



INDEPENDENT AUDITOR'S REPORT

Far West Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Far West Local Health District (the District), which comprise the Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, 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:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- present fairly the financial position, financial performance and cash flows of the District and the consolidated entity.

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 35. The note states that AASB 1055 'Budgetary Reporting' is not applicable to the District. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the District's financial statements present adjusted budget information.

The Chief Executive's Responsibilities for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the GSF Act, GSF Regulations and Treasurer's Directions. The Chief Executive's responsibility also includes such internal control as the Chief Executive determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible for assessing the ability of the District and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Cathy Wu
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

26 October 2021
SYDNEY

Far West Local Health District

Statement by the Accountable Authority

for the year ended 30 June 2021



We state, pursuant to section 7.6(4) of the Government Sector Finance Act 2018 ('the Act'):

1. The financial statements of the Far West Local Health District for the year ended 30 June 2021 have been prepared in accordance with:
 - a. Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
 - b. applicable requirements of the Act, the *Government Sector Finance Regulation 2018*; and
 - c. Treasurer's Directions issued under the Act.
2. The financial statements present fairly the Far West Local Health District's financial position as at 30 June 2021 and the financial performance and cash flows for the year then ended; 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 'Umit Agis'.

Umit Agis
Chief Executive
22 October 2021

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

Mukunthan Ganeshalingam
Director of Performance and Strategy
22 October 2021

Far West Local Health District

Statement of Comprehensive Income for the year ended 30 June 2021

		Consolidated	Consolidated	Consolidated	Parent	Parent
		Actual	Budget ¹	Actual	Actual	Actual
		2021	2021	2020	2021	2020
	Notes	\$000	\$000	\$000	\$000	\$000
Continuing operations						
Expenses excluding losses						
Employee related expenses	2	78,590	80,555	79,312	-	-
Personnel services	3	-	-	-	78,596	75,980
Visiting medical officers	4	8,405	8,140	7,931	8,405	7,931
Other expenses	5	33,615	32,358	31,665	33,615	31,665
Depreciation and amortisation	6	7,398	7,178	6,790	7,398	6,790
Grants and subsidies	7	2,932	2,984	2,399	2,932	2,399
Finance costs	8	21	3	12	21	12
Total expenses excluding losses		130,961	131,218	128,109	130,967	124,777
Revenue						
NSW Ministry of Health recurrent allocations	10	109,044	110,844	102,888	109,044	102,888
NSW Ministry of Health capital allocations	10	2,907	3,466	3,703	2,907	3,703
Acceptance by the Crown ² of employee benefits	14	(6)	(6)	3,332	-	-
Sale of goods and services from contracts with customers	11	9,832	11,384	10,989	9,832	10,989
Investment revenue	12	6	5	11	6	11
Grants and other contributions	13	3,027	2,549	5,065	3,027	5,065
Other income	15	724	1,575	1,607	724	1,607
Total revenue		125,534	129,817	127,595	125,540	124,263
Operating result		(5,427)	(1,401)	(514)	(5,427)	(514)
Impairment losses on financial assets	19	(71)	-	(18)	(71)	(18)
Net result from continuing operations	33	(5,498)	(1,401)	(532)	(5,498)	(532)
Other comprehensive income						
<i>Items that will not be reclassified to net result in subsequent periods</i>						
Changes in revaluation surplus of property, plant and equipment	21	6,364	-	-	6,364	-
Total other comprehensive income		6,364	-	-	6,364	-
TOTAL COMPREHENSIVE INCOME		866	(1,401)	(532)	866	(532)

¹ Unaudited adjusted budget, see Note 35.

² Crown represents "The Crown in right of the State of New South Wales"

The accompanying notes form part of these financial statements.

Far West Local Health District

Statement of Financial Position as at 30 June 2021

		Consolidated	Consolidated	Consolidated	Parent	Parent
		Actual	Budget ¹	Actual	Actual	Actual
		2021	2021	2020	2021	2020
	Notes	\$000	\$000	\$000	\$000	\$000
ASSETS						
Current assets						
Cash and cash equivalents	18	922	712	825	922	825
Receivables	19	2,179	1,767	1,801	2,179	1,801
Inventories	20	306	249	249	306	249
Total current assets		3,407	2,728	2,875	3,407	2,875
Non-current assets						
Receivables	19	3	4	4	3	4
Property, plant & equipment	21					
- Land and buildings		127,286	119,763	122,775	127,286	122,775
- Plant and equipment		9,458	10,794	8,742	9,458	8,742
- Infrastructure systems		3,328	3,061	3,073	3,328	3,073
Total property, plant & equipment		140,072	133,618	134,590	140,072	134,590
Right-of-use assets	22	643	869	600	643	600
Intangible assets	23	7	66	66	7	66
Total non-current assets		140,725	134,557	135,260	140,725	135,260
Total assets		144,132	137,285	138,135	144,132	138,135
LIABILITIES						
Current liabilities						
Payables	26	10,838	6,335	6,616	10,838	6,616
Borrowings	27	371	285	286	371	286
Provisions	28	12,473	12,175	11,629	12,473	11,629
Other current liabilities	29	-	-	34	-	34
Total current liabilities		23,682	18,795	18,565	23,682	18,565
Non-current liabilities						
Borrowings	27	307	615	345	307	345
Provisions	28	213	213	161	213	161
Total non-current liabilities		520	828	506	520	506
Total liabilities		24,202	19,623	19,071	24,202	19,071
Net assets		119,930	117,662	119,064	119,930	119,064
EQUITY						
Reserves		33,145	26,777	26,781	33,145	26,781
Accumulated funds		86,785	90,885	92,283	86,785	92,283
Total Equity		119,930	117,662	119,064	119,930	119,064

¹ Unaudited adjusted budget, see Note 35.

The accompanying notes form part of these financial statements.

Far West Local Health District

Statement of Changes in Equity for the year ended 30 June 2021

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2020		92,283	26,781	119,064
Net result for the year		(5,498)	-	(5,498)
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	21	-	6,364	6,364
Total other comprehensive income		-	6,364	6,364
Total comprehensive income for the year		(5,498)	6,364	866
Balance at 30 June 2021		86,785	33,145	119,930

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2019		93,164	26,781	119,945
Changes in accounting policy - initial application of AASB 1058		(349)	-	(349)
Restated balance at 1 July 2019		92,815	26,781	119,596
Net result for the year		(532)	-	(532)
Total Comprehensive Income for the Year		(532)	-	(532)
Balance at 30 June 2020		92,283	26,781	119,064

The accompanying notes form part of these financial statements.

Far West Local Health District

Statement of Cash Flows for the year ended 30 June 2021

	Notes	Consolidated Actual 2021 \$000	Consolidated Budget ¹ 2021 \$000	Consolidated Actual 2020 \$000	Parent Actual 2021 \$000	Parent Actual 2020 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		(78,552)	(81,295)	(76,224)	-	-
Suppliers for goods and services		(42,638)	(44,614)	(43,974)	(42,638)	(43,974)
Grants and subsidies		(3,255)	(3,308)	(2,697)	(3,255)	(2,697)
Finance costs		(21)	(3)	(12)	(21)	(12)
Personnel services		-	-	-	(78,552)	(76,224)
Total payments		(124,466)	(129,220)	(122,907)	(124,466)	(122,907)
Receipts						
NSW Ministry of Health recurrent allocations		109,044	110,844	102,888	109,044	102,888
NSW Ministry of Health capital allocations		2,907	3,466	3,703	2,907	3,703
Reimbursements from the Crown ²		911	911	1,265	911	1,265
Sale of goods and services		10,095	11,574	11,552	10,095	11,552
Interest received		6	5	11	6	11
Grants and other contributions		2,711	2,233	4,958	2,711	4,958
Other		4,947	5,887	6,543	4,947	6,543
Total receipts		130,621	134,920	130,920	130,621	130,920
NET CASH FLOWS FROM OPERATING ACTIVITIES	33	6,155	5,700	8,013	6,155	8,013
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and equipment		2	-	-	2	-
Purchases of property, plant and equipment and intangibles		(5,705)	(5,674)	(7,783)	(5,705)	(7,783)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(5,703)	(5,674)	(7,783)	(5,703)	(7,783)
CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of principal portion of lease liabilities		(355)	(139)	(261)	(355)	(261)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(355)	(139)	(261)	(355)	(261)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		97	(113)	(31)	97	(31)
Opening cash and cash equivalents	18	825	825	856	825	856
EQUIVALENTS	18	922	712	825	922	825

¹ Unaudited adjusted budget, see Note 35.

² Crown represents "The Crown in right of the State of New South Wales"

The accompanying notes form part of these financial statements.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

1. Statement of Significant Accounting Policies

a) Reporting entity

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

The District is a NSW Government entity and is controlled by the NSW Ministry of Health, which is the immediate parent. The reporting entity is also controlled by the State of New South Wales (and is consolidated as part of the NSW Total State Sector Accounts), which is the ultimate parent. The reporting entity is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units.

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

- * The parent entity comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Restricted Assets (as disclosed in Note 25), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * The Far West Local Health District Special Purpose Service Entity, which was established as a Division of the District on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the District to exercise its functions.

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

These consolidated financial statements for the year ended 30 June 2021 have been authorised for issue by the Chief Executive on 22 October 2021.

b) Basis of preparation

The District's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with:

- * applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
- * the applicable requirements of the *Government Sector Finance Act 2018* ('the Act'); and
- * Treasurer's Directions issued under the GSF Act.

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

The Secretary of NSW Health, the Chair of the Far West Local Health District Board and the Chief Executive, through the Service Agreement have agreed to service and funding levels for the forward financial year. The Service Agreement sets out the level of financial resources for public health services under the District's control and the source of these funds. By agreement, the Service Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the District fails to meet Service Agreement performance standards, the NSW Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the NSW Ministry of Health.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

1. Statement of Significant Accounting Policies

Following the Novel Coronavirus (COVID-19) pandemic in late February 2020, the District saw a decline in expected hospital activities. The Australian Government imposed restrictions on health systems, including a suspension of non-urgent elective surgeries, to ensure increased public hospital capacity would be available. Ongoing critical resources in 2021 have been reassigned to treat, test and manage for surges of COVID-19 cases. A free COVID-19 vaccination program for all Australian citizens, permanent residents, and most visa-holders has commenced during 2021.

The Commonwealth has entered a National Partnership Agreement (NPA), in response to the COVID-19 pandemic, with States and Territories, including NSW. The Agreement delivers funding to public hospitals and provides stability and certainty of funding while ensuring access to health services in public hospitals.

Since March 2020, the NSW Government has committed more than \$4.0 billion to support NSW Health to increase its capacity and to manage the ongoing impacts of COVID-19. The 2021-22 NSW Budget included over \$30 billion for the NSW Health Cluster. This was enshrined in legislation on 28 June 2021 in Division 3 of the Appropriation Act 2021 No 18.

The District has received an additional \$4.896 million (2020: \$2.497 million) through NSW Ministry of Health allocations as financial support for COVID-19 activity, see Note 10.

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

- * Allocated funds, combined with other revenues earned, are adequate to pay debts as and when they become due and payable.
- * The District has the capacity to review the timing of NSW Ministry of Health allocation cash flows to ensure debts can be paid when they become due and payable.
- * The District has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the District and assist in meeting its overall budget target. The EIP is monitored and evaluated by the NSW Ministry of Health throughout the financial year.

Property, plant and equipment and certain financial assets and liabilities are measured using the fair value basis. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

Judgements, key assumptions and estimations management have made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars (unless otherwise stated) and are expressed in Australian currency, which is the District's presentation and functional currency.

c) Statement of Compliance

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

1. Statement of Significant Accounting Policies

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

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

- * amount of GST incurred by the District as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- * receivables and payables are stated with the amount of GST included.

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

e) Comparative Information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

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

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

(i) Effective for the first time in 2020-21

The accounting policies applied in 2020-21 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:

- * District applied AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.
- * Several other amendments and interpretations apply for the first time in 2020-21, but do not have an impact on the financial statements of District.

AASB 1059 Service Concession Arrangements: Grantors (AASB 1059)

AASB 1059 is effective for the District from 1 July 2020. At the same time NSW Treasury Policy and Guideline Paper TPP 06-8: Accounting for Privately Financed Projects (TPP 06-8) was withdrawn effective from 1 July 2020.

Service Concession Arrangements are contracts between an operator and a grantor, where the operator provides public services related to a service concession asset on behalf of the grantor for a specified period of time and manages at least some of those services.

Where AASB 1059 applies, the grantor recognises the service concession asset when the grantor obtains control of the asset and measures the service concession asset at current replacement cost. At the same time the grantor recognises a corresponding financial liability or unearned revenue liability or a combination of both.

The District has adopted the modified retrospective approach permitted under AASB 1059 by recognising and measuring service concession assets and related liabilities at the date of initial application of 1 July 2019, with any net adjustments to the amounts of assets and liabilities recognised in accumulated funds at that date.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

1. Statement of Significant Accounting Policies

The District has identified a service concession arrangement relating to an existing asset of the District. The existing asset is now disclosed as a service concession asset, but continues to be part of property, plant and equipment balance. As a result, the adoption of AASB 1059 did not have an impact on Statement of Comprehensive Income, Statement of Financial Position and the Statement of Cash Flows. Refer to Note 21 for disclosures around service concession assets.

(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 District, has assessed the potential impact of the new standards and interpretations issued but not yet effective and have determined they are unlikely to have a material impact on the financial statements of the District.

g) Impact of COVID-19 on Financial Reporting for 2020-21

The COVID-19 pandemic has resulted in significant changes in the District activity and in the way the services are being delivered. The pandemic has also impacted financial reporting in 2020-21 and increased disclosures are presented in the following notes:

- * Note 1b) Basis of preparation
- * Note 10 NSW Ministry of Health allocations
- * Note 24 Fair value measurement of non-financial assets

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

2. Employee related expenses

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Salaries and wages (including annual leave and allocated days off)	70,957	69,279	-	-
Superannuation - defined benefit plans	782	813	-	-
Superannuation - defined contribution plans	5,803	5,640	-	-
Long service leave	(437)	2,647	-	-
Redundancies	257	-	-	-
Workers' compensation insurance	1,228	932	-	-
Fringe benefits tax	-	1	-	-
	78,590	79,312	-	-

The decrease in the long service leave is the result of significant changes in the actuarial factors decreasing the employee benefit liabilities assumed by the Crown.

3. Personnel services

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Salaries and wages (including annual leave and allocated days off)	-	-	70,957	69,279
Superannuation - defined contribution plans	-	-	5,803	5,640
Long service leave	-	-	351	128
Redundancies	-	-	257	-
Workers' compensation insurance	-	-	1,228	932
Fringe benefits tax	-	-	-	1
	-	-	78,596	75,980

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

4. Visiting medical officers

Visiting medical officers (VMOs) deliver specialist medical services across a range of disciplines throughout the District's hospitals. VMO expenses of \$8.41 million (2020: \$7.93 million) represent part of the day-to-day running costs incurred in the normal operations of the District. These costs are expensed as incurred.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

5. Other expenses

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Advertising	102	90	102	90
Auditor's remuneration - audit of financial statements	151	149	151	149
Blood and blood products	222	163	222	163
Consultancies	83	44	83	44
Contractors	66	8	66	8
Domestic supplies and services	629	620	629	620
Drug supplies	1,685	1,613	1,685	1,613
Food supplies	482	514	482	514
Fuel, light and power	1,248	1,156	1,248	1,156
Patient transport costs	1,406	1,594	1,406	1,594
Information management expenses	3,336	2,864	3,336	2,864
Insurance	220	210	220	210
Maintenance (see Note 5 (b))	3,949	2,631	3,949	2,631
Medical and surgical supplies	2,244	2,321	2,244	2,321
Motor vehicle expenses	354	322	354	322
Postal and telephone costs	169	208	169	208
Printing and stationery	313	274	313	274
Rates and charges	307	211	307	211
Hosted services purchased from entities controlled by the immediate parent	242	234	242	234
Specialised services (dental, radiology, pathology, cardiology, Fast Track Clinic and Mental Health)	9,108	7,822	9,108	7,822
Staff related costs	1,907	1,961	1,907	1,961
Travel related costs	955	1,412	955	1,412
Other (see Note 5 (a))	4,437	5,244	4,437	5,244
	33,615	31,665	33,615	31,665

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

5. Other expenses (continued)

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
(a) Other				
Corporate support services	915	746	915	746
Courier and freight	89	69	89	69
Isolated patient travel and accommodation assistance scheme	1,492	2,339	1,492	2,339
Legal services	55	167	55	167
Membership/professional fees	62	39	62	39
Quality assurance / accreditation	13	3	13	3
Security services	135	146	135	146
Expenses relating to short-term leases	157	182	157	182
Expenses relating to leases of low-value assets	21	16	21	16
Other miscellaneous	1,498	1,537	1,498	1,537
	4,437	5,244	4,437	5,244
(b) Reconciliation of total maintenance				
Maintenance contracts	964	847	964	847
New / replacement equipment under \$10,000	2,390	1,294	2,390	1,294
Repairs maintenance / non contract	595	490	595	490
Maintenance expense - contracted labour and other (non-employee related) in Note 5	3,949	2,631	3,949	2,631
Employee related/personnel services maintenance expense included in Notes 2 and 3.	869	895	869	895
	4,818	3,526	4,818	3,526

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

5. Other expenses (continued)

Recognition and Measurement

Maintenance expense

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

Operating expenses

Operating expenses generally represent the day-to-day running costs incurred in the normal operations of the District. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 26.

Insurance

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

Lease expense

The District recognises the lease payments associated with the following types of leases as an expense on a straight-line basis:

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

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

6. Depreciation and amortisation

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Depreciation - buildings	5,265	4,977	5,265	4,977
Depreciation - plant and equipment	1,581	1,325	1,581	1,325
Depreciation - infrastructure systems	134	140	134	140
Depreciation - right-of-use buildings	25	25	25	25
Depreciation - right-of-use plant and equipment	334	267	334	267
Amortisation - intangible assets	59	56	59	56
	7,398	6,790	7,398	6,790

Refer to Note 21 Property, plant and equipment, Note 22 Leases, and Note 23 Intangible assets for recognition and measurement policies on depreciation and amortisation.

7. Grants and subsidies

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Non-government organisations	2,193	2,153	2,193	2,153
Grants paid to entities controlled by the immediate parent	36	36	36	36
Other grants	703	210	703	210
	2,932	2,399	2,932	2,399

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.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

8. Finance costs

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Interest expense from lease liabilities	21	12	21	12
	21	12	21	12

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.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

9. Revenue

Recognition and Measurement

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. Comments regarding the accounting policies for the recognition of income are discussed below.

Under the GSF Act 2018, the District's own source revenue (which includes but is not limited to receipts from operating activities and proceeds from the sale of property, plant and equipment) meets the definition of deemed appropriation money under the GSF Act.

Summary of Compliance

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Total spending authority from parliamentary appropriations, other than own source revenue	111,951	106,591	111,951	106,591
Add:				
Own source revenue on 1 July 2019	-	856	-	856
Own source money received during the year	18,673	24,330	18,673	24,330
Own source revenue balance brought forward from prior years	825	-	825	-
Less: expenditure charged against own source revenue				
	130,527	130,952	130,527	130,952
	922	825	922	825

The table includes monies received from the agency's own-source income from other clusters who have different responsible ministers, as comprising part of the authority to spend.

There is some complexity and uncertainty in respect of the legal implication of monies received by the agency from an agency in another cluster who has a different responsible minister. Therefore, there is a technical risk that the actual expenditure exceeds the aggregate legal limit authorised for the receiving responsible minister(s) for the relevant reporting period; on the other hand, the paying responsible minister(s) may have unutilised legal spending authority.

The impact of this legal uncertainty means the balance of own source revenue brought forward and carried forward in the table will not necessarily be reflective of the appropriations authority available to the agency or its responsible ministers.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

10. NSW Ministry of Health allocations

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

The District recognised additional NSW Ministry of Health recurrent allocations of \$4.468 million (2020: \$1.939 million) and NSW Ministry of Health capital allocations of \$0.428 million (2020: \$0.558 million) to cover costs incurred for the 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.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

11. Sale of goods and services from contracts with customers

(a) Sale of goods comprise the following:

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Sale and recovery of pharmaceutical supplies	719	686	719	686
Sale of prostheses	48	89	48	89
Other	22	42	22	42
	789	817	789	817

(b) Rendering of services comprise the following:

Patients

Patient Fees:

- Inpatient fees	2,103	2,653	2,103	2,653
- Nursing home fees	167	5	167	5
- Non inpatient fees	375	357	375	357
Department of Veterans' Affairs	628	911	628	911
Motor Accident Authority third party	190	231	190	231
Multi Purpose Service Centre fees	1,679	1,560	1,679	1,560

Staff

Private use of motor vehicles	10	13	10	13
Salary packaging fee	27	27	27	27
Meals and accommodation	154	137	154	137

General community

Clinical services (excluding clinical drug trials)	2	14	2	14
Commercial activities	12	13	12	13
Fees for conferences and training	33	23	33	23
Fees for medical records	6	6	6	6
Information retrieval	-	1	-	1
Meals on Wheels	11	12	11	12

Non-NSW Health entities

Linen service revenues	58	63	58	63
Services to other organisations	15	12	15	12

Other

Infrastructure fees - annual charge	248	364	248	364
Infrastructure fees - monthly facility charge	2,687	3,036	2,687	3,036
Other	638	734	638	734

	9,043	10,172	9,043	10,172
	9,832	10,989	9,832	10,989

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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

Recognition and Measurement (continued)

Sale of goods

Revenue from the sale of goods is recognised when the District satisfies a performance obligation by transferring the promised goods.

Type of good	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Sale and recovery of pharmaceutical supplies	The performance obligation of transferring pharmaceutical products is typically satisfied at the point in time when the products are dispensed to customers, which denotes acceptance by the customer, and therefore deemed as the point in time when the control is transferred to the customer. The payments are typically due within 30 days after the invoice date.	Revenue from these sales is recognised based on the price specified on the invoice, 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.
Sale of prostheses	Relates to revenue generated for surgically implanted prostheses and medical devices. The performance obligation of transferring these products is typically satisfied at the point in time when the products are implanted in the body of the patient, which denotes acceptance by the customer, and therefore deemed as the point in time when the control is transferred to the customer. The payments are typically due within 30 days after the invoice date.	Revenue from these sales is recognised based on the price specified on the invoice, 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.
Other	Relates to sale of various products including the sale of low value medical equipment, schedule 3 medical equipment, sale of publications, old wares and refuse and other general goods. The performance obligation of transferring these products is typically satisfied at the point in time when the products are purchased by the customer and takes delivery, which denotes acceptance by the customer, and therefore deemed as the point in time when the control is transferred to the customer. The payments are typically due within 30 days after the invoice date.	Revenue from these sales is recognised based on the price specified on the invoice, 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.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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

Recognition and Measurement (continued)

Rendering of services

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

Type of service	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Patient services - Inpatient fees, Nursing home fees, Non inpatient fees, Department of Veterans' Affairs, Motor Accident Authority third party	The performance obligations in relation to patient services are typically satisfied as the health services are delivered to the chargeable inpatients and non-inpatients. Public patients are not charged for health services provided at public hospitals. Chargeable patients, including Medicare ineligible patients, privately insured patients, eligible veterans, compensable patients are billed for health services provided under various contractual arrangements. Billings are typically done upon patient discharge and is based on the rates specified by the NSW Ministry of Health. The payments are typically due within 30 days after the invoice date.	Revenue is recognised on an accrual basis when the service has been provided to the patient. In limited circumstances the price is not fully recovered, e.g. due to inadequate insurance policies, overseas patients returning to their home country before paying, etc. The likelihood of their occurrences is considered on a case by case basis. In most instances revenue is initially recognised at full amounts and subsequently adjusted when more information is provided. No element of financing is deemed present as majority of the services are made with a short credit term.
Non-Patient services provided to staff, General community, Non-NSW Health entities and Entities controlled by the immediate parent	Various non-patient related services are provided to the members of staff, general community, non-NSW health entities and entities controlled by the immediate parent. The performance obligations for these services are typically satisfied by transferring the promised services to its respective customers. The payments are typically due within 30 days after the invoice date.	Revenue is recognised when promised services are delivered. No element of financing is deemed present as the services are made with a short credit term.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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

Recognition and Measurement (continued)

Rendering of services (continued)

Type of service	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Infrastructure fees	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. The performance obligations for these services are typically satisfied when the hospital facilities are made available and used by the doctors and staff specialists. The payments are typically due when monies are collected from patient billings for services provided under the arrangement.	Revenue is recognised when promised services are delivered. No element of financing is deemed present as the services are made with a short credit term.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

12. Investment revenue

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Interest income from financial assets at amortised cost	6	11	6	11
	6	11	6	11

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).

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

13. Grants and other contributions

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Other grants with sufficiently specific performance obligations				
Cancer Institute grants received from an entity controlled by the immediate parent	374	391	374	391
Commonwealth government grants received for community based services	473	466	473	466
Commonwealth government grants other	32	-	32	-
Other grants from entities controlled by the immediate parent	395	-	395	-
Other grants	520	591	520	591
Grants without specific performance obligations				
Grants from entities controlled by the ultimate parent	432	2,766	432	2,766
Other grants from entities controlled by the immediate parent	31	18	31	18
Other grants	463	753	463	753
Donations	307	80	307	80
	3,027	5,065	3,027	5,065

Recognition and Measurement

Grants and other contributions

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

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

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

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

Volunteer services

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

13. Grants and other contributions

- 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.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

14. Acceptance by The Crown in right of the State of New South Wales (Crown) of employee benefits

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

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Superannuation - defined benefit plans	782	813	-	-
Long service leave provision	(788)	2,519	-	-
	(6)	3,332	-	-

The negative revenue for the long service leave provision in the current year is the result of significant changes in the actuarial factors decreasing the employee benefit liabilities assumed by the Crown.

15. Other income

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Insurance refunds	42	860	42	860
Rental income				
- other rental income	69	60	69	60
Other	613	687	613	687
	724	1,607	724	1,607

Recognition and Measurement

Other Income

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

Forgiveness of liabilities

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

16. Gains / (losses) on disposal

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Gains / (losses) on disposals of:				
Property, plant and equipment				
Written down value of assets disposed	2	-	2	-
Less: proceeds from disposal	2	-	2	-
Net gains / (losses) on disposal	-	-	-	-
Right-of-use assets				
Written down value of assets disposed	5	-	5	-
Less: lease liabilities extinguished	5	-	5	-
Net gains / (losses) on disposal	-	-	-	-
Total gains / (losses) on disposal	-	-	-	-

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

The District receives various types of grants and donations from different grantors / donors, some of which may not have enforceable performance obligations. The District determines the grantor / donor expectations in determining the externally imposed restrictions and discloses them in accordance with different types of restrictions. The types of restrictions and income earned with restrictions are detailed in Note 25 Restricted assets.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

18. Cash and cash equivalents

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Cash at bank and on hand	922	825	922	825
	922	825	922	825

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)	922	825	922	825
Closing cash and cash equivalents (per Statement of Cash Flows)	922	825	922	825

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

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

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

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

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

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

19. Receivables

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Trade receivables from contracts with customers	386	659	386	659
Intra health receivables	175	60	175	60
Goods and Services Tax	1,172	657	1,172	657
Other receivables	370	271	370	271
Sub total	2,103	1,647	2,103	1,647
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(12)	(17)	(12)	(17)
Sub total	2,091	1,630	2,091	1,630
Prepayments	88	171	88	171
	2,179	1,801	2,179	1,801

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

Trade receivables from contracts with customers

Balance at the beginning of the year	(17)	(25)	(17)	(25)
Amounts written off during the year	67	2	67	2
(Increase) / decrease in allowance recognised in the net result ¹	(62)	6	(62)	6
Balance at the end of the year	(12)	(17)	(12)	(17)

Other receivables

Balance at the beginning of the year	-	-	-	-
Amounts written off during the year	7	24	7	24
(Increase) / decrease in allowance recognised in the net result	(7)	(24)	(7)	(24)
Balance at the end of the year	-	-	-	-
	(12)	(17)	(12)	(17)

Non-current

Trade receivables from contracts with customers	3	4	3	4
	3	4	3	4

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

19. Receivables (continued)

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

Current and non-current include:

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Patient fees - compensable	58	19	58	19
Patient fees - ineligible	3	20	3	20
Patient fees - inpatient & other	192	455	192	455
	253	494	253	494

Details regarding credit risk of receivables that are neither past due nor impaired, are disclosed in Note 37.

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Contract receivables (included in Note 19)	718	805	718	805
Total contract receivables	718	805	718	805

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

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

Impairment

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

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

20. Inventories

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Drug supplies	114	94	114	94
Other including goods in transit	192	155	192	155
	306	249	306	249

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 or any loss of operating capacity due to obsolescence. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

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

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

Far West Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

21. 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
At 1 July 2019 - fair value				
Gross carrying amount	204,863	15,267	4,570	224,700
Less: accumulated depreciation and impairment	81,380	7,841	2,230	91,451
Net carrying amount	123,483	7,426	2,340	133,249

	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	123,483	7,426	2,340	133,249
De-recognition of service concession assets under AASB 116	(4,962)	-	-	(4,962)
Recognition of service concession assets on initial application of AASB 1059	4,962	-	-	4,962
Adjusted net carrying amount at beginning of year	123,483	7,426	2,340	133,249
Additions	5,494	2,157	132	7,783
Depreciation expense	(4,977)	(1,325)	(140)	(6,442)
Reclassifications	(1,225)	484	741	-
Net carrying amount at end of year	122,775	8,742	3,073	134,590

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.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 24.

Far West Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

21. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2020 - fair value				
Gross carrying amount	209,132	17,450	5,443	232,025
Less: accumulated depreciation and impairment	86,357	8,708	2,370	97,435
Net carrying amount	122,775	8,742	3,073	134,590

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2021				
Net carrying amount at beginning of year	122,775	8,742	3,073	134,590
Additions	3,509	2,196	-	5,705
Disposals	(2)	-	-	(2)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	395	-	395
Net revaluation increments less revaluation decrements	5,975	-	389	6,364
Depreciation expense	(5,265)	(1,581)	(134)	(6,980)
Reclassifications	294	(294)	-	-
Net carrying amount at end of year	127,286	9,458	3,328	140,072

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2021 - fair value				
Gross carrying amount	222,921	17,223	5,953	246,097
Less: accumulated depreciation and impairment	95,635	7,765	2,625	106,025
Net carrying amount	127,286	9,458	3,328	140,072

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 service concession assets included in each class of property, plant and equipment as at 30 June 2021:

- land and buildings \$4.89 million (2020: \$4.82 million)
- plant and equipment \$Nil (2020: \$Nil)
- infrastructure systems \$Nil (2020: \$Nil)

During the current period, the net carrying amount of \$Nil (2020: \$Nil) for existing assets of the District has been reclassified as service concession assets.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 24.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

21. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

The District has a building with a written down value of \$3,221 thousand (2020: \$2,628 thousand) subject to an operating lease at minimal rental and all other property, plant and equipment balances are for items held and used by the District.

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 Infrastructure, 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 Infrastructure receives NSW Ministry of Health Capital Allocations and grants on behalf of the District and makes payments to contractors and suppliers. Health Infrastructure initially records all costs incurred as work in progress or expenses and subsequently transfers to the District. The costs are then accordingly reflected in the District financial statements. The District acquires most assets in this manner.

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

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

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

Capitalisation thresholds

Property, plant and equipment 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.

Far West Local Health District

Notes to and forming part of the Financial Statements for the year ended 30 June 2021

21. Property, plant and equipment (continued)

Depreciation of property, plant and equipment

Except for certain non-depreciable assets, depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to the District.

All material identifiable components of assets are depreciated separately over their useful life.

Land is not a depreciable asset. Certain heritage assets including original artworks and collections and heritage buildings may not have a limited useful life because appropriate curatorial and preservation policies are adopted. Such assets are not subject to depreciation. The decision not to recognise depreciation for these assets is reviewed annually.

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

	Useful lives
Buildings	40 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.

Right-of-use assets acquired by lessees

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

Further information on leases is contained in Note 22.

Service concession assets

The District has adopted AASB 1059 from 1 July 2020. However, comparatives for the year ended 30 June 2020 have been adjusted retrospectively to reflect AASB 1059. Note 1f) details changes in the the District's accounting policies and a summary of impacts on the first time adoption. This note provides disclosures required under the new accounting standard and relates to the District's service concession arrangements in place during the current year.

Service concession arrangements (SCAs) are contracts between a grantor and an operator where an operator provides public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and manages at least some of those services.

Far West Local Health District

Notes to and forming part of the Financial Statements for the year ended 30 June 2021

21. Property, plant and equipment (continued)

Service concession assets (continued)

Based on the District's assessment, the following arrangements fall in the scope of AASB 1059:

Description	Far West Mental Health Recovery Centre
Name and description of the service concession arrangement	Far West Mental Health Recovery Centre (Centre) is a 10 bed residential Mental Health Sub-Acute Unit in Broken Hill that provides services to people across the District. The Centre is owned by the District and operated by Neami Limited under a service agreement.
Period of arrangement	5 years (2019 to 2024)
Terms of the arrangement	The District has contracted Neami Limited (Operator) to manage the Centre for the duration of the arrangement. A funding agreement has been entered to compensate the Operator for managing the centre. The capital assets associated with the arrangement has been provided by the District to the Operator.
Rights and obligations	The District is obliged to provide the Operator with access to the Centre. The Operator is responsible for the delivery of specified services to patients at the Centre. The District is obliged to pay for those services under the funding agreement. At the end of the arrangement, the Operator is obliged to return all assets back to the District. There is no provision for extension of the term.
Changes in arrangements occurred during the FY20	Nil
Changes in arrangements occurred during the FY21	Nil
Carrying amount of service concession assets as at 30 June 2020 (\$'000)	4,816
Carrying amount of service concession assets as at 30 June 2021 (\$'000)	4,886

i. Initial recognition

For arrangements within the scope of AASB 1059, the District recognises a service concession asset when it controls the asset. Where the asset is provided by the operator, or is an upgrade to or a major component replacement of an existing asset of the District, the asset is recognised at current replacement cost based on AASB 13 Fair Value Measurement principles.

Where the asset is an existing asset of the District, the asset is reclassified as a service concession asset and remeasured at current replacement cost at the date of reclassification. Any difference between the previous carrying amount and current replacement cost is recognised as if it is a revaluation of the asset.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

ii. Subsequent to initial recognition

Subsequent to the initial recognition or reclassification, the service concession asset is measured at current replacement cost and accounted for in accordance with the depreciation and impairment requirements of AASB 116 Property, Plant and Equipment, AASB 138 Intangible Assets and AASB 136 Impairment of Assets.

iii. At the end of the arrangement

At the end of a service concession arrangement:

- The District accounts for the asset in accordance with other AAS, with the entity reclassifying the asset based on its nature or function;
- reference to fair value reverts from the mandated current replacement cost under AASB 1059 to the appropriate approach under AASB 13; and
- the asset is only derecognised when the District loses control of the asset in accordance with AASB 116.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

21. Property, plant and equipment (continued)

Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 Fair Value Measurement, AASB 116 Property, Plant and Equipment and AASB 140 Investment Property.

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to Note 24 for further information regarding fair value.

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The District conducts a comprehensive revaluation at least every three years for its land and buildings and infrastructure.

The last comprehensive revaluation was completed on 31 December 2020 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. The District uses an independent professionally qualified valuer for such interim revaluations.

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

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

21. Property, plant and equipment (continued)

Revaluation of property, plant and equipment (continued)

Revaluation increments are recognised in other comprehensive income and credited to revaluation surplus in equity. However, to the extent that an increment reverses a revaluation decrement in respect of the same class of asset previously recognised as a loss in the net result, the increment is recognised immediately as a gain in the net result.

Revaluation decrements are recognised immediately as a loss in the net result, except to the extent that it offsets an existing revaluation surplus on the same class of assets, in which case, the decrement is debited directly to the revaluation surplus.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

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

Where an asset that has previously been revalued is disposed of, any balance remaining in the revaluation surplus in respect of that asset is transferred to accumulated funds.

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

Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. As property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material.

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

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

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

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

22. Leases

(a) Entity as a lessee

The District leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 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. The District does not provide residual value guarantees in relation to leases.

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

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

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

Right-of-use assets under leases

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

PARENT AND CONSOLIDATION

	Land and Buildings	Plant and Equipment	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2020	86	514	600
Additions	-	380	380
Reassessments	-	27	27
Disposals	-	(5)	(5)
Depreciation expense	(25)	(334)	(359)
Balance at 30 June 2021	61	582	643

PARENT AND CONSOLIDATION

	Land and Buildings	Plant and Equipment	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2019	111	389	500
Additions	-	392	392
Depreciation expense	(25)	(267)	(292)
Balance at 30 June 2020	86	514	600

Far West Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

22. Leases (continued)

(a) Entity as a lessee (continued)

Lease liabilities

The following table presents liabilities under leases.

PARENT AND CONSOLIDATION

	2021	2020
	\$000	\$000
Balance at 1 July	631	500
Additions	380	392
Interest expenses	21	12
Payments	(376)	(273)
Terminations	(5)	-
Other adjustments	27	-
Balance at 30 June	678	631

The following amounts were recognised in the Statement of Comprehensive Income during the period in respect of leases where the District is the lessee:

PARENT AND CONSOLIDATION

	2021	2020
	\$000	\$000
Depreciation expense of right-of-use assets	359	292
Interest expense on lease liabilities	21	12
Expenses relating to short-term leases	157	182
Expenses relating to leases of low-value assets	21	16
Total amount recognised in the statement of comprehensive income	558	502

The District had total cash outflows for leases of \$0.55 million for the year ended 30 June 2021 (2020: \$0.47 million).

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

22. Leases (continued)

(a) Entity as a lessee (continued)

Recognition and Measurement

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

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

i. Right-of-use assets

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

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

	Useful lives
Buildings	4 years
Motor vehicles and other equipment	1 to 5 years

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

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

ii. Lease liabilities

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

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

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

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

22. Leases (continued)

(a) Entity as a lessee (continued)

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

The District's lease liabilities are included in borrowings in Note 27.

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

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

Far West Local Health District has operating leases for their staff accommodation, houses and one entire building. These assets are leased for the benefit and furtherance of the public health system and not for the intention of deriving a profit.

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.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

23. Intangible assets

PARENT AND CONSOLIDATION

	Total \$000
At 1 July 2019	
Cost (gross carrying amount)	281
Less: accumulated amortisation and impairment	159
Net carrying amount	122
Total \$000	
Year ended 30 June 2020	
Net carrying amount at beginning of year	122
Amortisation (recognised in depreciation and amortisation)	(56)
Net carrying amount at end of year	66
Total \$000	
At 1 July 2020	
Cost (gross carrying amount)	281
Less: accumulated amortisation and impairment	215
Net carrying amount	66
Total \$000	
Year ended 30 June 2021	
Net carrying amount at beginning of year	66
Amortisation (recognised in depreciation and amortisation)	(59)
Net carrying amount at end of year	7

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

23. Intangible assets (continued)

PARENT AND CONSOLIDATION

	Total \$000
At 30 June 2021	
Cost (gross carrying amount)	281
Less: accumulated amortisation and impairment	274
Net carrying amount	7

Recognition and Measurement

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

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

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

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

Computer software developed or acquired by the District are recognised as intangible assets. Most computer software is acquired from eHealth NSW, 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.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

24. 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.

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

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

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

(a) Fair value hierarchy

	Level 1	Level 2	Level 3	Total Fair Value
2021	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 21)				
- Land and buildings	-	176	122,372	122,548
- Infrastructure systems	-	-	3,328	3,328
	-	176	125,700	125,876

There were no transfers between level 1 and 2 during the year ended 30 June 2021.

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 21.

	Level 1	Level 2	Level 3	Total Fair Value
2020	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 21)				
- Land and buildings	-	521	88,285	88,806
- Infrastructure systems	-	-	2,234	2,234
	-	521	90,519	91,040

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 21.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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

(b) Valuation techniques, inputs and processes

For land, buildings and infrastructure systems the District obtains external valuations by independent valuers at least every three years. The last revaluation was performed by CBRE Valuation & Advisory Services for the 2020-21 financial year. CBRE Valuation & Advisory Services is an independent entity and is not an associated entity of the District.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices (refer Note 21 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.

Some 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.

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

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
2021			
Fair value as at 1 July 2020	88,285	2,234	90,519
Additions	32,974	839	33,813
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 21)	6,032	389	6,421
Transfers from Level 2	346	-	346
Depreciation expense	(5,265)	(134)	(5,399)
Fair value as at 30 June 2021	122,372	3,328	125,700

There were no transfers between level 1 or 2 during the year ended 30 June 2021.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
2020			
Fair value as at 1 July 2019	92,590	2,340	94,930
De-recognition of service concession assets under AASB 116	(4,962)	-	(4,962)
Recognition of service concession assets on initial application of AASB	4,962	-	4,962
Adjusted fair value as at 1 July 2019	92,590	2,340	94,930
Depreciation expense	(4,305)	(106)	(4,411)
Fair value as at 30 June 2020	88,285	2,234	90,519

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

25. Restricted assets

PARENT AND CONSOLIDATION

The District's financial statements include the following assets which are restricted for stipulated purposes and / or by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions. They consist of cash assets and rights and obligations to receive and make payments as at 30 June 2021.

Category	1 July 2020	Revenue	Expense	2021
	Opening			Closing
	\$000	\$000	\$000	\$000
Community welfare	94	1	1	94
Facility improvements	78	126	-	204
Holds funds in perpetuity	12	-	-	12
Patient welfare	84	1	8	77
Public contributions	262	91	76	277
Staff welfare	2	-	-	2
Training and education including conferences	31	100	-	131
	563	319	85	797

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

Category	Purpose
Community welfare	Improvements to service access, health literacy, public and preventative health care.
Facility improvements	Repairs, maintenance, renovations and/or new equipment or building related expenditure.
Holds funds in perpetuity	Donor has explicitly requested funds be invested permanently and not otherwise expended.
Patient welfare	Improvements such as medical needs, financial needs and standards for patients' privacy and dignity.
Public contributions	Donations or legacies received without any donor-specified conditions as to its use.
Staff welfare	Staff benefits such as staff recognition awards, functions and staff amenity improvements.
Training and education including conferences	Professional training, education and conferences.

Unclaimed monies

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

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

26. Payables

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Accrued salaries, wages and on-costs	2,173	1,987	-	-
Salaries and wages deductions	36	25	-	-
Accrued liability - purchase of personnel services	-	-	2,209	2,012
Creditors	2,492	2,230	2,492	2,230
Other creditors				
- Payables to entities controlled by the immediate parent	1,763	1,443	1,763	1,443
- Other	4,374	931	4,374	931
	10,838	6,616	10,838	6,616

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 37.

Recognition and Measurement

Payables represent liabilities for goods and services provided to the District and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, 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.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

27. Borrowings

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Lease liabilities (see Note 22)	371	286	371	286
	371	286	371	286
Non-current				
Lease liabilities (see Note 22)	307	345	307	345
	307	345	307	345

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

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

Recognition and Measurement

Borrowings represents interest bearing liabilities mainly raised through lease liabilities and other interest bearing liabilities.

Financial liabilities at amortised cost

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

Borrowings are classified as current liabilities unless the District has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 37 (b) for derecognition policy.

Financial liabilities at fair value through profit or loss

The District has not designated any financial liability as at fair value through profit or loss.

Changes in liabilities arising from financing activities

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	Leases \$000	Total liabilities from financing activities \$000
1 July 2019	-	-
Recognised on adoption of AASB 16	500	500
Adjusted 1 July 2019	500	500
Cash flows	(261)	(261)
New leases	392	392
30 June 2020	631	631
1 July 2020	631	631
Cash flows	(355)	(355)
New leases	380	380
Lease terminations	(5)	(5)
Lease reassessments	28	28
30 June 2021	679	679

Far West Local Health District

Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

28. Provisions

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Employee benefits and related on-costs				
Annual leave - obligations expected to be settled within 12 months	7,336	7,418	-	-
Annual leave - obligations expected to be settled after 12 months	2,277	1,633	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	186	183	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	1,968	1,672	-	-
Provision for other employee benefits	706	723	-	-
Provision for personnel services liability	-	-	12,473	11,629
Other	-	-	-	-
Total current provisions	12,473	11,629	12,473	11,629
Non-current				
Employee benefits and related on-costs				
Long service leave consequential on-costs	213	161	-	-
Provision for personnel services liability	-	-	213	161
Total non-current provisions	213	161	213	161
Aggregate employee benefits and related on-costs				
Provisions - current	12,473	11,629	-	-
Provisions - non-current	213	161	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 26)	2,209	2,012	-	-
Liability - purchase of personnel services	-	-	14,895	13,802
	14,895	13,802	14,895	13,802

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

28. Provisions (continued)

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 21.18% are applied to the value of leave payable at 30 June 2021 (comparable on-costs for 30 June 2020 were 19.04%). The District has assessed the actuarial advice based on the District's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the District does not expect to settle the liability within 12 months as the District does not have an unconditional right to defer settlement.

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

Long service leave and superannuation

The District's liability for long service leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by The Crown in right of the State of New South Wales. The District accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown of employee benefits'.

Specific on-costs relating to long service leave assumed by The Crown in right of the State of New South Wales are borne by the District.

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

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and Aware 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.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

29. Other liabilities

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	-	34	-	34
	-	34	-	34

PARENT AND CONSOLIDATION

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

	2021 \$'000	2020 \$000
Opening balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	34	-
Liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity recognised upon initial application of AASB 1058	-	349
<i>Add: receipt of cash during the financial year</i>	(34)	(315)
Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	-	34

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

30. 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 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Within one year	6,371	1,170	6,371	1,170
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
Total (including GST)	6,371	1,170	6,371	1,170

(b) Contingent asset related to commitments for expenditure

The total 'Capital expenditure commitments' of \$6.37 million as at 30 June 2021 includes input tax credits of \$0.579 million that are expected to be recoverable from the Australian Taxation Office (2020 \$0.106 million).

31. Contingent liabilities and contingent assets

PARENT AND CONSOLIDATION

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

32. Trust funds

PARENT AND CONSOLIDATION

The District holds trust funds of \$3 thousand (2020: \$Nil) which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

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

Category	1 July 2020			30 June 2021
	Opening equity	Revenue	Expense	Closing equity
	\$'000	\$000	\$000	\$'000
Private Patient Trust Funds	-	36	(33)	3
Total trust funds	-	36	(33)	3

Category	1 July 2019			30 June 2020
	Opening equity	Revenue	Expense	Closing equity
	\$'000	\$000	\$000	\$'000
Patient Trust	39	1	(40)	-
Refundable Deposits	1	-	(1)	-
Total trust funds	40	1	(41)	-

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.

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 38.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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

Reconciliation of cash flows from operating activities to the net result as reported in the Statement of Comprehensive Income as follows:

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Net cash used on operating activities	6,155	8,013	6,155	8,013
Depreciation and amortisation expense	(7,398)	(6,790)	(7,398)	(6,790)
Allowance for impairment	(71)	(18)	(71)	(18)
(Increase) / decrease in unearned revenue	34	315	34	315
Decrease / (increase) in provisions	(896)	(1,125)	(896)	(1,125)
Increase / (decrease) in prepayments and other assets	507	(1,258)	507	(1,258)
Decrease / (increase) in payables	(4,224)	331	(4,224)	331
Assets donated or brought to account (Note 34)	395	-	395	-
Net result	(5,498)	(532)	(5,498)	(532)

34. Non-cash financing and investing activities

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Assets donated or brought to account	395	-	395	-
Property, plant and equipment acquired by a lease	380	392	380	392
	775	392	775	392

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

35. Adjusted budget review

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

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Net result

The actual Net Result was lower than adjusted budget by \$4 million, primarily due to:

Employee Related Expenses - favourable to adjusted budget by \$1.97 million. The rest of favourability is due to vacant positions not fully recruited.

Visiting Medical Officers - exceeds adjusted budget by \$265 thousand impacted by covering vacant staff specialist positions.

Repair, Maintenance & Renewals Expense - exceeds adjusted budget by \$1.57 million, due to the computer replacement, telecommunications, facility upgrades and medical equipment.

Total Expenses - favourable to adjusted budget by \$257 thousand.

Own Source Revenue - unfavourable to adjusted budget by \$1.92 million with this unfavourable variance due mainly to the impact of COVID-19.

NSW Ministry of Health Allocations - less than adjusted budget by \$2.36 million.

Assets and liabilities

Total Assets were \$6.85 million more than budget. This variance is mainly to comprehensive revaluation for land, buildings

Property Plant & Equipment was \$6.45 million more than budget. This variance is due mainly to comprehensive revaluation for land, buildings and infrastructure.

Total Liabilities were \$4.58 million more than budget. This variance is mainly due to the increase in accruals at end of FY21 compared to similar time in FY20.

Payables were \$4.50 million more than budget. This variance is mainly due to the increase in accruals at end of FY21 compared to similar time in FY20.

Cash flows

Total Receipts was \$4.30 million less than the budget. Total payments were \$4.75 million less than budget.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

35. Adjusted budget review

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

	\$000
Initial Allocation as per Final Service Level Agreement for FY21	103,198
COVID-19 Mental Health Package	470
COVID-19 virtual mental health enhancement	550
Emergency Drought Relief – Mental Health Supports	300
Readiness funding to support the expansion of the SAS Aboriginal workforce and delivery of Safe Wayz	150
2020/21 Budget Relief - COVID-19 Response - (September 2020 #1)	721
Funding for Nurse and Midwifery Strategy Reserve	583
2020/21 Budget Relief - COVID-19 Response - (October 2020 #1)	286
Workers Compensation Performance Improvement Project Fund	58
S100 Highly Specialised Drugs Co-payments	5
Workplace Culture & Safety	114
2020/21 Budget Relief - COVID-19 Response - (November 2020 #1)	262
Comprehensive Palliative Care in Aged Care Measure (CPCiAC)	150
Nurse and Midwifery Strategy Reserve	1
2020 - 2021 NSW Aged Care Assessment Program (ACAP)	60
Initial Instalment of Funds for NSW Health Safety and Quality Curriculum Implementation Partnership – Jan 2021 to June 2021	20
NSW Rural Generalist Medical and General Practitioner Procedural Training Program	56
2020/21 Budget Relief - COVID-19 Response - (December 2020 #1)	345
Revised funding for Oral Health including Child Dental Benefits Scheme (CDBS)	29
Revised funding for Oral Health including Child Dental Benefits Scheme (CDBS)	(86)
Oral Health Minor Works Program - Recurrent to Capital	60
Virtual Mental Health - COVID and Drought Supplementation	72
2020/21 Budget Relief - COVID-19 Response - (January 2020 #1)	395
Child Wellbeing Coordinator	29
2020/21 Budget Relief - COVID-19 Response - (February 2021 #1)	347
Wellbeing and Health In-reach Nurse (WHIN) Coordinator Program	65
FY2021 COVID Budget Relief (Special Leave)	18
Budget Supplementation - S100 Highly Specialised Drugs Co-payments	15
2020/21 Budget Relief - COVID-19 Response - (March 2021 #1)	87
COVID-19 Minor Works and Equipment allocation to Health Entities	385
Budget Retraction COVID-19 Mental Health Package	(80)
NSW Rural Generalist Medical and General Practitioner Procedural Training Program	27
2020/21 Budget Relief - COVID-19 Response - (April 2020 #1)	55
Budget Retraction - Psychologist for drought affected areas	(167)
Additional Funding to support access performance	36
2020/21 Budget Relief – COVID-19 Response (May 2021#1)	52
Budget Supplementation – Aboriginal Cadetship Program	14
Budget Supplementation – Hyperemesis Gravidarum Initiative	10
Budget Retraction – Towards zero suicides and bushfire recovery clinicians	(195)
2021 – 2022 Australian National – Aged Care Classification (AN-ACC) Assessment Services Budget	46
2020/21 Budget Relief - COVID-19 Response - (June 2021 #1)	85
IPTAAS	1,282
COVID-19 MWE FY21 Final Budget Variation (P56588)	43
COVID-19 Response (Special Leave) June 2020#1	2
2020/21 Budget Relief - COVID-19 Response - (June 2021 #2)	181
Voluntary Redundancy Reimbursement	284
2020-21 Year End Adjustment - Salaries Accrual	424
Balance as per Statement of Comprehensive Income	110,844

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

36. Equity

Revaluation surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the District's policy on the revaluation of property, plant and equipment as discussed in Note 21.

Accumulated funds

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

37. Financial instruments

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

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

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

(a) Financial instrument categories

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Class	Category	Carrying	Carrying
		Amount	Amount
		2021	2020
		\$000	\$000
Financial assets			
Cash and cash equivalents (Note 18)	Amortised cost	922	825
Receivables (Note 19) ¹	Amortised cost	922	977
Total financial assets		1,844	1,802
Financial liabilities			
Borrowings (Note 27)	Financial liabilities measured at amortised cost	678	631
Payables (Note 26) ²	Financial liabilities measured at amortised cost	10,838	6,616
Total financial liabilities		11,516	7,247

Notes

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

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

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

(b) Derecognition of financial assets and financial liabilities

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

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

37. Financial instruments (continued)

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

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

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

(c) Offsetting financial instruments

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

(d) Financial risk

i. Credit risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the District. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses).

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

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

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

Cash and cash equivalents

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 0.00% (Restricted Funds Bank balance: 0.95%) in 2020-21 compared to 0.00% (Restricted Funds Bank balance: 0.00%) in the previous year. The TCorpIM Cash Fund is discussed in market risk below.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

Accounting policy for impairment of trade receivables and other financial assets

Receivables - trade receivables, other receivables and contract assets

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

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

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

37. Financial instruments (continued)

(d) Financial risk (continued)

i. Credit risk (continued)

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

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

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The District has identified relevant factors, and accordingly has adjusted the historical loss rates based on expected changes in these factors.

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

The loss allowance for trade receivables, other receivables and contract assets as at 30 June 2021 and 30 June 2020 was determined as follows:

PARENT AND CONSOLIDATION

	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2021						
Expected credit loss rate	0.59%	3.23%	11.54%	11.11%	18.75%	1.58%
Estimated total gross carrying amount ¹	677	31	26	9	16	759
Expected credit loss	4	1	3	1	3	12
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2020						
Expected credit loss rate	1.14%	4.76%	18.18%	0.00%	16.00%	1.82%
Estimated total gross carrying amount ¹	874	21	11	3	25	934
Expected credit loss	10	1	2	-	4	17

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 19.

The District is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2021 and 30 June 2020.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

37. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk

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

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

During the current and prior year, there were no defaults of loans payable. No assets have been pledged as collateral. The District's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

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

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

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

37. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

PARENT AND CONSOLIDATION

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

Maturity Analysis and interest rate exposure of financial liabilities

	EIR 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
2021								
Payables:								
- Creditors ²		10,838	-	-	10,838	10,838	-	-
Borrowings:								
- Lease liabilities	2.90	686	686	-	-	373	313	-
		11,524	686	-	10,838	11,211	313	-
2020								
Payables:								
- Creditors ²		6,616	-	-	6,616	6,616	-	-
Borrowings:								
- Lease liabilities	2.71	634	634	-	-	280	354	-
		7,250	634	-	6,616	6,896	354	-

Notes:

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

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

³ Weighted Average Effective Interest Rate (EIR).

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

37. Financial instruments (continued)

iii. Market risk

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

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the District operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis as for 2020. The analysis assumes that all other variables remain constant.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the District's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. The District does not account for any fixed rate financial instruments at fair value through profit or loss or at fair value through other comprehensive income. Therefore, for these financial instruments, a change in interest rates would not affect the carrying value or interest paid/earned. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official Reserve Bank of Australia interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

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

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

PARENT AND CONSOLIDATION

	2021		2020	
	\$000		\$000	
	-1%	1%	-1%	1%
Net result	(2)	2	(2)	2
Equity	(2)	2	(2)	2

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

38. Related party disclosures

PARENT AND CONSOLIDATION

(a) Key management personnel compensation

Key management personnel compensation is as follows:

	2021 \$000	2020 \$000
Short-term employee benefits	213	193
Post-employment benefits	20	18
	233	211

During the financial year, Far West Local Health District obtained key management personnel services from the immediate parent and incurred \$373 thousand (2020: \$436 thousand) for these services. This amount does not form part of the key management personnel compensation disclosed above.

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

Compensation for the Minister for Health is paid by the Legislature and is not reimbursed by the NSW Ministry of Health and its controlled entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

Remuneration for the Secretary and Deputy Secretaries are paid by the NSW Ministry of Health and is not reimbursed by the health entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

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

There were no transactions with key management personnel and their close family members (2020: \$Nil).

(c) Transactions with the ultimate parent

There were no transactions with the ultimate parent during the financial period (2020: \$Nil).

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

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

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

- Health Administration Corporation (includes Ambulance Service of NSW, eHealth NSW, Health Infrastructure, Health System Support Group, HealthShare NSW and NSW Health Pathology) provides shared services for the majority of patient transport services, information management services and corporate support services.
- Health Administration Corporation provides some specialised services which includes pathology related costs.

Far West Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

38. Related party disclosures

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

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

- Audit of the statutory financial statements
- Utilities, including electricity, gas and water expenses
- Insurance costs

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

- Revenue from recurrent and capital allocations
- Various grants and contributions towards projects and services
- Rental income from Health Administration Corporation
- Other revenue from provision of travel bookings

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 projects and services
- Motor vehicle rebates
- Insurance refunds
- Revenue from acceptance of long service leave liabilities and defined benefit

Assets and liabilities as follows:

- Receivables and payables in respect of the above noted related party revenue and expense transactions
- 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.

39. 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