In accordance with the transition provisions in AASB 1058, the HNELHD 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 HNELHD has adopted the practical expedient in AASB 1058 whereby existing assets acquired for consideration significantly less than fair value principally to enable the HNELHD to further its objectives, are not restated to their fair value.

The effect of adopting AASB 1058 is as follows:

PARENT AND CONSOLIDATED

Impact on the Statement of Comprehensive Income (increase / (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
Revenue				
Grants and other contributions	(a)(b)	51,885	52,167	(282)
Operating result		51,885	52,167	(282)
Net Result		51,885	52,167	(282)

Hunter New England 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

Impact on the Statement of Financial Position (increase / (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
Liabilities				
Other liabilities	(b)	1,830	-	1,830
Total liabilities		1,830	-	1,830
Equity				
Accumulated funds		(1,830)	-	(1,830)
Total adjustments to equity		(1,830)	-	(1,830)

The adoption of AASB 1058 did not have an impact on Other Comprehensive Income and the Statement of Cash Flows for the financial year.

The nature of these adjustments is described below:

- 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 the accrual of grant income where the entity has satisfied its obligations to construct the assets.
- 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.

Hunter New England 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 HNELHD 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 HNELHD 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 HNELHD 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 1.97%.

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 HNELHD 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 HNELHD 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 HNELHD 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 (increase / (decrease)) is, as follows:

PARENT AND CONSOLIDATED

	1 July 2019
	\$'000
Assets	
Receivables	
Right-of-use assets	19,902
Total assets	19,902
Liabilities	
Borrowings	19,902
Total liabilities	19,902
Equity	
Accumulated funds	-
	-

Hunter New England 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

	1 July 2019
	\$'000
Operating lease commitments as at 30 June 2019 (GST included)	23,927
(Less): GST included in operating lease commitments	2,175
Operating lease commitments as at 30 June 2019 (GST excluded)	21,752
Weighted average incremental borrowing rate as at 1 July 2019	1.97%
Discounted operating lease commitments as at 1 July 2019	20,031
(Less): commitments relating to short-term leases	113
Add / (Less): contracts re-assessed as lease contracts	17
Add / (Less): Other adjustments	(33)
Lease liabilities as at 1 July 2019	19,902

The difference between the operating lease commitments disclosed in applying AASB 117 at the end of the annual reporting period immediately preceding the date of initial application (i.e. 30 June 2019), discounted using the incremental borrowing rate at the date of initial application; and lease liabilities recognised in the Statement of Financial Position at the date of initial application (i.e. 1 July 2019) is the result of HNELHD entering a number of short-term, cancellable leases which are out of the scope of AASB 16.

(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 HNELHD 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 HNELHD 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 HNELHD. 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 HNELHD has not identified any arrangements in scope of AASB 1059.

Hunter New England 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)	1,245,459	1,202,484	-	-
Superannuation - defined benefit plans	9,229	10,152	-	-
Superannuation - defined contribution plans	109,925	105,729	-	-
Long service leave	58,505	91,086	-	-
Redundancies	2,402	332	-	-
Workers' compensation insurance	15,920	13,185	-	-
Fringe benefits tax	140	44	-	-
	1,441,580	1,423,012	-	-

Employee related costs of \$705 thousand (2019: \$530 thousand) have been capitalised in property, plant and equipment and intangible assets and are therefore excluded from the above.

3. Personnel services

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Salaries and wages (including annual leave and ADO)	-	-	1,245,459	1,202,484
Superannuation - defined contribution plans	-	-	109,925	105,729
Long service leave	-	-	2,942	6,049
Redundancies	-	-	2,402	332
Workers' compensation insurance	-	-	15,920	13,185
Fringe benefits tax	-	-	140	44
	-	-	1,376,788	1,327,823

Personnel services of Hunter New England Local Health District were provided by its controlled entity, Hunter New England Local Health District Special Purpose Service Entity.

Personnel services of \$705 thousand (2019: \$530 thousand) have been capitalised in property, plant and equipment and intangible assets and are excluded from the above.

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 HNELHD's hospitals. VMO expenses of \$112,696 thousand (2019: \$106,469 thousand) represent part of the day-to-day running costs incurred in the normal operations of the HNELHD. These costs are expensed as incurred.

Hunter New England 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	203	379	203	379
Auditor's remuneration - audit of financial statements	220	207	220	207
Blood and blood products	9,949	10,156	9,949	10,156
Consultancies	527	276	527	276
Contractors	-	3	-	3
Domestic supplies and services	82,674	80,701	82,674	80,701
Drug supplies	70,649	63,615	70,649	63,615
Food supplies	43,741	41,713	43,741	41,713
Fuel, light and power	17,106	17,046	17,106	17,046
Patient transport costs	39,165	35,982	39,165	35,982
Information management expenses	27,496	24,660	27,496	24,660
Insurance	2,493	2,527	2,493	2,527
Interstate patient outflows	-	3	-	3
Maintenance (see Note 5(b))	67,820	56,601	67,820	56,601
Medical and surgical supplies	102,423	105,930	102,423	105,930
Motor vehicle expenses	4,344	3,948	4,344	3,948
Postal and telephone costs	6,952	6,090	6,952	6,090
Printing and stationery	4,209	4,721	4,209	4,721
Rates and charges	1,865	2,825	1,865	2,825
Rental	-	6,412	-	6,412
Specialised services (dental, radiology, pathology and allied health)	93,817	81,400	93,817	81,400
Staff related costs	10,905	10,433	10,905	10,433
Travel related costs	12,529	14,697	12,529	14,697
Other (see Note 5(a))	41,036	35,813	41,036	35,813
	640,123	606,138	640,123	606,138

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

Hunter New England 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
(a) Other				
Aircraft expenses (Ambulance)	-	4	-	4
Corporate support services	14,695	15,071	14,695	15,071
Courier and freight	1,387	1,314	1,387	1,314
Isolated patient travel and accommodation assistance scheme	6,519	6,319	6,519	6,319
Legal services	377	127	377	127
Membership/professional fees	846	906	846	906
Public private partnership contracted services	1,755	716	1,755	716
Quality assurance / accreditation	418	440	418	440
Security services	963	800	963	800
Motor vehicle operating lease expense - minimum lease payments	-	4	-	4
Other operating lease expense - minimum lease payments	-	330	-	330
Expenses relating to short-term leases	1,784	-	1,784	-
Expenses relating to leases of low-value assets	1,584	-	1,584	-
Other miscellaneous	10,708	9,782	10,708	9,782
	41,036	35,813	41,036	35,813
(b) Reconciliation of total maintenance				
Maintenance contracts	24,095	17,953	24,095	17,953
New / replacement equipment under \$10,000	27,243	17,655	27,243	17,655
Repairs maintenance / non contract	16,474	20,990	16,474	20,990
Other	8	3	8	3
Maintenance expense - contracted labour and other (non-employee related) in Note 5	67,820	56,601	67,820	56,601
Employee related/personnel services maintenance	10,048	9,458	10,048	9,458
	77,868	66,059	77,868	66,059

Hunter New England 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 HNELHD. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 27.

Insurance

The HNELHD'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 HNELHD 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.

Hunter New England 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	71,683	65,531	71,683	65,531
Depreciation - plant and equipment	27,819	24,935	27,819	24,935
Depreciation - infrastructure systems	2,458	3,060	2,458	3,060
Depreciation - right-of-use buildings	3,342	-	3,342	-
Amortisation - intangible assets	391	639	391	639
	105,693	94,165	105,693	94,165

Refer to Note 22 Property, plant and equipment, Note 23 Leases, and Note 24 Intangible assets for recognition and measurement policies on depreciation and amortisation.

7. Grants and subsidies

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Non-government organisations	5,038	5,202	5,038	5,202
Grants to research organisations	899	558	899	558
Grants paid to entities controlled by the immediate parent	368	82	368	82
Other grants	1,538	516	1,538	516
	7,843	6,358	7,843	6,358

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.

Hunter New England 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 finance lease	6,155	6,521	6,155	6,521
Interest expense from lease liabilities	368	-	368	-
Interest expense from financial liabilities at amortised cost	171	189	171	189
Other interest charges	-	11	-	11
	6,694	6,721	6,694	6,721

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.

9. Payments to Affiliated Health Organisations

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
(a) Recurrent sourced				
Calvary Mater Newcastle	147,299	140,695	147,299	140,695
	147,299	140,695	147,299	140,695
(b) Capital sourced				
Calvary Mater Newcastle	1,793	2,460	1,793	2,460
	1,793	2,460	1,793	2,460
	149,092	143,155	149,092	143,155

Recognition and Measurement

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

General operating expenses/revenues of Calvary Mater Hospital (Affiliated Health Organisation) have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. HNELHD is not deemed to own or control the various assets/liabilities of the aforementioned Health Organisations and such amounts have been excluded from the Statement of Financial Position. Any exceptions are specifically listed in the notes that follow.

Hunter New England Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

10. 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 HNELHD'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, proceeds from the sale of property, plant and equipment and proceeds from borrowings and advances) meets the definition of deemed appropriation money under the GSF Act (Section 4.7).

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

11. NSW Ministry of Health allocations

Payments are made by the immediate parent as per the Service Agreement to the HNELHD and adjusted for approved supplementations, mostly for salary agreements and approved enhancement projects. The Service Agreement between the immediate parent and the HNELHD 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 HNELHD recognised additional NSW Ministry of Health recurrent allocations of \$18,572 thousand and NSW Ministry of Health capital allocations of \$1,510 thousand 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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

12. 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	259	232	259	232
Sale of prosthesis	8,770	6,407	8,770	6,407
Other	382	332	382	332
	9,411	6,971	9,411	6,971

(b) Rendering of services comprise the following:

Patients

Patient Fees:

- Inpatient fees	91,461	102,226	91,461	102,226
- Nursing home fees	2,366	2,345	2,366	2,345
- Non inpatient fees	7,012	6,606	7,012	6,606
Department of Veterans' Affairs	16,109	21,388	16,109	21,388
Highly specialised drugs	37,838	29,920	37,838	29,920
Motor Accident Authority third party	23,253	20,258	23,253	20,258
Multi Purpose Service Centre fees	4,819	4,829	4,819	4,829

Staff

Private use of motor vehicles	271	293	271	293
Salary packaging fee	630	1,530	630	1,530
Meals and accommodation	338	317	338	317
Child care fees	1,310	1,409	1,310	1,409

General community

Car parking	4,685	5,581	4,685	5,581
Clinical services (excluding clinical drug trials)	10,929	10,660	10,929	10,660
Commercial activities	5,842	5,364	5,842	5,364
Fees for conferences and training	416	398	416	398
Fees for medical records	392	376	392	376
Information retrieval	6	8	6	8
Meals on Wheels	24	16	24	16

Non-NSW Health entities

Linen service revenues	-	1	-	1
Services to other organisations	4,346	5,198	4,346	5,198

Entities controlled by the immediate parent

Hosted service revenues	250	60	250	60
Shared corporate service revenues	241	287	241	287

Other

Infrastructure fees - annual charge	6,409	6,016	6,409	6,016
Infrastructure fees - monthly facility charge	26,127	26,602	26,127	26,602
Other	13,716	14,145	13,716	14,145

	258,790	265,833	258,790	265,833
	268,201	272,804	268,201	272,804

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

Recognition and Measurement

Sale of goods (until 30 June 2019)

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

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

Revenue from the sale of goods is recognised when the HNELHD satisfies a performance obligation by transferring the promised goods. Sale of goods comprises of pharmacy sales, sale of prosthesis and other items. The HNELHD 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 HNELHD 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 HNELHD 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 HNELHD 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 HNELHD expects to recognise the unsatisfied portion as revenue.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

13. Investment revenue

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Interest income from financial assets at amortised cost	1,599	2,520	1,599	2,520
Royalties	-	12	-	12
	1,599	2,532	1,599	2,532

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).

Royalties

Until 30 June 2019, royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement.

From 1 July 2019, royalties are usually recognised when the underlying performance obligation is satisfied. It is recognised at the estimated amount if the consideration is variable.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

14. Grants and other contributions

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Clinical drug trials	-	1,210	-	1,210
Commonwealth government grants	-	21,556	-	21,556
Cancer Institute grants received from an entity controlled by the immediate parent	-	10,109	-	10,109
Grants & contributions received from entities controlled by the ultimate parent	-	16,696	-	16,696
Grants & contributions received from entities controlled by the immediate parent	-	1,876	-	1,876
Research grants	-	1,895	-	1,895
Other grants	-	8,840	-	8,840
Grants to acquire / construct a recognisable non-financial asset to be controlled by the entity				
Grants to acquire / construct non-financial asset	-	-	-	-
Other grants with sufficiently specific performance obligations				
Cancer Institute grants received from an entity controlled by the immediate parent	10,009	-	10,009	-
Clinical trials and research grants	3,991	-	3,991	-
Commonwealth government grants received for community based services	10,516	-	10,516	-
Commonwealth government grants other	4,483	-	4,483	-
Grants from entities controlled by the ultimate parent	671	-	671	-
Other grants from entities controlled by the immediate parent	316	-	316	-
Other grants	7,947	-	7,947	-
Grants without specific performance obligations				
Clinicals trial and research grants	559	-	559	-
Commonwealth government grants other	3,145	-	3,145	-
Grants from entities controlled by the ultimate parent	1	-	1	-
Other grants from entities controlled by the immediate parent	44,275	-	44,275	-
Other grants	851	-	851	-
Donations	3,521	3,765	3,521	3,765
	90,285	65,947	90,285	65,947

14. 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 HNELHD 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 HNELHD is recognised when the HNELHD satisfies its obligations under the transfer. The HNELHD 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 HNELHD satisfies a performance obligation by transferring the promised goods or services. The HNELHD typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. The HNELHD 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 HNELHD 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 HNELHD 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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

15. 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	9,229	10,152	-	-
Long service leave provision	55,563	85,037	-	-
	64,792	95,189	-	-

16. Other income

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Other income comprises the following:				
Bad debts recovered	3	1	3	1
Commissions	1,253	1,755	1,253	1,755
Discounts	79	-	79	-
Insurance refunds	1,447	712	1,447	712
Rental income				
- other rental income	2,220	2,174	2,220	2,174
Sale of merchandise, old wares and books	39	50	39	50
Sponsorship	24	51	24	51
Treasury Managed Fund hindsight adjustment	-	679	-	679
Unclaimed deposits	-	12	-	12
Other	4,764	4,634	4,764	4,634
	9,829	10,068	9,829	10,068

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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

17. Gains / (losses) on disposal

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Property, plant and equipment	22,234	30,083	22,234	30,083
<i>Less: accumulated depreciation</i>	13,552	19,294	13,552	19,294
Written down value	8,682	10,789	8,682	10,789
<i>Less: proceeds from disposal</i>	5,791	6,438	5,791	6,438
Gain / (Loss) on disposal of property, plant and equipment	(2,891)	(4,351)	(2,891)	(4,351)
Total gains / (losses) on disposal	(2,891)	(4,351)	(2,891)	(4,351)

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

The HNELHD receives various types of grants and donations from different grantors / donors, some of which may not have enforceable performance obligations. The HNELHD 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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

19. Cash and cash equivalents

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Cash at bank and on hand	110,856	103,395	110,856	103,395
	110,856	103,395	110,856	103,395

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:

Cash and cash equivalents (per Statement of Financial Position)	110,856	103,395	110,856	103,395
Closing cash and cash equivalents (per Statement of Cash Flows)	110,856	103,395	110,856	103,395

Refer to Note 40 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Most cash and cash equivalents held by the HNELHD 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 HNELHD. These payments are reported as expenses and operating cash outflows in the financial statements of the HNELHD.

HealthShare NSW receives payments directly from the NSW Ministry of Health on behalf of the HNELHD 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 HNELHD when HealthShare NSW makes these payments on behalf of the HNELHD.

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

Health Infrastructure receives payments directly from the NSW Ministry of Health on behalf of the HNELHD 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 HNELHD.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

20. Receivables

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Trade receivables from contracts with customers	22,019	-	22,019	-
Sale of goods and services	-	32,286	-	32,286
Intra health receivables	2,139	7,212	2,139	7,212
Goods and Services Tax	16,753	13,817	16,753	13,817
Other receivables	5,319	5,201	5,319	5,201
Sub total	46,230	58,516	46,230	58,516
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(2,297)	-	(2,297)	-
- Sale of goods and services	-	(2,020)	-	(2,020)
- Other receivables	(604)	(115)	(604)	(115)
Sub total	43,329	56,381	43,329	56,381
Prepayments	6,253	7,091	6,253	7,091
	49,582	63,472	49,582	63,472

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

Trade receivables from contracts with customers				
Balance at the beginning of the year	(2,020)	-	(2,020)	-
Amounts written off during the year	424	-	424	-
(Increase) / decrease in allowance recognised in the net result ¹	(701)	-	(701)	-
Balance at the end of the year	(2,297)	-	(2,297)	-
Sale of goods and services				
Balance at the beginning of the year	-	(370)	-	(370)
Amounts written off during the year	-	(1,650)	-	(1,650)
Balance at the end of the year	-	(2,020)	-	(2,020)
Other receivables				
Balance at the beginning of the year	(115)	-	(115)	-
Amounts written off during the year	86	(115)	86	(115)
(Increase) / decrease in allowance recognised in the net result	(575)	-	(575)	-
Balance at the end of the year	(604)	(115)	(604)	(115)
	(2,901)	(2,135)	(2,901)	(2,135)

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Non-current				
Prepayments	246	-	246	-
	246	-	246	-

¹ Includes impairment loss of \$701 thousand (2019: \$435 thousand) recognised on receivables from contracts with customers.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

20. 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	1,859	2,372	1,859	2,372
Patient fees - ineligible	1,855	1,518	1,855	1,518
Patient fees - inpatient & other	10,351	20,270	10,351	20,270
	14,065	24,160	14,065	24,160

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 40.

	Consolidated 2020 \$000	Parent 2020 \$000
Contract receivables (included in Note 20)	24,411	24,411
	24,411	24,411

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

For trade receivables, the HNELHD applies a simplified approach in calculating ECLs. The HNELHD recognises a loss allowance based on lifetime ECLs at each reporting date. The HNELHD 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 HNELHD applies the simplified approach permitted by AASB 9 Financial Instruments, where the loss allowance is based on lifetime ECLs.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

21. Inventories

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Drug supplies	3,197	2,597	3,197	2,597
	3,197	2,597	3,197	2,597

The increase in medical and surgical supplies is a result of the HNELHD preparing for an increase in COVID-19 patients. Inventories held for distribution for COVID-19 are also consumed in the normal services provided by the HNELHD.

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.

Market demand has increased the weighted average cost of inventories in medical and surgical supplies due to the outbreak of COVID-19. Market demand for these items is expected to continue and as a result the carrying amount and current replacement cost are aligned. At the 30 June 2020, the HNELHD has determined that it plans to use the remaining medical and surgical supplies inventory in a relatively short time period, well before expiry, and there is no available alternative that is more efficient or effective nor a likelihood of an alternative being on the market in the foreseeable future.

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 HNELHD 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.

Hunter New England 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 ¹ \$000	Infrastructure Systems \$000	Total \$000
As at 30 June 2020				
Gross carrying amount	3,218,992	312,353	96,169	3,627,514
<i>Less: accumulated depreciation and impairment</i>	955,517	164,811	48,888	1,169,216
Net carrying amount	2,263,475	147,542	47,281	2,458,298
	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
As at 30 June 2019				
Gross carrying amount	3,043,462	289,610	93,085	3,426,157
<i>Less: accumulated depreciation and impairment</i>	884,928	149,448	46,430	1,080,806
Net carrying amount	2,158,534	140,162	46,655	2,345,351

¹ 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.

The net carrying amount of privately financed project (PFP) assets included in land and buildings and infrastructure is \$77,078 thousand as at 30 June 2020 (30 June 2019: \$79,609 thousand).

Hunter New England 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)

(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
Year ended 30 June 2020				
Net carrying amount at beginning of year	2,158,534	140,162	46,655	2,345,351
Adjusted net carrying amount at beginning of year	2,158,534	140,162	46,655	2,345,351
Additions	187,811	31,378	-	219,189
Disposals	(2,008)	(6,674)	-	(8,682)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	316	-	316
Net revaluation increments less revaluation decrements	4,084	-	-	4,084
Depreciation expense	(71,683)	(27,819)	(2,458)	(101,960)
Reclassifications	(13,263)	10,179	3,084	-
Net carrying amount at end of year	2,263,475	147,542	47,281	2,458,298

* This does not include finance lease assets that relate to privately financed projects according to TPP06-08. AASB 16 does not apply to these assets in 2019-20

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

Hunter New England 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)

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

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2019				
Net carrying amount at beginning of year	1,263,388	141,865	75,961	1,481,214
Additions	75,981	23,099	355	99,435
Disposals	(3,310)	(7,479)	-	(10,789)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	425	-	425
Net revaluation increments less revaluation decrements	874,504	-	(5,912)	868,592
Depreciation expense	(65,531)	(24,935)	(3,060)	(93,526)
Reclassifications	13,502	7,187	(20,689)	-
Net carrying amount at end of year	2,158,534	140,162	46,655	2,345,351

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

Hunter New England 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)

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

PARENT AND CONSOLIDATION

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

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
As at 30 June 2020				
Gross carrying amount	3,211,306	312,353	96,169	3,619,828
<i>Less: accumulated depreciation and impairment</i>	951,862	164,811	48,888	1,165,561
Net carrying amount	2,259,444	147,542	47,281	2,454,267
	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
As at 30 June 2019				
Gross carrying amount	3,035,776	289,610	93,085	3,418,471
<i>Less: accumulated depreciation and impairment</i>	881,458	149,448	46,430	1,077,336
Net carrying amount	2,154,318	140,162	46,655	2,341,135

Hunter New England 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)

(b) Property, plant and equipment held and used by the HNELHD - reconciliation

PARENT AND CONSOLIDATION

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

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2020				
Net carrying amount at beginning of year	2,154,318	140,162	46,655	2,341,135
Adjusted net carrying amount at beginning of year	2,154,318	140,162	46,655	2,341,135
Additions	187,811	31,378	-	219,189
Disposals	(2,008)	(6,674)	-	(8,682)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	316	-	316
Net revaluation increments less revaluation decrements	4,084	-	-	4,084
Depreciation expense	(71,498)	(27,819)	(2,458)	(101,775)
Reclassifications	(13,263)	10,179	3,084	-
Net carrying amount at end of year	2,259,444	147,542	47,281	2,454,267

* This does not include finance lease assets that relate to privately financed projects according to TPP06-08. AASB 16 does not apply to these assets in 2019-20

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

Hunter New England 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)

(c) Property, plant and equipment where the HNELHD is the lessor under operating leases

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
As at 30 June 2020				
Gross carrying amount	7,686	-	-	7,686
<i>Less: accumulated depreciation and impairment</i>	3,655	-	-	3,655
Net carrying amount	4,031	-	-	4,031
As at 30 June 2019				
Gross carrying amount	7,686	-	-	7,686
<i>Less: accumulated depreciation and impairment</i>	3,470	-	-	3,470
Net carrying amount	4,216	-	-	4,216

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
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22. Property, plant and equipment (continued)

(c) Property, plant and equipment where the HNELHD is the lessor under operating leases - reconciliation

PARENT AND CONSOLIDATION

A reconciliation of the carrying amount for each class of property, plant and equipment subject to an operating lease is set out below:

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2020				
Net carrying amount at beginning of year	4,216	-	-	4,216
Adjusted net carrying amount at beginning of year	4,216	-	-	4,216
Depreciation expense	(185)	-	-	(185)
Net carrying amount at end of year	4,031	-	-	4,031

* This does not include finance lease assets that relate to privately financed projects according to TPP06-08. AASB 16 does not apply to these assets in 2019-20

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

Hunter New England 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 HNELHD 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 HNELHD. The costs are then accordingly reflected in the HNELHD financial statements. The HNELHD 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 39).

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

Capitalisation thresholds

Property, plant and equipment and intangible 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.

Hunter New England 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)

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 HNELHD. 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.

Finance leases acquired by lessees (Under AASB 117 until 30 June 2019)

Until 30 June 2019, AASB 117 Leases (AASB 117) distinguished between finance leases that effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of the leased assets, and operating leases under which the lessor does not transfer substantially all the risks and rewards.

Property, plant and equipment at 30 June 2019 includes non-current assets acquired under finance leases only. The assets are recognised at fair value or, if lower, the present value of the minimum lease payments, at the inception of the lease. Property, plant and equipment does not include amounts in respect of operating leases.

Property, plant and equipment acquired under finance leases are depreciated over the asset's useful life. However, if there is no reasonable certainty that the lessee entity will obtain ownership at the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Right-of-use assets acquired by lessees (under AASB 16 from 1 July 2019)

From 1 July 2019, AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset for most leases. The HNELHD has elected to present right-of-use assets separately in the Statement of Financial Position.

Therefore, at that date property, plant and equipment recognised under leases previously treated as finance leases under AASB 117 are derecognised. The right-of-use assets arising from these leases are recognised and included in the separate line item together with those arising from leases previously treated as operating leases under AASB 117.

Further information on leases is contained in Note 23.

Subsequent to the adoption of AASB 16, the HNELHD, 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.

22. Property, plant and equipment (continued)

Privately financed project (PFP) assets accounted for under AASB 117 (until 30 June 2020)

The HNELHD has adopted the option to not apply AASB 16 to assets that would be classified as service concession assets in accordance with AASB 1059 Service Concession Arrangements: Grantors. The HNELHD continues to apply its existing accounting policy to these assets until AASB 1059 is applied. In a privately financed project (PFP), a public-sector entity (the grantor) arranges for the private sector (the operator) to design, finance and build infrastructure and provide associated operational or management services for an agreed period (the service period). They are currently accounted for under TPP 06-8 Privately Financed Projects. Some PFP assets are acquired under a finance lease and accounted for following the principles of AASB 117 according to TPP 06-8.

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer 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 HNELHD 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 HNELHD uses an independent professionally qualified valuer for such revaluations.

The last comprehensive revaluation was completed on 31 December 2018 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.

An interim management revaluation was completed on 31 March 2020 as a result of a cumulative increase in indicators of 4% for land and buildings and 4% for infrastructure. The HNELHD used an external professionally qualified valuer to conduct the interim revaluation. Indicators provided by Opteon Solutions were not applied as they were deemed immaterial.

Due to the COVID-19 pandemic in early 2020, the HNELHD 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 HNELHD 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.

22. Property, plant and equipment (continued)

Revaluation of property, plant and equipment (continued)

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 HNELHD 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 HNELHD 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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
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23. Leases

(a) Entity as a lessee

The HNELHD leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 8 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 HNELHD 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 HNELHD 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 \$35,797 thousand 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.

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 HNELHD 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.

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	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
2020			
Balance at 1 July 2019	19,902	-	19,902
Additions	785	-	785
Depreciation expense	(3,342)	-	(3,342)
Balance at 30 June 2020	17,345	-	17,345

Hunter New England 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.

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	Total \$'000
2020	
Balance at 1 July 2019	19,902
Additions	16
Interest expenses	368
Payments	(2,759)
Balance at 30 June 2020	17,527

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

PARENT AND CONSOLIDATION

	Total \$'000
2020	
Depreciation expense of right-of-use assets	3,342
Interest expense on lease liabilities	368
Expenses relating to short-term leases	1,784
Expenses relating to leases of low-value assets	1,584
Total amount recognised in the statement of comprehensive income	7,078

The HNELHD had total cash outflows for leases of \$2,759 thousand for the year ended 30 June 2020.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
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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:

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	Operating leases 2019 \$'000	Finance leases 2019 \$'000
Within one year	3,098	-
Later than one year and not later than five years	11,749	-
Later than five years	9,080	-
Total (including GST)	23,927	-
<i>Less: GST recoverable from the Australian Taxation Office</i>	<i>2,175</i>	<i>-</i>
Total (excluding GST)	21,752	-

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

The HNELHD entered into a number of leases, with lease terms ranging from 5 to 28 years with various local councils and the Calvary Mater Newcastle for the use of hospital campus land and community health buildings. The contract specifies lease payments of \$1 per annum. The leased premise is be used by the HNELHD to provide different community health services. The hospital campus land and community health buildings account for a small portion of the similar assets the HNELHD is using for the purpose of providing community services. Therefore it does not have a significant impact on the HNELHD's operations.

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

The HNELHD 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 HNELHD 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.

Hunter New England Local Health District
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23. Leases (continued)

(a) Entity as a lessee (continued)

i. Right-of-use assets

The HNELHD 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 8 years

If ownership of the leased asset transfers to the HNELHD 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 HNELHD 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 HNELHD 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 HNELHD 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 HNELHD; and
- payments of penalties for terminating the lease, if the lease term reflects the HNELHD 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 HNELHD 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 HNELHD is using TCorp rates as their incremental borrowing rates. These rates are published by NSW Treasury on a regular basis.

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 HNELHD's lease liabilities are included in borrowings in Note 29.

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

The HNELHD 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 HNELHD 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 HNELHD 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 HNELHD 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.

Hunter New England Local Health District
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23. Leases (continued)

(b) Entity as a lessor

Hunter New England 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.

Recognition and Measurement

Lessor for finance leases

Leases that the HNELHD transfers substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. From 1 July 2019, subleases are classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

At the lease commencement date, the HNELHD recognises a receivable for assets held under a finance lease in its Statement of Financial Position at an amount equal to the net investment in the lease. The net investment in leases is classified as financial assets amortised cost and equals the lease payments receivable by a lessor and the unguaranteed residual value, plus initial direct costs, discounted using the interest rate implicit in the lease.

Finance income arising from finance leases is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

Lessor for operating leases

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

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	2020	2019
	\$'000	\$'000
Within one year	1,336	1,740
Later than one year and not later than five years	769	1,317
Two to three years	44	741
Three to four years	17	28
Four to five years	10	28
Later than five years	69	84
Total (excluding GST)	2,245	3,938

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.

Hunter New England Local Health District
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24. Intangible assets

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Cost (gross carrying amount)	2,071	2,071	2,071	2,071
Less: accumulated amortisation and impairment	1,374	983	1,374	983
Net carrying amount	697	1,088	697	1,088

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A reconciliation of the carrying amount of intangibles at the beginning and end of the current reporting year is set out below:

	2020 \$000	2019 \$000
Year ended 30 June 2020		
Net carrying amount at beginning of year	1,088	1,727
Amortisation (recognised in depreciation and amortisation)	(391)	(639)
Net carrying amount at end of year	697	1,088

Recognition and Measurement

The HNELHD recognises intangible assets only if it is probable that future economic benefits will flow to the HNELHD and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. Following initial recognition, intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the HNELHD's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

All research costs are expensed. Development costs are only capitalised when certain criteria are met

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

The HNELHD's intangible assets are amortised using the straight-line method over a period of four years.

Computer software developed or acquired by the HNELHD are recognised as intangible assets. Most computer software is acquired from the Health Administration Corporation, a controlled entity of the immediate parent. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

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

Hunter New England Local Health District
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25. Fair value measurement of non-financial assets

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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 HNELHD'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 HNELHD 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 HNELHD 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	-	3,102	1,916,773	1,919,875
- Infrastructure systems	-	-	42,467	42,467
	-	3,102	1,959,240	1,962,342

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	-	7,760	1,988,148	1,995,908
- Infrastructure systems	-	-	44,747	44,747
	-	7,760	2,032,895	2,040,655

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.

Hunter New England Local Health District
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25. Fair value measurement of non-financial assets (continued)

(b) Valuation techniques, inputs and processes

For land, buildings and infrastructure systems the HNELHD obtains external valuations by independent valuers at least every three years. The last revaluation was performed by Opteon Solutions for the 2018-19 financial year. Opteon Solutions is an independent entity and is not an associated entity of the HNELHD.

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 HNELHD to assess the land and non-specialised properties, in line with the valuation by the valuers made on a market approach.

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

(c) Reconciliation of recurring Level 3 fair value measurements

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2020	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2019	1,988,148	44,747	-	2,032,895
Adjusted fair value as at 1 July 2019	1,988,148	44,747	-	2,032,895
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 22)	4,084	-	-	4,084
Disposals	(1,942)	-	-	(1,942)
Depreciation expense	(69,433)	(2,280)	-	(71,713)
Transfer from Buildings to Medical equipment > \$200,000	(4,084)	-	-	(4,084)
Fair value as at 30 June 2020	1,916,773	42,467	-	1,959,240

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

Hunter New England Local Health District
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25. Fair value measurement of non-financial assets (continued)

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

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2019	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2018	1,032,994	75,961	-	1,108,955
Additions	122,695	82	-	122,777
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 22)	870,209	(5,912)	-	864,297
Transfers from Level 2	4,653	-	-	4,653
Transfers to Level 2	(1,425)	-	-	(1,425)
Disposals	(2,851)	-	-	(2,851)
Depreciation expense	(60,454)	(3,057)	-	(63,511)
Reclassification between Asset Classes	22,327	(22,327)	-	-
Fair value as at 30 June 2019	1,988,148	44,747	-	2,032,895

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

Hunter New England Local Health District
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26. Restricted assets

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The HNELHD'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	2,960	3,216	3,526	2,650
Facility improvements	27,241	12,193	11,037	28,397
Holds funds in perpetuity	61	459	-	520
Patient welfare	16,862	3,127	4,711	15,278
Private practice disbursements (No.2 Accounts)	26,236	6,885	7,646	25,475
Public contributions	1,711	101	138	1,674
Research	11,814	5,848	4,649	13,013
Staff welfare	667	391	221	837
Training and education including conferences	8,340	997	116	9,221
Other	(43)	43	-	-
	95,849	33,260	32,044	97,065

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.
Other	Does not meet the definition of any of the above categories.

Unclaimed monies

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

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.

Hunter New England Local Health District
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27. Payables

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Accrued salaries, wages and on-costs	42,455	33,531	-	-
Taxation and payroll deductions	4,501	8,384	-	-
Accrued liability - purchase of personnel services	-	-	46,956	41,915
Creditors	44,450	51,569	44,450	51,569
Other creditors				
- Capital works	-	29	-	29
- Payables to entities controlled by the immediate parent	26,586	21,955	26,586	21,955
- Other	43,023	41,805	43,023	41,805
	161,015	157,273	161,015	157,273

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 40.

Recognition and Measurement

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
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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
Current				
Contract liabilities	3,190	238	3,190	238
	3,190	238	3,190	238

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 significantly 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	238	238
Revenue recognised from performance obligations satisfied in previous periods	(1,359)	(1,359)
Transaction price allocated to the remaining performance obligations from contracts with customers	37,678	37,678

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
Specific revenue class				
Sales of goods and services from contracts with customers	12,324	12,324	-	-
Grants and other contributions	10,923	1,629	424	54
	23,247	13,953	424	54

Hunter New England Local Health District
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29. Borrowings

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Other loans and deposits	959	725	959	725
Lease liability (see Note 23)	2,431	-	2,431	-
Public Private Partnerships	1,818	1,498	1,818	1,498
	5,208	2,223	5,208	2,223
Non-current				
Other loans and deposits	7,245	5,149	7,245	5,149
Lease liability (see Note 23)	15,096	-	15,096	-
Public Private Partnerships	67,091	68,909	67,091	68,909
	89,432	74,058	89,432	74,058

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

Final repayment date for 'Other loans and deposits' is June 2027.

Other loans still to be extinguished represent monies to be repaid to the Health Administration Corporation, an entity controlled by the immediate parent; the immediate parent itself; and the NSW Treasury, which is controlled by the ultimate parent.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 40.

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.

Finance lease liabilities are determined in accordance with AASB 117 Leases until 30 June 2019. From 1 July 2019, lease liabilities are determined in accordance with AASB 16.

Borrowings are classified as current liabilities unless the HNELHD has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 40 (b) for derecognition policy.

Hunter New England Local Health District
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29. Borrowings (continued)

(a) Public Private Partnership (PPP) finance leases under AASB 117 Leases

Minimum lease payments in relation to PPP finance leases recognised under AASB 117 Leases as required by TPP 06-08 are payable as follows:

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Within one year	7,983	7,788	7,983	7,788
Later than one year and not later than five years	33,977	33,150	33,977	33,150
Later than five years	83,420	92,231	83,420	92,231
Minimum lease payments	125,380	133,169	125,380	133,169
Less: Future finance charges	56,471	62,762	56,471	62,762
Present value of minimum lease payments	68,909	70,407	68,909	70,407

The present value of PPP finance lease payments is as follows:

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Within one year	1,818	1,498	1,818	1,498
Later than one year and not later than five years	11,160	9,526	11,160	9,526
Later than five years	55,931	59,383	55,931	59,383
Present value of minimum lease payments classified as:	68,909	70,407	68,909	70,407
Current	1,818	1,498	1,818	1,498
Non-current	67,091	68,909	67,091	68,909
	68,909	70,407	68,909	70,407

The Public, Private Partnership relate to the provision of service-enabling infrastructure that includes private sector delivering a combination of design, construction, financing, maintenance, operations and delivery of clinical and non-clinical services. Payments are made by the HNELHD to the private sector entities on the basis of delivery of assets or service delivery. The liability to pay the private sector entities is based on financing arrangements involving Consumer Price Index (CPI)-linked finance and fixed finance.

In 2005-06, the Health Administration Corporation entered into a contract with a private sector provider, NovaCare Project Partnership for financing, design, construction and commissioning of a new Mater Hospital, a mental health facility and refurbishment of existing buildings, and facilities management and delivery of ancillary non-clinical services on the site until November 2033. The redevelopment was completed in three stages. Stage 1 was completed in January 2008 followed by Stage 2 in February 2009. Construction of Stage 3 was completed on 16 June 2009.

When Stage 1 construction was completed in January 2008, the former Hunter New England Area Health Service (HNEAHS) transferred the Mater hospital to Calvary Mater Newcastle and recognised the transfer as a grant expense of \$71.33M. The recognition was based on the fact that services are delivered by Little Company of Mary Health Care being a Third Schedule Hospital health care provider which is outside the accounting control of either the former HNEAHS or the Ministry of Health. Upon completion of the Project, the former HNEAHS transferred the other parts of the new Hospital and recognised the transfer of a grant expense of \$35.48M in June 2009.

Hunter New England Local Health District

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The former HNEAHS recognised the new mental health facility as an asset of \$39.29M. The refurbished Convent and McAuley buildings at the Mater hospital site as occupied by the former HNEAHS, was also recognised as an asset and offsetting liability of \$11.08M. The basis for the accounting treatment is that services will be delivered by the former HNEAHS on the site of Mater Hospital for the duration of the Head Lease of these facilities until November 2033.

29. Borrowings (continued)

Changes in liabilities arising from financing activities

PARENT AND CONSOLIDATION

	Other loans and deposits \$000	Leases \$000	Total liabilities from financing activities \$000
1 July 2018	85,269	-	85,269
Cash flows	(8,988)	-	(8,988)
30 June 2019	76,281	-	76,281
Recognised on adoption of AASB 16	-	19,902	19,902
1 July 2019	76,281	19,902	96,183
Cash flows	832	(2,391)	(1,559)
New leases	-	16	16
30 June 2020	77,113	17,527	94,640

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 40.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
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30. Provisions

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Employee benefits and related on-costs				
Annual leave - short term benefit	135,726	132,194	-	-
Annual leave - long term benefit	52,834	46,170	-	-
Long service leave consequential on-costs	39,430	36,723	-	-
Provision for other employee benefits	6,499	4,116	-	-
Provision for personnel services liability	-	-	234,489	219,203
	234,489	219,203	234,489	219,203
Total current provisions	234,489	219,203	234,489	219,203
Non-current				
Employee benefits and related on-costs				
Long service leave consequential on-costs	3,429	3,193	-	-
Provision for personnel services liability	-	-	3,429	3,193
	3,429	3,193	3,429	3,193
Other Provisions				
Make good provision	769	718	769	718
	769	718	769	718
Total non-current provisions	4,198	3,911	4,198	3,911
Aggregate employee benefits and related on-costs				
Provisions - current	234,489	219,203	-	-
Provisions - non-current	3,429	3,193	-	-
Accrued salaries, wages and on-costs, taxation and payroll deductions (Note 27)	46,956	41,915	-	-
Liability - purchase of personnel services	-	-	284,874	264,311
	284,874	264,311	284,874	264,311

Hunter New England Local Health District
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30. Provisions (continued)

Movements in provisions (other than employee benefits)

Movements in other provisions during the financial year, other than employee benefits, are set out below:

Make good provisions

Carrying amount at beginning of period	718	759	718	759
- Additional provisions recognised	51	-	51	-
Amounts used	-	(41)	-	(41)
Carrying amount at end of period	769	718	769	718

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).

Actuarial advice obtained by NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 18.31% are applied to the value of leave payable at 30 June 2020 (comparable on-costs for 30 June 2019 were 18.20%). The HNELHD has assessed the actuarial advice based on the HNELHD'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 HNELHD does not expect to settle the liability within 12 months as the HNELHD 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 HNELHD'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 HNELHD 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 HNELHD.

Hunter New England Local Health District
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30. Provisions (continued)

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.

Other provisions

Other provisions are recognised when: the HNELHD has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. When the HNELHD expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement in the Statement of Comprehensive Income.

Any provisions for restructuring are recognised only when the HNELHD has a detailed formal plan, and the HNELHD has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

If the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time (i.e. unwinding of discount rate) is recognised as a finance cost.

Hunter New England Local Health District
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31. Other liabilities

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Unearned revenue	233	238	233	238
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	1,830	-	1,830	-
	2,063	238	2,063	238
Non-current				
Unearned revenue	225	240	225	240
	225	240	225	240

Unearned revenue was derived from the following:

- Rent received in advance for Armidale Private Hospital for the forty year period ending 2037
- Receipts from various higher education providers and medical colleges relating to salary support and student placement
- Patient fees received in advance of services being provided

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 HNELHD.

	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	1,548
Adjusted opening balance	1,548
<i>Add:</i> receipt of cash during the financial year	282
<i>Less:</i> income recognised during the financial year	-
Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	1,830

Refer to Note 14 for a description of the HNELHD's obligations under transfers received to acquire or construct non-financial assets to be controlled by the HNELHD.

The HNELHD expects to recognise as income any liability for unsatisfied obligations as at the end of the reporting period evenly in the next 1-3 financial years, as the related asset(s) are constructed / acquired.

Hunter New England 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, infrastructure systems, and intangible assets, contracted for at balance date and not provided for:

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Within one year	216,873	69,807	216,873	69,807
Later than one year and not later than five years	38,651	5,990	38,651	5,990
Total (including GST)	255,524	75,797	255,524	75,797

(b) Contingent asset related to commitments for expenditure

The total 'Capital expenditure commitments' of \$255.52 million as at 30 June 2020 includes input tax credits of \$25.44 million that are expected to be recoverable from the Australian Taxation Office (2019 \$9.07 million).

33. Contingent liabilities and assets

PARENT AND CONSOLIDATION

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

(a) Contingent liabilities

HNELHD has no contingent liabilities (2019: nil) as at 30 June 2020.

(b) Contingent assets

HNELHD has no contingent assets (2019: nil) as at 30 June 2020.

Hunter New England Local Health District
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34. Trust funds

PARENT AND CONSOLIDATION

The HNELHD holds trust funds of \$5.4 million (2019: \$5.9 million) which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

These funds are excluded from the financial statements as the HNELHD 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
Patient Trust	1,165	200	(773)	592
Refundable Deposits	1,855	459	(378)	1,936
Private Patient Trust Funds	2,785	44,924	(44,920)	2,789
Third Party Funds	45	1,020	(1,008)	57
Total trust funds	5,850	46,603	(47,079)	5,374

Category	1 July 2018			30 June 2019
	Opening equity \$'000	Revenue \$000	Expense \$000	Closing equity \$'000
Patient Trust	1,535	21	(391)	1,165
Refundable Deposits	2,127	567	(839)	1,855
Private Patient Trust Funds	2,615	44,184	(44,014)	2,785
Third Party Funds	5	937	(897)	45
Total trust funds	6,282	45,709	(46,141)	5,850

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

Category	Purpose
Patient Trust	The safe custody of patients' valuables including monies.
Refundable Deposits	A sum of money held in trust as a security deposit.
Private 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 41.

Hunter New England Local Health District

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35. Interests in associates

Set out below are the associates of HNELHD as at 30 June 2020 which, in the opinion of management, are material to the group. The proportion of ownership interest held by the group equals the voting rights held by the group.

Name of entity	Place of business and country of incorporation	Class of shares	Ownership interest held by HNELHD		Nature of relationship	Measurement method	Carrying Amount	
			2020	2019			2020	2019
			%	%			\$000	\$000
Hunter Medical Research Institute	Australia	Not applicable	25	25	Associate	Equity method	-	-

Hunter Medical Research Institute is a company limited by guarantee, whose constitution prohibits the distribution of funds to its members. Accordingly the carrying amount has been equity accounted at nil value and as such no financial information has been disclosed. Hunter Medical Research Institute has a 31 December reporting period.

Hunter New England Local Health District
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36. Reconciliation of cash flows from operating activities to net result

	Consolidated	Consolidated	Parent	Parent
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Net cash used on operating activities	222,448	108,528	222,448	108,528
Depreciation and amortisation expense	(105,693)	(94,165)	(105,693)	(94,165)
Allowance for impairment	(1,275)	(519)	(1,275)	(519)
(Increase) / decrease in unearned revenue	(500)	158	(500)	158
Decrease / (increase) in provisions	(15,572)	(15,308)	(15,572)	(15,308)
Increase / (decrease) in prepayments and other assets	(11,869)	727	(11,869)	727
Decrease / (increase) in payables	(3,672)	15,619	(3,672)	15,619
Decrease / (increase) in contract liabilities	(2,952)	-	(2,952)	-
Net gain / (loss) on sale of property, plant and equipment	(2,891)	(4,351)	(2,891)	(4,351)
Assets donated or brought to account (Note 37)	315	425	315	425
Other	769	-	769	-
Net result	79,108	11,114	79,108	11,114

37. Non-cash financing and investing activities

	Consolidated	Consolidated	Parent	Parent
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Assets donated or brought to account	315	425	315	425
Property, plant and equipment acquired by a lease	785	-	785	-
	1,100	425	1,100	425

Hunter New England Local Health District

Notes to and forming part of the Financial Statements

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38. 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 HNELHD'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 HNELHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the HNELHD 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 \$7 million, primarily due to:

Total Expenses excluding losses variance was 0.1% favourable (\$18M below budget). All categories had variances of less than 5% except for Grants and Subsidies which was 12.7% unfavourable, (\$1M above budget).

Total Revenue variance was 0.9% unfavourable (\$22M below budget). All categories had variances of less than 5% except for Investment Revenue which was 37.7% unfavourable (\$1M below budget), grants and other contributions which were 12.8% favourable (\$10M above budget) and Other Income which was 11.7% favourable (\$1M above budget).

Losses on Disposal was 268.3% unfavourable (\$2M above budget) and Impairment Losses on Financial Assets was 54.5% unfavourable (\$0.5M above budget).

Assets and liabilities

Total Assets were 1% favourable (\$21M above budget).

Current Assets were 11.2% favourable (\$17M above budget). Cash and Cash Equivalents 35.3% favourable (\$29M above budget), Receivables 20.7% unfavourable (\$13M below budget) and Inventories 23.1% favourable (\$1M above budget).

Non Current Assts were 0.2% favourable (\$4M above budget) with Intangible Assets 35.9% unfavourable (\$0.5M below budget) the only category with a variance of greater than 5%.

Total Liabilities were 4.8% unfavourable (\$23M above budget).

Current Liabilities were 2.9% unfavourable (\$11M above budget). Borrowings 6.9% unfavourable (\$0.5M above budget) and Other Current Liabilities 82% favourable (\$9M below budget). All other categories had variances of less than 5%.

Non Current Liabilities were 14.3% unfavourable (\$12M above budget). Borrowings were 14.9% unfavourable (\$12M above budget) and Other Non-Current Liabilities were 6.3% unfavourable (\$0M above budget).

Cash flows

Net Cash Flows From Operating Activities was 9.3% favourable (\$19M above budget). Interest Received 37.5% unfavourable (\$1M below budget), Grants and Other Contributions 5.1% favourable (\$5M above budget) were the only categories with a variance of greater than 5%.

Net Cash Flows From Investing Activities was 3.3% unfavourable (\$7M below budget). The only category with a variance above 5% was Proceeds from Sale of Property, Plant & Equipment 393.7% (\$5M above budget).

Net Cash Flows From Financing Activities was 60.8% favourable (\$2M above budget). The only category with a variance above 5% was Repayment of Borrowings and Advances were 53.2% unfavourable (\$3M below budget).

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

		\$000
Initial Allocation, including escalation, excluding award increases		1,843,598
Escalations and Growth Funding		60,832
Budget Relief - Covid	18,572	
Revenue Budget Reductions	9,530	
Single Room Relief	16,718	
Their Futures Matter	7,269	
Dental	5,000	
IPTAAS	4,263	
Minor Works P51069 increase from Local Recurrent FY20	4,000	
NMHEC	2,500	
Voluntary Redundancies	2,417	
Various Special Projects	2,132	
Adjust Superannuation Funding from Crown to State	1,952	
Translational Research Grants	1,778	
NSW Rural Generalist Medical and GP Training FY20	1,384	
Mater PPP Funding Adjustments	1,215	
Nurse Midwife Strategy Reserve FY20	1,090	
Rural Doctors - Obstetric & Anaesthetic Incentive Grants	1,003	
Treasury Managed Fund	713	
Emergency Drought Relief Mental Health Support	600	
Cannibas Medicines Advisory Service	532	
PPP funding	(6,979)	
Other Misc	3,677	79,366
Balance as per Statement of Comprehensive Income		1,983,796

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39. 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 HNELHD's policy on the revaluation of property, plant and equipment as discussed in Note 22.

Equity transfers effected in the 2018/19 year were:

- (a) 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 \$513 thousand relating to the transfer of Annual Leave provision balances to other NSW Health entities.

Equity transfers effected comprised:

	2020 \$000	2019 \$000
(a) Annual Leave Provision - Transfer of Annual Leave Provisions between NSW Health	-	(513)
	-	(513)

Assets and Liabilities transferred are as follows:

	2020 \$000	2019 \$000
Liabilities		
(a) Annual Leave Provision	-	(513)
Increase / (Decrease) in Net Assets From Equity Transfers	-	(513)

Hunter New England Local Health District
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39. Equity (continued)

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. Subject to below, in most instances this will approximate fair value.

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

Hunter New England Local Health District
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40. Financial instruments

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

The HNELHD's main risks arising from financial instruments are outlined below, together with the HNELHD'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 HNELHD, 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 Amount 2020 \$000	Carrying Amount 2019 \$000
Financial Assets			
Cash and cash equivalents (Note 19)	Amortised cost	110,856	103,395
Receivables (Note 20) ¹	Amortised cost	26,576	42,564
Total Financial Assets		137,432	145,959
Financial Liabilities			
Borrowings (Note 29)	Financial liabilities measured at amortised cost	94,640	76,281
Payables (Note 27) ²	Financial liabilities measured at amortised cost	156,514	148,889
Total Financial Liabilities		251,154	225,170

Notes

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

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

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

40. Financial instruments (continued)

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

When the HNELHD 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 HNELHD 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 HNELHD's continuing involvement in the asset. In that case, the HNELHD 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.

(c) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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

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

Cash and cash equivalents

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 0.00% (Restricted Funds Bank balance: 1.62%) in 2019-20 compared to 0.00% (Restricted Funds Bank balance: 2.52%) in the previous year.

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 HNELHD 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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

40. 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 HNELHD 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
30 June 2020						
Expected credit loss rate	1.01%	2.39%	5.11%	18.14%	61.75%	10.61%
Estimated total gross carrying amount ¹	20,008	1,757	1,037	452	4,084	27,338
Expected credit loss	202	42	53	82	2,522	2,901
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2019 ²						
Expected credit loss rate	0.66%	2.71%	9.46%	28.53%	57.04%	5.70%
Estimated total gross carrying amount ¹	31,095	2,140	951	354	2,947	37,487
Expected credit loss	205	58	90	101	1,681	2,135

Notes

¹ 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 20.

² Prior year balances have been restated to include other receivables and contract assets

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

Hunter New England Local Health District
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for the year ended 30 June 2020

40. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk

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

Hunter New England Local Health District
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40. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

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

Maturity Analysis and interest rate exposure of financial liabilities

	EIR ³ %	Nominal Amount ¹ \$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
2020								
Payables:								
- Creditors ²		156,514	-	-	156,514	156,514	-	-
Borrowings:								
- Loans and deposits	2.85	9,029	9,029	-	-	1,148	4,594	3,287
- Lease liabilities	1.98	18,754	18,754	-	-	2,753	10,679	5,322
- Public Private	8.36	125,380	125,380	-	-	7,983	33,977	83,420
		309,677	153,163	-	156,514	168,398	49,250	92,029
2019								
Payables:								
- Creditors ²		148,889	-	-	148,889	148,889	-	-
Borrowings:								
- Loans and deposits	2.94	6,618	6,618	-	-	891	3,273	2,454
- Finance leases		-	-	-	-	-	-	-
- Public Private	8.36	133,169	133,169	-	-	7,788	33,150	92,231
		288,676	139,787	-	148,889	157,568	36,423	94,685

Notes:

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

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

³ Weighted Average Effective Interest Rate (EIR).

Hunter New England Local Health District
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40. 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 HNELHD's exposures to market risk are primarily through interest rate risk on the HNELHD's borrowings and other price risks associated with the movement in the Hour Glass Investment Facilities. The HNELHD 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 HNELHD 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 HNELHD's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. The HNELHD 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 HNELHD 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		2019	
	\$000		\$000	
	-1%	1%	-1%	1%
Net result	(162)	162	(271)	271
Equity	(162)	162	(271)	271

(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.

Hunter New England Local Health District
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41. Related party transactions

PARENT AND CONSOLIDATION

(a) Key management personnel compensation

Key management personnel compensation is as follows:

	2020	2019
	\$000	\$000
Short-term employee benefits	394	542
Post-employment benefits	19	22
	413	564

During the financial year, Hunter New England Local Health District obtained key management personnel services from the immediate parent and incurred \$516 thousand (2019: \$493 thousand) for these services. This amount does not form part of the key management personnel compensation disclosed above.

The HNELHD'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 and their close family members (2019: \$Nil).

(c) Transactions with the ultimate parent

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

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

During the financial year and comparative year, the HNELHD 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, information management services, domestic supplies and services, food supplies and corporate support services.
- Health Administration Corporation provides some specialised services which includes pathology related costs.
- Staff related costs in relation to various secondments and service arrangements.
- Various grants and subsidies towards research and other projects
- Blood and Blood Products
- Domestic Supplies and Services
- Food Supplies
- Other Operating Expenses
- Hospital Ambulance Transport Costs
- Information Management Expenses
- Auditor's Remuneration - Audit of Financial Statements
- Specialised Services

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
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41. Related party transactions

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

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

- Payroll and fringe benefits taxes
- Audit of the statutory financial statements
- Legal and consultancy services
- Utilities, including electricity, gas and water expenses
- Motor vehicle toll expenses
- Insurance costs
- Other Consultancies
- Rental costs for Property NSW leased properties
- 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
- Shared Corporate Services
- Motor Accident Authority Third Party
- Hosted Services Provided to Other NSW Health Entities
- Cancer Institute Grants
- Other 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
- Motor vehicle rebates
- Insurance refunds
- Revenue from acceptance of long service leave liabilities and defined benefit
- Services Provided to Non NSW Health Organisations

Assets and liabilities as follows:

- Receivables and payables in respect of the above noted related party revenue and expense transactions
- Energy Efficient Government Program loans are held with the Crown Finance Entity
- Intra-health loans and advances
- 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.

42. 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