



INDEPENDENT AUDITOR'S REPORT

Hunter New England Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Hunter New England Local Health District (the District), which comprise the Statement by the Accountable Authority, 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
- presents 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 in accordance with the requirements of the:

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

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Presentation of Budget Information

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 38. The note states that AASB 1055 'Budgetary Reporting' is not applicable to the District. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the District's financial statements present adjusted budget information.

The Chief Executive's Responsibilities for the financial statements

The Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, 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 District's ability 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/ar4.pdf. The description forms part of my auditor's report.

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

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



Lisa Berwick
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

6 October 2021
SYDNEY

Hunter New England Local Health District

Statement by the Accountable Authority

for the year ended 30 June 2021



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

1. The financial statements of the Hunter New England 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 Hunter New England 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 'Michael DiRienzo', with a long horizontal line extending to the right.

Michael DiRienzo
Chief Executive
5 October 2021

Hunter New England Local Health District
Statement of Comprehensive Income 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
Continuing operations						
Expenses excluding losses						
Employee related expenses	2	1,430,613	1,435,920	1,441,580	-	-
Personnel services	3	-	-	-	1,433,264	1,376,788
Visiting medical officers	4	120,986	123,118	112,696	120,986	112,696
Other expenses	5	712,315	720,673	640,123	712,315	640,123
Depreciation and amortisation	6	104,672	104,594	105,693	104,672	105,693
Grants and subsidies	7	9,203	7,663	7,843	9,203	7,843
Finance costs	8	6,440	5,990	6,694	6,440	6,694
Payments to Affiliated Health Organisations	9	165,210	165,210	149,092	165,210	149,092
Total expenses excluding losses		2,549,439	2,563,168	2,463,721	2,552,090	2,398,929
Revenue						
NSW Ministry of Health recurrent allocations	11	2,113,040	2,133,255	1,965,016	2,113,040	1,965,016
NSW Ministry of Health capital allocations	11	179,255	179,333	147,273	179,255	147,273
Acceptance by the Crown ² of employee benefits	15	(2,651)	(2,532)	64,792	-	-
Sale of goods and services from contracts with customers	12	276,296	286,001	268,360	276,296	268,360
Investment revenue	13	954	2,565	1,599	954	1,599
Grants and other contributions	14	164,623	162,619	90,285	164,623	90,285
Other income	16	7,857	7,940	9,670	7,857	9,670
Total revenue		2,739,374	2,769,181	2,546,995	2,742,025	2,482,203
Operating result		189,935	206,013	83,274	189,935	83,274
Gains / (losses) on disposal	17	(2,420)	(785)	(2,891)	(2,420)	(2,891)
Impairment losses on financial assets	20	(767)	(825)	(1,275)	(767)	(1,275)
Net result from continuing operations	36	186,748	204,403	79,108	186,748	79,108
Net result		186,748	204,403	79,108	186,748	79,108
Other comprehensive income						
<i>Items that will not be reclassified to net result in subsequent periods</i>						
Changes in revaluation surplus of property, plant and equipment	22	-	-	4,084	-	4,084
Total other comprehensive income		-	-	4,084	-	4,084
TOTAL COMPREHENSIVE INCOME		186,748	204,403	83,192	186,748	83,192

¹ Unaudited adjusted budget, see Note 38.

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

The accompanying notes form part of these financial statements.

Hunter New England Local Health District
Statement of Financial Position as at 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
ASSETS						
Current assets						
Cash and cash equivalents	19	123,871	98,936	110,856	123,871	110,856
Receivables	20	58,124	45,376	49,582	58,124	49,582
Inventories	21	2,790	3,197	3,197	2,790	3,197
		184,785	147,509	163,635	184,785	163,635
Total current assets		184,785	147,509	163,635	184,785	163,635
Non-current assets						
Receivables	20	565	246	246	565	246
Property, plant & equipment	22					
- Land and buildings		2,457,652	2,447,516	2,263,475	2,457,652	2,263,475
- Plant and equipment		159,711	166,683	147,542	159,711	147,542
- Infrastructure systems		44,972	44,864	47,281	44,972	47,281
Total property, plant & equipment		2,662,335	2,659,063	2,458,298	2,662,335	2,458,298
Right-of-use assets	23	14,556	14,633	17,345	14,556	17,345
Intangible assets	24	-	697	697	-	697
Total non-current assets		2,677,456	2,674,639	2,476,586	2,677,456	2,476,586
Total assets		2,862,241	2,822,148	2,640,221	2,862,241	2,640,221

Hunter New England Local Health District
Statement of Financial Position as at 30 June 2021 (continued)

		Consolidated	Consolidated	Consolidated	Parent	Parent
		Actual	Budget ¹	Actual	Actual	Actual
		2021	2021	2020	2021	2020
Notes		\$000	\$000	\$000	\$000	\$000
LIABILITIES						
Current liabilities						
Payables	27	171,929	123,789	161,015	171,929	161,015
Contract liabilities	28	1,226	3,190	3,190	1,226	3,190
Borrowings	29	5,847	1,203	5,208	5,847	5,208
Provisions	30	260,509	248,042	234,489	260,509	234,489
Other current liabilities	31	2,724	2,063	2,063	2,724	2,063
		442,235	378,287	405,965	442,235	405,965
Total current liabilities		442,235	378,287	405,965	442,235	405,965
Non-current liabilities						
Borrowings	29	87,105	93,505	89,432	87,105	89,432
Provisions	30	5,441	5,326	4,198	5,441	4,198
Other non-current liabilities	31	210	225	225	210	225
		92,756	99,056	93,855	92,756	93,855
Total non-current liabilities		92,756	99,056	93,855	92,756	93,855
Total liabilities		534,991	477,343	499,820	534,991	499,820
Net assets		2,327,250	2,344,805	2,140,401	2,327,250	2,140,401
EQUITY						
Reserves		999,402	1,001,717	1,001,717	999,402	1,001,717
Accumulated funds		1,327,848	1,343,088	1,138,684	1,327,848	1,138,684
Total Equity		2,327,250	2,344,805	2,140,401	2,327,250	2,140,401

¹ Unaudited adjusted budget, see Note 38.

The accompanying notes form part of these financial statements.

Hunter New England Local Health District
Statement of Changes in Equity for the year ended 30 June 2021

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2020		1,138,684	1,001,717	2,140,401
Net result for the year		186,748	-	186,748
Other comprehensive income:				
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		2,315	(2,315)	-
Total other comprehensive income		2,315	(2,315)	-
Total comprehensive income for the year		189,063	(2,315)	186,748
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	39	101	-	101
Balance at 30 June 2021		1,327,848	999,402	2,327,250

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2019		1,059,326	999,431	2,058,757
Changes in accounting policy - initial application of AASB 1058		(1,548)	-	(1,548)
Balance at 1 July 2019		1,057,778	999,431	2,057,209
Net result for the year		79,108	-	79,108
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	22	-	4,084	4,084
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		1,798	(1,798)	-
Total other comprehensive income		1,798	2,286	4,084
Total Comprehensive Income for the Year		80,906	2,286	83,192
Balance at 30 June 2020		1,138,684	1,001,717	2,140,401

The accompanying notes form part of these financial statements.

Hunter New England Local Health District
Statement of Cash Flows for the year ended 30 June 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		(1,451,583)	(1,477,488)	(1,386,167)	-	-
Suppliers for goods and services		(879,621)	(926,832)	(829,007)	(879,621)	(829,007)
Grants and subsidies		(192,133)	(190,593)	(173,209)	(192,133)	(173,209)
Finance costs		(6,440)	(5,990)	(6,693)	(6,440)	(6,693)
Personnel services		-	-	-	(1,451,583)	(1,386,167)
Total payments		(2,529,777)	(2,600,903)	(2,395,076)	(2,529,777)	(2,395,076)
Receipts						
NSW Ministry of Health recurrent allocations		2,113,040	2,133,255	1,965,016	2,113,040	1,965,016
NSW Ministry of Health capital allocations		179,255	179,333	147,273	179,255	147,273
Reimbursements from the Crown ²		24,255	24,255	27,506	24,255	27,506
Sale of goods and services		270,188	288,430	287,213	270,188	287,213
Interest received		954	2,096	1,602	954	1,602
Grants and other contributions		169,397	170,243	99,696	169,397	99,696
Other		94,780	94,609	89,218	94,780	89,218
Total receipts		2,851,869	2,892,221	2,617,524	2,851,869	2,617,524
NET CASH FLOWS FROM OPERATING ACTIVITIES	36	322,092	291,318	222,448	322,092	222,448
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and equipment		5,370	1,173	5,791	5,370	5,791
Purchases of property, plant and equipment		(312,734)	(298,469)	(219,219)	(312,734)	(219,219)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(307,364)	(297,296)	(213,428)	(307,364)	(213,428)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from borrowings and advances		3,681	3,681	3,215	3,681	3,215
Repayment of borrowings and advances		(2,950)	(7,222)	(2,383)	(2,950)	(2,383)
Payment of principal portion of lease liabilities		(2,444)	(2,401)	(2,391)	(2,444)	(2,391)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(1,713)	(5,942)	(1,559)	(1,713)	(1,559)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		13,015	(11,920)	7,461	13,015	7,461
Opening cash and cash equivalents	19	110,856	110,856	103,395	110,856	103,395
CLOSING CASH AND CASH EQUIVALENTS	19	123,871	98,936	110,856	123,871	110,856

¹ Unaudited adjusted budget, see Note 38.

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

The accompanying notes form part of these financial statements.

Hunter New England Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

1. Statement of Significant Accounting Policies

a) Reporting entity

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

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

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

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

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

These consolidated financial statements for the year ended 30 June 2021 have been authorised for issue by the Chief Executive on 5 October 2021.

b) Basis of preparation

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

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

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

The Secretary of NSW Health, the Chair of the Hunter New England 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 HNELHD's control and the source of these funds. By agreement, the Service Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the HNELHD 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.

The Novel Coronavirus (COVID-19) pandemic in late February 2020 saw a decline in expected hospital activities at the HNELHD. 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. On-going critical resources in 2021 have been reassigned to prepare, test and treat for possible surges as a result of the outbreak. The unprecedented measures undertaken by both the Australian and State Governments to contain the spread of COVID-19, have placed the economy and health sector in strong positions.

In February 2021, the Australian Government commenced a free COVID-19 vaccination program for all Australian citizens, permanent residents, and most visa-holders. The COVID-19 vaccines will be accessible on a rolling basis, dependent on vaccine delivery schedules and the identification of groups for most urgent vaccination. The Australian and State governments, including NSW are working collaboratively to deliver the COVID-19 vaccinations.

1. Statement of Significant Accounting Policies

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

- * Allocated funds, combined with other revenues earned, are adequate to pay debts as and when they become due and payable.
- * The HNELHD has the capacity to review the timing of NSW Ministry of Health allocation cash flows to ensure debts can be paid when they become due and payable.
- * The HNELHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the HNELHD and assist in meeting its overall budget target. The EIP is monitored and evaluated by the NSW Ministry of Health throughout the financial year.
- * The Commonwealth has entered a National Partnership Agreement, in response to the COVID-19 pandemic, with States and Territories, including NSW. The Agreement delivers funding to public hospitals and provides stability and certainty of funding while ensuring access to new life saving therapies in public hospitals. The HNELHD is subject to additional NSW Ministry of Health recurrent and capital allocations (see Note 11) to provide for costs incurred related to COVID-19 activities and to ensure debts can be paid as and when they become due and payable.

Property, plant and equipment and financial assets 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 HNELHD's presentation and functional currency.

c) Statement of Compliance

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

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

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

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

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

e) Comparative Information

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

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

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

(i) Effective for the first time in 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:

- * The HNELHD 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 the HNELHD.

1. Statement of Significant Accounting Policies

AASB 1059 Service Concession Arrangements: Grantors (AASB 1059)

AASB 1059 is effective for the HNELHD 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 HNELHD 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.

The adoption of AASB 1059 and the withdrawal of TPP 06-8 did not have an impact on the financial statements of the HNELHD.

Withdrawal of TPP 06-8 Accounting for Privately Financed Projects (TPP 06-8)

The Newcastle Mater Hospital Public Private Partnership arrangement was previously accounted for under TPP 06-8 Accounting for Privately Financed Projects (TPP 06-8). TPP 06-8 has been withdrawn from 1 July 2020 following the introduction of AASB 1059 Service Concession Arrangements (AASB 1059). This is because many arrangements to which TPP 06-8 applied, now fall within the scope of AASB 1059. However, based on the HNELHD's assessment, this arrangement is outside the scope of AASB 1059.

Upon the withdrawal of TPP 06-8, management has used its judgement and determined that this arrangement should now be accounted for under AASB 116 Property, Plant and Equipment and AASB 9 Financial Instruments as a change in accounting policy. This is because management has determined that adopting AASB 116 and AASB 9 best reflects the economic substance of the arrangement and AASB 116 and AASB 9 provide the most reliable and relevant information about the effects of the arrangement on HNELHD's Statement of Financial Position, Statement of Financial Performance and Statement of Cash Flows.

Under TPP 06-8, the entity had recognised finance lease assets and liabilities in accordance with AASB 117 Leases. Upon withdrawal of TPP 06-8, the finance lease assets were reclassified to owned property, plant and equipment and the finance lease liability was reclassified as external borrowing. The reclass did not change the asset or liability values or the presentation in the Statement of Financial Position, Statement of Financial Performance and Statement of Cash Flows.

The entity has adopted AASB 116 and AASB 9 retrospectively. The change in accounting policy did not have any material impact on the financial statements of HNELHD.

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

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

The COVID-19 pandemic has resulted in significant changes in the HNELHD 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 11 NSW Ministry of Health allocations
- * Note 20 Receivables
- * Note 21 Inventories
- * Note 25 Fair value measurement of non-financial assets

Hunter New England 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)	1,291,077	1,245,459	-	-
Superannuation - defined benefit plans	7,522	9,229	-	-
Superannuation - defined contribution plans	113,350	109,925	-	-
Long service leave	(1,121)	58,505	-	-
Redundancies	2,670	2,402	-	-
Workers' compensation insurance	17,014	15,920	-	-
Fringe benefits tax	101	140	-	-
	1,430,613	1,441,580	-	-

Employee related costs of \$0.93 million (2020: \$0.71 million) have been capitalised in property, plant and equipment assets and are therefore excluded from the above.

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)	-	-	1,291,077	1,245,459
Superannuation - defined contribution plans	-	-	113,350	109,925
Long service leave	-	-	9,052	2,942
Redundancies	-	-	2,670	2,402
Workers' compensation insurance	-	-	17,014	15,920
Fringe benefits tax	-	-	101	140
	-	-	1,433,264	1,376,788

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

Personnel services of \$0.93 million (2020: \$0.71 million) have been capitalised in property, plant and equipment assets and are excluded from the above.

4. Visiting medical officers

Visiting medical officers (VMOs) enhance full-time medical specialist services by providing speciality input in a number of disciplines throughout the HNELHD's hospitals. VMO expenses of \$120.99 million (2020: \$112.7 million) represent part of the day-to-day running costs incurred in the normal operations of the HNELHD. These costs are expensed as incurred.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

5. Other expenses

	Consolidated	Consolidated	Parent	Parent
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Advertising	265	203	265	203
Auditor's remuneration - audit of financial statements	230	220	230	220
Blood and blood products	10,358	9,949	10,358	9,949
Consultancies	1,254	527	1,254	527
Domestic supplies and services	84,842	82,669	84,842	82,669
Drug supplies	78,931	70,649	78,931	70,649
Food supplies	44,298	43,741	44,298	43,741
Fuel, light and power	16,594	17,075	16,594	17,075
Patient transport costs	42,534	39,165	42,534	39,165
Information management expenses	33,473	27,496	33,473	27,496
Insurance	2,838	2,493	2,838	2,493
Maintenance (see Note 5 (b))	66,014	67,820	66,014	67,820
Medical and surgical supplies	120,981	102,423	120,981	102,423
Motor vehicle expenses	3,228	4,344	3,228	4,344
Postal and telephone costs	5,637	6,952	5,637	6,952
Printing and stationery	4,717	4,209	4,717	4,209
Rates and charges	2,782	1,865	2,782	1,865
Hosted services purchased from entities controlled by the immediate parent	1,299	-	1,299	-
Specialised services (dental, radiology, pathology and allied health)	111,234	93,817	111,234	93,817
Staff related costs	12,964	10,905	12,964	10,905
Travel related costs	13,124	12,529	13,124	12,529
Other (see Note 5 (a))	54,718	41,072	54,718	41,072
	712,315	640,123	712,315	640,123

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

5. Other expenses (continued)

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
(a) Other				
Contract for patient services	13,775	-	13,775	-
Corporate support services	15,013	14,695	15,013	14,695
Courier and freight	1,387	1,387	1,387	1,387
Isolated patient travel and accommodation assistance scheme	5,743	6,519	5,743	6,519
Legal services	354	377	354	377
Membership/professional fees	965	846	965	846
Public private partnership contracted services	4,553	1,755	4,553	1,755
Quality assurance / accreditation	374	418	374	418
Security services	960	963	960	963
Expenses relating to short-term leases	1,860	1,784	1,860	1,784
Expenses relating to leases of low-value assets	1,854	1,620	1,854	1,620
Other miscellaneous	7,880	10,708	7,880	10,708
	54,718	41,072	54,718	41,072
(b) Reconciliation of total maintenance				
Maintenance contracts	19,407	24,095	19,407	24,095
New / replacement equipment under \$10,000	25,407	27,243	25,407	27,243
Repairs maintenance / non contract	21,182	16,474	21,182	16,474
Other	18	8	18	8
Maintenance expense - contracted labour and other (non-employee related) in Note 5	66,014	67,820	66,014	67,820
Employee related/personnel services maintenance expense included in Notes 2 and 3.	9,670	10,048	9,670	10,048
	75,684	77,868	75,684	77,868

5. Other expenses (continued)

Recognition and Measurement

Maintenance expense

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

Operating expenses

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

Insurance

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

Lease expense

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

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

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

6. Depreciation and amortisation

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Depreciation - buildings	74,653	71,683	74,653	71,683
Depreciation - plant and equipment	24,655	27,819	24,655	27,819
Depreciation - infrastructure systems	2,417	2,458	2,417	2,458
Depreciation - right-of-use buildings	2,814	3,342	2,814	3,342
Amortisation - intangible assets	133	391	133	391
	104,672	105,693	104,672	105,693

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

7. Grants and subsidies

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Non-government organisations	5,188	5,038	5,188	5,038
Grants to research organisations	1,930	899	1,930	899
Grants paid to entities controlled by the immediate parent	274	368	274	368
Other grants	1,811	1,538	1,811	1,538
	9,203	7,843	9,203	7,843

Recognition and Measurement

Grants and subsidies expense generally comprise contributions in cash or in kind to various local government authorities and not-for-profit community organisations to support their health-related objectives and activities. The grants and subsidies are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

8. Finance costs

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Interest expense from lease liabilities	322	368	322	368
Interest expense from financial liabilities at amortised cost*	6,118	6,326	6,118	6,326
	6,440	6,694	6,440	6,694

* Of the interest expense from financial liabilities at amortised cost, \$Nil (2020: \$Nil) related to financial liabilities relating to service concession arrangements. Refer to Note 22 for further details on service concession arrangements.

Recognition and Measurement

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with NSW Treasury's mandate to not-for-profit NSW General Government Sector entities.

9. Payments to Affiliated Health Organisations

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
(a) Recurrent sourced				
Calvary Mater Newcastle	152,149	147,299	152,149	147,299
	152,149	147,299	152,149	147,299
(b) Capital sourced				
Calvary Mater Newcastle	13,061	1,793	13,061	1,793
	13,061	1,793	13,061	1,793
	165,210	149,092	165,210	149,092

Recognition and Measurement

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

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

10. 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 HNELHD'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.

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

Movement of Section 4.7 GSF Act - Deemed Appropriations

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Opening balance	110,856	-	110,856	-
Add: Appropriations deemed on 1 July 2019	-	103,395	-	103,395
Add: additions of deemed appropriations	564,944	511,027	564,944	511,027
Less: expenditure charged against deemed appropriations	551,929	503,566	551,929	503,566
	123,871	110,856	123,871	110,856

Notes

¹ 'Expenditure' refers to cash payments. The term 'expenditure' has been used for payments for consistency with AASB 1058 Income of Not-for-Profit Entities.

² Deemed appropriations is a legal concept under the GSF Act, that does not have a corresponding financial statement line item. Instead, deemed appropriations may come from various sources, such as sale of goods and services, and the corresponding revenue is disclosed in the relevant sections of these items in the financial statements.

11. NSW Ministry of Health allocations

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

The HNELHD recognised additional NSW Ministry of Health recurrent allocations of \$98.45 million (2020: \$18.57 million) and NSW Ministry of Health capital allocations of \$1.66 million (2020: \$1.51 million) to cover costs incurred for the preparation, diagnosis, treatment and vaccination of COVID-19 patients.

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

12. 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	43,115	38,097	43,115	38,097
Sale of prostheses	6,697	8,770	6,697	8,770
Other	304	453	304	453
	50,116	47,320	50,116	47,320

(b) Rendering of services comprise the following:

Patients

Patient Fees:

- Inpatient fees	83,954	91,461	83,954	91,461
- Nursing home fees	1,773	2,366	1,773	2,366
- Non inpatient fees	7,467	7,012	7,467	7,012

Allocation from inter area patient inflows

	-	-	-	-
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Department of Veterans' Affairs	14,301	16,109	14,301	16,109
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Motor Accident Authority third party	25,595	23,253	25,595	23,253
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Multi Purpose Service Centre fees	13,639	4,819	13,639	4,819
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Patient transport fees	1	-	1	-
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Staff

Private use of motor vehicles	198	271	198	271
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Salary packaging fee	795	630	795	630
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Meals and accommodation	280	338	280	338
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Child care fees	1,431	1,310	1,431	1,310
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General community

Car parking	2,886	4,685	2,886	4,685
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Clinical services (excluding clinical drug trials)	15,969	10,929	15,969	10,929
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Commercial activities	6,446	5,811	6,446	5,811
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Fees for conferences and training	444	416	444	416
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Fees for medical records	426	392	426	392
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Information retrieval	22	6	22	6
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Meals on Wheels	20	24	20	24
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Non-NSW Health entities

Services to other organisations	4,194	4,346	4,194	4,346
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Entities controlled by the immediate parent

Hosted service revenues	125	250	125	250
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Shared corporate service revenues	268	241	268	241
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Other

Infrastructure fees - annual charge	5,529	6,409	5,529	6,409
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Infrastructure fees - monthly facility charge	26,760	26,127	26,760	26,127
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Other	13,657	13,835	13,657	13,835
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	226,180	221,040	226,180	221,040
	276,296	268,360	276,296	268,360

12. 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 HNELHD 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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

12. 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 HNELHD 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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

12. 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.

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

13. Investment revenue

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Interest income from financial assets at amortised cost	954	1,599	954	1,599
	954	1,599	954	1,599

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).

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

14. 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	9,635	10,009	9,635	10,009
Clinical trials and research grants	2,921	3,991	2,921	3,991
Commonwealth government grants received for community based services	10,617	10,516	10,617	10,516
Commonwealth government grants other	6,118	4,483	6,118	4,483
Grants from entities controlled by the ultimate parent	40	671	40	671
Other grants from entities controlled by the immediate parent	126	316	126	316
Other grants	10,123	7,947	10,123	7,947
Grants without specific performance obligations				
Clinicals trial and research grants	426	559	426	559
Commonwealth government grants other	2,669	3,145	2,669	3,145
Grants from entities controlled by the ultimate parent	114,935	42,584	114,935	42,584
Other grants from entities controlled by the immediate parent	1,593	1,692	1,593	1,692
Other grants	1,124	851	1,124	851
Donations	4,296	3,521	4,296	3,521
	164,623	90,285	164,623	90,285

Recognition and Measurement

Grants and other contributions

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

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

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

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

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
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15. 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	7,522	9,229	-	-
Long service leave provision	(10,173)	55,563	-	-
	(2,651)	64,792	-	-

16. Other income

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Other income comprises the following:				
Bad debts recovered	1	3	1	3
Commissions	946	1,253	946	1,253
Discounts	-	79	-	79
Insurance refunds	477	1,447	477	1,447
Rental income				
- other rental income	2,815	2,559	2,815	2,559
Sponsorship	12	24	12	24
Other	3,606	4,305	3,606	4,305
	7,857	9,670	7,857	9,670

Recognition and Measurement

Other Income

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
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17. 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	7,226	8,682	7,226	8,682
Less: proceeds from disposal	5,370	5,791	5,370	5,791
Net gains / (losses) on disposal	(1,856)	(2,891)	(1,856)	(2,891)
Intangible assets	564	-	564	-
Net gains / (losses) on disposal	(564)	-	(564)	-
Total gains / (losses) on disposal	(2,420)	(2,891)	(2,420)	(2,891)

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

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

19. Cash and cash equivalents

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Cash at bank and on hand	123,871	110,856	123,871	110,856
	123,871	110,856	123,871	110,856

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)	123,871	110,856	123,871	110,856
	123,871	110,856	123,871	110,856

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

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

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

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

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

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

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

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Trade receivables from contracts with customers	31,536	22,019	31,536	22,019
Intra health receivables	2,314	2,139	2,314	2,139
Goods and Services Tax	19,151	16,753	19,151	16,753
Other receivables	3,554	5,319	3,554	5,319
Sub total	56,555	46,230	56,555	46,230
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(1,880)	(2,297)	(1,880)	(2,297)
- Other receivables	(485)	(604)	(485)	(604)
Sub total	54,190	43,329	54,190	43,329
Prepayments	3,934	6,253	3,934	6,253
	58,124	49,582	58,124	49,582

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

Trade receivables from contracts with customers

Balance at the beginning of the year	(2,297)	-	(2,297)	-
Amounts written off during the year	1,219	(2,297)	1,219	(2,297)
(Increase) / decrease in allowance recognised in the net result ¹	(802)	-	(802)	-
Balance at the end of the year	(1,880)	(2,297)	(1,880)	(2,297)

Other receivables

Balance at the beginning of the year	(604)	-	(604)	-
Amounts written off during the year	84	(604)	84	(604)
(Increase) / decrease in allowance recognised in the net result	35	-	35	-
Balance at the end of the year	(485)	(604)	(485)	(604)
	(2,365)	(2,901)	(2,365)	(2,901)

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Non-current				
Prepayments	565	246	565	246
	565	246	565	246

¹ Includes total impairment loss of \$0.8 million (2020: \$0.7 million) recognised on receivables from contracts with customers.

Hunter New England Local Health District
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20. Receivables (continued)

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

Current and non-current include:

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Patient fees - compensable	1,983	1,859	1,983	1,859
Patient fees - ineligible	1,911	1,855	1,911	1,855
Patient fees - inpatient & other	15,907	10,351	15,907	10,351
	19,801	14,065	19,801	14,065

Details regarding credit risk of receivables that are neither past due nor impaired, are disclosed in Note 40.

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Contract receivables (included in Note 20)	34,201	24,411	34,201	24,411
Total contract receivables	34,201	24,411	34,201	24,411

Recognition and Measurement

All 'regular way' purchases or sales of receivables are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of receivables that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Subsequent measurement

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

Impairment

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

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

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21. Inventories

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Drug supplies	2,790	3,197	2,790	3,197
Sub total	2,790	3,197	2,790	3,197
	2,790	3,197	2,790	3,197

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.

Market demand has increased the weighted average cost of inventories in medical and surgical supplies due to the outbreak of COVID-19. Market demand for these items is expected to continue and as a result the carrying amount and current replacement cost are aligned. At the 30 June 2021, the HNELHD has determined that it plans to use the remaining medical and surgical supplies inventory in a relatively short time period, well before expiry, and there is no available alternative that is more efficient or effective nor a likelihood of an alternative being on the market in the foreseeable future.

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

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

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22. Property, plant and equipment

(a) Total property, plant and equipment

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2019 - fair value				
Gross carrying amount	3,043,462	289,610	93,085	3,426,157
Less: accumulated depreciation and impairment	884,928	149,448	46,430	1,080,806
Net carrying amount	2,158,534	140,162	46,655	2,345,351

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2020				
Net carrying amount at beginning of year	2,158,534	140,162	46,655	2,345,351
Adjusted net carrying amount at beginning of	2,158,534	140,162	46,655	2,345,351
Additions	187,811	31,378	-	219,189
Disposals	(2,008)	(6,674)	-	(8,682)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	316	-	316
Net revaluation increments less revaluation decrements	4,084	-	-	4,084
Depreciation expense	(71,683)	(27,819)	(2,458)	(101,960)
Reclassifications	(13,263)	10,179	3,084	-
Net carrying amount at end of year	2,263,475	147,542	47,281	2,458,298

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 25.

Hunter New England Local Health District
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22. 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	3,218,992	312,353	96,169	3,627,514
Less: accumulated depreciation and impairment	955,517	164,811	48,888	1,169,216
Net carrying amount	2,263,475	147,542	47,281	2,458,298

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2021				
Net carrying amount at beginning of year	2,263,475	147,542	47,281	2,458,298
Adjusted net carrying amount at beginning of year	2,263,475	147,542	47,281	2,458,298
Additions	272,943	39,643	175	312,761
Disposals	(2,305)	(4,854)	(67)	(7,226)
Equity transfers - transfers in / (out)	-	101	-	101
Transfers within NSW Health entities through Statement of Comprehensive Income	-	126	-	126
Depreciation expense	(74,653)	(24,655)	(2,417)	(101,725)
Reclassifications	(1,808)	1,808	-	-
Net carrying amount at end of year	2,457,652	159,711	44,972	2,662,335

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2021 - fair value				
Gross carrying amount	3,483,657	332,371	95,903	3,911,931
Less: accumulated depreciation and impairment	1,026,005	172,660	50,931	1,249,596
Net carrying amount	2,457,652	159,711	44,972	2,662,335

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 25.

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22. Property, plant and equipment (continued)

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

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	3,040,746	289,610	93,085	3,423,441
Less: accumulated depreciation and impairment	883,870	149,448	46,430	1,079,748
Net carrying amount	2,156,876	140,162	46,655	2,343,693

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2020				
Net carrying amount at beginning of year	2,156,876	140,162	46,655	2,343,693
Adjusted net carrying amount at beginning of	2,156,876	140,162	46,655	2,343,693
Additions	187,811	31,378	-	219,189
Disposals	(2,008)	(6,674)	-	(8,682)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	316	-	316
Net revaluation increment less revaluation decrements	4,084	-	-	4,084
Depreciation expense	(71,623)	(27,819)	(2,458)	(101,900)
Reclassifications	(13,263)	10,179	3,084	-
Net carrying amount at end of year	2,261,877	147,542	47,281	2,456,700

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

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

(b) Property, plant and equipment held and used by the HNELHD (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	3,216,276	312,353	96,169	3,624,798
Less: accumulated depreciation and impairment	954,399	164,811	48,888	1,168,098
Net carrying amount	2,261,877	147,542	47,281	2,456,700

	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	2,261,877	147,542	47,281	2,456,700
Adjusted net carrying amount at beginning of year	2,261,877	147,542	47,281	2,456,700
Additions	272,943	39,643	175	312,761
Disposals	(2,305)	(4,854)	(67)	(7,226)
Equity transfers - transfers in / (out)	-	101	-	101
Transfers within NSW Health entities through Statement of Comprehensive Income	-	126	-	126
Depreciation expense	(74,550)	(24,655)	(2,417)	(101,622)
Reclassifications	(2,427)	1,808	-	(619)
Net carrying amount at end of year	2,455,538	159,711	44,972	2,660,221

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2021 - fair value				
Gross carrying amount	3,479,441	332,371	95,903	3,907,715
Less: accumulated depreciation and impairment	1,023,903	172,660	50,931	1,247,494
Net carrying amount	2,455,538	159,711	44,972	2,660,221

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

Hunter New England Local Health District
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22. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2019 - fair value				
Gross carrying amount	2,716	-	-	2,716
Less: accumulated depreciation and impairment	1,058	-	-	1,058
Net carrying amount	1,658	-	-	1,658

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2020				
Net carrying amount at beginning of year	1,658	-	-	1,658
Adjusted net carrying amount at beginning of year	1,658	-	-	1,658
Depreciation expense	(60)	-	-	(60)
Net carrying amount at end of year	1,598	-	-	1,598

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2020 - fair value				
Gross carrying amount	2,716	-	-	2,716
Less: accumulated depreciation and impairment	1,118	-	-	1,118
Net carrying amount	1,598	-	-	1,598

	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	1,598	-	-	1,598
Adjusted net carrying amount at beginning of year	1,598	-	-	1,598
Depreciation expense	(103)	-	-	(103)
Reclassifications	619	-	-	619
Net carrying amount at end of year	2,114	-	-	2,114

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2021 - fair value				
Gross carrying amount	4,216	-	-	4,216
Less: accumulated depreciation and impairment	2,102	-	-	2,102
Net carrying amount	2,114	-	-	2,114

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

22. Property, plant and equipment (continued)

Recognition and Measurement

Acquisition of property, plant and equipment

Property, plant and equipment acquired are initially recognised at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Health 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 HNELHD 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 HNELHD. The costs are then accordingly reflected in the HNELHD financial statements. The HNELHD acquires most assets in this manner.

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

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

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer - Note 39).

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

Capitalisation thresholds

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

Major inspection costs

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

Restoration costs

The present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

22. 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 HNELHD.

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

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

'Infrastructure Systems' comprises public facilities which provide essential services and enhance the productive capacity of the economy including roads, bridges, water infrastructure and distribution works, sewerage treatment plants, seawalls and water reticulation systems.

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

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 HNELHD has elected to present right-of-use assets separately in the Statement of Financial Position.

Further information on leases is contained in Note 23.

Service concession assets

The HNELHD 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 HNELHD'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 HNELHD'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.

22. Property, plant and equipment (continued)

Revaluation of property, plant and equipment

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

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

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

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The HNELHD 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 2018 and was based on an independent assessment.

Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value. The HNELHD uses an independent professionally qualified valuer for such interim revaluations.

An interim management revaluation was completed on 31 December 2020 as a result of a cumulative increase in indicators of 9.00% for land and buildings and 9.00% for infrastructure. The HNELHD used an external professionally qualified valuer to conduct the interim revaluation. Indicators provided by Opteon Solutions were not applied as they were deemed immaterial.

Due to the COVID-19 pandemic in early 2020, the HNELHD's management performed an additional assessment to determine if the fair value of its property plant and equipment as at 30 June 2021 materially differed from the carrying value. Management concluded that there is no definitive or conclusive market evidence to support any material adjustments. No adjustments were applied as a result.

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

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

22. Property, plant and equipment (continued)

Revaluation of property, plant and equipment (continued)

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

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

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

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

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

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

Impairment of property, plant and equipment

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

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

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

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

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

Derecognition of property, plant and equipment

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

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23. Leases

(a) Entity as a lessee

The HNELHD leases various properties, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 8 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes. The HNELHD does not provide residual value guarantees in relation to leases.

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

Potential future cash outflows of \$35.80 million have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

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

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

Right-of-use assets under leases

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

PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2020	17,345	-	17,345
Additions	14	-	14
Reassessments	11	-	11
Depreciation expense	(2,814)	-	(2,814)
Balance at 30 June 2021	14,556	-	14,556

PARENT AND CONSOLIDATION

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

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23. 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	17,527	19,902
Additions	14	16
Interest expenses	322	368
Payments	(2,766)	(2,759)
Other adjustments	11	-
Balance at 30 June	15,108	17,527

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

PARENT AND CONSOLIDATION

	2021	2020
	\$000	\$000
Depreciation expense of right-of-use assets	2,814	3,342
Interest expense on lease liabilities	322	368
Expenses relating to short-term leases	1,860	1,784
Expenses relating to leases of low-value assets	1,854	1,620
Total amount recognised in the statement of comprehensive income	6,850	7,114

The HNELHD had total cash outflows for leases of \$6.48 million for the year ended 30 June 2021 (2020: \$6.16 million).

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

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

Recognition and Measurement

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

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

23. Leases (continued)

(a) Entity as a lessee (continued)

i. Right-of-use assets

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

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

	Useful lives
Buildings	1 to 8 years

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

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

ii. Lease liabilities

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

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

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

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

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23. Leases (continued)

(a) Entity as a lessee (continued)

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

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

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

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

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

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

(b) Entity as a lessor

The HNELHD leases few retail spaces located within the hospital precincts under operating leases with rental payable monthly. Lease payments generally contain uplift clauses to align to the market conditions.

The HNELHD also leases land to NGO's under operating leases arrangements. Generally there are no rental payments as the HNELHD provides market rental assistance grants to offset the rental payments.

Lessor for operating leases

Future minimum rentals receivable (undiscounted) under non-cancellable operating lease as at 30 June 2021 are, as follows:

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	2021	2020
	\$'000	\$'000
Within one year	1,141	1,336
One to two years	771	769
Two to three years	34	44
Three to four years	15	17
Four to five years	10	10
Later than five years	59	69
Total (excluding GST)	2,030	2,245

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.

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24. Intangible assets

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	Total \$000
At 1 July 2019	
Cost (gross carrying amount)	2,071
Less: accumulated amortisation and impairment	983
Net carrying amount	1,088
Year ended 30 June 2020	
Net carrying amount at beginning of year	1,088
Amortisation (recognised in depreciation and amortisation)	(391)
Net carrying amount at end of year	697
At 1 July 2020	
Cost (gross carrying amount)	2,071
Less: accumulated amortisation and impairment	1,374
Net carrying amount	697
Year ended 30 June 2021	
Net carrying amount at beginning of year	697
Disposals	(564)
Amortisation (recognised in depreciation and amortisation)	(133)
Net carrying amount at end of year	-

24. Intangible assets (continued)

Recognition and Measurement

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

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

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

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

Computer software developed or acquired by the HNELHD are recognised as intangible assets. Most computer software is acquired from 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 with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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.

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25. Fair value measurement of non-financial assets

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Fair value measurement and hierarchy

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

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

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

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

(a) Fair value hierarchy

	Level 1	Level 2	Level 3	Total Fair Value
2021	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 22)				
- Land and buildings	-	7,435	1,842,850	1,850,285
- Infrastructure systems	-	-	40,137	40,137
	-	7,435	1,882,987	1,890,422

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 22.

	Level 1	Level 2	Level 3	Total Fair Value
2020	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 22)				
- Land and buildings	-	7,598	1,916,773	1,924,371
- Infrastructure systems	-	-	42,467	42,467
	-	7,598	1,959,240	1,966,838

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

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

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

(b) Valuation techniques, inputs and processes

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

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

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

- For land, the valuation by the valuer is made on a market approach, comparing similar assets (not identical) and observable inputs. The most significant input is price per square metre.
All commercial and non-restricted land is included in level 2 as these land valuations have a high level of observable inputs although these lands are not identical.
All of the restricted land has been classified as level 3 as, although observable inputs have been used, a significant level of professional judgement is required to adjust inputs in determining the land valuations. Certain parcels of land have zoning restrictions, for example hospital grounds, and values are adjusted accordingly.
- For buildings and infrastructure, many assets are of a specialised nature or use, and thus the most appropriate valuation method is depreciated replacement cost. These assets are included as level 3 as these assets have a high level of unobservable inputs. However, residential properties are valued on a market approach and included in level 2.
- Non-current assets held for sale is a non-recurring item that is measured at the lower of its fair value less cost to sell or its carrying amount. These assets are categorised as level 2.

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

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

(c) Reconciliation of recurring Level 3 fair value measurements

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2021	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2020	1,916,773	42,467	-	1,959,240
Adjusted fair value as at 1 July 2020	1,916,773	42,467	-	1,959,240
Additions	-	29	-	29
Disposals	(2,305)	(67)	-	(2,372)
Depreciation expense	(71,618)	(2,292)	-	(73,910)
Fair value as at 30 June 2021	1,842,850	40,137	-	1,882,987

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

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

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

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26. Restricted assets

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

Category	1 July 2020 Opening \$000	Revenue \$000	Expense \$000	2021 Closing \$000
Community welfare	2,650	3,915	2,392	4,173
Facility improvements	28,397	28,771	18,752	38,416
Holds funds in perpetuity	520	5	-	525
Patient welfare	15,278	3,292	3,647	14,923
Private practice disbursements (No.2 Accounts)	25,475	5,621	3,433	27,663
Public contributions	1,674	386	313	1,747
Research	13,013	6,080	5,252	13,841
Staff welfare	837	127	247	717
Training and education including conferences	9,221	375	688	8,908
	97,065	48,572	34,724	110,913

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

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

Unclaimed monies

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

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

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27. Payables

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Accrued salaries, wages and on-costs	27,902	46,654	-	-
Salaries and wages deductions	329	190	-	-
Payroll and fringe benefits tax	142	112	-	-
Accrued liability - purchase of personnel services	-	-	28,373	46,956
Creditors	53,331	44,450	53,331	44,450
Other creditors				
- Payables to entities controlled by the immediate parent	27,922	26,586	27,922	26,586
- Other	62,303	43,023	62,303	43,023
	171,929	161,015	171,929	161,015

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

Recognition and Measurement

Payables represent liabilities for goods and services provided to the HNELHD 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.

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28. Contract liabilities

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Contract liabilities	1,226	3,190	1,226	3,190
	1,226	3,190	1,226	3,190

Recognition and Measurement

Contract liabilities relate to consideration received in advance from customers. The balance of the contract liabilities at 30 June 2021 was impacted by the timing of payments received for grants and other contributions. The satisfaction of the specific performance obligations within the contract had not been met at 30 June 2021. Revenue from the contract liabilities will be recognised when the specific performance obligations have been met.

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

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Revenue recognised that was included in the contract liability balance at the beginning of the year	3,190	238	3,190	238
Revenue recognised from performance obligations satisfied in previous periods	(140)	(1,359)	(140)	(1,359)
Transaction price allocated to the remaining performance obligations from contracts with customers	31,106	37,678	31,106	37,678

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

Specific revenue class	2022 \$'000	2023 \$'000	2024 \$'000	≥ 2025 \$'000
Sales of goods and services from contracts with customers	12,290	-	-	-
Grants and other contributions	17,617	1,037	162	-
	29,907	1,037	162	-

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29. Borrowings

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Other loans and deposits	1,303	959	1,303	959
Lease liabilities (see Note 23)	2,375	2,431	2,375	2,431
Public Private Partnerships	2,169	1,818	2,169	1,818
	5,847	5,208	5,847	5,208
Non-current				
Other loans and deposits	9,450	7,245	9,450	7,245
Lease liabilities (see Note 23)	12,733	15,096	12,733	15,096
Public Private Partnerships	64,922	67,091	64,922	67,091
	87,105	89,432	87,105	89,432

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

Final repayment date for 'Other loans and deposits' is June 2031.

Other loans still to be extinguished represent monies to be repaid to NSW Treasury, which is controlled by the ultimate parent.

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

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

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

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

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

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29. Borrowings (continued)

Recognition and Measurement

Borrowings represents interest bearing liabilities mainly raised through NSW Treasury Corporation, lease liabilities, service concession arrangement liabilities, public private partnerships 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 HNELHD has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 40 (b) for derecognition policy.

Financial liabilities at fair value through profit or loss

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

Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Recognition and Measurement

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, being the premium received. Subsequent to initial recognition, the HNELHD's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation, and an expected credit loss provision.

The HNELHD has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2021 and as at 30 June 2020.

Changes in liabilities arising from financing activities

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	Service concession arrangements \$000	Other loans and deposits \$000	Leases \$000	Total liabilities from financing activities \$000
1 July 2019	-	76,281	-	76,281
Recognised on adoption of AASB 16	-	-	19,902	19,902
Adjusted 1 July 2019	-	76,281	19,902	96,183
Cash flows	-	832	(2,391)	(1,559)
New leases	-	-	16	16
30 June 2020	-	77,113	17,527	94,640
Recognised on adoption of AASB 1059	-	-	-	-
1 July 2020	-	77,113	17,527	94,640
Cash flows	-	731	(2,444)	(1,713)
New leases	-	-	14	14
Lease reassessments	-	-	11	11
30 June 2021	-	77,844	15,108	92,952

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30. 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	136,565	135,726	-	-
Annual leave - obligations expected to be settled after 12 months	69,772	52,834	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	3,823	3,595	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	43,417	35,835	-	-
Provision for other employee benefits	5,851	6,499	-	-
Provision for personnel services liability	-	-	259,428	234,489
	259,428	234,489	259,428	234,489
Other Provisions				
Restoration costs	1,081	-	1,081	-
	1,081	-	1,081	-
Total current provisions	260,509	234,489	260,509	234,489
Non-current				
Employee benefits and related on-costs				
Long service leave consequential on-costs	4,672	3,429	-	-
Provision for personnel services liability	-	-	4,672	3,429
	4,672	3,429	4,672	3,429
Other Provisions				
Restoration costs	769	769	769	769
	769	769	769	769
Total non-current provisions	5,441	4,198	5,441	4,198
Aggregate employee benefits and related on-costs				
Provisions - current	259,428	234,489	-	-
Provisions - non-current	4,672	3,429	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 27)	28,231	46,844	-	-
Liability - purchase of personnel services	-	-	292,331	284,762
	292,331	284,762	292,331	284,762

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30. Provisions (continued)

Movements in provisions (other than employee benefits)

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

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Restoration costs				
Carrying amount at beginning of period	769	718	769	718
- Additional provisions recognised	1,081	51	1,081	51
Carrying amount at end of period	1,850	769	1,850	769

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 20.08% are applied to the value of leave payable at 30 June 2021 (comparable on-costs for 30 June 2020 were 18.31%). The HNELHD has assessed the actuarial advice based on the HNELHD's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the HNELHD does not expect to settle the liability within 12 months as the HNELHD does not have an unconditional right to defer settlement.

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

30. Provisions (continued)

Recognition and Measurement (continued)

Long service leave and superannuation

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

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.

Consequential on-costs

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of workers' compensation insurance premiums and fringe benefits tax.

Other provisions

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

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

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

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31. Other liabilities

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Unearned revenue	629	233	629	233
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	2,095	1,830	2,095	1,830
	2,724	2,063	2,724	2,063
Non-current				
Unearned revenue	210	225	210	225
	210	225	210	225

Unearned revenue was derived from the following:

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

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

	2021 \$'000	2020 \$000
Opening balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	1,830	-
Liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity recognised upon initial application of AASB 1058	-	1,548
<i>Add:</i> receipt of cash during the financial year	265	282
Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	2,095	1,830

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

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

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32. Commitments

(a) Capital commitments

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

	Consolidated	Consolidated	Parent	Parent
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Within one year	45,465	216,873	45,465	216,873
Later than one year and not later than five years	28,534	38,651	28,534	38,651
Later than five years	4,815	-	4,815	-
Total (including GST)	78,814	255,524	78,814	255,524

(b) Contingent asset related to commitments for expenditure

The total 'Capital expenditure commitments' of \$78.81 million as at 30 June 2021 includes input tax credits of \$7.16 million that are expected to be recoverable from the Australian Taxation Office (2020 \$25.44 million).

33. Contingent liabilities and contingent assets

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

(a) Contingent liabilities

HNELHD has no contingent liabilities (2020: nil) as at 30 June 2021.

(b) Contingent assets

HNELHD has no contingent assets (2020: nil) as at 30 June 2021.

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34. Trust funds

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The HNELHD holds trust funds of \$3.1 million (2020: \$5.4 million) which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

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

Category	1 July 2020	Revenue	Expense	30 June 2021
	Opening equity			Closing equity
	\$'000	\$000	\$000	\$'000
Patient Trust	592	3	(553)	42
Refundable Deposits	1,936	188	(1,908)	216
Private Patient Trust Funds	2,789	45,122	(45,130)	2,781
Third Party Funds	57	579	(569)	67
Total trust funds	5,374	45,892	(48,160)	3,106

Category	1 July 2019	Revenue	Expense	30 June 2020
	Opening equity			Closing equity
	\$'000	\$000	\$000	\$'000
Patient Trust	1,165	200	(773)	592
Refundable Deposits	1,855	459	(378)	1,936
Private Patient Trust Funds	2,785	44,924	(44,920)	2,789
Third Party Funds	45	1,020	(1,008)	57
Total trust funds	5,850	46,603	(47,079)	5,374

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

Category	Purpose
Patient Trust	The safe custody of patients' valuables including monies.
Refundable Deposits	A sum of money held in trust as a security deposit.
Private Patient Trust Funds	The revenue derived from private patient and other billable services provided by Staff Specialists.
Third Party Funds	A sum of money held in trust on behalf of external parties, e.g. external foundations, volunteer groups and auxiliaries.

Any amounts drawn down from trust funds under the private practice arrangements are not included in the key management personnel compensation amounts or disclosed as a related party transaction in Note 41.

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35. Interests in associates

Set out below are the associates of HNELHD as at 30 June 2021 which, in the opinion of management, are material to the group. The proportion of ownership interest held by the group equals the voting rights held by the group.

Name of entity	Place of business and country of incorporation	Class of shares	Ownership interest held by HNELHD		Nature of relationship	Measurement method	Carrying Amount	
			2021	2020			2021	2020
			%	%			\$000	\$000
Hunter Medical Research Institute	Australia	Not applicable	25	25	Associate	Equity method	-	-

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

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36. 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	322,092	222,448	322,092	222,448
Depreciation and amortisation expense	(104,672)	(105,693)	(104,672)	(105,693)
Allowance for impairment	(767)	(1,275)	(767)	(1,275)
(Increase) / decrease in unearned revenue	(646)	(500)	(646)	(500)
Decrease / (increase) in provisions	(27,263)	(15,572)	(27,263)	(15,572)
Increase / (decrease) in prepayments and other assets	8,976	(11,869)	8,976	(11,869)
Decrease / (increase) in payables	(10,668)	(3,672)	(10,668)	(3,672)
Decrease / (increase) in contract liabilities	1,963	(2,952)	1,963	(2,952)
Net gain / (loss) on sale of property, plant and equipment	(2,420)	(2,891)	(2,420)	(2,891)
Assets donated or brought to account (Note 37)	153	315	153	315
Other	-	769	-	769
Net result	186,748	79,108	186,748	79,108

37. Non-cash financing and investing activities

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Assets donated or brought to account	153	315	153	315
Property, plant and equipment acquired by a lease	14	785	14	785
	167	1,100	167	1,100

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38. Adjusted budget review

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

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Net result

The actual Net Result was lower than adjusted budget by \$18 million, primarily due to:

Total Expenses excluding losses variance was 0.5% favourable (\$13.7M below budget). Most categories had variances of less than 5% except for unfavourabilities in Grants and Subsidies of 20.1% and Finance Costs of 7.5%.

Total Revenue variance was 1% unfavourable (\$29.8M below budget). All categories had variances of less than 5% except for unfavourabilities in Investment Revenue of 62.8% (\$1.6M below budget).

Loss on Disposals were unfavourable by 208.3% (\$1.63M above budget), while impairment losses on Financial Assets were favourable by 7.0% (\$0.06M below budget).

Assets and liabilities

Total Assets were 1.4% favourable (\$40.1M above budget).

Current Assets were 25.3% favourable (\$37.3M above budget). Cash and Cash Equivalents were 25.2% favourable (\$24.9M above budget) and Receivables were 28.1% favourable (\$12.7M above budget), while Inventories were 12.7% unfavourable (\$0.4M below budget).

Non Current Assets were 0.1% favourable (\$2.8M above budget) primarily relating to higher than budgeted capital works expenditure. Non-Current Receivables were 129.7% favourable (\$0.3M above budget).

Total Liabilities were 12.1% unfavourable (\$57.6M above budget).

Current Liabilities were 16.9% unfavourable (\$63.9M above budget). Current Payables were 38.9% unfavourable (\$48.1M above budget); Provisions were 5.0% unfavourable (\$12.5M above budget); Borrowings were 386.0% unfavourable (\$4.6M above budget) and Other Current Liabilities were 32.0% unfavourable (\$0.7M above budget). Contract Liabilities were 61.6% favourable (\$2.0 million below budget).

Non Current Liabilities were 6.4% favourable (\$6.3M below budget). Borrowings were 6.8% favourable (\$6.4M below budget) and Other Non-Current Liabilities were 6.7% favourable (\$0.02M below budget).

Cash flows

Net Cash Flows From Operating Activities were 10.6% favourable (\$30.8M above budget). Payments to Suppliers of Goods and Services were 5.1% favourable (\$47.2M below budget); Finance Costs were 7.5% unfavourable (\$0.5M above budget); Interest Received was 54.5% unfavourable (\$1.1M below budget) and Receipts from the Sale of Goods and Services were 6.3% unfavourable (\$18.2M below budget).

Net Cash Flows From Investing Activities were 3.4% unfavourable (\$10.1M below budget). The only category with a variance above 5% was Proceeds from Sale of Property, Plant & Equipment, which was 357.8% favourable (\$4.2M above budget).

Net Cash Flows From Financing Activities were 71.2% favourable (\$4.2M above budget). Repayment of Borrowings and Advances were 59.2% favourable (\$4.3M below budget).

38. Adjusted budget review (continued)

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

	\$000	\$000
Initial allocation, including escalation, excluding award increases		1,920,693
Escalations and Growth Funding		72,882
Procurement Savings	(5,118)	
Covid-19 funding	95,004	
Year End S&W Accrual	26,307	
IPTAAS	3,573	
VR's	2,691	
Northern Mental Health Emergency Care Rural Access Program	2,500	
PPP funding	1,979	
Various Special Projects	1,432	
HI Cladding	1,299	
Child Wellbeing Unit and Child Wellbeing Coordinator-Their Futures Matter (TFM)	1,299	
RURAL DOCTORS - Obstetric and Anaesthetic Incentive Grants	1,061	
Budget Adjustment - Crown Finance Entity - Energy Efficiency Loans	979	
Defined Benefit Superannuation Budget Adjustments FY21	948	
Nurse Midwife Strategy Reserve	927	
Other Misc	4,799	139,680
Balance as per Statement of Comprehensive Income		2,133,255

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39. Equity

Revaluation surplus

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

Accumulated funds

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

Equity transfers effected in the 2020/21 year were:

- (a) As at the 30 June 2021, medical imaging equipment was transferred from Murrumbidgee LHD to HNELHD at \$Nil consideration, an entity of the immediate parent. All corresponding asset and liability balances were transferred across at the carrying amounts from the transferee to the transferor.

Equity transfers effected in the 2019/20 year were:

- (b) Nil

Equity transfers effected comprised:

	2021 \$000	2020 \$000
(a) Transfer of medical imaging equipment	101	-
	101	-

Assets and Liabilities transferred are as follows:

	2021 \$000	2020 \$000
Assets		
(a) Medical imaging equipment	101	
Increase / (Decrease) in Net Assets From Equity Transfers	101	-

Recognition and Measurement

Equity transfers

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs/functions and parts thereof between entities controlled by the ultimate parent are recognised as an adjustment to 'Accumulated Funds'. This treatment is consistent with AASB 1004 Contributions and Australian Accounting Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.

Transfers arising from an administrative restructure involving not-for-profit entities and for-profit government entities are recognised at the amount at which the asset was recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

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

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40. Financial instruments

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

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

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

(a) Financial instrument categories

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Class	Category	Carrying Amount 2021 \$000	Carrying Amount 2020 \$000
Financial assets			
Cash and cash equivalents (Note 19)	Amortised cost	123,871	110,856
Receivables (Note 20) ¹	Amortised cost	35,039	26,576
Total financial assets		158,910	137,432
Financial liabilities			
Borrowings (Note 29)	Financial liabilities measured at amortised cost	92,952	94,640
Payables (Note 27) ²	Financial liabilities measured at amortised cost	171,787	160,903
Total financial liabilities		264,739	255,543

Notes

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

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

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

(b) Derecognition of financial assets and financial liabilities

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

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

40. Financial instruments (continued)

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

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

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

(c) Offsetting financial instruments

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

(d) Financial risk

i. Credit risk

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

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

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

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

Cash and cash equivalents

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 0.00% (Restricted Funds Bank balance: 0.95%) in 2020-21 compared to 0.00% (Restricted Funds Bank balance: 1.62%) in the previous year. The TCorpIM Cash Fund is discussed in market risk below.

Accounting policy for impairment of trade receivables and other financial assets

Receivables - trade receivables, other receivables and contract assets

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

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

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

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40. Financial instruments (continued)

(d) Financial risk (continued)

i. Credit risk (continued)

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

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

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

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

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

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	Current	<30 days	30-60 days	61-90 days	>91 days	Total
30 June 2021	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	0.19%	1.37%	60.65%	2.67%	63.29%	6.74%
Estimated total gross carrying amount ¹	28,941	1,535	676	1,012	2,926	35,090
Expected credit loss	55	21	410	27	1,852	2,365
30 June 2020	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	1.01%	2.39%	5.11%	18.14%	61.75%	10.61%
Estimated total gross carrying amount ¹	20,008	1,757	1,037	452	4,084	27,338
Expected credit loss	202	42	53	82	2,522	2,901

Notes

¹ The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB7 Financial Instruments: Disclosures. Therefore the 'total' will not reconcile to the receivables total in Note 20 and the contract assets total in Note .

The HNELHD 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.

40. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk

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

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

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

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

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

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40. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

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

Maturity Analysis and interest rate exposure of financial liabilities

	EIR ³ %	Nominal Amount ¹ \$000	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate \$000	Variable Interest Rate \$000	Non - Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000	> 5Yr \$000
2021								
Payables:								
- Creditors ²		171,787	-	-	171,787	171,787	-	-
Borrowings:								
- Other loans and deposits	2.34	11,769	11,769	-	-	1,537	6,149	4,083
- Lease liabilities	1.99	16,014	16,014	-	-	2,651	10,906	2,457
- Public Private Partnership	8.36	117,397	117,397	-	-	8,182	34,827	74,388
		316,967	145,180	-	171,787	184,157	51,882	80,928
2020								
Payables:								
- Creditors ²		160,903	-	-	160,903	160,903	-	-
Borrowings:								
- Other loans and deposits	2.85	9,029	9,029	-	-	1,148	4,594	3,287
- Lease liabilities	1.98	18,754	18,754	-	-	2,753	10,679	5,322
- Public Private Partnership	8.36	125,380	125,380	-	-	7,983	33,977	83,420
		314,066	153,163	-	160,903	172,787	49,250	92,029

Notes:

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

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

³ Weighted Average Effective Interest Rate (EIR).

40. Financial instruments (continued)

iii. Market risk

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

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

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

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	2021		2020	
	\$000		\$000	
	-1%	1%	-1%	1%
Net result	(309)	309	(162)	162
Equity	(309)	309	(162)	162

(e) Fair value measurement

i. Fair value compared to carrying amount

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

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

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

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41. Related party disclosures

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(a) Key management personnel compensation

Key management personnel compensation is as follows:

	2021	2020
	\$000	\$000
Short-term employee benefits	429	394
Post-employment benefits	22	19
	451	413

During the financial year, Hunter New England Local Health District obtained key management personnel services from the immediate parent and incurred \$520 thousand (2020: \$516 thousand) for these services. This amount does not form part of the key management personnel compensation disclosed above.

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

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

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

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

There were no transactions with key management personnel and their close family members (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 HNELHD had with government related entities during the financial year

During the financial year and comparative year, the HNELHD entered into the various transactions with other entities consolidated as part of the NSW Ministry of Health (the immediate parent) and the NSW Total State Sector (the immediate 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, domestic supplies and services, food supplies and corporate support services.
- Health Administration Corporation provides some specialised services which includes pathology related costs.
- Staff related costs in relation to various secondments and service arrangements
- Various grants and subsidies towards research and other projects
- Blood and Blood Products
- Special Service Departments
- Domestic Supplies and Services
- Food Supplies
- Hospital Ambulance Transport Costs
- Information Management Expenses
- Motor Vehicle Expenses

41. Related party disclosures (continued)

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

- Grant Payments to Other NSW Health Entities

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

- Payroll and fringe benefits taxes
- Audit of the statutory financial statements
- Legal and consultancy services
- Utilities, including electricity, gas and water expenses
- Motor vehicle toll expenses
- Insurance costs
- Rental Costs for Property NSW leased properties
- Various grants and subsidies towards research and other projects
- Consultancies costs - Other
- Repairs and maintenance

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

- Revenue from recurrent and capital allocations
- Various grants and contributions towards research and other projects
- Other Revenue

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

- Motor Accident Authority third party revenue received from the State Insurance Regulatory Authority (SIRA)
- Various grants and other contributions towards research and other projects
- Motor vehicle rebates
- Insurance refunds
- Revenue from acceptance of long service leave liabilities and defined benefit

Assets and liabilities as follows:

- Receivables and payables in respect of the above noted related party revenue and expense transactions
- Intra-health loans and advances
- The majority of the construction of property, plant and equipment is managed and overseen by Health Administration Corporation
- The majority of capital commitments contracted but not provided for related to capital works overseen by the Health Administration Corporation
- Some construction were paid by entities controlled by the ultimate parent

42. Events after the reporting period

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

END OF AUDITED FINANCIAL STATEMENTS