



## INDEPENDENT AUDITOR'S REPORT

### Murrumbidgee Local Health District

To Members of the New South Wales Parliament

### Opinion

I have audited the accompanying financial statements of the Murrumbidgee 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 and the consolidated entity in accordance with the requirements of the:

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

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

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

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

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

## **Emphasis of Matter – Presentation of Budget Information**

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 37. The note states that AASB 1055 'Budgetary Reporting' is not applicable to the District. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the District's financial statements present adjusted budget information.

## **The Chief Executive's Responsibilities for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

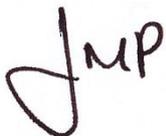
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



Jan-Michael Perez  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

18 October 2021  
SYDNEY

# Murrumbidgee Local Health District

## Statement by the Accountable Authority

for the year ended 30 June 2021



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

1. The financial statements of Murrumbidgee 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 Murrumbidgee 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 blue ink, appearing to read 'Jill Ludford'.

Jill Ludford  
**Chief Executive**  
12 October 2021

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

Kevin Lawrence  
**Director of Finance and Performance**  
12 October 2021

# Murrumbidgee Local Health District

## Statement of Comprehensive Income for the year ended 30 June 2021

		Consolidated Actual 2021 \$000	Consolidated Budget <sup>1</sup> 2021 \$000	Consolidated Actual 2020 \$000	Parent Actual 2021 \$000	Parent Actual 2020 \$000
	Notes					
<b>Continuing operations</b>						
<b>Expenses excluding losses</b>						
Employee related expenses	2	381,627	365,702	383,808	-	-
Personnel services	3	-	-	-	382,181	369,876
Visiting medical officers	4	60,085	54,103	53,303	60,085	53,303
Other expenses	5	237,438	237,700	213,773	237,438	213,773
Depreciation and amortisation	6	34,582	34,517	28,677	34,582	28,677
Grants and subsidies	7	2,028	1,976	2,414	2,028	2,414
Finance costs	8	490	445	451	490	451
Payments to Affiliated Health Organisations	9	17,988	17,989	17,081	17,988	17,081
<b>Total expenses excluding losses</b>		<b>734,238</b>	<b>712,432</b>	<b>699,507</b>	<b>734,792</b>	<b>685,575</b>
<b>Revenue</b>						
NSW Ministry of Health recurrent allocations	11	594,843	560,461	548,582	594,843	548,582
NSW Ministry of Health capital allocations	11	98,661	97,499	101,418	98,661	101,418
Acceptance by the Crown <sup>2</sup> of employee benefits	15	(554)	(554)	13,932	-	-
Sale of goods and services from contracts with customers	12	86,236	96,206	89,555	86,236	89,555
Investment revenue	13	43	415	103	43	103
Grants and other contributions	14	29,664	30,389	48,411	29,664	48,411
Other income	16	1,242	1,036	1,285	1,242	1,285
<b>Total revenue</b>		<b>810,135</b>	<b>785,452</b>	<b>803,286</b>	<b>810,689</b>	<b>789,354</b>
<b>Operating result</b>		<b>75,897</b>	<b>73,020</b>	<b>103,779</b>	<b>75,897</b>	<b>103,779</b>
Gains / (losses) on disposal	17	(5,859)	(5,823)	(478)	(5,859)	(478)
Impairment losses on financial assets	20	(228)	(1,191)	(512)	(228)	(512)
<b>Net result from continuing operations</b>	<b>35</b>	<b>69,810</b>	<b>66,006</b>	<b>102,789</b>	<b>69,810</b>	<b>102,789</b>
<b>Net result</b>		<b>69,810</b>	<b>66,006</b>	<b>102,789</b>	<b>69,810</b>	<b>102,789</b>
<b>Other comprehensive income</b>						
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>69,810</b>	<b>66,006</b>	<b>102,789</b>	<b>69,810</b>	<b>102,789</b>

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

<sup>2</sup> Crown represents "The Crown in right of the State of New South Wales"

The accompanying notes form part of these financial statements.

**Murrumbidgee Local Health District**  
**Statement of Financial Position as at 30 June 2021**

		Consolidated	Consolidated	Consolidated	Parent	Parent
		Actual	Budget <sup>1</sup>	Actual	Actual	Actual
		2021	2021	2020	2021	2020
	Notes	\$000	\$000	\$000	\$000	\$000
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	19	3,145	1,908	3,123	3,145	3,123
Receivables	20	10,517	11,216	11,217	10,517	11,217
Inventories	21	1,776	1,824	1,824	1,776	1,824
Other financial assets	22	3,000	3,000	3,000	3,000	3,000
<b>Total current assets</b>		<b>18,438</b>	<b>17,948</b>	<b>19,164</b>	<b>18,438</b>	<b>19,164</b>
<b>Non-current assets</b>						
Receivables	20	200	200	200	200	200
Property, plant & equipment	23					
- Land and buildings		720,850	716,181	653,400	720,850	653,400
- Plant and equipment		30,696	36,369	27,947	30,696	27,947
- Infrastructure systems		6,275	6,567	6,626	6,275	6,626
Total property, plant & equipment		757,821	759,117	687,973	757,821	687,973
Right-of-use assets	24	19,152	20,184	18,819	19,152	18,819
<b>Total non-current assets</b>		<b>777,173</b>	<b>779,501</b>	<b>706,992</b>	<b>777,173</b>	<b>706,992</b>
<b>Total assets</b>		<b>795,611</b>	<b>797,449</b>	<b>726,156</b>	<b>795,611</b>	<b>726,156</b>

# Murrumbidgee Local Health District

## Statement of Financial Position as at 30 June 2021 (continued)

	Notes	Consolidated Actual 2021 \$000	Consolidated Budget <sup>1</sup> 2021 \$000	Consolidated Actual 2020 \$000	Parent Actual 2021 \$000	Parent Actual 2020 \$000
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Payables	27	33,857	41,239	40,480	33,857	40,480
Contract liabilities	28	561	378	378	561	378
Borrowings	29	4,381	3,974	3,816	4,381	3,816
Provisions	30	54,770	51,994	49,243	54,770	49,243
Other current liabilities	31	141	-	-	141	-
<b>Total current liabilities</b>		<b>93,710</b>	<b>97,585</b>	<b>93,917</b>	<b>93,710</b>	<b>93,917</b>
<b>Non-current liabilities</b>						
Borrowings	29	15,871	17,517	16,142	15,871	16,142
Provisions	30	956	956	711	956	711
<b>Total non-current liabilities</b>		<b>16,827</b>	<b>18,473</b>	<b>16,853</b>	<b>16,827</b>	<b>16,853</b>
<b>Total liabilities</b>		<b>110,537</b>	<b>116,058</b>	<b>110,770</b>	<b>110,537</b>	<b>110,770</b>
<b>Net assets</b>		<b>685,074</b>	<b>681,391</b>	<b>615,386</b>	<b>685,074</b>	<b>615,386</b>
<b>EQUITY</b>						
Reserves		19,098	23,808	23,809	19,098	23,809
Accumulated funds		665,976	657,583	591,577	665,976	591,577
<b>Total Equity</b>		<b>685,074</b>	<b>681,391</b>	<b>615,386</b>	<b>685,074</b>	<b>615,386</b>

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

The accompanying notes form part of these financial statements.

# Murrumbidgee 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
<b>Balance at 1 July 2020</b>		<b>591,577</b>	<b>23,809</b>	<b>615,386</b>
<b>Net result for the year</b>		<b>69,810</b>	<b>-</b>	<b>69,810</b>
<b>Other comprehensive income:</b>				
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		4,711	(4,711)	-
<b>Total other comprehensive income</b>		<b>4,711</b>	<b>(4,711)</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>74,521</b>	<b>(4,711)</b>	<b>69,810</b>
<b>Transactions with owners in their capacity as owners</b>				
Increase / (decrease) in net assets from equity transfers	38	(122)	-	(122)
<b>Balance at 30 June 2021</b>		<b>665,976</b>	<b>19,098</b>	<b>685,074</b>

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
<b>Balance at 1 July 2019</b>		<b>488,770</b>	<b>24,396</b>	<b>513,166</b>
Changes in accounting policy - initial application of AASB 1058		(549)	-	(549)
<b>Balance at 1 July 2019</b>		<b>488,221</b>	<b>24,396</b>	<b>512,617</b>
<b>Net result for the year</b>		<b>102,789</b>	<b>-</b>	<b>102,789</b>
<b>Other comprehensive income:</b>				
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		587	(587)	-
<b>Total other comprehensive income</b>		<b>587</b>	<b>(587)</b>	<b>-</b>
<b>Total Comprehensive Income for the Year</b>		<b>103,376</b>	<b>(587)</b>	<b>102,789</b>
<b>Transactions with owners in their capacity as owners</b>				
Increase / (decrease) in net assets from equity transfers	38	(20)	-	(20)
<b>Balance at 30 June 2020</b>		<b>591,577</b>	<b>23,809</b>	<b>615,386</b>

The accompanying notes form part of these financial statements.

**Murrumbidgee Local Health District**  
**Statement of Cash Flows for the year ended 30 June 2021**

	Notes	Consolidated Actual 2021 \$000	Consolidated Budget <sup>1</sup> 2021 \$000	Consolidated Actual 2020 \$000	Parent Actual 2021 \$000	Parent Actual 2020 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
Employee related		(392,548)	(380,582)	(368,551)	-	-
Suppliers for goods and services		(321,564)	(307,113)	(293,137)	(321,564)	(293,137)
Grants and subsidies		(21,971)	(21,918)	(21,282)	(21,971)	(21,282)
Finance costs		(490)	(445)	(451)	(490)	(451)
Personnel services		-	-	-	(392,548)	(368,551)
<b>Total payments</b>		<b>(736,573)</b>	<b>(710,058)</b>	<b>(683,421)</b>	<b>(736,573)</b>	<b>(683,421)</b>
<b>Receipts</b>						
NSW Ministry of Health recurrent allocations		594,843	560,461	548,582	594,843	548,582
NSW Ministry of Health capital allocations		98,661	97,499	101,418	98,661	101,418
Reimbursements from the Crown <sup>2</sup>		5,879	5,879	6,743	5,879	6,743
Sale of goods and services		87,170	95,744	91,739	87,170	91,739
Interest received		43	415	103	43	103
Grants and other contributions		30,501	31,025	48,853	30,501	48,853
Other		29,540	28,726	24,132	29,540	24,132
<b>Total receipts</b>		<b>846,637</b>	<b>819,749</b>	<b>821,570</b>	<b>846,637</b>	<b>821,570</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	35	<b>110,064</b>	<b>109,691</b>	<b>138,149</b>	<b>110,064</b>	<b>138,149</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from sale of property, plant and equipment		-	-	470	-	470
Purchases of property, plant and equipment		(106,088)	(107,219)	(135,532)	(106,088)	(135,532)
Purchases of financial assets		-	-	500	-	500
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(106,088)</b>	<b>(107,219)</b>	<b>(134,562)</b>	<b>(106,088)</b>	<b>(134,562)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Repayment of borrowings and advances		(196)	(196)	(190)	(196)	(190)
Payment of principal portion of lease liabilities		(3,758)	(3,491)	(3,339)	(3,758)	(3,339)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(3,954)</b>	<b>(3,687)</b>	<b>(3,529)</b>	<b>(3,954)</b>	<b>(3,529)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>						
		22	(1,215)	58	22	58
Opening cash and cash equivalents	19	3,123	3,123	3,065	3,123	3,065
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	19	<b>3,145</b>	<b>1,908</b>	<b>3,123</b>	<b>3,145</b>	<b>3,123</b>

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

<sup>2</sup> Crown represents "The Crown in right of the State of New South Wales"

The accompanying notes form part of these financial statements.

# **Murrumbidgee Local Health District**

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

for the year ended 30 June 2021

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### **1. Statement of Significant Accounting Policies**

#### **a) Reporting entity**

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

MLHD 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.

MLHD, 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.
- \* Murrumbidgee Local Health District Special Purpose Service Entity, which was established as a Division of the MLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable MLHD 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 12 October 2021.

# Murrumbidgee Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 1. Statement of Significant Accounting Policies

#### b) Basis of preparation

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

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

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

The Secretary of NSW Health, the Chair of Murrumbidgee 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 MLHD'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 MLHD 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 MLHD. 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.

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.
- \* MLHD 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.
- \* MLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by MLHD 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. MLHD 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.

**Murrumbidgee Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

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**1. Statement of Significant Accounting Policies**

Property, plant and equipment and financial assets at fair value 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 MLHD'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 MLHD 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:

- \* MLHD 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 MLHD.

**AASB 1059 Service Concession Arrangements: Grantors (AASB 1059)**

AASB 1059 is effective for MLHD 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.

**Murrumbidgee Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

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**1. Statement of Significant Accounting Policies**

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.

MLHD 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.

MLHD has identified a service concession arrangement relating to existing assets of the District. The existing assets are now disclosed as service concession assets, but continues to be part of property, plant and equipment balance. As a result, the adoption of AASB 1059 did not have an impact on Statement of Comprehensive Income, Statement of Financial Position and the Statement of Cash Flows. Refer to Note 23 for disclosures around service concession assets.

**(ii) Issued but not yet effective**

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless NSW Treasury determines otherwise. MLHD, has assessed the potential impact of the new standards and interpretations issued but not yet effective and have determined they are unlikely to have a material impact on the financial statements of MLHD.

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

The COVID-19 pandemic has resulted in significant changes in MLHD 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

**Murrumbidgee 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)	345,352	335,165	-	-
Superannuation - defined benefit plans	1,689	2,206	-	-
Superannuation - defined contribution plans	30,185	29,128	-	-
Long service leave	(501)	12,231	-	-
Redundancies	495	593	-	-
Workers' compensation insurance	4,375	4,484	-	-
Fringe benefits tax	32	1	-	-
	<b>381,627</b>	<b>383,808</b>	<b>-</b>	<b>-</b>

Employee related costs of \$1.32 million (2020: \$0.82 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)	-	-	345,352	335,165
Superannuation - defined contribution plans	-	-	30,185	29,128
Long service leave	-	-	1,742	505
Redundancies	-	-	495	593
Workers' compensation insurance	-	-	4,375	4,484
Fringe benefits tax	-	-	32	1
	<b>-</b>	<b>-</b>	<b>382,181</b>	<b>369,876</b>

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

Personnel services of \$1.32 million (2020: \$0.82 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 MLHD's hospitals. VMO expenses of \$60.09 million (2020: \$53.3 million) represent part of the day-to-day running costs incurred in the normal operations of MLHD. These costs are expensed as incurred.

**Murrumbidgee Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

**5. Other expenses**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Advertising	344	180	344	180
Auditor's remuneration - audit of financial statements	106	105	106	105
Blood and blood products	2,298	2,133	2,298	2,133
Contractors	427	415	427	415
Domestic supplies and services	20,782	19,212	20,782	19,212
Drug supplies	15,048	13,168	15,048	13,168
Food supplies	19,068	18,454	19,068	18,454
Fuel, light and power	6,165	5,981	6,165	5,981
Patient transport costs	19,771	17,896	19,771	17,896
Information management expenses	13,545	11,961	13,545	11,961
Insurance	1,048	733	1,048	733
Maintenance (see Note 5 (b))	22,413	20,030	22,413	20,030
Medical and surgical supplies	28,704	22,099	28,704	22,099
Motor vehicle expenses	1,275	1,342	1,275	1,342
Postal and telephone costs	1,997	1,853	1,997	1,853
Printing and stationery	931	968	931	968
Rates and charges	1,022	982	1,022	982
Hosted services purchased from entities controlled by the immediate parent	5,011	5,311	5,011	5,311
Specialised services (dental, radiology, pathology and allied health)	39,354	34,496	39,354	34,496
Staff related costs	8,248	7,852	8,248	7,852
Travel related costs	2,944	4,346	2,944	4,346
Other (see Note 5 (a))	26,937	24,256	26,937	24,256
	<b>237,438</b>	<b>213,773</b>	<b>237,438</b>	<b>213,773</b>

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

**Murrumbidgee 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
<b>(a) Other</b>				
Contract for patient services	6,793	6,876	6,793	6,876
Corporate support services	5,962	5,719	5,962	5,719
Courier and freight	596	363	596	363
Isolated patient travel and accommodation assistance scheme	3,499	4,336	3,499	4,336
Legal services	211	193	211	193
Membership/professional fees	447	263	447	263
Quality assurance / accreditation	41	12	41	12
Security services	795	632	795	632
Expenses relating to short-term leases	2,307	2,213	2,307	2,213
Expenses relating to leases of low-value assets	881	818	881	818
Other miscellaneous	5,405	2,831	5,405	2,831
	<b>26,937</b>	<b>24,256</b>	<b>26,937</b>	<b>24,256</b>
<b>(b) Reconciliation of total maintenance</b>				
Maintenance contracts	5,798	5,882	5,798	5,882
New / replacement equipment under \$10,000	11,418	8,112	11,418	8,112
Repairs maintenance / non contract	5,195	5,883	5,195	5,883
Other	2	153	2	153
Maintenance expense - contracted labour and other (non-employee related) in Note 5	<b>22,413</b>	<b>20,030</b>	<b>22,413</b>	<b>20,030</b>
Employee related/personnel services maintenance expense included in Notes 2 and 3.	3,101	2,939	3,101	2,939
	<b>25,514</b>	<b>22,969</b>	<b>25,514</b>	<b>22,969</b>

**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 MLHD. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 27.

***Insurance***

MLHD'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***

MLHD 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.

**Murrumbidgee 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	24,538	18,818	24,538	18,818
Depreciation - plant and equipment	5,773	5,801	5,773	5,801
Depreciation - infrastructure systems	351	351	351	351
Depreciation - right-of-use buildings	2,110	2,184	2,110	2,184
Depreciation - right-of-use plant and equipment	1,810	1,523	1,810	1,523
	<b>34,582</b>	<b>28,677</b>	<b>34,582</b>	<b>28,677</b>

Refer to Note 23 Property, plant and equipment and Note 24 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	1,669	1,634	1,669	1,634
Grants to research organisations	9	468	9	468
Grants paid to entities controlled by the immediate parent	202	217	202	217
Other grants	148	95	148	95
	<b>2,028</b>	<b>2,414</b>	<b>2,028</b>	<b>2,414</b>

**Recognition and Measurement**

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

**Murrumbidgee 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	456	424	456	424
Interest expense from financial liabilities at amortised cost*	22	27	22	27
Other interest charges	12	-	12	-
	<b>490</b>	<b>451</b>	<b>490</b>	<b>451</b>

**Recognition and Measurement**

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

**9. Payments to Affiliated Health Organisations**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>(a) Recurrent sourced</b>				
Mercy Health Services	17,988	17,081	17,988	17,081
	<b>17,988</b>	<b>17,081</b>	<b>17,988</b>	<b>17,081</b>

**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 Mercy Health Services have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. MLHD 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.

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

**Summary of Compliance**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Total spending authority from parliamentary appropriations, other than own source revenue</b>	693,504	650,000	693,504	650,000
<b>Add:</b>				-
Own source revenue on 1 July 2019	-	3,065	-	3,065
Own source money received during the year	153,134	172,041	153,134	172,041
Own source revenue balance brought forward from prior years	3,123	-	3,123	-
<b>Less: expenditure charged against own source revenue</b>	846,616	821,983	846,616	821,983
<b>Own source revenue balance carried forward to following years</b>	<b>3,145</b>	<b>3,123</b>	<b>3,145</b>	<b>3,123</b>

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

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

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

**Murrumbidgee Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

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**11. NSW Ministry of Health allocations**

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

MLHD recognised additional NSW Ministry of Health recurrent allocations of \$34.88 million (2020: \$15.46 million) and NSW Ministry of Health capital allocations of \$1.02 million (2020: \$0.08 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.

**Murrumbidgee Local Health District**  
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**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	6,413	5,289	6,413	5,289
Sale of prostheses	1,105	1,165	1,105	1,165
Other	98	24	98	24
	<b>7,616</b>	<b>6,478</b>	<b>7,616</b>	<b>6,478</b>

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

***Patients***

Patient Fees:

- Inpatient fees	36,066	32,133	36,066	32,133
- Nursing home fees	240	8,005	240	8,005
- Non inpatient fees	2,633	2,441	2,633	2,441
Department of Veterans' Affairs	4,901	7,082	4,901	7,082
Motor Accident Authority third party	2,690	3,044	2,690	3,044
Multi Purpose Service Centre fees	19,479	17,846	19,479	17,846
Patient transport fees	67	63	67	63

***Staff***

Private use of motor vehicles	17	26	17	26
Salary packaging fee	(3)	11	(3)	11
Meals and accommodation	87	119	87	119
Child care fees	-	1	-	1

***General community***

Cafeteria / kiosk	7	6	7	6
Car parking	84	65	84	65
Clinical services (excluding clinical drug trials)	1,425	1,850	1,425	1,850
Commercial activities	27	27	27	27
Fees for conferences and training	544	559	544	559
Fees for medical records	51	47	51	47
Information retrieval	2	5	2	5

***Non-NSW Health entities***

Linen service revenues	53	56	53	56
Services to other organisations	353	191	353	191

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

Hosted service revenues	1,706	1,160	1,706	1,160
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***Entities controlled by the ultimate parent***

Infrastructure fees - monthly facility charge	8,147	8,175	8,147	8,175
Other	44	165	44	165

	<b>78,620</b>	<b>83,077</b>	<b>78,620</b>	<b>83,077</b>
	<b>86,236</b>	<b>89,555</b>	<b>86,236</b>	<b>89,555</b>

# Murrumbidgee Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 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 MLHD satisfies a performance obligation by transferring the promised goods.

<b>Type of good</b>	<b>Nature of timing of satisfaction of performance obligations, including significant payment terms</b>	<b>Revenue recognition policies</b>
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.

**Murrumbidgee Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

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**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 MLHD satisfies the performance obligation by transferring the promised services.

<b>Type of service</b>	<b>Nature of timing of satisfaction of performance obligations, including significant payment terms</b>	<b>Revenue recognition policies</b>
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.

**Murrumbidgee Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

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

**Recognition and Measurement (continued)**

**Rendering of services (continued)**

<b>Type of service</b>	<b>Nature of timing of satisfaction of performance obligations, including significant payment terms</b>	<b>Revenue recognition policies</b>
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 MLHD expects to recognise the unsatisfied portion as revenue.

**Murrumbidgee Local Health District**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

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**13. Investment revenue**

	<b>Consolidated 2021 \$000</b>	<b>Consolidated 2020 \$000</b>	<b>Parent 2021 \$000</b>	<b>Parent 2020 \$000</b>
Interest income from financial assets at amortised cost	43	103	43	103
	<b>43</b>	<b>103</b>	<b>43</b>	<b>103</b>

**Recognition and Measurement**

***Interest income***

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

**Murrumbidgee Local Health District**  
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**14. Grants and other contributions**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Grants to acquire / construct a recognisable non-financial asset to be controlled by the entity</b>				
Grants to acquire / construct non-financial asset	415	-	415	-
<b>Other grants with sufficiently specific performance obligations</b>				
Cancer Institute grants received from an entity controlled by the immediate parent	5,701	5,681	5,701	5,681
Commonwealth government grants received for community based services	4,116	4,060	4,116	4,060
Commonwealth government grants other	149	-	149	-
Other grants from entities controlled by the immediate parent	410	199	410	199
Other grants	4,449	3,693	4,449	3,693
<b>Grants without specific performance obligations</b>				
Grants from entities controlled by the ultimate parent	13,042	33,636	13,042	33,636
Other grants from entities controlled by the immediate parent	619	270	619	270
Other grants	31	107	31	107
Donations	732	765	732	765
	<b>29,664</b>	<b>48,411</b>	<b>29,664</b>	<b>48,411</b>

**Recognition and Measurement**

**Grants and other contributions**

Income from grants to acquire / construct a recognisable non-financial asset to be controlled by MLHD are recognised when MLHD satisfies its obligations under the transfer. MLHD 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 MLHD satisfies a performance obligation by transferring the promised goods or services. MLHD typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. MLHD 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.

**Murrumbidgee Local Health District**  
**Notes to and forming part of the Financial Statements**  
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**14. Grants and other contributions**

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 MLHD obtains control over the granted assets (e.g. cash).

***Volunteer services***

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

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

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

# Murrumbidgee Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 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	1,689	2,206	-	-
Long service leave provision	(2,243)	11,726	-	-
	<b>(554)</b>	<b>13,932</b>	<b>-</b>	<b>-</b>

### 16. Other income

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Other income comprises the following:				
Bad debts recovered	1	1	1	1
Commissions	26	33	26	33
Discounts	13	23	13	23
Insurance refunds	59	78	59	78
Rental income				
- other rental income	910	1,043	910	1,043
Sponsorship	41	3	41	3
Other	192	104	192	104
	<b>1,242</b>	<b>1,285</b>	<b>1,242</b>	<b>1,285</b>

### Recognition and Measurement

#### *Other Income*

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

#### *Forgiveness of liabilities*

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

**Murrumbidgee Local Health District**  
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**17. Gains / (losses) on disposal**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Gains / (losses) on disposals of:</b>				
<b>Property, plant and equipment</b>				
Written down value of assets disposed	5,866	948	5,866	948
Less: proceeds from disposal	-	5	-	5
<b>Net gains / (losses) on disposal</b>	<b>(5,866)</b>	<b>(943)</b>	<b>(5,866)</b>	<b>(943)</b>
<b>Right-of-use assets</b>				
Written down value of assets disposed	613	61	613	61
Less: lease liabilities extinguished	620	61	620	61
<b>Net gains / (losses) on disposal</b>	<b>7</b>	<b>-</b>	<b>7</b>	<b>-</b>
<b>Assets held for sale</b>				
Less: proceeds from disposal	-	465	-	465
<b>Net gains / (losses) on disposal</b>	<b>-</b>	<b>465</b>	<b>-</b>	<b>465</b>
<b>Total gains / (losses) on disposal</b>	<b>(5,859)</b>	<b>(478)</b>	<b>(5,859)</b>	<b>(478)</b>

**Recognition and Measurement**

*Impairment losses on non-financial assets*

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

- Note 20 Receivables
- Note 21 Inventories
- Note 23 Property, plant and equipment
- Note 24 Leases

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

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

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**19. Cash and cash equivalents**

	<b>Consolidated 2021 \$000</b>	<b>Consolidated 2020 \$000</b>	<b>Parent 2021 \$000</b>	<b>Parent 2020 \$000</b>
Cash at bank and on hand	3,145	3,123	3,145	3,123
	<b>3,145</b>	<b>3,123</b>	<b>3,145</b>	<b>3,123</b>

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash at bank, cash on hand, short-term deposits with original maturities of three months or less, which are subject to an insignificant risk of changes in value.

Cash and cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:

Cash and cash equivalents (per Statement of Financial Position)	3,145	3,123	3,145	3,123
	<b>3,145</b>	<b>3,123</b>	<b>3,145</b>	<b>3,123</b>

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

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

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

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

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

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**20. Receivables**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Trade receivables from contracts with customers	4,966	5,890	4,966	5,890
Intra health receivables	1,513	1,738	1,513	1,738
Goods and Services Tax	3,355	3,377	3,355	3,377
Other receivables	373	155	373	155
<b>Sub total</b>	<b>10,207</b>	<b>11,160</b>	<b>10,207</b>	<b>11,160</b>
Less: Allowance for expected credit losses*				
- Trade receivables from contracts with customers	(208)	(443)	(208)	(443)
- Other receivables	-	(4)	-	(4)
<b>Sub total</b>	<b>9,999</b>	<b>10,713</b>	<b>9,999</b>	<b>10,713</b>
Prepayments	518	504	518	504
	<b>10,517</b>	<b>11,217</b>	<b>10,517</b>	<b>11,217</b>

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

	Consolidated	Consolidated	Parent	Parent
<b>Trade receivables from contracts with customers</b>				
Balance at the beginning of the year	(443)	-	(443)	-
Amounts written off during the year	429	(443)	429	(443)
(Increase) / decrease in allowance recognised in the net result	(194)	-	(194)	-
<b>Balance at the end of the year</b>	<b>(208)</b>	<b>(443)</b>	<b>(208)</b>	<b>(443)</b>
<b>Other receivables</b>				
Balance at the beginning of the year	(4)	-	(4)	-
Amounts written off during the year	38	(4)	38	(4)
(Increase) / decrease in allowance recognised in the net result	(34)	-	(34)	-
<b>Balance at the end of the year</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>(4)</b>
	<b>(208)</b>	<b>(447)</b>	<b>(208)</b>	<b>(447)</b>

**Murrumbidgee Local Health District**  
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**20. Receivables (continued)**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Non-current</b>				
Prepayments	200	200	200	200
	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>

(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	748	667	748	667
Patient fees - ineligible	533	665	533	665
Patient fees - inpatient & other	2,988	3,110	2,988	3,110
	<b>4,269</b>	<b>4,442</b>	<b>4,269</b>	<b>4,442</b>

Details regarding credit risk of receivables that are neither past due nor impaired, are disclosed in Note 39.

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Contract receivables (included in Note 20)	6,122	7,081	6,122	7,081
<b>Total contract receivables</b>	<b>6,122</b>	<b>7,081</b>	<b>6,122</b>	<b>7,081</b>

**Recognition and Measurement**

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

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

**Subsequent measurement**

MLHD 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**

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

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

**Murrumbidgee Local Health District**  
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**21. Inventories**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Drug supplies	732	780	732	780
Medical and surgical supplies	823	823	823	823
Engineering supplies	200	200	200	200
Other including goods in transit	21	21	21	21
<b>Sub total</b>	<b>1,776</b>	<b>1,824</b>	<b>1,776</b>	<b>1,824</b>
<i>Less: Allowance for impairment</i>				
	<b>1,776</b>	<b>1,824</b>	<b>1,776</b>	<b>1,824</b>

**Recognition and Measurement**

Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount or any loss of operating capacity due to obsolescence. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

The cost of inventories acquired at no cost or for nominal consideration is the current replacement cost as at the date of acquisition. Current replacement cost is the cost MLHD 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.

**Murrumbidgee Local Health District**  
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**22. Other financial assets**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Other loans and deposits	3,000	3,000	3,000	3,000
	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>

Refer to Note 39 for further information regarding fair value measurement, credit risk, and market risk arising from financial instruments.

**Recognition and Measurement**

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

Other financial assets are initially measured at fair value plus any transaction costs. Other financial assets include intra health loans and deposits with a maturity of three months or more.

**Subsequent measurement**

*Financial assets at amortised cost*

Other financial assets are classified and subsequently measured at amortised cost as they are held for collection of contractual cash flows solely representing payments of principal and interest. Impairment losses are presented as a separate line item in the Statement of Comprehensive Income. Any gain or loss arising on derecognition is recognised directly in net results and presented in other gains / (losses) together with foreign exchange gains and losses.

**Impairment**

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

ECLs are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, ECLs are based on default events possible within the next 12-months (i.e. a 12-month ECL). If there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (i.e. a lifetime ECL). In addition, MLHD considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

MLHD term deposits are issued by financial institutions that have strong credit ratings and therefore considered to be low credit risk investments. Hence, MLHD measures the loss allowance for term deposits at an amount equal to a 12-month ECL. However, when there is a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

MLHD uses the ratings from external credit rating agencies both to determine whether there has been a significant increase in credit risk on the deposits and to estimate ECLs. These estimates are performed at every reporting date.

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

**Murrumbidgee Local Health District**  
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**23. Property, plant and equipment**

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

**PARENT AND CONSOLIDATION**

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2019 - fair value</b>				
Gross carrying amount	847,056	64,148	14,013	925,217
Less: accumulated depreciation and impairment	304,913	35,087	7,036	347,036
<b>Net carrying amount</b>	<b>542,143</b>	<b>29,061</b>	<b>6,977</b>	<b>578,181</b>
	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2020</b>				
Net carrying amount at beginning of year	542,143	29,061	6,977	578,181
De-recognition of service concession assets under AASB 116	(5,222)	-	(41)	(5,263)
Recognition of service concession assets on initial application of AASB 1059	5,222	-	41	5,263
<b>Adjusted net carrying amount at beginning of year</b>	<b>542,143</b>	<b>29,061</b>	<b>6,977</b>	<b>578,181</b>
Additions	130,650	4,881	-	135,531
Disposals	(803)	(145)	-	(948)
Equity transfers - transfers in / (out)	(20)	-	-	(20)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	199	-	199
Depreciation expense	(18,818)	(5,801)	(351)	(24,970)
Reclassifications	248	(248)	-	-
<b>Net carrying amount at end of year</b>	<b>653,400</b>	<b>27,947</b>	<b>6,626</b>	<b>687,973</b>

<sup>1</sup> For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 14-01.

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

**Murrumbidgee Local Health District**  
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**23. Property, plant and equipment (continued)**

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

**PARENT AND CONSOLIDATION**

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2020 - fair value</b>				
Gross carrying amount	975,067	68,060	14,013	1,057,140
Less: accumulated depreciation and impairment	321,667	40,113	7,387	369,167
<b>Net carrying amount</b>	<b>653,400</b>	<b>27,947</b>	<b>6,626</b>	<b>687,973</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2021</b>				
Net carrying amount at beginning of year	653,400	27,947	6,626	687,973
Additions	96,432	9,656	-	106,088
Disposals	(5,822)	(44)	-	(5,866)
Equity transfers - transfers in / (out)	(21)	(101)	-	(122)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	410	-	410
Depreciation expense	(24,538)	(5,773)	(351)	(30,662)
Reclassifications	1,399	(1,399)	-	-
<b>Net carrying amount at end of year</b>	<b>720,850</b>	<b>30,696</b>	<b>6,275</b>	<b>757,821</b>

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 30 June 2021 - fair value</b>				
Gross carrying amount	1,051,454	76,087	14,013	1,141,554
Less: accumulated depreciation and impairment	330,604	45,391	7,738	383,733
<b>Net carrying amount</b>	<b>720,850</b>	<b>30,696</b>	<b>6,275</b>	<b>757,821</b>

<sup>1</sup> For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 14-01.

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

- land and buildings \$4.9 million (2020: \$5.06 million)
- plant and equipment \$Nil (2020: \$Nil)
- infrastructure systems \$0.04 million (2020: \$0.04)

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

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

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

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

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

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

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

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**23. 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 MLHD.

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:

	<b>Useful lives</b>
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. MLHD has elected to present right-of-use assets separately in the Statement of Financial Position.

Further information on leases is contained in Note 24.

***Service concession assets***

MLHD 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 MLHD'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 MLHD'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.

**Murrumbidgee Local Health District**  
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**23. Property, plant and equipment (continued)**

***Service concession assets (continued)***

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

<b>Description</b>	<b>Lease of Young Aged Care Facility to Mercy Health</b>
Name and description of the service concession arrangement	Mercy Care Centre Young consists of 26 bed purpose-built sub-acute rehabilitation and palliative care unit in Young that provides services to the people of Young and surrounding regions. The Mercy Care Centre Young (Centre) is owned by MLHD and operated by Mercy Health under a 20 year lease agreement and
Period of arrangement	20 years (2004 to 2024)
Terms of the arrangement	MLHD has contracted Mercy Health (Operator) to manage the Centre for the duration of the arrangement. An annual funding agreement is agreed to compensate the Operator for managing the centre. The capital assets associated with the arrangement have been provided by MLHD to the Operator.
Rights and obligations	MLHD is obligated to provide the Operator with access to the Centre. The Operator is responsible for the delivery of specified services to patients at the Centre. MLHD is obligated to pay for those services under the annual funding agreement. At the end of the arrangement, the Operator is obliged to return all assets back to MLHD. There is no provision for extension of the term, however this
Changes in arrangements occurred during the FY20	Nil
Changes in arrangements occurred during the FY21	Nil
Carrying amount of service concession assets as at 30 June 2020 (\$'000)	5,100
Carrying amount of service concession assets as at 30 June 2021 (\$'000)	4,937

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**23. Property, plant and equipment (continued)**

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

*i. Initial recognition*

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

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

*ii. Subsequent to initial recognition*

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

*iii At the end of the arrangement*

At the end of a service concession arrangement:

- MLHD accounts for the asset in accordance with other AAS, with the entity reclassifying the asset based on its nature or function;
- reference to fair value reverts from the mandated current replacement cost under AASB 1059 to the appropriate approach under AASB 13; and
- the asset is only derecognised when MLHD loses control of the asset in accordance with AASB 116 [AASB 138].

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. MLHD 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. MLHD uses an independent professionally qualified valuer for such interim revaluations.

An interim management revaluation was completed on 30 June 2021 as a result of a cumulative increase in indicators of 7.00% for land and buildings and 9.00% for infrastructure. MLHD used an external professionally qualified valuer to conduct the interim revaluation. Indicators provided by Opteon (Southern Inland NSW) Pty Ltd were not applied as they were deemed immaterial.

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**23. Property, plant and equipment (continued)**

***Revaluation of property, plant and equipment (continued)***

Due to the COVID-19 pandemic in early 2020, MLHD'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. MLHD has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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

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

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

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

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

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

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

***Impairment of property, plant and equipment***

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

MLHD 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, MLHD 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.

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**23. Property, plant and equipment (continued)**

***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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**24. Leases**

**(a) Entity as a lessee**

MLHD leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 20 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. MLHD 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 MLHD 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 \$Nil have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extensions and termination options was an increase in recognised lease liabilities and right-of-use assets of \$1.67 million.

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

MLHD 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**

	<b>Land and Buildings \$'000</b>	<b>Plant and Equipment \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2020	15,648	3,169	18,817
Additions	1,549	1,019	2,568
Reassessments	2,151	149	2,300
Disposals	(599)	(14)	(613)
Depreciation expense	(2,110)	(1,810)	(3,920)
<b>Balance at 30 June 2021</b>	<b>16,639</b>	<b>2,513</b>	<b>19,152</b>
Balance at 1 July 2019	17,554	2,643	20,197
Additions	331	2,048	2,379
Reassessments	-	12	12
Disposals	(52)	(9)	(61)
Depreciation expense	(2,185)	(1,523)	(3,708)
<b>Balance at 30 June 2020</b>	<b>15,648</b>	<b>3,171</b>	<b>18,819</b>

**Murrumbidgee Local Health District**  
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**24. Leases (continued)**

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

**Lease liabilities**

The following table presents liabilities under leases.

**PARENT AND CONSOLIDATION**

	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
Balance at 1 July	19,186	20,196
Additions	2,568	2,379
Interest expenses	456	424
Payments	(4,214)	(3,763)
Terminations	(620)	(61)
Other adjustments	2,301	12
<b>Balance at 30 June</b>	<b>19,677</b>	<b>19,187</b>

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

**PARENT AND CONSOLIDATION**

	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
Depreciation expense of right-of-use assets	3,920	3,708
Interest expense on lease liabilities	456	424
Expenses relating to short-term leases	2,307	2,213
Expenses relating to leases of low-value assets	881	818
(Gains) / losses on disposal	(6)	-
<b>Total amount recognised in the statement of comprehensive income</b>	<b>7,558</b>	<b>7,163</b>

MLHD had total cash outflows for leases of \$7.4 million for the year ended 30 June 2021 (2020: \$6.79 million).

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

MLHD entered into a number of leases, with lease terms ranging from 1 to 10 years with various local health charities and health entities for the use of community health buildings. The contract specifies lease payments of \$Nil per annum. The leased premise is be used by MLHD to provide different community health services. The community health buildings account for a small portion of the similar assets MLHD is using for the purpose of providing community services. Therefore it does not have a significant impact on MLHD's operations.

**Recognition and Measurement**

MLHD 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.

MLHD 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.

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**24. Leases (continued)**

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

*i. Right-of-use assets*

MLHD 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:

	<b>Useful lives</b>
Buildings	1 to 16 years
Plant and equipment	3 to 4 years
Motor vehicles and other equipment	2 to 5 years

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

**24. 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.

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

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

MLHD 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 MLHD to further its objectives is the same as normal right-of-use assets. They are measured at cost, subject to impairment.

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

**PARENT AND CONSOLIDATION**

**Fair value measurement and hierarchy**

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

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, MLHD 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).

MLHD 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 23)				
- Land and buildings	-	1,386	400,349	401,735
- Infrastructure systems	-	-	6,275	6,275
	-	1,386	406,624	408,010

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 23.

	Level 1	Level 2	Level 3	Total Fair Value
2020	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 23)				
- Land and buildings	-	1,408	439,675	441,083
- Infrastructure systems	-	-	6,626	6,626
	-	1,408	446,301	447,709

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 23.

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

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

For land, buildings and infrastructure systems MLHD obtains external valuations by independent valuers at least every three years. The last revaluation was performed by Opteon (Southern Inland NSW) Pty Ltd for the 2018-19 financial year. Opteon (Southern Inland NSW) Pty Ltd is an independent entity and is not an associated entity of MLHD.

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

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

**PARENT AND CONSOLIDATION**

<b>2021</b>	<b>Land and Buildings \$000</b>	<b>Infrastructure Systems \$000</b>	<b>Other Assets \$000</b>	<b>Total Level 3 Recurring \$000</b>
<b>Fair value as at 1 July 2020</b>	439,675	6,626	-	446,301
Additions	-	-	-	-
Disposals	(24,813)	-	-	(24,813)
Depreciation expense	(14,492)	(351)	-	(14,843)
Equity transfers - transfers in / (out)	(21)	-	-	(21)
<b>Fair value as at 30 June 2021</b>	<b>400,349</b>	<b>6,275</b>	<b>-</b>	<b>406,624</b>

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

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

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

**PARENT AND CONSOLIDATION**

<b>2020</b>	<b>Land and Buildings \$000</b>	<b>Infrastructure Systems \$000</b>	<b>Other Assets \$000</b>	<b>Total Level 3 Recurring \$000</b>
<b>Fair value as at 1 July 2019</b>	447,054	6,977	-	454,031
De-recognition of service concession assets under AASB 116	(5,222)	(41)	-	(5,263)
Recognition of service concession assets on initial application of AASB 1059	5,222	41	-	5,263
<b>Adjusted fair value as at 1 July 2019</b>	<b>447,054</b>	<b>6,977</b>	<b>-</b>	<b>454,031</b>
Additions	13,193	-	-	13,193
Disposals	(2,094)	-	-	(2,094)
Depreciation expense	(18,458)	(351)	-	(18,809)
Equity transfers - transfers in / (out)	(20)	-	-	(20)
<b>Fair value as at 30 June 2020</b>	<b>439,675</b>	<b>6,626</b>	<b>-</b>	<b>446,301</b>

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

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**26. Restricted assets**

**PARENT AND CONSOLIDATION**

MLHD'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.

<b>Category</b>	<b>1 July 2020 Opening \$000</b>	<b>Revenue \$000</b>	<b>Expense \$000</b>	<b>2021 Closing \$000</b>
Community welfare	10	51	2	59
Facility improvements	1,015	188	182	1,021
Patient welfare	461	23	34	450
Private practice disbursements (No.2 Accounts)	74	1	4	71
Public contributions	3,001	590	518	3,073
Research	7	4	-	11
Staff welfare	25	7	9	23
Training and education including conferences	160	4	(3)	167
	<b>4,753</b>	<b>868</b>	<b>746</b>	<b>4,875</b>

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

<b>Category</b>	<b>Purpose</b>
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 MLHD 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 MLHD.

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
<b>Current</b>				
Accrued salaries, wages and on-costs	5,499	15,116	-	-
Salaries and wages deductions	117	158	-	-
Accrued liability - purchase of personnel services	-	-	5,616	15,274
Creditors	13,886	11,627	13,886	11,627
Other creditors				
- Payables to entities controlled by the immediate parent	6,868	4,765	6,868	4,765
- Other	7,487	8,814	7,487	8,814
	<b>33,857</b>	<b>40,480</b>	<b>33,857</b>	<b>40,480</b>

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

**Recognition and Measurement**

Payables represent liabilities for goods and services provided to MLHD 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
<b>Current</b>				
Contract liabilities	561	378	561	378
	<b>561</b>	<b>378</b>	<b>561</b>	<b>378</b>

**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 the 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	378	43	378	43
Revenue recognised from performance obligations satisfied in previous periods	-	10	-	10
Transaction price allocated to the remaining performance obligations from contracts with customers	28,883	48,583	28,883	48,583

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

<b>Specific revenue class</b>	<b>2022 \$'000</b>	<b>2023 \$'000</b>	<b>2024 \$'000</b>	<b>≥ 2025 \$'000</b>
Sales of goods and services from contracts with customers	18,218	-	-	-
Grants and other contributions	10,429	236	-	-
	<b>28,647</b>	<b>236</b>	<b>-</b>	<b>-</b>

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**29. Borrowings**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Other loans and deposits	201	196	201	196
Lease liabilities (see Note 24)	4,180	3,620	4,180	3,620
	<b>4,381</b>	<b>3,816</b>	<b>4,381</b>	<b>3,816</b>
<b>Non-current</b>				
Other loans and deposits	374	575	374	575
Lease liabilities (see Note 24)	15,497	15,567	15,497	15,567
	<b>15,871</b>	<b>16,142</b>	<b>15,871</b>	<b>16,142</b>

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

Final repayment of loan is scheduled for 30 June 2025

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

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

**Recognition and Measurement**

Borrowings represents interest bearing liabilities mainly raised through NSW Treasury Corporation, lease liabilities, service concession arrangement liabilities and other interest bearing liabilities.

*Financial liabilities at amortised cost*

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

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

**Changes in liabilities arising from financing activities**

**PARENT AND CONSOLIDATION**

	Service concession arrangements \$000	Other loans and deposits \$000	Leases \$000	Total liabilities from financing activities \$000
<b>1 July 2019</b>	-	961	-	961
Recognised on adoption of AASB 16	-	-	20,196	20,196
<b>Adjusted 1 July 2019</b>	-	<b>961</b>	<b>20,196</b>	<b>21,157</b>
Cash flows	-	(190)	(3,339)	(3,529)
New leases	-	-	2,379	2,379
Lease terminations	-	-	(61)	(61)
Lease reassessments	-	-	12	12
<b>30 June 2020</b>	-	<b>771</b>	<b>19,187</b>	<b>19,958</b>
Recognised on adoption of AASB 1059	-	-	-	-
<b>1 July 2020</b>	-	<b>771</b>	<b>19,187</b>	<b>19,958</b>
Cash flows	-	(196)	(3,758)	(3,954)
New leases	-	-	2,568	2,568
Lease terminations	-	-	(619)	(619)
Lease reassessments	-	-	2,299	2,299
<b>30 June 2021</b>	-	<b>575</b>	<b>19,677</b>	<b>20,252</b>

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**30. Provisions**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
<b>Employee benefits and related on-costs</b>				
Annual leave - obligations expected to be settled within 12 months	31,978	31,528	-	-
Annual leave - obligations expected to be settled after 12 months	11,693	7,858	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	858	770	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	8,812	7,403	-	-
Provision for other employee benefits	1,429	1,684	-	-
Provision for personnel services liability	-	-	54,770	49,243
<b>Total current provisions</b>	<b>54,770</b>	<b>49,243</b>	<b>54,770</b>	<b>49,243</b>
<b>Non-current</b>				
<b>Employee benefits and related on-costs</b>				
Long service leave consequential on-costs	956	711	-	-
Provision for personnel services liability	-	-	956	711
<b>Total non-current provisions</b>	<b>956</b>	<b>711</b>	<b>956</b>	<b>711</b>
<b>Aggregate employee benefits and related on-costs</b>				
Provisions - current	54,770	49,243	-	-
Provisions - non-current	956	711	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 27)	5,616	15,274	-	-
Liability - purchase of personnel services	-	-	61,342	65,228
	<b>61,342</b>	<b>65,228</b>	<b>61,342</b>	<b>65,228</b>

**Murrumbidgee Local Health District**  
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**30. Provisions (continued)**

**Recognition and Measurement**

***Employee benefits and other provisions***

***Salaries and wages, annual leave, sick leave, allocated days off (ADO) and on-costs***

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave and ADO are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As such, they are required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted).

Actuarial advice obtained by NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 20.08% are applied to the value of leave payable at 30 June 2021 (comparable on-costs for 30 June 2020 were 18.40%). MLHD has assessed the actuarial advice based on the MLHD'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 MLHD does not expect to settle the liability within 12 months as MLHD 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***

MLHD'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. MLHD 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 MLHD.

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: MLHD 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 MLHD 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 MLHD has a detailed formal plan, and MLHD 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
<b>Current</b>				
Unearned revenue	81	-	81	-
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	60	-	60	-
	<b>141</b>	<b>-</b>	<b>141</b>	<b>-</b>

**PARENT AND CONSOLIDATION**

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

	2021 \$'000	2020 \$000
Opening balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	-	-
Liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity recognised upon initial application of AASB 1058	-	-
<i>Add:</i> receipt of cash during the financial year	475	-
<i>Deduct:</i> income recognised during the financial year	415	-
<b>Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity</b>	<b>60</b>	<b>-</b>

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

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

**Murrumbidgee Local Health District**  
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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:

	<b>Consolidated</b>	<b>Consolidated</b>	<b>Parent</b>	<b>Parent</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Within one year	35,895	65,511	35,895	65,511
Later than one year and not later than five years	7,362	21,722	7,362	21,722
<b>Total (including GST)</b>	<b>43,257</b>	<b>87,233</b>	<b>43,257</b>	<b>87,233</b>

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

The total 'Capital expenditure commitments' of \$43.26 million as at 30 June 2021 includes input tax credits of \$3.9 million that are expected to be recoverable from the Australian Taxation Office (2020 \$7.9 million).

**33. Contingent liabilities and contingent assets**

**PARENT AND CONSOLIDATION**

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

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**34. Trust funds**

**PARENT AND CONSOLIDATION**

MLHD holds trust funds of \$6.6 million (2020: \$6.8 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 MLHD 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	81	3	(3)	81
Refundable Deposits	6,500	2,154	(2,444)	6,210
Private Patient Trust Funds	74	434	(317)	191
Third Party Funds	114	74	(56)	132
<b>Total trust funds</b>	<b>6,769</b>	<b>2,665</b>	<b>(2,820)</b>	<b>6,614</b>

Category	1 July 2019	Revenue	Expense	30 June 2020
	Opening equity			Closing equity
	\$'000	\$'000	\$'000	\$'000
Patient Trust	79	4	(2)	81
Refundable Deposits	4,247	4,113	(1,860)	6,500
Private Patient Trust Funds	78	370	(374)	74
Third Party Funds	112	56	(54)	114
Unclassified	-	-	-	-
<b>Total trust funds</b>	<b>4,516</b>	<b>4,543</b>	<b>(2,290)</b>	<b>6,769</b>

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

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

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

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**35. 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	110,064	138,149	110,064	138,149
Depreciation and amortisation expense	(34,582)	(28,677)	(34,582)	(28,677)
Allowance for impairment	(228)	(512)	(228)	(512)
(Increase) / decrease in unearned revenue	(140)	549	(140)	549
Decrease / (increase) in provisions	(5,773)	(5,954)	(5,773)	(5,954)
Increase / (decrease) in prepayments and other assets	(291)	(1,269)	(291)	(1,269)
Decrease / (increase) in payables	6,392	1,116	6,392	1,116
Decrease / (increase) in contract liabilities	(183)	(334)	(183)	(334)
Net gain / (loss) on sale of property, plant and equipment	(5,866)	(478)	(5,866)	(478)
Net gain / (loss) on disposal of right-of-use assets	7	-	7	-
Assets donated or brought to account (Note 36)	410	199	410	199
<b>Net result</b>	<b>69,810</b>	<b>102,789</b>	<b>69,810</b>	<b>102,789</b>

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

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Assets donated or brought to account	410	199	410	199
Property, plant and equipment acquired by a lease	2,568	2,379	2,568	2,379
	<b>2,978</b>	<b>2,578</b>	<b>2,978</b>	<b>2,578</b>

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**37. Adjusted budget review**

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

**PARENT AND CONSOLIDATION**

**Net result**

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

Total Revenue exceeded budget by \$24.7M. Recurrent Allocations exceeded budget targets by \$34.4M as the Ministry continues to support the LHD with the high costs of providing health care in a regional setting. LHD revenue streams were impacted during the year with reduced private patient activity impacting the results with DVA, MAA and TACP receipts down relative to prior years.

Total Expenditure exceeded budget by \$21.8M. Most of this unfavorability was seen in Employee Related Expenditure (\$15.9M) and VMO Payments (\$6.0M). The variances reflect the ongoing challenges that the LHD faces to ensure that health services continue to be provided in regional settings.

**Assets and liabilities**

The overall net assets were in line with last year's results and \$3.6M higher than budget. Total Liabilities are consistent with last year but lower than budget by \$5.5M. Non-Current Lease Liabilities are \$1.4M below budget. Trade Creditors are below targets with improved payment processes impacting. Total Assets completed the year \$1.8M lower than budgeted.

**Cash flows**

Total Payments increased from last year and were \$26.5M higher than budget. This reflects the continued cost pressures experienced by the LHD with the provision of health services in Regional NSW. Total cash receipts exceeded target by \$26.9M with the Ministry's recurrent cash allocations exceeding target by \$34.4M. This was offset by reduce sales of G&S throughout the year.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 17 November 2020 are as follows:

	<b>\$000</b>
Initial allocation, July 2020	508,681
Budget Relief COVID-19 Support	32,665
S&W Accrual Movement	11,572
Collaborative Commissioning	2,053
Isolated Patients Transport and Assistance Scheme	1,716
Voluntary Redundancies	548
Nursing Budget Enhancements	1,202
Medical Budget Enhancements	1,660
Other Enhancements	364
<b>Balance as per Statement of Comprehensive Income</b>	<b>560,461</b>

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**38. Equity**

**Revaluation surplus**

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with MLHD's policy on the revaluation of property, plant and equipment as discussed in Note 23.

**Accumulated funds**

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

**Reserves**

Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards (e.g. revaluation surplus and foreign currency translation reserve).

**Equity transfers effected in the 2020/21 year were:**

- (a) As at the 30 June 2021, a Mammography system was transferred from MLHD to HNELHD, an entity of the immediate parent, at \$Nil consideration. All corresponding asset and liability balances were transferred across at the carrying amounts from the transferee to the transferor.
- (b) In August 2020, a transfer of land was made from MLHD to Ambulance Service of NSW, an entity of the immediate parent, at \$Nil consideration. 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) A transfer of land has been made between MLHD and Ambulance Service of NSW to align land with the current legal entity in control of the asset. This has resulted in a decrease in net assets of \$0.02 million relating to the transfer of land to other NSW Health Entities.

**Equity transfers effected comprised:**

	2021 \$000	2020 \$000
(a) Equipment - Transfer of Equipment between NSW Health Entities	(101)	-
(b) Land - Transfer of Land between NSW Health Entities	(21)	(20)
	(122)	(20)

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

	2021 \$000	2020 \$000
<b>Assets</b>		
(a) Equipment	(101)	
(b) Land	(21)	(20)
<b>Increase / (Decrease) in Net Assets From Equity Transfers</b>	<b>(122)</b>	<b>(20)</b>

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

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**39. Financial instruments**

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

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

**(a) Financial instrument categories**

**PARENT AND CONSOLIDATION**

Class	Category	Carrying Amount 2021 \$000	Carrying Amount 2020 \$000
<b>Financial assets</b>			
Cash and cash equivalents (Note 19)	Amortised cost	3,145	3,123
Receivables (Note 20) <sup>1</sup>	Amortised cost	6,644	7,336
Other financial assets (Note 22)	Amortised cost	3,000	3,000
<b>Total financial assets</b>		<b>12,789</b>	<b>13,459</b>
<b>Financial liabilities</b>			
Borrowings (Note 29)	Financial liabilities measured at amortised cost	20,252	19,958
Payables (Note 27) <sup>2</sup>	Financial liabilities measured at amortised cost	33,857	40,480
<b>Total financial liabilities</b>		<b>54,109</b>	<b>60,438</b>

**Notes**

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

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

<sup>3</sup> While contract assets are also not financial assets, they are explicitly included (i.e. in the scope of AASB 7 Financial Instruments: Disclosures) for the purpose of the credit risk disclosures.

MLHD 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:

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

**39. Financial instruments (continued)**

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

When MLHD 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 MLHD has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of MLHD's continuing involvement in the asset. In that case, MLHD 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 MLHD. 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 MLHD, including cash, receivables and authority deposits. No collateral is held by MLHD. MLHD has not granted any financial guarantees.

Credit risk associated with MLHD'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.

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

**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 0.95% (Restricted Funds Bank balance: 0.95%) in 2020-21 compared to 1.61% (Restricted Funds Bank balance: 1.61%) 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.

MLHD 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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**39. Financial instruments (continued)**

**(d) Financial risk (continued)**

**i. Credit risk (continued)**

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

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

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

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

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

**PARENT AND CONSOLIDATION**

	<b>Current</b>	<b>&lt;30 days</b>	<b>30-60 days</b>	<b>61-90 days</b>	<b>&gt;91 days</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>30 June 2021</b>						
Expected credit loss rate	1.32%	4.34%	18.34%	28.57%	35.29%	3.90%
Estimated total gross carrying amount <sup>1</sup>	4,490	300	300	102	147	5,339
Expected credit loss	59	13	55	29	52	208
	<b>Current</b>	<b>&lt;30 days</b>	<b>30-60 days</b>	<b>61-90 days</b>	<b>&gt;91 days</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>30 June 2020</b>						
Expected credit loss rate	1.76%	5.70%	29.22%	47.54%	41.02%	7.39%
Estimated total gross carrying amount <sup>1</sup>	4,739	389	397	181	339	6,045
Expected credit loss	83	22	116	86	139	447

**Notes**

<sup>1</sup> The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB7 Financial Instruments: Disclosures. Therefore the 'total' will not reconcile to the receivables total in Note 20 and the contract assets total in Note 21.

MLHD 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.

**Other Financial Assets - Authority Deposits**

MLHD has placed funds on deposit with TCorp, which has been rated 'AA+' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. These deposits are considered to be low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. MLHD didn't recognise a provision for expected credit losses on its other financial assets as at 30 June 2021 (2020: \$Nil).

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**39. Financial instruments (continued)**

**(d) Financial risk (continued)**

**ii. Liquidity risk**

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

MLHD 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. MLHD's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

MLHD 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 MLHD 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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**39. Financial instruments (continued)**

**(d) Financial risk (continued)**

**ii. Liquidity risk (continued)**

**PARENT AND CONSOLIDATION**

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

*Maturity Analysis and interest rate exposure of financial liabilities*

	EIR <sup>3</sup> %	Nominal Amount <sup>1</sup> \$000	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate \$000	Variable Interest Rate \$000	Non - Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000	> 5Yr \$000
<b>2021</b>								
Payables:								
- Creditors <sup>2</sup>		33,857	-	-	33,857	33,857	-	-
Borrowings:								
- Other loans and deposits	2.9%	612	612	-	-	217	395	-
- Lease liabilities	2.2%	21,669	21,669	-	-	3,490	8,251	9,928
		<b>56,138</b>	<b>22,281</b>	-	<b>33,857</b>	<b>37,564</b>	<b>8,646</b>	<b>9,928</b>
<b>2020</b>								
Payables:								
- Creditors <sup>2</sup>		40,480	-	-	40,480	40,480	-	-
Borrowings:								
- Other loans and deposits	2.9%	771	771	-	-	196	575	-
- Lease liabilities	2.2%	21,641	21,641	-	-	3,909	7,812	9,920
		<b>62,892</b>	<b>22,412</b>	-	<b>40,480</b>	<b>44,585</b>	<b>8,387</b>	<b>9,920</b>

**Notes:**

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

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

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

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**39. Financial instruments (continued)**

**iii. Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. MLHD's exposures to market risk are primarily through interest rate risk on MLHD's borrowings and other price risks associated with the movement in the Hour Glass Investment Facilities. MLHD 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 MLHD 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 MLHD's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. MLHD 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, MLHD is not permitted to borrow external to the NSW Ministry of Health (except energy loans which are negotiated through NSW Treasury). Both NSW Treasury and NSW Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates.

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

**PARENT AND CONSOLIDATION**

	2021		2020	
	\$000		\$000	
	-1%	1%	-1%	1%
Net result	141	(141)	138	(138)
Equity	141	(141)	138	(138)

**39. Financial instruments (continued)**

**(e) Fair value measurement**

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

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

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

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

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

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

When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, MLHD 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).

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

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**40. Related party disclosures**

**PARENT AND CONSOLIDATION**

**(a) Key management personnel compensation**

Key management personnel compensation is as follows:

	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
Short-term employee benefits	490	589
Post-employment benefits	28	30
	<b>518</b>	<b>619</b>

During the financial year, Murrumbidgee Local Health District obtained key management personnel services from the immediate parent and incurred \$386 thousand (2020: \$384 thousand) for these services. This amount does not form part of the key management personnel compensation disclosed above.

MLHD'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 MLHD had with government related entities during the financial year**

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

*The following operating expenses were incurred with entities controlled by the senior 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.
- Various grants and subsidies towards research and other projects

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**40. Related party disclosures**

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

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

- Payroll and fringe benefits taxes
- Audit of the statutory financial statements
- Legal and consultancy services
- Utilities, including electricity, gas and water expenses
- Motor vehicle toll expenses
- Insurance costs
- Various grants and subsidies towards research and other projects

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

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

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

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

*Assets and liabilities as follows:*

- Receivables and payables in respect of the above noted related party revenue and expense transactions
- Energy Efficient Government Program loans are held with the Crown
- Intra-health loans and advances
- The majority of the construction of property, plant and equipment is managed and overseen by Health Administration Corporation
- The majority of capital commitments contracted but not provided for related to capital works overseen by the Health Administration Corporation.

**41. Events after the reporting period**

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

**END OF AUDITED FINANCIAL STATEMENTS**