



INDEPENDENT AUDITOR'S REPORT

South Western Sydney Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the South Western Sydney Local Health District (the District), which comprises 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 37. 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 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:http://www.auasb.gov.au/auditors_responsibilities/ar6.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.



David Daniels
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 September 2020
SYDNEY

South Western Sydney Local Health District

Certification of the Financial Statements

for the year ended 30 June 2020



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

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

A handwritten signature in black ink, appearing to read 'A. Larkin'.

Amanda Larkin
Chief Executive
24 September 2020

A handwritten signature in black ink, appearing to read 'D. Palamidis'.

Dimi Palamidis
Director Finance
24 September 2020

South Western Sydney Local Health District
Statement of Comprehensive Income for the year ended 30 June 2020

		Consolidated Actual 2020 \$000	Consolidated Budget ¹ 2020 \$000	Consolidated Actual 2019 \$000	Parent Actual 2020 \$000	Parent Actual 2019 \$000
	Notes					
Continuing operations						
Expenses excluding losses						
Employee related expenses	2	1,362,648	1,355,654	1,309,108	-	-
Personnel services	3	-	-	-	1,301,349	1,228,699
Visiting medical officers	4	99,967	99,973	89,619	99,967	89,619
Other expenses	5	514,785	516,439	510,308	514,785	510,308
Depreciation and amortisation	6	71,856	71,856	63,657	71,856	63,657
Grants and subsidies	7	10,551	10,506	10,352	10,551	10,352
Finance costs	8	2,612	2,612	2,211	2,612	2,211
Payments to Affiliated Health Organisations	9	34,271	34,271	33,320	34,271	33,320
Total expenses excluding losses		2,096,690	2,091,311	2,018,575	2,035,391	1,938,166
Revenue						
NSW Ministry of Health recurrent allocations	11	1,744,187	1,744,187	1,643,793	1,744,187	1,643,793
NSW Ministry of Health capital allocations	11	169,693	174,684	82,825	169,693	82,825
Acceptance by the Crown Entity of employee benefits	15	61,299	61,261	80,409	-	-
Sale of goods and services	12	-	-	188,364	-	188,364
Sale of goods and services from contracts with customers	12	183,214	189,712	-	183,214	-
Investment revenue	13	1,068	1,173	1,652	1,068	1,652
Grants and other contributions	14	132,058	127,321	45,910	132,058	45,910
Other income	16	6,603	8,069	8,181	6,603	8,181
Total revenue		2,298,122	2,306,407	2,051,134	2,236,823	1,970,725
Operating result		201,432	215,096	32,559	201,432	32,559
Gains / (losses) on disposal	17	(1,020)	-	(1,994)	(1,020)	(1,994)
Impairment losses on financial assets	20	(2,718)	(770)	(3,868)	(2,718)	(3,868)
Net result from continuing operations		197,694	214,326	26,697	197,694	26,697
Net result		197,694	214,326	26,697	197,694	26,697
Other comprehensive income						
Changes in revaluation surplus of property, plant and equipment	22	6,840	-	359,351	6,840	359,351
Total other comprehensive income		6,840	-	359,351	6,840	359,351
TOTAL COMPREHENSIVE INCOME		204,534	214,326	386,048	204,534	386,048

¹ Unaudited adjusted budget, see Note 37.

The accompanying notes form part of these financial statements.

South Western Sydney 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	86,272	83,689	80,064	86,272	80,064
Receivables	20	41,221	41,657	42,776	41,221	42,776
Inventories	21	5,303	4,814	4,814	5,303	4,814
		132,796	130,160	127,654	132,796	127,654
Total current assets		132,796	130,160	127,654	132,796	127,654
Non-current assets						
Receivables	20	43,986	44,031	1,080	43,986	1,080
Property, plant & equipment	22					
- Land and buildings		1,731,956	1,751,127	1,589,272	1,731,956	1,589,272
- Plant and equipment		78,524	90,660	79,016	78,524	79,016
- Infrastructure systems		33,100	33,676	34,059	33,100	34,059
Total property, plant & equipment		1,843,580	1,875,463	1,702,347	1,843,580	1,702,347
Right-of-use assets	23	64,896	24,402	-	64,896	-
Intangible assets	24	785	403	766	785	766
Total non-current assets		1,953,247	1,944,299	1,704,193	1,953,247	1,704,193
Total assets		2,086,043	2,074,459	1,831,847	2,086,043	1,831,847
LIABILITIES						
Current liabilities						
Payables	27	104,829	109,301	110,488	104,829	110,488
Contract liabilities	28	1,532	-	-	1,532	-
Borrowings	29	14,956	12,167	5,970	14,956	5,970
Provisions	30	248,520	231,932	225,440	248,520	225,440
Other current liabilities	31	803	1,460	1,379	803	1,379
		370,640	354,860	343,277	370,640	343,277
Total current liabilities		370,640	354,860	343,277	370,640	343,277
Non-current liabilities						
Borrowings	29	69,270	64,630	47,544	69,270	47,544
Provisions	30	3,005	3,005	2,686	3,005	2,686
Other non-current liabilities	31	27,498	19,924	19,924	27,498	19,924
Total non-current liabilities		99,773	87,559	70,154	99,773	70,154
Total liabilities		470,413	442,419	413,431	470,413	413,431
Net assets		1,615,630	1,632,040	1,418,416	1,615,630	1,418,416
EQUITY						
Reserves		613,833	611,960	611,959	613,833	611,959
Accumulated funds		1,001,797	1,020,080	806,457	1,001,797	806,457
Total Equity		1,615,630	1,632,040	1,418,416	1,615,630	1,418,416

¹ Unaudited adjusted budget, see Note 37.

The accompanying notes form part of these financial statements.

South Western Sydney Local Health District
Statement of Changes in Equity for the year ended 30 June 2020

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Asset Revaluation \$000	Total \$000
Balance at 1 July 2019		806,457	611,959	1,418,416
Changes in accounting policy (AASB 1058)	1(f)	(7,320)	-	(7,320)
Changes in accounting policy (AASB 16)	1(f)	4,436	(4,436)	-
Restated balance at 1 July 2019		803,573	607,523	1,411,096
Net result for the year		197,694	-	197,694
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	22	-	6,840	6,840
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		530	(530)	-
Total other comprehensive income		530	6,310	6,840
Total comprehensive income for the year		198,224	6,310	204,534
Balance at 30 June 2020		1,001,797	613,833	1,615,630

	Notes	Accumulated Funds \$000	Asset Revaluation \$000	Total \$000
Balance at 1 July 2018		777,551	253,073	1,030,624
Changes in accounting policy (AASB 9)		384	-	384
Balance at 1 July 2018		777,935	253,073	1,031,008
Net result for the year		26,697	-	26,697
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	22	-	359,351	359,351
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		465	(465)	-
Total other comprehensive income		465	358,886	359,351
Total Comprehensive Income for the Year		27,162	358,886	386,048
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	38	1,360	-	1,360
Balance at 30 June 2019		806,457	611,959	1,418,416

The accompanying notes form part of these financial statements.

South Western Sydney Local Health District
Statement of Cash Flows for the year ended 30 June 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		(1,294,516)	(1,301,788)	(1,229,191)	-	-
Suppliers for goods and services		(718,714)	(716,106)	(668,603)	(718,714)	(668,603)
Grants and subsidies		(48,674)	(48,629)	(47,879)	(48,674)	(47,879)
Finance costs		(2,612)	(2,612)	(2,631)	(2,612)	(2,631)
Personnel services		-	-	-	(1,294,516)	(1,229,191)
Total payments		(2,064,516)	(2,069,135)	(1,948,304)	(2,064,516)	(1,948,304)
Receipts						
NSW Ministry of Health recurrent allocations		1,744,187	1,744,187	1,643,793	1,744,187	1,643,793
NSW Ministry of Health capital allocations		169,693	174,684	82,825	169,693	82,825
Reimbursements from the Crown Entity		18,035	18,035	17,143	18,035	17,143
Sale of goods and services		188,527	193,471	188,206	188,527	188,206
Interest received		1,045	1,667	1,634	1,045	1,634
Grants and other contributions		138,222	131,132	48,181	138,222	48,181
Other		53,914	54,922	78,645	53,914	78,645
Total receipts		2,313,623	2,318,098	2,060,427	2,313,623	2,060,427
NET CASH FLOWS FROM OPERATING ACTIVITIES	35	249,107	248,963	112,123	249,107	112,123
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and equipment		78	-	7	78	7
Purchases of property, plant and equipment and intangibles		(233,482)	(235,116)	(98,544)	(233,482)	(98,544)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(233,404)	(235,116)	(98,537)	(233,404)	(98,537)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from borrowings and advances		2,391	2,392	-	2,391	-
Repayment of borrowings and advances		(3,687)	(5,970)	(2,933)	(3,687)	(2,933)
Payment of principal portion of lease liabilities		(8,199)	(6,644)	-	(8,199)	-
Payment of principal portion of finance lease liabilities		-	-	(445)	-	(445)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(9,495)	(10,222)	(3,378)	(9,495)	(3,378)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS						
Opening cash and cash equivalents	19	80,064	80,064	69,856	80,064	69,856
CLOSING CASH AND CASH EQUIVALENTS	19	86,272	83,689	80,064	86,272	80,064

¹ Unaudited adjusted budget, see Note 37.

The accompanying notes form part of these financial statements.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

1. Statement of Significant Accounting Policies

a) Reporting entity

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

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

SWSLHD, as a reporting entity, comprises all the entities under its control, namely:

- * The parent entity comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Restricted Assets (as disclosed in Note 26), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * South Western Sydney Local Health District Special Purpose Service Entity, which was established as a Division of the SWSLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable SWSLHD to exercise its functions.

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

These consolidated financial statements for the year ended 30 June 2020 have been authorised for issue by the Chief Executive on 24 September 2020.

b) Basis of preparation

SWSLHD's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 (the Act) and the Public Finance and Audit Regulation 2015, and the NSW Treasurer's Directions issued under the Act. The financial statements comply with the NSW Treasury mandates circular for NSW General Government Sector Entities.

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

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 South Western Sydney 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 SWSLHD's control and the source of these funds. By agreement, the Service Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where SWSLHD fails to meet Service Agreement performance standards, the NSW Ministry of Health as the state manager 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, SWSLHD 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.

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.
- * SWSLHD 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.

South Western Sydney 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

- * SWSLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by SWSLHD and assist in meeting its overall budget target. The EIP is monitored and evaluated by the NSW Ministry of Health throughout the financial year.
- * 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. SWSLHD 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 SWSLHD'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 SWSLHD as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- * receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

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:

SWSLHD 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 SWSLHD.

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 SWSLHD expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires SWSLHD 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, SWSLHD 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. SWSLHD 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:

South Western Sydney 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

- * 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		183,214	183,214	-
Grants and other contributions	(a)(b)	28,875	29,817	(942)
Operating result		212,089	213,031	(942)
Net Result		212,089	213,031	(942)

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
Assets				
Other receivables	(a)	455	-	455
Total assets		455	-	455
Liabilities				
Contract liabilities	(b)	1,533	-	1,533
Other liabilities		-	136	(136)
Total liabilities		1,533	136	1,397
Equity				
Accumulated funds		(1,078)	(136)	(942)
Total adjustments to equity		(1,078)	(136)	(942)

The nature of these adjustments is described below:

- Income from grants is recognised as an accrual (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.
- Where the entity has not yet satisfied its obligations promised in the contract with the customer, the grant income will be deferred.

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.

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

South Western Sydney 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 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 SWSLHD.
- * immediately, for all other income within the scope of AASB 1058.

In accordance with the transition provisions in AASB 1058, SWSLHD 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. SWSLHD has adopted the practical expedient in AASB 1058 whereby existing assets acquired for consideration significantly less than fair value principally to enable SWSLHD 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)):

	Notes	30 June 2020 AASB 1058 \$'000	30 June 2020 Without adoption of AASB 1058 \$'000	30-Jun-20 Impact of AASB 1058 \$'000
Revenue				
Grants and other contributions	(a)(b)	103,183	104,060	(877)
Operating result		103,183	104,060	(877)
Net Result		103,183	104,060	(877)

Impact on the Statement of Financial Position (increase / (decrease)):

PARENT AND CONSOLIDATED

	Notes	30 June 2020 AASB 1058 \$'000	30 June 2020 Without adoption of AASB 1058 \$'000	30 June 2020 Impact of AASB 1058 \$'000
Liabilities				
Other liabilities	(b)	8,197	-	8,197
Total liabilities		8,197	-	8,197
Equity				
Accumulated funds		(8,197)	-	(8,197)
Total adjustments to equity		(8,197)	-	(8,197)

The nature of these adjustments is described below:

- (a) Income from grants to construct non-financial assets to be controlled by the entity is recognised as an accrual (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.
- (b) Where the entity has not yet satisfied its obligations to construct the assets, the grant income will be deferred.

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.

South Western Sydney 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 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.

Lessee accounting

AASB 16 requires SWSLHD 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, SWSLHD 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.

SWSLHD 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 1.66%.(rate supplied by NSW Treasury).

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 (Note 23).

For leases previously classified as finance leases SWSLHD 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.

SWSLHD 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, SWSLHD 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.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

1. Statement of Significant Accounting Policies

The effect of adopting AASB 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	
Property, plant and equipment	(33,792)
Right-of-use assets	71,745
Total assets	37,953
Liabilities	
Borrowings	37,953
Total liabilities	37,953
Equity	
Accumulated funds	4,436
Asset revaluation reserve	(4,436)
	-

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)	7,665
(Less): GST included in operating lease commitments	697
Operating lease commitments as at 30 June 2019 (GST excluded)	6,968
Weighted average incremental borrowing rate as at 1 July 2019	1.66%
Discounted operating lease commitments as at 1 July 2019	6,803
Add: commitments relating to leases previously classified as finance leases (GST excluded)	33,863
(Less): commitments relating to short-term leases	280
(Less): commitments including service charges	263
Add / (Less): contracts re-assessed as lease contracts	31,431
Add / (Less): adjustments relating to differences in rental amounts, including changes in the index or rate affecting variable payments	230
Add / (Less): Other adjustments	33
Lease liabilities as at 1 July 2019	71,816

South Western Sydney 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

(ii) Issued but not yet effective

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

AASB 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

SWSLHD has completed its impact assessment of AASB 1059 by reviewing all material arrangements where the private sector is performing any services on behalf of SWSLHD. 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, SWSLHD has not identified any arrangements in scope of AASB 1059.

Application Date

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 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)	1,174,751	1,111,099	-	-
Superannuation - defined benefit plans	5,327	5,946	-	-
Superannuation - defined contribution plans	103,416	97,848	-	-
Long service leave	59,953	80,498	-	-
Redundancies	2,490	106	-	-
Workers' compensation insurance	16,744	13,463	-	-
Fringe benefits tax	(33)	148	-	-
	1,362,648	1,309,108	-	-

Employee related costs of \$100 thousand (2019: \$349 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)	-	-	1,174,751	1,111,099
Superannuation - defined contribution plans	-	-	103,416	97,848
Long service leave	-	-	3,981	6,035
Redundancies	-	-	2,490	106
Workers' compensation insurance	-	-	16,744	13,463
Fringe benefits tax	-	-	(33)	148
	-	-	1,301,349	1,228,699

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

Personnel services of \$100 thousand (2019: \$349 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 SWSLHD's hospitals. VMO expenses of \$99,967 thousand (2019: \$89,619 thousand) represent part of the day-to-day running costs incurred in the normal operations of SWSLHD. These costs are expensed as incurred.

South Western Sydney 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	28	97	28	97
Auditor's remuneration - audit of financial statements	249	242	249	242
Blood and blood products	13,735	14,428	13,735	14,428
Consultancies	1,249	1,613	1,249	1,613
Contractors	3,835	3,039	3,835	3,039
Domestic supplies and services	21,852	21,049	21,852	21,049
Drug supplies	71,081	72,619	71,081	72,619
Food supplies	37,621	35,117	37,621	35,117
Fuel, light and power	13,402	13,654	13,402	13,654
Patient transport costs	15,230	14,238	15,230	14,238
Information management expenses	25,526	22,188	25,526	22,188
Insurance	1,589	1,554	1,589	1,554
Maintenance (see Note 5(b))	47,461	40,351	47,461	40,351
Medical and surgical supplies	99,720	103,986	99,720	103,986
Motor vehicle expenses	1,711	2,155	1,711	2,155
Postal and telephone costs	2,999	1,903	2,999	1,903
Printing and stationery	3,272	3,657	3,272	3,657
Rates and charges	2,245	2,016	2,245	2,016
Rental	-	4,829	-	4,829
Hosted services purchased from entities controlled by the immediate parent	3,651	6,206	3,651	6,206
Specialised services (dental, radiology, pathology and allied health)	83,961	76,220	83,961	76,220
Staff related costs	11,924	12,819	11,924	12,819
Travel related costs	4,775	5,827	4,775	5,827
Other (see Note 5(a))	47,669	50,501	47,669	50,501
	514,785	510,308	514,785	510,308

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

South Western Sydney 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				
Contract for patient services	10,244	7,917	10,244	7,917
Corporate support services	12,740	13,443	12,740	13,443
Courier and freight	611	614	611	614
Isolated patient travel and accommodation assistance scheme	190	113	190	113
Legal services	461	535	461	535
Membership/professional fees	1,156	740	1,156	740
Quality assurance / accreditation	24	41	24	41
Security services	6,308	7,224	6,308	7,224
Motor vehicle operating lease expense - minimum lease payments	-	2,680	-	2,680
Other operating lease expense - minimum lease payments	-	5,523	-	5,523
Expenses relating to short-term leases	2,688	-	2,688	-
Expenses relating to leases of low-value assets	227	-	227	-
Other miscellaneous	13,020	11,671	13,020	11,671
	47,669	50,501	47,669	50,501
(b) Reconciliation of total maintenance				
Maintenance contracts	24,054	25,391	24,054	25,391
New / replacement equipment under \$10,000	16,573	7,744	16,573	7,744
Repairs maintenance / non contract	6,826	7,103	6,826	7,103
Other	8	113	8	113
Maintenance expense - contracted labour and other (non-employee related) in Note 5	47,461	40,351	47,461	40,351
Employee related/personnel services maintenance expense included in Notes 2 and 3.	4,706	4,081	4,706	4,081
	52,167	44,432	52,167	44,432

South Western Sydney 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 SWSLHD. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 27.

Insurance

SWSLHD's insurance activities are conducted through the NSW Treasury Managed Fund (TMF) Scheme of self insurance for government entities. The expense / (premium) is determined by the fund manager based on past claims experience. The TMF is managed by 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, SWSLHD 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.

South Western Sydney 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	46,858	46,360	46,858	46,360
Depreciation - plant and equipment	14,834	16,459	14,834	16,459
Depreciation - infrastructure systems	959	671	959	671
Depreciation - right-of-use buildings	3,171	-	3,171	-
Depreciation - right-of-use plant and equipment	5,932	-	5,932	-
Amortisation - intangible assets	102	167	102	167
	71,856	63,657	71,856	63,657

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	9,070	8,844	9,070	8,844
Grants to research organisations	651	935	651	935
Grants paid to entities controlled by the immediate parent	428	320	428	320
Other grants	402	253	402	253
	10,551	10,352	10,551	10,352

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.

South Western Sydney 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	-	531	-	531
Interest expense from lease liabilities	1,168	-	1,168	-
Interest expense from financial liabilities at amortised cost	1,444	1,680	1,444	1,680
	2,612	2,211	2,612	2,211

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				
HammondCare Health (Braeside Hospital)	19,425	18,990	19,425	18,990
Karitane	7,346	7,023	7,346	7,023
The Benevolent Society (South Western Sydney Scarba Service)	585	503	585	503
NSW Service for the Treatment and Rehabilitation of Torture and Trauma Survivors - STARTTS	6,915	6,804	6,915	6,804
	34,271	33,320	34,271	33,320

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 \$34.271m (net expense), for the following Affiliated Health Organisations, HammondCare Health (Braeside Hospital), Karitane, The Benevolent Society (South Western Sydney Scarba Service) and NSW Service for the Treatment and Rehabilitation of Torture and Trauma Survivors (STARTTS), have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. SWSLHD is not deemed to own or control the various assets/liabilities of the aforementioned Health Organisations and such amounts have been excluded from the Statement of Financial Position. Any exceptions are specifically listed in the notes that follow.

South Western Sydney 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, SWSLHD'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 SWSLHD which forms part of the consolidated fund and is not appropriated to SWSLHD by an Act.

11. NSW Ministry of Health allocations

Payments are made by the immediate parent as per the Service Agreement to SWSLHD and adjusted for approved supplementations, mostly for salary agreements and approved enhancement projects. The Service Agreement between the immediate parent and SWSLHD 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.

SWSLHD recognised additional NSW Ministry of Health recurrent allocations of \$19.1 million and NSW Ministry of Health capital allocations of \$4.2 million 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.

South Western Sydney 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	181	275	181	275
Sale of prosthesis	3,662	4,341	3,662	4,341
Other	269	185	269	185
	4,112	4,801	4,112	4,801

(b) Rendering of services comprise the following:

Patients

Patient Fees:

- Inpatient fees	64,768	74,274	64,768	74,274
- Nursing home fees	180	323	180	323
- Non inpatient fees	3,828	3,884	3,828	3,884
Department of Veterans' Affairs	14,900	15,595	14,900	15,595
Highly specialised drugs	36,717	34,570	36,717	34,570
Motor Accident Authority third party	13,125	13,336	13,125	13,336
Multi Purpose Service Centre fees	37	70	37	70
Private use of motor vehicles	98	98	98	98
Meals and accommodation	42	37	42	37
Child care fees	1,930	1,961	1,930	1,961

General community

Car parking	7,826	9,170	7,826	9,170
Clinical services (excluding clinical drug trials)	1,096	455	1,096	455
Commercial activities	1,057	1,014	1,057	1,014
Fees for conferences and training	2,033	2,208	2,033	2,208
Fees for medical records	244	259	244	259
Information retrieval	27	25	27	25

Non-NSW Health entities

Services to other organisations	501	741	501	741
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Entities controlled by the immediate parent

Hosted service revenues	72	-	72	-
Shared corporate service revenues	26	-	26	-

Other

Infrastructure fees - annual charge	11,823	9,187	11,823	9,187
Infrastructure fees - monthly facility charge	18,400	16,356	18,400	16,356
Other	372	-	372	-

	179,102	183,563	179,102	183,563
	183,214	188,364	183,214	188,364

Recognition and Measurement

Sale of goods (until 30 June 2019)

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

South Western Sydney 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 (continued)

Recognition and Measurement (continued)

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

Revenue from the sale of goods is recognised when SWSLHD satisfies a performance obligation by transferring the promised goods. Sale of goods comprises of pharmacy sales, sale of prosthesis and other items. SWSLHD 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 SWSLHD 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 SWSLHD on an accrual basis by reference to patient admissions. Non admitted patients are recognised by the NSW Ministry of Health in the form of a block grant.

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. SWSLHD 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 SWSLHD expects to recognise the unsatisfied portion as revenue.

South Western Sydney 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	588	1,634	588	1,634
Net gain / (loss) from TCorp IM Funds measured at fair value through profit or loss	457	-	457	-
Royalties	23	18	23	18
	1,068	1,652	1,068	1,652

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.

South Western Sydney 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	-	3,428	-	3,428
Commonwealth government grants	-	13,759	-	13,759
Commonwealth teaching hospital grants	-	224	-	224
Cancer Institute grants received from an entity controlled by the immediate parent	-	7,476	-	7,476
Grants & contributions received from entities controlled by the ultimate parent	-	3,429	-	3,429
Grants & contributions received from entities controlled by the immediate parent	-	5,323	-	5,323
Research grants	-	612	-	612
Other grants	-	8,865	-	8,865
Grants to acquire / construct a recognisable non-financial asset to be controlled by the entity				
Grants to acquire / construct non-financial asset	94,066	-	94,066	-
Other grants with sufficiently specific performance obligations				
Cancer Institute grants received from an entity controlled by the immediate parent	7,122	-	7,122	-
Clinical trials and research grants	5,749	-	5,749	-
Commonwealth government grants received for community based services	10,017	-	10,017	-
Commonwealth government grants other	968	-	968	-
Grants from entities controlled by the ultimate parent	1,318	-	1,318	-
Other grants from entities controlled by the immediate parent	389	-	389	-
Other grants	3,261	-	3,261	-
Grants without specific performance obligations				
Grants from entities controlled by the ultimate parent	1,350	-	1,350	-
Other grants from entities controlled by the immediate parent	5,206	-	5,206	-
Donations	2,612	2,794	2,612	2,794
	132,058	45,910	132,058	45,910

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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

South Western Sydney 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	5,327	5,946	-	-
Long service leave provision	55,972	74,463	-	-
	61,299	80,409	-	-

16. Other income

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Other income comprises the following:				
Commissions	345	356	345	356
Discounts	143	363	143	363
Insurance refunds	43	7	43	7
Rental income				
- other rental income	3,247	2,565	3,247	2,565
Sale of merchandise, old wares and books	9	1	9	1
Sponsorship	570	234	570	234
Treasury Managed Fund hindsight adjustment	-	3,148	-	3,148
Unclaimed deposits	27	-	27	-
Other	2,219	1,507	2,219	1,507
	6,603	8,181	6,603	8,181

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.

South Western Sydney 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	17,227	15,905	17,227	15,905
<i>Less: accumulated depreciation</i>	16,129	13,904	16,129	13,904
Written down value	1,098	2,001	1,098	2,001
<i>Less: proceeds from disposal</i>	78	7	78	7
Gain / (Loss) on disposal of property, plant and equipment	(1,020)	(1,994)	(1,020)	(1,994)
Right-of-use assets	11	-	11	-
<i>Less: accumulated depreciation</i>	2	-	2	-
Written down value	9	-	9	-
<i>Less: lease liabilities extinguished</i>	9	-	9	-
Gain / (Loss) on disposal of right-of-use assets	-	-	-	-
Gain / (loss) on disposal of financial assets	-	-	-	-
Total gains / (losses) on disposal	(1,020)	(1,994)	(1,020)	(1,994)

Recognition and Measurement

Impairment losses on non-financial assets

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

- Note 20 Receivables
- Note 22 Property, plant and equipment
- Note 23 Leases
- Note 24 Intangible assets

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

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

South Western Sydney 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	45,170	39,419	45,170	39,419
Short term deposits	41,102	40,645	41,102	40,645
	86,272	80,064	86,272	80,064

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)	86,272	80,064	86,272	80,064
Closing cash and cash equivalents (per Statement of Cash Flows)	86,272	80,064	86,272	80,064

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

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

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

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

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

South Western Sydney 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	25,680	-	25,680	-
Sale of goods and services	-	29,639	-	29,639
Intra health receivables	3,015	5,224	3,015	5,224
Goods and Services Tax	6,222	4,228	6,222	4,228
Other receivables	6,719	4,723	6,719	4,723
Sub total	41,636	43,814	41,636	43,814
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(4,056)	-	(4,056)	-
- Sale of goods and services	-	(3,915)	-	(3,915)
- Other receivables	(9)	(22)	(9)	(22)
Sub total	37,571	39,877	37,571	39,877
Prepayments	3,650	2,899	3,650	2,899
	41,221	42,776	41,221	42,776

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

Trade receivables from contracts with customers				
Balance at the beginning of the year	(3,915)	-	(3,915)	-
Amounts written off during the year	2,551	-	2,551	-
(Increase) / decrease in allowance recognised in the net result ¹	(2,692)	-	(2,692)	-
Balance at the end of the year	(4,056)	-	(4,056)	-
Sale of goods and services				
Balance at the beginning of the year	-	384	-	384
Amounts written off during the year	-	(4,298)	-	(4,298)
Balance at the end of the year	-	(3,915)	-	(3,915)
Other receivables				
Balance at the beginning of the year	(22)	-	(22)	-
Amounts written off during the year	39	(22)	39	(22)
(Increase) / decrease in allowance recognised in the net result	(26)	-	(26)	-
Balance at the end of the year	(9)	(22)	(9)	(22)
	(4,065)	(3,937)	(4,065)	(3,937)

¹ Includes impairment loss of \$2,692 thousand (2019: \$3,862 thousand) recognised on receivables from contracts with customers.

South Western Sydney 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	4,025	4,611	4,025	4,611
Patient fees - ineligible	11,086	9,072	11,086	9,072
Patient fees - inpatient & other	5,633	10,374	5,633	10,374
	20,744	24,057	20,744	24,057

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

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

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

Impairment

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

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

21. Inventories

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Drug supplies	5,003	4,514	5,003	4,514
Medical and surgical supplies	213	213	213	213
Engineering supplies	87	87	87	87
	5,303	4,814	5,303	4,814

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.

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

South Western Sydney 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	2,378,046	199,596	38,039	2,615,681
Less: accumulated depreciation and impairment	646,090	121,072	4,939	772,101
Net carrying amount	1,731,956	78,524	33,100	1,843,580
As at 30 June 2019				
Gross carrying amount	2,198,649	194,966	38,039	2,431,654
Less: accumulated depreciation and impairment	609,377	115,950	3,980	729,307
Net carrying amount	1,589,272	79,016	34,059	1,702,347

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 \$Nil as at 30 June 2020 (30 June 2019: \$Nil).

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	1,589,272	79,016	34,059	1,702,347
Derecognition of finance lease assets on initial application of AASB 16*	(33,792)	-	-	(33,792)
Adjusted net carrying amount at beginning of year	1,555,480	79,016	34,059	1,668,555
Additions	210,374	21,171	-	231,545
Disposals	(554)	(544)	-	(1,098)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	389	-	389
Net revaluation increments less revaluation decrements	6,840	-	-	6,840
Depreciation expense	(46,858)	(14,834)	(959)	(62,651)
Reclassifications	6,674	(6,674)	-	-
Net carrying amount at end of year	1,731,956	78,524	33,100	1,843,580

* 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.

South Western Sydney 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	1,203,695	92,294	11,949	1,307,938
Additions	79,047	19,896	-	98,943
Disposals	(1,411)	(590)	-	(2,001)
Equity transfers - transfers in / (out)	836	-	-	836
Transfers within NSW Health entities through Statement of Comprehensive Income	-	770	-	770
Net revaluation increments less revaluation decrements	347,614	-	11,737	359,351
Depreciation expense	(46,360)	(16,459)	(671)	(63,490)
Reclassifications	5,851	(16,895)	11,044	-
Net carrying amount at end of year	1,589,272	79,016	34,059	1,702,347

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

(b) Property, plant and equipment held and used by SWSLHD

PARENT AND CONSOLIDATION

SWSLHD 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 SWSLHD.

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
As at 30 June 2020				
Gross carrying amount	2,356,094	199,596	38,039	2,593,729
<i>Less:</i> accumulated depreciation and impairment	644,015	121,072	4,939	770,026
Net carrying amount	1,712,079	78,524	33,100	1,823,703
As at 30 June 2019				
Gross carrying amount	2,176,697	194,966	38,039	2,409,702
<i>Less:</i> accumulated depreciation and impairment	607,797	115,950	3,980	727,727
Net carrying amount	1,568,900	79,016	34,059	1,681,975

South Western Sydney 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 SWSLHD - 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	1,568,900	79,016	34,059	1,681,975
Derecognition of finance lease assets on initial application of AASB 16*	(33,791)	-	-	(33,791)
Adjusted net carrying amount at beginning of year	1,535,109	79,016	34,059	1,648,184
Additions	210,374	21,171	-	231,545
Disposals	(554)	(544)	-	(1,098)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	389	-	389
Net revaluation increments less revaluation decrements	6,840	-	-	6,840
Depreciation expense	(46,364)	(14,834)	(959)	(62,157)
Reclassifications	6,674	(6,674)	-	-
Net carrying amount at end of year	1,712,079	78,524	33,100	1,823,703

* 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.

(c) Property, plant and equipment where SWSLHD 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	21,953	-	-	21,953
Less: accumulated depreciation and impairment	2,075	-	-	2,075
Net carrying amount	19,878	-	-	19,878
As at 30 June 2019				
Gross carrying amount	21,953	-	-	21,953
Less: accumulated depreciation and impairment	1,580	-	-	1,580
Net carrying amount	20,373	-	-	20,373

South Western Sydney 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 SWSLHD 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	20,372	-	-	20,372
Adjusted net carrying amount at beginning of year	20,372	-	-	20,372
Depreciation expense	(494)	-	-	(494)
Net carrying amount at end of year	19,878	-	-	19,878

* 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.

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 SWSLHD and makes payments to contractors and suppliers. Health Administration Corporation initially records all costs incurred as work in progress or expenses and subsequently transfers to SWSLHD. The costs are then accordingly reflected in SWSLHD financial statements. SWSLHD acquires most assets in this manner.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted over the period of credit.

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

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

Depreciation of property, plant and equipment

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to SWSLHD. Land is not a depreciable asset. All material identifiable components of assets are depreciated over their useful lives.

Details of depreciation rates initially applied for major asset categories are as follows:

	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. SWSLHD 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, SWSLHD, 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.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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. SWSLHD 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. SWSLHD 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 December 2019 as a result of a cumulative increase in indicators of 1% for land and buildings and 1% for infrastructure. SWSLHD used an external professionally qualified valuer to conduct the interim revaluation. Indicators provided by APV Valuers & Asset Management were not applied as they were deemed immaterial.

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

22. Property, plant and equipment (continued)

Revaluation of property, plant and equipment (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.

SWSLHD 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, SWSLHD 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.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

23. Leases

(a) Entity as a lessee

SWSLHD leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 3 to 5 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. SWSLHD 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 SWSLHD 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 \$1.6 million have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

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

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

SWSLHD 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	42,090	29,655	71,745
Additions	-	1,428	1,428
Reassessments	-	835	835
Disposals	-	(9)	(9)
Depreciation expense	(3,171)	(5,932)	(9,103)
Balance at 30 June 2020	38,919	25,977	64,896

South Western Sydney 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	71,816
Additions	1,428
Interest expenses	1,168
Payments	(9,367)
Terminations	(9)
Other adjustments	835
Balance at 30 June 2020	65,871

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

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	Total \$'000
2020	
Depreciation expense of right-of-use assets	9,103
Interest expense on lease liabilities	1,168
Expenses relating to short-term leases	2,688
Expenses relating to leases of low-value assets	228
Total amount recognised in the statement of comprehensive income	13,187

SWSLHD had total cash outflows for leases of \$9,367 thousand for the year ended 30 June 2020.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

23. Leases (continued)

(a) Entity as a lessee (continued)

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

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	Operating leases 2019 \$'000	Finance leases 2019 \$'000
Within one year	3,146	970
Later than one year and not later than five years	4,519	4,077
Later than five years	-	39,673
Total (including GST)	7,665	44,720
<i>Less: GST recoverable from the Australian Taxation Office</i>	697	-
Total (excluding GST)	6,968	44,720

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

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	Total \$'000
Total minimum finance lease payments	44,720
<i>Less: future finance charges</i>	10,857
Present value of minimum lease payments	33,863

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

SWSLHD entered into a number of leases, with lease terms ranging from 5 to 10 years with various organisations (Lendlease Real Estate Investment Limited & GPT Funds Management Limited, State Rail Authority of NSW, Wingecarribee Shire Council and Oscar No.1 Pty Ltd), for the use of providing Community Health Services. These leased premises represent a small portion of the similar assets SWSLHD is using to provide Community Health Services, therefore it does not have a significant impact on SWSLHD's operations.

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

SWSLHD 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.

SWSLHD 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.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

23. Leases (continued)

(a) Entity as a lessee (continued)

i. Right-of-use assets

SWSLHD 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	4 years
Plant and equipment	5 years
Motor vehicles and other equipment	3 years

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

23. Leases (continued)

(a) Entity as a lessee (continued)

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

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

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

SWSLHD 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 SWSLHD 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 SWSLHD 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 SWSLHD 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.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

23. Leases (continued)

(b) Entity as a lessor

South Western Sydney 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.

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

Gross investment in leases and the present value of minimum lease payment receivable under non-cancellable finance lease as at 30 June 2019 are, as follows:

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	1,331	1,331
Later than one year and not later than five years	1,331	1,331
Two to three years	1,331	1,331
Three to four years	1,331	1,331
Four to five years	1,296	1,331
Later than five years	40,046	41,342
Total (excluding GST)	46,666	47,997

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.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

24. Intangible assets

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Cost (gross carrying amount)	1,473	1,352	1,473	1,352
Less: accumulated amortisation and impairment	688	586	688	586
Net carrying amount	785	766	785	766

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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	766	397
Additions - acquired separately	121	536
Amortisation (recognised in depreciation and amortisation)	(102)	(167)
Net carrying amount at end of year	785	766

Recognition and Measurement

SWSLHD recognises intangible assets only if it is probable that future economic benefits will flow to SWSLHD and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. 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 SWSLHD'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.

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

Computer software developed or acquired by SWSLHD 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.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

25. Fair value measurement of non-financial assets

PARENT AND CONSOLIDATION

Fair value measurement and hierarchy

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

A number of SWSLHD's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13 Fair Value Measurement, SWSLHD categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted (unadjusted) prices in active markets for identical assets / liabilities that the entity can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

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

(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	-	83,601	1,342,735	1,426,336
- Infrastructure systems	-	-	33,400	33,400
	-	83,601	1,376,135	1,459,736

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	-	76,032	1,407,975	1,484,007
- Infrastructure systems	-	-	34,359	34,359
	-	76,032	1,442,334	1,518,365

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.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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

(b) Valuation techniques, inputs and processes

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

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. 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 SWSLHD to assess the land and non-specialised properties, in line with the valuation by the valuers made on a market approach.

(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	1,407,975	34,359	-	1,442,334
Derecognition of finance lease assets on initial application of AASB 16	(33,792)	-	-	(33,792)
Adjusted fair value as at 1 July 2019	1,374,183	34,359	-	1,408,542
Additions	14,422	-	-	14,422
Transfers from Level 2	434	-	-	434
Disposals	(554)	-	-	(554)
Depreciation expense	(45,750)	(959)	-	(46,709)
Fair value as at 30 June 2020	1,342,735	33,400	-	1,376,135

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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

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

PARENT AND CONSOLIDATION

2019	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2018	1,051,338	12,249	-	1,063,587
Additions	58,018	-	-	58,018
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 22)	324,552	11,737	-	336,289
Transfers from Level 2	22,433	-	-	22,433
Transfers to Level 2	(8,050)	-	-	(8,050)
Disposals	(12)	-	-	(12)
Depreciation expense	(45,219)	(671)	-	(45,890)
Equity transfers - transfers in / (out)	261	-	-	261
Revaluation reclassification	4,654	11,044	-	15,698
Fair value as at 30 June 2019	1,407,975	34,359	-	1,442,334

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

26. Restricted assets

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SWSLHD's financial statements include the following assets which are restricted for stipulated purposes and / or by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions. They consist of cash assets and rights and obligations to receive and make payments as at 30 June 2020.

Category	1 July 2019	Revenue	Expense	2020
	Opening			Closing
	\$000	\$000	\$000	\$000
Community welfare	4,283	1,374	1,348	4,309
Facility improvements	18,319	4,387	3,160	19,546
Patient welfare	2,182	636	643	2,176
Private practice disbursements (No.2 Accounts)	31,478	12,269	9,331	34,416
Public contributions	2,262	300	359	2,203
Research	11,022	7,319	5,570	12,771
Staff welfare	643	61	24	680
Training and education including conferences	7,387	643	693	7,337
	77,577	26,988	21,128	83,437

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

Category	Purpose
Community welfare	Improvements to service access, health literacy, public and preventative health care.
Facility improvements	Repairs, maintenance, renovations and/or new equipment or building related expenditure.
Patient welfare	Improvements such as medical needs, financial needs and standards for patients' privacy and dignity.
Private practice disbursements (No.2 Accounts)	Staff specialists' private practice arrangements to improve the level of clinical services provided.
Public contributions	Donations or legacies received without any donor-specified conditions as to its use.
Research	Research to gain knowledge, understanding and insight.
Staff welfare	Staff benefits such as staff recognition awards, functions and staff amenity improvements.
Training and education including conferences	Professional training, education and conferences.

Unclaimed monies

All money and personal effects of patients which are left in the custody of SWSLHD by any patient who is discharged or dies in the hospital and which are not claimed by the person lawfully entitled thereto within a period of twelve months are recognised as the property of SWSLHD.

All such money and the proceeds of the realisation of any personal effects are lodged to the credit of the Samaritan Fund which is used specifically for the benefit of necessitous patients or necessitous outgoing patients.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

27. Payables

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Accrued salaries, wages and on-costs	37,963	29,576	-	-
Taxation and payroll deductions	4,207	8,706	-	-
Accrued liability - purchase of personnel services	-	-	42,170	38,282
Creditors	23,870	39,065	23,870	39,065
Other creditors				
- Capital works	-	1,816	-	1,816
- Payables to entities controlled by the immediate parent	19,434	16,801	19,434	16,801
- Other	19,355	14,524	19,355	14,524
	104,829	110,488	104,829	110,488

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

Recognition and Measurement

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

Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to SWSLHD. Gains and losses are recognised in the net result when the liabilities are derecognised as well as through the amortisation process.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

28. Contract liabilities

	Consolidated 2020 \$000	Consolidated 1 July 2019 adjusted for AASB 15 \$000	Parent 2020 \$000	Parent 1 July 2019 adjusted for AASB 15 \$000
Current				
Contract liabilities	1,532	617	1,532	617
	1,532	617	1,532	617

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	617	617
Revenue recognised from performance obligations satisfied in previous periods	-	-
Transaction price allocated to the remaining performance obligations from contracts with customers	-	-

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

Specific revenue class	2021 \$'000	2022 \$'000	2023 \$'000	≥ 2024 \$'000
Sales of goods and services from contracts with customers	-	-	-	-
Grants and other contributions	-	-	-	-
	-	-	-	-

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

29. Borrowings

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Other loans and deposits	5,224	5,000	5,224	5,000
Lease liability (see Note 23)	9,732	970	9,732	970
	14,956	5,970	14,956	5,970
Non-current				
Other loans and deposits	13,131	14,651	13,131	14,651
Lease liability (see Note 23)	56,139	32,893	56,139	32,893
	69,270	47,544	69,270	47,544

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

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 39.

Recognition and Measurement

Financial liabilities at amortised cost

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

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 SWSLHD has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 39 (b) for derecognition policy.

Changes in liabilities arising from financing activities

PARENT AND CONSOLIDATION

	Other loans and deposits \$000	Leases \$000	Total liabilities from financing activities \$000
1 July 2018	22,584	34,308	56,892
Cash flows	(2,933)	(445)	(3,378)
30 June 2019	19,651	33,863	53,514
Recognised on adoption of AASB 16	-	37,953	37,953
1 July 2019	19,651	71,816	91,467
Cash flows	(1,296)	(8,199)	(9,495)
New leases	-	2,254	2,254
30 June 2020	18,355	65,871	84,226

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

30. Provisions

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Employee benefits and related on-costs				
Annual leave - short term benefit	123,196	118,006	-	-
Annual leave - long term benefit	82,828	71,365	-	-
Long service leave consequential on-costs	34,557	30,894	-	-
Provision for other employee benefits	7,939	5,175	-	-
Provision for personnel services liability	-	-	248,520	225,440
	248,520	225,440	248,520	225,440
Total current provisions	248,520	225,440	248,520	225,440
Non-current				
Employee benefits and related on-costs				
Long service leave consequential on-costs	3,005	2,686	-	-
Provision for personnel services liability	-	-	3,005	2,686
	3,005	2,686	3,005	2,686
Total non-current provisions	3,005	2,686	3,005	2,686
Aggregate employee benefits and related on-costs				
Provisions - current	248,520	225,440	-	-
Provisions - non-current	3,005	2,686	-	-
Accrued salaries, wages and on-costs, taxation and payroll deductions (Note 27)	42,170	38,282	-	-
Liability - purchase of personnel services	-	-	293,695	266,408
	293,695	266,408	293,695	266,408

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 0.1847 are applied to the value of leave payable at 30 June 2020 (comparable on-costs for 30 June 2019 were 18.27%). SWSLHD has assessed the actuarial advice based on the SWSLHD's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where SWSLHD does not expect to settle the liability within 12 months as SWSLHD does not have an unconditional right to defer settlement.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

Long service leave and superannuation

SWSLHD's liability for long service leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity, which is a controlled entity of the ultimate parent. SWSLHD accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits'.

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

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: SWSLHD 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 SWSLHD 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 SWSLHD has a detailed formal plan, and SWSLHD 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.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

31. Other liabilities

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Unearned revenue	722	1,379	722	1,379
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	81	-	81	-
	803	1,379	803	1,379
Non-current				
Unearned revenue	19,382	19,924	19,382	19,924
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	8,116	-	8,116	-
	27,498	19,924	27,498	19,924

Unearned revenue was derived from the following:

Current Unearned Revenue of \$0.722m is the University of Wollongong Prepaid Rental at Bowral Hospital

The \$0.081m current liability contains grants received in advance and Prepaid Rental Income from UWS for the Macarthur Clinical School at Campbelltown Hospital of \$0.135m

The \$19.382m non current liability is the Macarthur Clinical School Capital funding received from UWS treated as prepaid rental ("right of use"), over the 40 year life of the land lease at Campbelltown Hospital.

PARENT AND CONSOLIDATION

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

	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	7,320
Adjusted opening balance	7,320
<i>Add:</i> receipt of cash during the financial year	94,943
<i>Less:</i> income recognised during the financial year	94,066
Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	8,197

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

SWSLHD expects to recognise as income any liability for unsatisfied obligations as at the end of the reporting period evenly in the next 1-5 financial years, as the related asset(s) are constructed / acquired.

South Western Sydney 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	380,084	92,967	380,084	92,967
Later than one year and not later than five years	78,070	22,430	78,070	22,430
Later than five years	-	-	-	-
Total (including GST)	458,154	115,397	458,154	115,397

(b) Contingent asset related to commitments for expenditure

The total 'Capital expenditure commitments' of \$458.15 million as at 30 June 2020 includes input tax credits of \$41.65 million that are expected to be recoverable from the Australian Taxation Office (2019 \$10.64M).

Output tax payable related to commitments for revenue

The 'Operating Lease Commitments (Entity as Lessor)' of \$51.33M million as at 30 June 2020 includes taxable sales of \$2.67M that are expected to be payable to the Australian Taxation Office (2019: \$2.75M).

33. Contingent liabilities and assets

PARENT AND CONSOLIDATION

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

34. Trust funds

PARENT AND CONSOLIDATION

SWSLHD holds trust funds of \$1.3 million (2019: \$1.3 million) which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

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

Category	1 July 2019			30 June 2020
	Opening equity \$'000	Revenue \$'000	Expense \$'000	Closing equity \$'000
Patient Trust	171	87	(28)	230
Refundable Deposits	524	16	(2)	538
Private Patient Trust Funds	(11)	45,753	(45,755)	(13)
Third Party Funds	618	1,131	(1,207)	542
Total trust funds	1,302	46,987	(46,992)	1,297

Category	1 July 2018			30 June 2019
	Opening equity \$'000	Revenue \$'000	Expense \$'000	Closing equity \$'000
Patient Trust	172	-	(1)	171
Refundable Deposits	481	43	-	524
Private Patient Trust Funds	6	41,964	(41,981)	(11)
Third Party Funds	618	1,095	(1,095)	618
Total trust funds	1,277	43,102	(43,077)	1,302

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 40.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Net cash used on operating activities	249,107	112,123	249,107	112,123
Depreciation and amortisation expense	(71,856)	(63,657)	(71,856)	(63,657)
Allowance for impairment	(2,718)	(3,868)	(2,718)	(3,868)
(Increase) / decrease in unearned revenue	(296)	250	(296)	250
Decrease / (increase) in provisions	(23,399)	(13,941)	(23,399)	(13,941)
Increase / (decrease) in prepayments and other assets	44,722	(14,963)	44,722	(14,963)
Decrease / (increase) in payables	3,680	11,463	3,680	11,463
Decrease / (increase) in contract liabilities	(915)	-	(915)	-
Amortisation of finance lease liabilities	-	420	-	420
Net gain / (loss) on sale of property, plant and equipment	(1,020)	(1,994)	(1,020)	(1,994)
Assets donated or brought to account (Note 36)	389	864	389	864
Net result	197,694	26,697	197,694	26,697

36. Non-cash financing and investing activities

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Assets donated or brought to account	389	864	389	864
Property, plant and equipment acquired by a lease	1,428	-	1,428	-
	1,817	864	1,817	864

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

37. Adjusted budget review

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). SWSLHD's budget is not presented in parliament, therefore AASB 1055 Budgetary Reporting is not applicable. Unlike the requirement in AASB 1055 Budgetary Reporting to present original budget information, SWSLHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between SWSLHD and the NSW Ministry of Health at the beginning of the financial year, as well as any adjustments for the effects of additional supplementation provided in accordance with delegations to derive a final budget at year end (i.e. adjusted budget). The budget amounts are not subject to audit and, accordingly, the relevant budget entries in the financial statements are unaudited.

PARENT AND CONSOLIDATION

Net result

The actual net result was lower than adjusted budget by \$17 million, primarily due to:

Unfavourable variances in revenue of \$8.3m, in expenses of \$5.4m and other items of \$3m.

The unfavourable revenue variance included \$5m of budgeted capital projects remaining in progress due to production/supply issues relating to the COVID-19 pandemic. Also, own source revenue, including year on year reductions in patient fees and facility fees was \$9m less than budgeted. These results were offset by intrahealth grants that net with expenditure of \$4m and high cost drugs being favourable by \$1.6m.

The unfavourable expense variance was primarily due to employee related expenditure. This was mainly as a result of the annual leave on-cost award adjustments being higher than expected due to the impact of COVID-19 on staff leave and the funding for workers compensation premium being less than required to cover the expense.

An increase in the provision for doubtful debts for Ineligible patient debtor accounts, deemed uncollectible, of \$2m and adjustments to property, plant and equipment values of \$1m make up the balance of the unfavourable variances to budget.

Assets and liabilities

The net assets were \$16.4m unfavourable to budget. This was largely due to the unfunded components of the increase in annual leave balances, namely the salary and wages escalation of 2.5% and changes in the actuarial on-cost factors. The impact of COVID-19 was significant in this regard, as the ability to send staff on leave and reduce the provision was curtailed by the need to ensure resources were available as part of the pandemic response.

Cash flows

Overall cash flows were favourable to budget by \$2.6m. This was mainly due to lower than expected outflows in investing activities, specifically less minor works and equipment purchases from restricted financial asset funds.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July, 2019 are as follows:

	\$000
Initial allocation, 1 July 2019	1,586,696
Growth & Escalation	95,924

Special Projects

Mobile Dental Program	3,900
Sustaining NSW Families	701
Aboriginal Getting On Track	666
Royal Commission into Child Sex Abuse	1,022
NP Public Dental Waiting Lists	2,500
Disability & Complex Care Support Team	790
Keep Them Safe	2,011
Nursing and Midwifery Strategy Reserves and Enhancements	1,372
2019/20 Budget Relief Additional Expenditure	8,039
2019/20 Budget Relief COVID Incremental	23,344
2019/20 Budget Relief COVID Single Room Patient Fees	7,023
Bushfire Relief	115
Other Initiatives	10,084

Balance as per Statement of Comprehensive Income	1,744,187
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South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

38. Equity

Accumulated Funds

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

Revaluation Surplus

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

Separate Reserves

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

Equity transfers effected in the 2019/20 year were:

(a) Nil

Equity transfers effected in the 2018/19 year were:

(b) An equity transfer was made between NSW Health entities to realign the annual leave liability to the current legal employer as held in the payroll system (StaffLink) for various employment arrangements, including staff on rotation and secondment. This has resulted in an increase in net assets of \$524 thousand relating to the transfer of Annual Leave provision balances to other NSW Health entities.

Equity transfers effected comprised:

	2020 \$000	2019 \$000
(a) Land & Buildings Transfer		(836)
(b) Annual Leave Provision - Transfer of Annual Leave Provisions between NSW Health entities		(524)
	-	(1,360)

Assets and Liabilities transferred are as follows:

	2020 \$000	2019 \$000
Assets		
(a) Land Transfer		575
(b) Building Transfer		261
Liabilities		
(b) Annual Leave Provision		524
Increase / (Decrease) in Net Assets From Equity Transfers	-	1,360

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

39. Financial instruments

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

SWSLHD's main risks arising from financial instruments are outlined below, together with SWSLHD's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by SWSLHD, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed on a continuous basis.

(a) Financial instrument categories

PARENT AND CONSOLIDATION

Class	Category	Carrying Amount 2020 \$000	Carrying Amount 2019 \$000
Financial Assets			
Cash and cash equivalents (Note 19)	Amortised cost	86,272	80,064
Receivables (Note 20) ¹	Amortised cost	31,349	35,649
Total Financial Assets		117,621	115,713
Financial Liabilities			
Borrowings (Note 29)	Financial liabilities measured at amortised cost	84,226	53,514
Payables (Note 27) ²	Financial liabilities measured at amortised cost	100,622	101,782
Total Financial Liabilities		184,848	155,296

Notes

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

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

SWSLHD 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:

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

39. Financial instruments (continued)

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

When SWSLHD 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 SWSLHD has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of SWSLHD's continuing involvement in the asset. In that case, SWSLHD 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 SWSLHD. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses).

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

Credit risk associated with SWSLHD'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.

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

Cash and cash equivalents

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 2.08% (Restricted Funds Bank balance: 1.13%) in 2019-20 compared to 2.35% (Restricted Funds Bank balance: 2.34%) in the previous year. The TCorpIM Funds cash facility is discussed in market risk below.

Accounting policy for impairment of trade receivables and other financial assets

Receivables - trade receivables, other receivables and contract assets

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

SWSLHD 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.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

39. Financial instruments (continued)

(d) Financial risk (continued)

i. Credit risk (continued)

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

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

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. SWSLHD 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	3.26%	7.56%	16.84%	27.04%	33.39%	12.55%
Estimated total gross carrying amount ¹	19,255	2,393	1,532	1,261	7,958	32,399
Expected credit loss	628	181	258	341	2,657	4,065
	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	4.41%	5.92%	16.31%	13.51%	31.20%	11.46%
Estimated total gross carrying amount ¹	20,507	3,194	1,306	1,628	7,727	34,362
Expected credit loss	904	189	213	220	2,411	3,937

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

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

Other Financial Assets - Authority Deposits

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

39. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk

Liquidity risk is the risk that SWSLHD will be unable to meet its payment obligations when they fall due. SWSLHD continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and other advances.

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

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

SWSLHD has exposure to liquidity risk. However, the risk is minimised by the service agreement with the NSW Ministry of Health, as the annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where SWSLHD fails to meet service agreement performance standards, the Ministry as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 1).

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. 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.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

39. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

The table below summarises the maturity profile of SWSLHD'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		100,622	-	-	100,622	100,622	-	-
Borrowings:								
- Loans and deposits	6.98	21,160	21,160	-	-	5,261	14,988	911
- Lease liabilities	1.71	78,223	78,223	-	-	9,313	23,644	45,266
		200,005	99,383	-	100,622	115,196	38,632	46,177
2019								
Payables:								
- Creditors ²		101,782	-	-	101,782	101,782	-	-
Borrowings:								
- Loans and deposits	0.08	23,685	23,685	-	-	5,000	18,685	-
- Finance leases	0.02	44,720	44,720	-	-	970	4,077	39,673
		170,187	68,405	-	101,782	107,752	22,762	39,673

Notes:

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

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

³ Weighted Average Effective Interest Rate (EIR).

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

39. Financial instruments (continued)

iii. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. SWSLHD's exposures to market risk are primarily through interest rate risk on SWSLHD's borrowings and other price risks associated with the movement in the Hour Glass Investment Facilities. SWSLHD has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which SWSLHD operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis as for 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 SWSLHD's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. SWSLHD does not account for any fixed rate financial instruments at fair value through profit or loss or 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, SWSLHD is not permitted to borrow external to the NSW Ministry of Health (except energy loans which are negotiated through NSW Treasury). Both NSW Treasury and NSW Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates.

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

	2020		2019	
	\$000		\$000	
	-1%	1%	-1%	1%
Net result	(20)	20	(266)	266
Equity	(20)	20	(266)	266

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

39. Financial instruments (continued)

iii. Market risk (continued)

Other price risk - TCorpIM Funds

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

Facility	Investment Sectors	Investment Horizon	2020 \$000	2019 \$000
TCorpIM Cash Fund	Cash and fixed income	Up to 1.5 years	41,102	40,645

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

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

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

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

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

	2020 Change in unit price	2019 Change in unit price	Impact on net result	
			2020 \$000	2019 \$000
TCorpIM Funds - Cash facility	10%	1%	4,110	406

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

39. Financial instruments (continued)

(e) Fair value measurement

i. Fair value compared to carrying amount

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

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

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

ii. Fair value recognised in the Statement of Financial Position

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

When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the consolidated entity categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted (unadjusted) prices in active markets for identical assets / liabilities that the entity can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2020 Total \$'000
TCorpIM Funds	-	41,102	-	41,102
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2019 Total \$'000
TCorpIM Funds	-	40,645	-	40,645

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

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

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

40. Related party transactions

PARENT AND CONSOLIDATION

(a) Key management personnel compensation

Key management personnel compensation is as follows:

	2020	2019
	\$000	\$000
Short-term employee benefits	907	1,016
Post-employment benefits	52	57
	959	1,073

During the financial year, South Western Sydney Local Health District obtained key management personnel services from the immediate parent and incurred \$0.480 million (2019: \$0.484 million) for these services. This amount does not form part of the key management personnel compensation disclosed above.

SWSLHD'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 SWSLHD had with government related entities during the financial year

During the financial year and comparative year, SWSLHD entered into the various transactions with other entities consolidated as part of the NSW Ministry of Health (the [immediate/senior] 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/senior] 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.
- Payment of grants for research, education and training (HETI) \$214k and other projects.
- Staff related costs incurred from various education and training courses and salary and wage costs incurred from onboarding staff from rotations and secondments.
- Hosted Services purchased from Sydney Local Health District (\$1.6m)

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

40. Related party transactions

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

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

- Fringe benefits taxes
- Audit of the statutory financial statements
- Legal and consultancy services
- Utilities, including electricity, gas and water expenses
- Motor vehicle toll expenses
- Insurance costs
- Office and carpark rental with Property NSW (\$138k) and State Archives and Records Authority (\$76k) for storage and retrieval of patient records
- Payment of grants for education and training (TAFE)
- Payment of rates and usage charges Sydney Water (\$1.1m)

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
- Training and education revenue from running SWAN and DTSC conferences

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

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

Assets and liabilities as follows:

- Receivables and payables in respect of the above noted related party revenue and expense transactions
- Some terms deposits are invested with TCorpIM Funds Investment facilities
- 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.

41. Events after the reporting period

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

END OF AUDITED FINANCIAL STATEMENTS