



INDEPENDENT AUDITOR'S REPORT

Northern Sydney Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Northern Sydney 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 38. The note states that AASB 1055 'Budgetary Reporting' is not applicable to the District. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the District's financial statements present adjusted budget information.

The Chief Executive's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

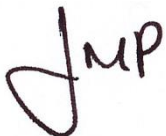
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



Jan-Michael Perez
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

5 October 2021
SYDNEY

Northern Sydney 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 Northern Sydney 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 Northern Sydney 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 'Deb Willcox'.

Deb Willcox
Chief Executive
30 September 2021

A handwritten signature in blue ink, appearing to read 'Jacquie Ferguson'.

Jacquie Ferguson
Director Finance and Corporate Services
30 September 2021

Northern Sydney Local Health District

Statement of Comprehensive Income for the year ended 30 June 2021

	Notes	Consolidated Actual 2021 \$000	Consolidated Budget ¹ 2021 \$000	Consolidated Actual Restated 2020 \$000	Parent Actual 2021 \$000	Parent Actual Restated 2020 \$000
Continuing operations						
Expenses excluding losses						
Employee related expenses	2	1,035,466	1,028,743	1,014,486	-	-
Personnel services	3	-	-	-	1,036,030	968,256
Visiting medical officers	4	50,063	49,788	52,763	50,063	52,763
Other expenses	5	744,499	749,787	596,012	744,499	596,012
Depreciation and amortisation	6	83,343	82,866	85,797	83,343	85,797
Grants and subsidies	7	6,251	5,676	5,906	6,251	5,906
Finance costs	8	69,762	69,676	74,842	69,762	74,842
Payments to Affiliated Health Organisations	9	42,193	42,327	43,834	42,193	43,834
Total expenses excluding losses		2,031,577	2,028,863	1,873,640	2,032,141	1,827,410
Revenue						
NSW Ministry of Health recurrent allocations	11	1,616,599	1,629,055	1,423,521	1,616,599	1,423,521
NSW Ministry of Health capital allocations	11	86,338	85,264	162,337	86,338	162,337
Acceptance by the Crown ² of employee benefits	15	(564)	(564)	46,230	-	-
Sale of goods and services from contracts with customers	12	208,300	241,246	206,973	208,300	206,973
Investment revenue	13	966	294	1,593	966	1,593
Grants and other contributions	14	61,137	44,252	40,302	61,137	40,302
Other income	16	22,199	20,012	21,855	22,199	21,855
Total revenue		1,994,975	2,019,559	1,902,811	1,995,539	1,856,581
Operating result		(36,602)	(9,304)	29,171	(36,602)	29,171
Gains / (losses) on disposal	17	(842)	(58)	(204)	(842)	(204)
Impairment losses on financial assets	20	(4,075)	(1,238)	(3,641)	(4,075)	(3,641)
Net result from continuing operations	36	(41,519)	(10,600)	25,326	(41,519)	25,326
Net result		(41,519)	(10,600)	25,326	(41,519)	25,326
Other comprehensive income						
<i>Items that will not be reclassified to net result in subsequent periods</i>						
Changes in revaluation surplus of property, plant and equipment	22	(478)	-	37,764	(478)	37,764
Total other comprehensive income		(478)	-	37,764	(478)	37,764
TOTAL COMPREHENSIVE INCOME		(41,997)	(10,600)	63,090	(41,997)	63,090

¹ Unaudited adjusted budget, see Note 38.

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

See Note 1(g) for details regarding restated prior year balances for NSLHD.

The accompanying notes form part of these financial statements.

Northern Sydney Local Health District
Statement of Financial Position as at 30 June 2021

		Consolidated	Consolidated	Consolidated	Consolidated	Parent	Parent	Parent
		Actual	Budget ¹	Actual	Actual	Actual	Actual	Actual
		2021	2021	Restated	Restated	2021	Restated	Restated
		\$000	\$000	2020	1 July 2019	\$000	\$000	1 July 2019
	Notes			\$000	\$000			\$000
ASSETS								
Current assets								
Cash and cash equivalents	19	121,763	103,248	120,902	118,102	121,763	120,902	118,102
Receivables	20	52,544	46,358	46,411	61,463	52,544	46,411	61,463
Inventories	21	8,101	8,149	8,148	9,263	8,101	8,148	9,263
		182,408	157,755	175,461	188,828	182,408	175,461	188,828
Non-current assets held for sale	25	-	3,506	3,506	49,672	-	3,506	49,672
Total current assets		182,408	161,261	178,967	238,500	182,408	178,967	238,500
Non-current assets								
Receivables	20	1,662	1,240	1,240	1,187	1,662	1,240	1,187
Property, plant & equipment	22							
- Land and buildings		2,589,466	2,607,345	2,620,402	2,525,314	2,589,466	2,620,402	2,525,314
- Plant and equipment		122,957	111,877	103,661	102,500	122,957	103,661	102,500
- Infrastructure systems		44,003	44,979	44,979	37,466	44,003	44,979	37,466
Total property, plant & equipment		2,756,426	2,764,201	2,769,042	2,665,280	2,756,426	2,769,042	2,665,280
Right-of-use assets	23	3,296	3,778	4,946	3,711	3,296	4,946	3,711
Intangible assets	24	3,152	2,592	2,592	2,881	3,152	2,592	2,881
Total non-current assets		2,764,536	2,771,811	2,777,820	2,673,059	2,764,536	2,777,820	2,673,059
Total assets		2,946,944	2,933,072	2,956,787	2,911,559	2,946,944	2,956,787	2,911,559
LIABILITIES								
Current liabilities								
Payables	28	129,953	126,881	151,971	134,490	129,953	151,971	134,490
Contract liabilities	29	11,758	9,260	9,260	8,403	11,758	9,260	8,403
Borrowings	30	9,316	2,582	9,026	2,688	9,316	9,026	2,688
Provisions	31	260,792	213,925	179,773	151,059	260,792	179,773	151,059
Other current liabilities	32	11,037	10,848	10,847	10,290	11,037	10,847	10,290
liabilities		422,856	363,496	360,877	306,930	422,856	360,877	306,930
Non-current liabilities								
Borrowings	30	722,813	730,150	732,389	725,090	722,813	732,389	725,090
Provisions	31	3,234	3,234	2,327	14,394	3,234	2,327	14,394
Other non-current liabilities	32	208,167	206,780	221,181	187,509	208,167	221,181	187,509
Total non-current liabilities		934,214	940,164	955,897	926,993	934,214	955,897	926,993
Total liabilities		1,357,070	1,303,660	1,316,774	1,233,923	1,357,070	1,316,774	1,233,923
Net assets		1,589,874	1,629,412	1,640,013	1,677,636	1,589,874	1,640,013	1,677,636
EQUITY								
Reserves		333,931	335,292	335,293	274,125	333,931	335,293	274,125
Accumulated funds		1,255,943	1,294,120	1,304,720	1,403,511	1,255,943	1,304,720	1,403,511
Total Equity		1,589,874	1,629,412	1,640,013	1,677,636	1,589,874	1,640,013	1,677,636

¹ Unaudited adjusted budget, see Note 38.

See Note 1(g) for details regarding restated prior year balances for NSLHD.

The accompanying notes form part of these financial statements.

Northern Sydney Local Health District
Statement of Changes in Equity for the year ended 30 June 2021

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2020		1,304,720	335,293	1,640,013
Net result for the year		(41,519)	-	(41,519)
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	22	-	(478)	(478)
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		884	(884)	-
Total other comprehensive income		884	(1,362)	(478)
Total comprehensive income for the year		(40,635)	(1,362)	(41,997)
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	39	(8,142)	-	(8,142)
Balance at 30 June 2021		1,255,943	333,931	1,589,874

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2019		1,399,440	274,125	1,673,565
Changes in accounting policy - initial application of AASB 1059	1(g)	9,976	-	9,976
Changes in accounting policy - initial application of AASB 1058		(5,903)	-	(5,903)
Restated balance at 1 July 2019		1,403,513	274,125	1,677,638
Net result for the year		25,326	-	25,326
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	22	-	37,764	37,764
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		(23,404)	23,404	-
Total other comprehensive income		(23,404)	61,168	37,764
Total Comprehensive Income for the Year		1,922	61,168	63,090
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	39	(100,715)	-	(100,715)
Balance at 30 June 2020		1,304,720	335,293	1,640,013

The accompanying notes form part of these financial statements.

Northern Sydney Local Health District
Statement of Cash Flows for the year ended 30 June 2021

	Notes	Consolidated Actual 2021 \$000	Consolidated Budget ¹ 2021 \$000	Consolidated Actual 2020 \$000	Parent Actual 2021 \$000	Parent Actual 2020 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		(1,041,855)	(1,058,230)	(950,078)	-	-
Suppliers for goods and services		(822,892)	(854,028)	(699,624)	(822,892)	(699,624)
Grants and subsidies		(53,491)	(53,050)	(55,107)	(53,491)	(55,107)
Finance costs		(69,763)	(69,676)	(74,842)	(69,763)	(74,842)
Personnel services		-	-	-	(1,041,855)	(950,078)
Total payments		(1,988,001)	(2,034,984)	(1,779,651)	(1,988,001)	(1,779,651)
Receipts						
NSW Ministry of Health recurrent allocations		1,616,599	1,629,055	1,423,521	1,616,599	1,423,521
NSW Ministry of Health capital allocations		86,338	85,264	162,337	86,338	162,337
Reimbursements from the Crown ²		13,574	13,574	14,456	13,574	14,456
Sale of goods and services		212,382	251,527	226,572	212,382	226,572
Interest received		927	288	1,593	927	1,593
Grants and other contributions		65,553	48,462	49,346	65,553	49,346
Other		77,595	74,649	64,649	77,595	64,649
Total receipts		2,072,968	2,102,819	1,942,474	2,072,968	1,942,474
NET CASH FLOWS FROM OPERATING ACTIVITIES	36	84,967	67,835	162,823	84,967	162,823
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and		32	-	34	32	34
Purchases of property, plant and equipment and intangibles		(74,918)	(76,826)	(158,590)	(74,918)	(158,590)
Purchases of financial assets		39	-	-	39	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		(74,847)	(76,826)	(158,556)	(74,847)	(158,556)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from borrowings and advances		-	-	1,473	-	1,473
Repayment of borrowings and advances		(6,242)	(6,241)	(328)	(6,242)	(328)
Payment of principal portion of service concession financial liabilities		(1,274)	(1,274)	(1,191)	(1,274)	(1,191)
Payment of principal portion of lease liabilities		(1,743)	(1,148)	(1,421)	(1,743)	(1,421)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(9,259)	(8,663)	(1,467)	(9,259)	(1,467)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS						
Opening cash and cash equivalents	19	120,902	120,902	118,102	120,902	118,102
EQUIVALENTS	19	121,763	103,248	120,902	121,763	120,902

¹ Unaudited adjusted budget, see Note 38.

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

The accompanying notes form part of these financial statements.

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

1. Statement of Significant Accounting Policies

a) Reporting entity

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

NSLHD 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.

NSLHD, 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 27), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * Northern Sydney Local Health District Special Purpose Service Entity, which was established as a Division of the NSLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable NSLHD 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 30 September 2021.

1. Statement of Significant Accounting Policies

b) Basis of preparation

NSLHD'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);
- * applicable requirements of the *Government Sector Finance Act 2018* ('the Act'); and
- * Treasurer's Directions issued under the Act.

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

The Secretary of NSW Health, the Chair of Northern Sydney 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 NSLHD'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 NSLHD 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.

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

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

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

NSLHD has received an additional \$114.26 million (2020: \$29.34 million) through NSW Ministry of Health allocations as financial support for COVID-19 activity, see Note 11.

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.
- * NSLHD 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.
- * NSLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by NSLHD and assist in meeting its overall budget target. The EIP is monitored and evaluated by the NSW Ministry of Health throughout the financial year.

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

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

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

1. Statement of Significant Accounting Policies

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 NSLHD 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) Foreign currency translation

Transactions in foreign currencies are recorded using the spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the end of the reporting date.

Differences arising on settlement or translation of monetary items are recognised in net result.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or net results are also recognised in other comprehensive income or net results, respectively).

f) 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.

g) 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:

- * NSLHD 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 NSLHD.

AASB 1059 Service Concession Arrangements: Grantors (AASB 1059)

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

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

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

NSLHD 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.

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

1. Statement of Significant Accounting Policies

The effect of adopting AASB 1059 is as follows:

PARENT AND CONSOLIDATED

Impact on the Statement of Comprehensive Income (increase / (decrease)) for the year ended 30 June 2020 is as follows:

		30 June 2020 AASB 1059	30 June 2020 Without adoption of AASB 1059	30 June 2020 Impact of AASB 1059
	Notes	\$000	\$000	\$000
Revenue				
Other income	16	21,945	20,582	1,363
Total revenue		1,902,811	1,901,448	1,363
Expenses				
Depreciation and amortisation	6	85,797	83,153	2,644
Finance costs	8	74,842	75,802	(960)
Total expenses		1,873,640	1,871,956	1,684
Operating result		29,171	29,492	(321)
Net Result		25,326	25,647	(321)
Changes in revaluation surplus of property, plant and equipment	22	37,764	68,283	(30,519)
Total other comprehensive income		37,764	68,283	(30,519)
Total comprehensive income		63,090	93,930	(30,840)

Note: The above table is an extract only, showing only those financial statement line items affected by the introduction of AASB 1059.

Impact on the Statement of Financial Position (increase / (decrease)) as at 1 July 2019:

PARENT AND CONSOLIDATED

		01 July 2019 AASB 1059	01 July 2019 Without adoption of AASB 1059	01 July 2019 Impact of AASB 1059
	Notes	\$000	\$000	\$000
Assets				
Property, plant and equipment	22	2,665,280	2,563,914	101,366
Other assets		-	9,179	(9,179)
Total assets		2,907,848	2,815,661	92,187
Liabilities				
Borrowings	30	736,355	723,107	13,248
Other liabilities	32	200,297	131,334	68,963
Total liabilities		1,224,307	1,142,096	82,211
Net assets		1,683,541	1,673,565	9,976
Equity				
Accumulated funds		1,409,416	1,399,440	9,976
Total adjustments to equity		1,683,541	1,673,565	9,976

Note: The above table is an extract only, showing only those financial statement line items affected by the introduction of AASB 1059.

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

1. Statement of Significant Accounting Policies

Impact on the Statement of Financial Position (increase / (decrease)) as at 30 June 2020:

PARENT AND CONSOLIDATED

		30 June 2020 AASB 1059	30 June 2020 Without adoption of AASB 1059	30 June 2020 Impact of AASB 1059
	Notes	\$000	\$000	\$000
Assets				
Property, plant and equipment	22	2,769,042	2,700,838	68,204
Other assets		-	9,764	(9,764)
Total assets		2,956,787	2,898,347	58,440
Liabilities				
Borrowings	30	741,414	729,125	12,289
Other liabilities	32	232,029	165,014	67,015
Total liabilities		1,316,774	1,237,470	79,304
Net assets		1,640,013	1,660,877	(20,864)
Equity				
Asset revaluation surplus		335,293	365,812	(30,519)
Accumulated funds		1,304,720	1,295,065	9,655
Total adjustments to equity		1,640,013	1,660,877	(20,864)

Note: The above table is an extract only, showing only those financial statement line items affected by the introduction of AASB 1059.

The adoption of AASB 1059 did not have a material impact on Other Comprehensive Income and the Statement of Cash Flows.

The nature of these adjustments is described below:

- New assets were recognised as service concession assets under property, plant and equipment with corresponding Grant of a Right to the Operator (GORTO) liabilities recorded under other liabilities
- Existing emerging asset balances under other assets were derecognised
- Financial liabilities were remeasured at fair value at the date of transition impacting the borrowing amounts
- Statement of comprehensive income was respectively impacted with increased revenue and expenses arising from higher assets and liabilities
- Other comprehensive income was mainly impacted with the revaluation movements for new service concession assets

1. Statement of Significant Accounting Policies

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

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

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

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

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

(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. NSLHD, 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 NSLHD.

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

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

Northern Sydney 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)	939,568	881,037	-	-
Superannuation - defined benefit plans	4,181	5,309	-	-
Superannuation - defined contribution plans	81,508	77,500	-	-
Long service leave	2,103	43,682	-	-
Redundancies	286	(630)	-	-
Workers' compensation insurance	7,783	7,495	-	-
Fringe benefits tax	37	93	-	-
	1,035,466	1,014,486	-	-

Employee related costs of \$Nil (2020: \$Nil) have been capitalised in property, plant and equipment and intangible 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)	-	-	939,568	881,037
Superannuation - defined contribution plans	-	-	81,508	77,500
Long service leave	-	-	6,848	2,761
Redundancies	-	-	286	(630)
Workers' compensation insurance	-	-	7,783	7,495
Fringe benefits tax	-	-	37	93
	-	-	1,036,030	968,256

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

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

4. Visiting medical officers

Visiting medical officers (VMOs) enhance full-time medical specialist services by providing speciality input in a number of disciplines throughout NSLHD's hospitals. VMO expenses of \$50.06 million (2020: \$52.76 million) represent part of the day-to-day running costs incurred in the normal operations of NSLHD. These costs are expensed as incurred.

Northern Sydney 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	168	132	168	132
Auditor's remuneration - audit of financial statements	232	234	232	234
Blood and blood products	11,062	9,881	11,062	9,881
Consultancies	536	229	536	229
Contractors	5,075	40	5,075	40
Domestic supplies and services	47,116	44,440	47,116	44,440
Drug supplies	47,257	47,467	47,257	47,467
Food supplies	22,736	22,931	22,736	22,931
Fuel, light and power	10,262	10,956	10,262	10,956
Patient transport costs	9,155	9,574	9,155	9,574
Information management expenses	34,939	32,168	34,939	32,168
Insurance	1,295	1,401	1,295	1,401
Maintenance (see Note 5 (b))	90,422	54,754	90,422	54,754
Medical and surgical supplies	87,878	71,080	87,878	71,080
Motor vehicle expenses	1,618	1,611	1,618	1,611
Postal and telephone costs	2,658	2,151	2,658	2,151
Printing and stationery	1,655	1,511	1,655	1,511
Rates and charges	1,338	1,802	1,338	1,802
Hosted services purchased from entities controlled by the immediate parent	1,558	737	1,558	737
Specialised services (dental, radiology, pathology and allied health)	66,317	48,626	66,317	48,626
Staff related costs	9,915	4,947	9,915	4,947
Travel related costs	888	3,246	888	3,246
Other (see Note 5 (a))	290,419	226,094	290,419	226,094
	744,499	596,012	744,499	596,012

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

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

5. Other expenses (continued)

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
(a) Other				
Contract for patient services	209,912	177,047	209,912	177,047
Corporate support services	10,547	10,327	10,547	10,327
Courier and freight	639	500	639	500
Isolated patient travel and accommodation assistance scheme	5	30	5	30
Legal services	693	416	693	416
Membership/professional fees	841	942	841	942
Public private partnership contracted services	47,000	18,732	47,000	18,732
Quality assurance / accreditation	147	77	147	77
Security services	1,345	869	1,345	869
Expenses relating to short-term leases	646	1,128	646	1,128
Expenses relating to leases of low-value assets	1,435	1,321	1,435	1,321
Variable lease payments, not included in lease liabilities	55	65	55	65
Other miscellaneous	17,154	14,640	17,154	14,640
	290,419	226,094	290,419	226,094
(b) Reconciliation of total maintenance				
Maintenance contracts	31,355	24,266	31,355	24,266
New / replacement equipment under \$10,000	52,482	25,069	52,482	25,069
Repairs maintenance / non contract	7,840	6,510	7,840	6,510
Other	(1,255)	(1,091)	(1,255)	(1,091)
Maintenance expense - contracted labour and other (non-employee related) in Note 5	90,422	54,754	90,422	54,754
Employee related/personnel services maintenance expense included in Notes 2 and 3.	2,726	2,736	2,726	2,736
	93,148	57,490	93,148	57,490

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 NSLHD. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 28.

Insurance

NSLHD'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

NSLHD 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.

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

6. Depreciation and amortisation

	Consolidated	Consolidated¹	Parent	Parent¹
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Depreciation - buildings	63,858	64,201	63,858	64,201
Depreciation - plant and equipment	15,642	17,934	15,642	17,934
Depreciation - infrastructure systems	1,665	1,644	1,665	1,644
Depreciation - right-of-use buildings	32	178	32	178
Depreciation - right-of-use plant and equipment	1,593	1,402	1,593	1,402
Amortisation - intangible assets	553	438	553	438
	83,343	85,797	83,343	85,797

¹ Depreciation - buildings has been restated to be \$2.64 million higher in the prior year for NSLHD (consolidated and parent). Refer to Note 1(g) for further details.

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

7. Grants and subsidies

	Consolidated	Consolidated	Parent	Parent
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Non-government organisations	3,692	3,623	3,692	3,623
Grants to research organisations	149	103	149	103
Grants paid to entities controlled by the immediate parent	1,020	763	1,020	763
Other grants	1,390	1,417	1,390	1,417
	6,251	5,906	6,251	5,906

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.

Northern Sydney 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 ¹ 2020 \$000	Parent 2021 \$000	Parent ¹ 2020 \$000
Interest expense from lease liabilities	72	82	72	82
Interest expense from financial liabilities at amortised cost*	69,690	74,760	69,690	74,760
	69,762	74,842	69,762	74,842

¹ Finance costs - interest expense from lease liabilities has been restated to be \$0.96 million lower in the prior year for NSLHD (consolidated and parent). Refer to Note 1(g) for further details.

* Of the interest expense from financial liabilities at amortised cost, \$0.82 million (2020: \$0.84 million) related to financial liabilities relating to service concession arrangements. Refer to Note 22 for further details on service concession arrangements.

Recognition and Measurement

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

9. Payments to Affiliated Health Organisations

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Recurrent sourced				
Greenwich & Neringah Hospitals (HammondCare)	22,368	24,404	22,368	24,404
Royal Rehabilitation Centre Sydney	19,825	19,430	19,825	19,430
	42,193	43,834	42,193	43,834

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 Greenwich & Neringah Hospitals (HammondCare) and Royal Rehabilitation Centre, Sydney have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. NSLHD 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.

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

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

Movement of Section 4.7 GSF Act - Deemed Appropriations

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Opening balance	120,902	-	120,902	-
Add: Appropriations deemed on 1 July 2019	-	118,102	-	118,102
Add: additions of deemed appropriations	370,063	356,649	370,063	356,649
Less: expenditure charged against deemed	369,202	353,849	369,202	353,849
	121,763	120,902	121,763	120,902

Notes

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

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

11. NSW Ministry of Health allocations

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

NSLHD recognised additional NSW Ministry of Health recurrent allocations of \$110.97 million (2020: \$26.71 million) and NSW Ministry of Health capital allocations of \$3.29 million (2020: \$2.63 million) to cover costs incurred for the preparation, diagnosis and treatment of COVID-19 patients.

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

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

12. Sale of goods and services from contracts with customers

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
(a) Sale of goods comprise the following:				
Sale and recovery of pharmaceutical supplies	16,247	17,492	16,247	17,492
Sale of prostheses	9,250	8,528	9,250	8,528
Other	22,437	23,026	22,437	23,026
	47,934	49,046	47,934	49,046
(b) Rendering of services comprise the following:				
Patients				
Patient Fees:				
- Inpatient fees	80,801	80,843	80,801	80,843
- Nursing home fees	338	269	338	269
- Non inpatient fees	4,623	4,804	4,623	4,804
Department of Veterans' Affairs	10,065	11,568	10,065	11,568
Motor Accident Authority third party	11,994	12,464	11,994	12,464
Staff				
Private use of motor vehicles	67	81	67	81
Salary packaging fee	1,001	957	1,001	957
Meals and accommodation	92	111	92	111
Child care fees	1,573	1,246	1,573	1,246
General community				
Car parking	273	479	273	479
Clinical services (excluding clinical drug trials)	1,919	880	1,919	880
Commercial activities	2,906	2,553	2,906	2,553
Fees for conferences and training	20	49	20	49
Fees for medical records	211	172	211	172
Information retrieval	1	2	1	2
Non-NSW Health entities				
Services to other organisations	2,330	2,225	2,330	2,225
Entities controlled by the immediate parent				
Hosted service revenues	9,463	8,743	9,463	8,743
Shared corporate service revenues	1	3	1	3
Other				
Infrastructure fees - annual charge	6,350	6,004	6,350	6,004
Infrastructure fees - monthly facility charge	20,120	19,694	20,120	19,694
Other	6,218	4,780	6,218	4,780
	160,366	157,927	160,366	157,927
	208,300	206,973	208,300	206,973

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

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

Recognition and Measurement (continued)

Sale of goods

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

Type of good	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Sale and recovery of pharmaceutical supplies	The performance obligation of transferring pharmaceutical products is typically satisfied at the point in time when the products are dispensed to customers, which denotes acceptance by the customer, and therefore deemed as the point in time when the control is transferred to the customer. The payments are typically due within 30 days after the invoice date.	Revenue from these sales is recognised based on the price specified on the invoice, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term. No volume discount or warranty is provided on the sale.
Sale of prostheses	Relates to revenue generated for surgically implanted prostheses and medical devices. The performance obligation of transferring these products is typically satisfied at the point in time when the products are implanted in the body of the patient, which denotes acceptance by the customer, and therefore deemed as the point in time when the control is transferred to the customer. The payments are typically due within 30 days after the invoice date.	Revenue from these sales is recognised based on the price specified on the invoice, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term. No volume discount or warranty is provided on the sale.
Other	Relates to sale of various products including the sale of low value medical equipment, schedule 3 medical equipment, sale of publications, old wares and refuse and other general goods. The performance obligation of transferring these products is typically satisfied at the point in time when the products are purchased by the customer and takes delivery, which denotes acceptance by the customer, and therefore deemed as the point in time when the control is transferred to the customer. The payments are typically due within 30 days after the invoice date.	Revenue from these sales is recognised based on the price specified on the invoice, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term. No volume discount or warranty is provided on the sale.

Northern Sydney Local Health District
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for the year ended 30 June 2021

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

Recognition and Measurement (continued)

Rendering of services

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

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

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

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

Recognition and Measurement (continued)

Rendering of services (continued)

Type of service	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Infrastructure fees	Specialist doctors with rights of private practice are subject to an infrastructure charge, including service charges where applicable for the use of hospital facilities at rates determined by the NSW Ministry of Health. The performance obligations for these services are typically satisfied when the hospital facilities are made available and used by the doctors and staff specialists. The payments are typically due when monies are collected from patient billings for services provided under the arrangement.	Revenue is recognised when promised services are delivered. No element of financing is deemed present as the services are made with a short credit term.

Refer to Note 29 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 NSLHD expects to recognise the unsatisfied portion as revenue.

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

13. Investment revenue

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Interest income from financial assets at amortised cost	870	1,086	870	1,086
Net gain / (loss) from TCorpIM Funds measured at fair value through profit or loss	96	507	96	507
	966	1,593	966	1,593

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).

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

14. Grants and other contributions

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Grants to acquire / construct a recognisable non-financial asset to be controlled by the entity				
Grants to acquire / construct non-financial asset	3,348	73	3,348	73
Other grants with sufficiently specific performance obligations				
Cancer Institute grants received from an entity controlled by the immediate parent	8,404	9,042	8,404	9,042
Clinical trials and research grants	6,826	7,968	6,826	7,968
Commonwealth government grants received for community based services	10,164	10,014	10,164	10,014
Grants from entities controlled by the ultimate parent	-	1	-	1
Other grants from entities controlled by the immediate parent	732	-	732	-
Other grants	6,236	5,020	6,236	5,020
Grants without specific performance obligations				
Clinicals trial and research grants	111	951	111	951
Commonwealth government grants other	2	-	2	-
Other grants from entities controlled by the immediate parent	15,658	377	15,658	377
Other grants	-	14	-	14
Donations	9,656	6,842	9,656	6,842
	61,137	40,302	61,137	40,302

14. Grants and other contributions

Recognition and Measurement

Grants and other contributions

Income from grants to acquire / construct a recognisable non-financial asset to be controlled by NSLHD is recognised when NSLHD satisfies its obligations under the transfer. NSLHD 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 NSLHD satisfies a performance obligation by transferring the promised goods or services. NSLHD typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. NSLHD uses various methods to recognise revenue over time, depending on the nature and terms and conditions of the grant contract. The payments are typically based on agreed timetable or on achievement of different milestones set up in the contract.

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

Refer to Note 29 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 NSLHD 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. NSLHD 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.

Northern Sydney Local Health District
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15. Acceptance by The Crown in right of the State of New South Wales (Crown) of employee benefits

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

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Superannuation - defined benefit plans	4,181	5,309	-	-
Long service leave provision	(4,745)	40,921	-	-
	(564)	46,230	-	-

16. Other income

	Consolidated 2021 \$000	Consolidated ¹ 2020 \$000	Parent 2021 \$000	Parent ¹ 2020 \$000
Other income comprises the following:				
Bad debts recovered	16	25	16	25
Commissions	39	39	39	39
Discounts	1	49	1	49
Insurance refunds	577	752	577	752
Rental income				
- other rental income	4,381	4,466	4,381	4,466
Revenue related to service concession arrangements*	9,389	9,389	9,389	9,389
Sponsorship	24	66	24	66
Unclaimed deposits	203	(3)	203	(3)
Other	7,569	7,072	7,569	7,072
	22,199	21,855	22,199	21,855

¹ Other income - other rental income has been restated to be \$5.02 million lower, revenue related to service concession arrangements restated to be \$9.39 million higher and other income restated to be \$3.01 million lower than in the prior year for NSLHD (consolidated and parent). Refer to Note 1(g) for further details.

* This revenue reflects the progressive unwinding of the 'grant of right to operate liability' (Note 32) over the remaining period of the arrangement. Refer to Note 22 for further details on service concession arrangements.

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.

Northern Sydney Local Health District
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17. Gains / (losses) on disposal

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Gains / (losses) on disposals of:				
Property, plant and equipment				
Written down value of assets disposed	874	238	874	238
Less: proceeds from disposal	32	34	32	34
Net gains / (losses) on disposal	(842)	(204)	(842)	(204)
Right-of-use assets				
Written down value of assets disposed	6	-	6	-
Less: lease liabilities extinguished	6	-	6	-
Net gains / (losses) on disposal	-	-	-	-
Total gains / (losses) on disposal	(842)	(204)	(842)	(204)

Recognition and Measurement

Impairment losses on non-financial assets

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

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

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

NSLHD receives various types of grants and donations from different grantors / donors, some of which may not have enforceable performance obligations. NSLHD 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 27 Restricted assets.

Northern Sydney Local Health District
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19. Cash and cash equivalents

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Cash at bank and on hand	91,894	91,128	91,894	91,128
Short-term deposits	29,869	29,774	29,869	29,774
	121,763	120,902	121,763	120,902

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)	121,763	120,902	121,763	120,902
	121,763	120,902	121,763	120,902

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

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

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

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

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

Northern Sydney Local Health District
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20. Receivables

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Trade receivables from contracts with customers	34,698	28,801	34,698	28,801
Intra health receivables	4,984	4,044	4,984	4,044
Goods and Services Tax	15,503	13,425	15,503	13,425
Other receivables	1,225	2,258	1,225	2,258
Sub total	56,410	48,528	56,410	48,528
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(3,798)	(4,626)	(3,798)	(4,626)
- Other receivables	(2,261)	(1,392)	(2,261)	(1,392)
Sub total	50,351	42,510	50,351	42,510
Prepayments	2,193	3,901	2,193	3,901
	52,544	46,411	52,544	46,411

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

Trade receivables from contracts with customers				
Balance at the beginning of the year	(4,626)	(3,848)	(4,626)	(3,848)
Amounts written off during the year	2,961	2,202	2,961	2,202
Amounts recovered during the year	(67)	(18)	(67)	(18)
(Increase) / decrease in allowance recognised in the net result ¹	(2,066)	(2,961)	(2,066)	(2,961)
Balance at the end of the year	(3,798)	(4,626)	(3,798)	(4,626)
Other receivables				
Balance at the beginning of the year	(1,392)	(1,298)	(1,392)	(1,298)
Amounts written off during the year	1,141	590	1,141	590
Amounts recovered during the year	(2)	(4)	(2)	(4)
(Increase) / decrease in allowance recognised in the net result	(2,008)	(680)	(2,008)	(680)
Balance at the end of the year	(2,261)	(1,392)	(2,261)	(1,392)
	(6,059)	(6,018)	(6,059)	(6,018)
Non-current				
Prepayments	1,662	1,240	1,662	1,240
	1,662	1,240	1,662	1,240

¹ Includes total impairment loss of \$2.07 million (2020: \$2.96 million) recognised on receivables from contracts with customers.

Northern Sydney Local Health District
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20. Receivables (continued)

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

Current and non-current include:

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Patient fees - compensable	2,488	2,320	2,488	2,320
Patient fees - ineligible	5,856	5,277	5,856	5,277
Patient fees - inpatient & other	12,572	9,974	12,572	9,974
	20,916	17,571	20,916	17,571

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

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Contract receivables (included in Note 20)	39,620	32,182	39,620	32,182
Total contract receivables	39,620	32,182	39,620	32,182

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

NSLHD 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

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

In response to the COVID-19 pandemic, NSLHD has changed the terms and conditions with its counterparties to offer deferred payment terms to receive rental income from tenants, for a period of 12 months from 27 March 2020 for retail tenants with a turnover of less than \$5 million and a period of 9 months from 27 March 2020 for retail tenants with a turnover of more than \$5 million. NSLHD has a rental receivables balance amount of \$1.79 million as at 2021 (2020: \$0.6 million). The expected impacts on the recoverability of these receivables is not considered significant.

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

Northern Sydney Local Health District
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21. Inventories

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Drug supplies	2,813	2,889	2,813	2,889
Medical and surgical supplies	5,052	5,060	5,052	5,060
Engineering supplies	66	51	66	51
Other including goods in transit	170	148	170	148
	8,101	8,148	8,101	8,148

Recognition and Measurement

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

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

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

Northern Sydney Local Health District
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22. Property, plant and equipment

(a) Total property, plant and equipment

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2019 - fair value				
Gross carrying amount	3,285,125	207,815	68,302	3,561,242
Less: accumulated depreciation and impairment	759,809	105,315	30,836	895,960
Net carrying amount	2,525,316	102,500	37,466	2,665,282

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2020				
Net carrying amount at beginning of year	2,423,949	102,500	37,466	2,563,915
De-recognition of service concession assets under AASB 116	(587,024)	(36,615)	(22,565)	(646,204)
Recognition of service concession assets on initial application of AASB 1059	688,391	36,615	22,565	747,571
Adjusted net carrying amount at beginning of year	2,525,316	102,500	37,466	2,665,282
Additions	137,706	20,734	-	158,440
Reclassification from assets held for sale	45,878	-	288	46,166
Disposals	-	(238)	-	(238)
Equity transfers - transfers in / (out)	(54,442)	-	(151)	(54,593)
Net revaluation increments less revaluation decrements	31,699	-	6,065	37,764
Depreciation expense	(64,201)	(17,934)	(1,644)	(83,779)
Reclassifications	(1,554)	(1,401)	2,955	-
Net carrying amount at end of year	2,620,402	103,661	44,979	2,769,042

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

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 26.

Northern Sydney Local Health District
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22. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2020 - fair value				
Gross carrying amount	3,265,929	210,792	67,924	3,544,645
Less: accumulated depreciation and impairment	645,527	107,131	22,945	775,603
Net carrying amount	2,620,402	103,661	44,979	2,769,042

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2021				
Net carrying amount at beginning of year	2,620,402	103,661	44,979	2,769,042
Adjusted net carrying amount at beginning of year	2,620,402	103,661	44,979	2,769,042
Additions	37,046	37,872	-	74,918
Reclassification to intangibles	-	(1,113)	-	(1,113)
Reclassification from assets held for sale	3,506	-	-	3,506
Disposals	(524)	(350)	-	(874)
Equity transfers - transfers in / (out)	(8,142)	-	-	(8,142)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	732	-	732
Net revaluation increments less revaluation decrements	(478)	-	-	(478)
Depreciation expense	(63,858)	(15,642)	(1,665)	(81,165)
Reclassifications	1,514	(2,203)	689	-
Net carrying amount at end of year	2,589,466	122,957	44,003	2,756,426

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2021 - fair value				
Gross carrying amount	3,255,653	225,781	68,613	3,550,047
Less: accumulated depreciation and impairment	666,187	102,824	24,610	793,621
Net carrying amount	2,589,466	122,957	44,003	2,756,426

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

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

- land and buildings \$637.6 million (2020: \$653.71 million)
- plant and equipment \$27.52 million (2020: \$32.07 million)
- infrastructure systems \$22.05 million (2020: \$22.64 million)

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

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 26.

22. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

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

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 26.

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

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

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

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

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

Capitalisation thresholds

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

Major inspection costs

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

Restoration costs

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

22. Property, plant and equipment (continued)

Depreciation of property, plant and equipment

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

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

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

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

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

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

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

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

Right-of-use assets acquired by lessees

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

Further information on leases is contained in Note 23.

Service concession assets

NSLHD 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 1(g) details changes in the NSLHD'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 NSLHD's service concession arrangements in place during the current year.

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

22. Property, plant and equipment (continued)

Service concession assets (continued)

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

Description	Northern Beaches Hospital (NBH)	Royal North Shore (RNS) Car Parks
Name and description of the service concession arrangement	Northern Beaches Hospital arrangement consist of a public hospital, a private hospital and the hospital car park located in the suburb of Frenchs Forest. The private hospital is not a service concession asset and is excluded from discussions below.	The arrangement consist of two multi-storey car parks at Royal North Shore Hospital, namely P1 and P2.
Period of arrangement	Northern Beaches Public Hospital 20 years (2018 - 2038) Northern Beaches Car Park 40 years (2018 - 2058)	P1 Car Park 26.5 years (2010 - 2036) P2 Car Park 22 years (2014 - 2036)
Terms of the arrangement	NSLHD has contracted HealthScope (Operator) to build, operate and manage the hospital and the car park for the duration of the arrangement. The construction of the public hospital was funded by NSLHD, paid upfront on completion of the construction works. The private hospital and the car park was fully funded by the Operator. NSLHD has no funding obligations for the private hospital. For the car park, NSLHD has granted rights to the Operator to operate and generate revenue from the car parks. Annual service level agreements are entered into for the delivery of public health services at the public hospital with the Operator, which is funded by NSLHD, paid on a monthly basis.	NSLHD has contracted Infrashore (Operator) to build P1 car park and manage both P1 and P2 car parks for the duration of the arrangement. The construction of the P2 car park is funded by NSLHD, paid in instalments under a financing arrangement for the duration of the term. P1 car park was an existing carpark of NSLHD. NSLHD has granted rights to the Operator to operate and generate revenue from both the car parks. Upon grant of this right, the Operator has paid an upfront license fee to NSLHD.

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22. Property, plant and equipment (continued)

Service concession assets (continued)

Description	Northern Beaches Hospital (NBH)	Royal North Shore (RNS) Car Parks
Rights and obligations	NSLHD is obliged to provide the Operator with access to the hospital and the car park. The Operator is responsible for the delivery of health services to public patients at the hospital which NSLHD is obliged to pay for. At the end of the arrangement, the Operator is obliged to return all assets back to NSLHD. NSLHD will be sharing a portion of the hospital facilities with the private operator for a additional term of 20 years after the expiry of the concession period. NSLHD is required to issue a notice outlining what shared services will be provided by different parties. NSLHD has rights to extend the arrangement for up to 5 years, by way of giving 3 years notice to the operator.	NSLHD is obliged to provide the Operator with access to the carparks and obligated to pay for the construction of the P2 car park under the financing arrangement with the Operator. The Operator is responsible for operating the car parks and at the end of the arrangement, return all assets back to NSLHD. There is no provision for extension of the term.
Changes in arrangements	Nil	Nil
Changes in arrangements	Nil	Nil
Carrying amount of service concession assets as at 30 June 2020 (\$'000)	Northern Beaches Public Hospital (Existing asset) \$610,696 Northern Beaches Car Park (New asset recognised on transition of AASB 1059) \$50,698	P1 Car Park (New asset recognised on transition of AASB 1059) \$17,505 P1 Car Park (Existing asset) \$7,140 P2 Car Park (Existing asset) \$22,381
Carrying amount of service concession assets as at 30 June 2021 (\$'000)	Northern Beaches Public Hospital (Existing asset) \$592,427 Northern Beaches Car Park (New asset recognised on transition of AASB 1059) \$49,381	P1 Car Park (New asset recognised on transition of AASB 1059) \$16,376 P1 Car Park (Existing asset) \$7,140 P2 Car Park (Existing asset) \$21,810

i. Initial recognition

For arrangements within the scope of AASB 1059, NSLHD 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 NSLHD, the asset is recognised at current replacement cost based on AASB 13 Fair Value Measurement principles.

Where the asset is an existing asset of NSLHD, 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

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.

22. Property, plant and equipment (continued)

iii. At the end of the arrangement

At the end of a service concession arrangement:

- NSLHD 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 NSLHD loses control of the asset in accordance with AASB 116 [AASB 138].

Revaluation of property, plant and equipment

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

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to Note 26 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. NSLHD 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 2019 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. NSLHD uses an independent professionally qualified valuer for such interim revaluations.

An interim management revaluation was completed on 31 December 2020 as a result of a cumulative increase in indicators of 3% for land and buildings and 3% for infrastructure. NSLHD used an external professionally qualified valuer to conduct the interim revaluation. Indicators provided by CBRE Valuations Pty Ltd were not applied as they were deemed immaterial.

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

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

22. Property, plant and equipment (continued)

Revaluation of property, plant and equipment (continued)

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

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

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

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

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

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

Impairment of property, plant and equipment

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

NSLHD 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, NSLHD estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

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

Derecognition of property, plant and equipment

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

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23. Leases

(a) Entity as a lessee

NSLHD leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 6 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. NSLHD 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 NSLHD 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 \$Nil.

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

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

Right-of-use assets under leases

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

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	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2020	397	4,550	4,947
Additions	86	159	245
Reassessments	(275)	10	(265)
Disposals	-	(6)	(6)
Depreciation expense	(32)	(1,593)	(1,625)
Balance at 30 June 2021	176	3,120	3,296

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	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2019	546	3,165	3,711
Additions	29	2,786	2,815
Depreciation expense	(178)	(1,402)	(1,580)
Balance at 30 June 2020	397	4,549	4,946

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23. Leases (continued)

(a) Entity as a lessee (continued)

Lease liabilities

The following table presents liabilities under leases.

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	2021	2020
	\$000	\$000
Balance at 1 July	5,106	3,711
Additions	245	2,815
Interest expenses	72	82
Payments	(1,815)	(1,503)
Terminations	(7)	-
Reassessments	(264)	-
Balance at 30 June	3,337	5,105

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

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	2021	2020
	\$000	\$000
Depreciation expense of right-of-use assets	1,625	1,580
Interest expense on lease liabilities	72	82
Expenses relating to short-term leases	646	1,128
Expenses relating to leases of low-value assets	1,435	1,321
Variable lease payments, not included in the measurement of lease liabilities	55	65
Total amount recognised in the statement of comprehensive income	3,833	4,176

NSLHD had total cash outflows for leases of \$3.95 million for the year ended 30 June 2021 (2020: \$4.02 million).

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

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

Recognition and Measurement

NSLHD 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.

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

23. Leases (continued)

(a) Entity as a lessee (continued)

i. Right-of-use assets

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

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

	Useful lives
Buildings	1 to 6 years
Plant and equipment	1 to 6 years
Motor vehicles and other equipment	1 to 4 years

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

23. Leases (continued)

(a) Entity as a lessee (continued)

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

NSLHD's lease liabilities are included in borrowings in Note 30.

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

NSLHD 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 NSLHD 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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24. Intangible assets

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	Total \$000
At 1 July 2019	
Cost (gross carrying amount)	7,616
Less: accumulated amortisation and impairment	4,735
Net carrying amount	2,881
Year ended 30 June 2020	
Net carrying amount at beginning of year	2,881
Additions - acquired separately	149
Amortisation (recognised in depreciation and amortisation)	(438)
Net carrying amount at end of year	2,592
At 1 July 2020	
Cost (gross carrying amount)	7,766
Less: accumulated amortisation and impairment	5,174
Net carrying amount	2,592
Year ended 30 June 2021	
Net carrying amount at beginning of year	2,592
Reclassifications from plant and equipment	1,113
Amortisation (recognised in depreciation and amortisation)	(553)
Net carrying amount at end of year	3,152

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24. Intangible assets (continued)

PARENT AND CONSOLIDATION

	Total \$000
At 30 June 2021	
Cost (gross carrying amount)	8,879
Less: accumulated amortisation and impairment	5,727
Net carrying amount	3,152

Recognition and Measurement

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

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

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

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

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

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

25. Non-current assets held for sale

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Assets held for sale				
Land and buildings	-	3,506	-	3,506
	-	3,506	-	3,506

Further details regarding fair value measurement are disclosed in Note 26.

Recognition and Measurement

NSLHD has certain non-current assets classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are recognised at the lower of carrying amount and fair value less costs of disposal.

These assets are not depreciated while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are continued to be recognised.

26. 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, NSLHD 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).

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

(a) Fair value hierarchy

	Level 1	Level 2	Level 3	Total Fair Value
2021	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 22)				
- Land and buildings	-	48,096	2,291,791	2,339,887
- Infrastructure systems	-	-	43,030	43,030
	-	48,096	2,334,821	2,382,917

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

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

	Level 1	Level 2	Level 3	Total Fair Value
2020 ¹	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 22)				
- Land and buildings	-	23,003	2,360,405	2,383,408
- Infrastructure systems	-	-	44,674	44,674
Other assets (Note)				
Non-current assets held for sale (Note 25)	-	3,506	-	3,506
	-	26,509	2,405,079	2,431,588

¹ Land and buildings in the prior year have been restated (parent and consolidated). Refer to Note 1(g) for further details.

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

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

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

(b) Valuation techniques, inputs and processes

For land, buildings and infrastructure systems NSLHD obtains external valuations by independent valuers at least every three years. The last revaluation was performed by CBRE Valuations Pty Ltd for the 2019-20 financial year. CBRE Valuations Pty Ltd is an independent entity and is not an associated entity of NSLHD.

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

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

- For land, the valuation by the valuer is made on a market approach, comparing similar assets (not identical) and observable inputs. The most significant input is price per square metre.

All commercial and non-restricted land is included in level 2 as these land valuations have a high level of observable inputs although these lands are not identical.

All of the restricted land has been classified as level 3 as, although observable inputs have been used, a significant level of professional judgement is required to adjust inputs in determining the land valuations. Certain parcels of land have zoning restrictions, for example hospital grounds, and values are adjusted accordingly.

- For buildings and infrastructure, many assets are of a specialised nature or use, and thus the most appropriate valuation method is depreciated replacement cost. These assets are included as level 3 as these assets have a high level of unobservable inputs. However, residential properties are valued on a market approach and included in level 2.
- Non-current assets held for sale is a non-recurring item that is measured at the lower of its fair value less cost to sell or its carrying amount. These assets are categorised as level 2.

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

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

(c) Reconciliation of recurring Level 3 fair value measurements

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2021	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2020	2,360,405	44,674	-	2,405,079
Adjusted fair value as at 1 July 2020	2,360,405	44,674	-	2,405,079
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 22)	(478)	-	-	(478)
Disposals	(524)	-	-	(524)
Depreciation expense	(62,976)	(1,644)	-	(64,620)
Equity transfers - transfers in / (out)	(8,142)	-	-	(8,142)
Others	3,506	-	-	3,506
Fair value as at 30 June 2021	2,291,791	43,030	-	2,334,821

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

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2020 ¹	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2019	1,244,395	15,467	9,179	1,269,041
De-recognition of service concession assets under AASB 116	(587,024)	(22,565)	-	(609,589)
Recognition of service concession assets on initial application of AASB 1059	688,391	22,565	(9,179)	701,777
Adjusted fair value as at 1 July 2019	1,345,762	15,467	-	1,361,229
Additions	578,949	24,851	-	603,800
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 22)	67,062	6,201	-	73,263
Transfers from Level 2	427,982	-	-	427,982
Depreciation expense	(64,496)	(1,694)	-	(66,190)
Equity transfers - transfers in / (out)	(5,633)	(151)	-	(5,784)
Reclassification from Asset Held for Sale	10,779	-	-	10,779
Fair value as at 30 June 2020	2,360,405	44,674	-	2,405,079

¹ Land and buildings in the prior year have been restated (parent and consolidated). Refer to Note 1(g) for further details.

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

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27. Restricted assets

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

Category	1 July 2020	Revenue	Expense	2021
	Opening \$000	\$000	\$000	Closing \$000
Community welfare	71	133	14	190
Facility improvements	34,345	7,638	7,774	34,209
Holds funds in perpetuity	49	12	1	60
Patient welfare	4,870	272	861	4,281
Private practice disbursements (No.2 Accounts)	40,291	6,610	5,030	41,871
Public contributions	2,639	1,039	251	3,427
Research	24,251	6,344	8,507	22,088
Staff welfare	66	2	12	56
Training and education including conferences	10,083	611	1,297	9,397
	116,665	22,661	23,747	115,579

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

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

Unclaimed monies

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

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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28. Payables

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Accrued salaries, wages and on-costs	16,681	33,376	-	-
Salaries and wages deductions	199	161	-	-
Payroll and fringe benefits tax	131	137	-	-
Accrued liability - purchase of personnel services	-	-	17,011	33,674
Creditors	26,439	29,043	26,439	29,043
Other creditors				
- Payables to entities controlled by the immediate parent	17,162	15,378	17,162	15,378
- PPP Monthly Service Fees RNS	19,771	20,185	19,771	20,185
- PPP Monthly Service Fees NBH	21,852	32,663	21,852	32,663
- Other	27,718	21,028	27,718	21,028
	129,953	151,971	129,953	151,971

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

Recognition and Measurement

Payables represent liabilities for goods and services provided to NSLHD 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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29. Contract liabilities

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Contract liabilities	11,758	9,260	11,758	9,260
	11,758	9,260	11,758	9,260

Recognition and Measurement

Contract liabilities relate to consideration received in advance from customers. The balance of the contract liabilities at the 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 increased 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	9,260	8,403	9,260	8,403

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30. Borrowings

	Consolidated 2021 \$000	Consolidated ¹ 2020 \$000	Parent 2021 \$000	Parent ¹ 2020 \$000
Current				
Other loans and deposits	402	394	402	394
Lease liabilities (see Note 23)	1,355	1,814	1,355	1,814
Service concession financial liabilities*	1,359	1,274	1,359	1,274
Public Private Partnerships	6,200	5,544	6,200	5,544
	9,316	9,026	9,316	9,026
Non-current				
Other loans and deposits	2,120	2,523	2,120	2,523
Lease liabilities (see Note 23)	1,982	3,291	1,982	3,291
Service concession financial liabilities*	31,077	32,436	31,077	32,436
Public Private Partnerships	687,634	694,139	687,634	694,139
	722,813	732,389	722,813	732,389

¹ Borrowings - current Public, Private Partnerships has been restated to be \$0.30 million lower, non-current Public, Private Partnerships has been restated to be \$21.12 million lower, current service concession financial liabilities* has been restated to be \$1.27 million higher and non-current service concession financial liabilities* has been restated to be \$32.43 million higher in the prior year for NSLHD (consolidated and parent). Refer to Note 1(g) for further details.

* This relates to contractual payments made to the operator, refer to Note 22 for further details on NSLHD's service concession arrangements.

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

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

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

Royal North Shore Hospital Campus redevelopment Public Private Partnership (PPP) Contract awarded in October 2008. Project construction completed and commissioned in October 2014. PPP Contract will expire in 2037.

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

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30. Borrowings (continued)

Recognition and Measurement

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

Financial liabilities at amortised cost

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

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

Financial liabilities at fair value through profit or loss

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

Financial guarantees

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

Recognition and Measurement

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

NSLHD does not issue financial guarantees and no liability is recognised for financial guarantee contracts as at 30 June 2021 and as at 30 June 2020.

Changes in liabilities arising from financing activities

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	Service concession arrangements \$000	Other loans and deposits \$000	Leases \$000	Total liabilities from financing activities \$000
1 July 2019	-	723,107	-	723,107
Recognised on adoption of AASB 16	-	-	3,711	3,711
Recognised on adoption of AASB 1059	34,901	(21,652)	-	13,249
Adjusted 1 July 2019	34,901	701,455	3,711	740,067
Cash flows	(1,191)	1,145	(1,421)	(1,467)
New leases	-	-	2,815	2,815
30 June 2020	33,710	702,600	5,105	741,415
1 July 2020	33,710	702,600	5,105	741,415
Cash flows	(1,274)	(6,242)	(1,743)	(9,259)
New leases	-	-	245	245
Lease terminations	-	-	(7)	(7)
Lease reassessments	-	-	(265)	(265)
30 June 2021	32,436	696,358	3,335	732,129

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31. Provisions

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Employee benefits and related on-costs				
Annual leave - obligations expected to be settled within 12 months	97,644	101,264	-	-
Annual leave - obligations expected to be settled after 12 months	48,665	28,031	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	2,753	2,478	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	29,946	24,280	-	-
Provision for other employee benefits	5,221	5,276	-	-
Provision for personnel services liability	-	-	185,316	161,329
Other	1,087	-	-	-
	185,316	161,329	185,316	161,329
Other Provisions				
Other	75,476	18,444	75,476	18,444
	75,476	18,444	75,476	18,444
Total current provisions	260,792	179,773	260,792	179,773
Non-current				
Employee benefits and related on-costs				
Long service leave consequential on-costs	3,234	2,327	-	-
Provision for personnel services liability	-	-	3,234	2,327
Total non-current provisions	3,234	2,327	3,234	2,327
Aggregate employee benefits and related on-costs				
Provisions - current	185,316	161,329	-	-
Provisions - non-current	3,234	2,327	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 28)	16,880	33,537	-	-
Liability - purchase of personnel services	-	-	205,430	197,193
	205,430	197,193	205,430	197,193

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31. Provisions (continued)

Movements in provisions (other than employee benefits)

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

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Other				
Carrying amount at beginning of period	18,444	3,429	18,444	3,429
- Additional provisions recognised	57,032	15,015	57,032	15,015
Carrying amount at end of period	75,476	18,444	75,476	18,444

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 19.68% are applied to the value of leave payable at 30 June 2021 (comparable on-costs for 30 June 2020 were 17.94%). NSLHD has assessed the actuarial advice based on the NSLHD'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 NSLHD does not expect to settle the liability within 12 months as NSLHD 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.

31. Provisions (continued)

Recognition and Measurement (continued)

Long service leave and superannuation

NSLHD'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. NSLHD 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 NSLHD.

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: NSLHD 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 NSLHD 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 NSLHD has a detailed formal plan, and NSLHD 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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32. Other liabilities

	Consolidated 2021 \$000	Consolidated ¹ 2020 \$000	Parent 2021 \$000	Parent ¹ 2020 \$000
Current				
Unearned revenue	1,427	1,161	1,427	1,161
Grant of right to operate liability under service concessions*	9,389	9,389	9,389	9,389
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	221	297	221	297
	11,037	10,847	11,037	10,847
Non-current				
Unearned revenue	19,630	20,779	19,630	20,779
Grant of right to operate liability under service concessions*	183,840	193,229	183,840	193,229
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	4,509	6,952	4,509	6,952
Other	188	221	188	221
	208,167	221,181	208,167	221,181

¹ Other liabilities - current unearned revenue has been restated to be \$7.44 million lower, non-current unearned revenue has been restated to be \$128.16 million lower, current grant of right to operate liability under service concessions* has been restated to be \$9.39 million higher and non-current grant of right to operate liability under service concessions* has been restated to be \$193.23 million higher in the prior year for NSLHD (consolidated and parent). Refer to Note 1(g) for further details.

* This is the unearned portion of the revenue from exchange of assets and is progressively reduced over the period of the arrangement. Refer to Note 16 and Note 22 for further information on service concession arrangement.

Unearned revenue was derived from the following:

In October 2008, \$30 million was received in advance from University of Sydney, under the terms of contract for the use of Kolling building for the 30 years ending 2038.

In November 1996, \$7 million was received in advance from Ramsay Health Care Group, under the terms of contract to operate private health facility for the 50 years ending in 2046 and \$3 million received for the use of Royal North Shore car park facilities for the 40 years ending 2036.

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

	2021 \$'000	2020 \$000
Opening balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	7,249	-
Liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity recognised upon initial application of AASB 1058	-	5,903
Add: receipt of cash during the financial year	829	1,419
Deduct: income recognised during the financial year	3,348	73
Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	4,730	7,249

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

NSLHD 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.

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33. Commitments

(a) Capital commitments

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

	Consolidated	Consolidated	Parent	Parent
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Within one year	27,058	43,782	27,058	43,782
Later than one year and not later than five years	1,267	19,823	1,267	19,823
Total (including GST)	28,325	63,606	28,325	63,606

(b) Contingent asset related to commitments for expenditure

The total 'Capital expenditure commitments' of \$28.33 million as at 30 June 2021 includes input tax credits of \$2.6 million million that are expected to be recoverable from the Australian Taxation Office (2020 \$5.8 million).

34. Contingent liabilities and contingent assets

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NSLHD 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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35. Trust funds

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NSLHD holds trust funds of \$4.5 million (2020: \$4.9 million) which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

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

Category	1 July 2020			30 June 2021
	Opening equity \$'000	Revenue \$'000	Expense \$'000	Closing equity \$'000
Patient Trust	1,359	673	(870)	1,162
Refundable Deposits	171	7	(28)	150
Private Patient Trust Funds	1,262	34,843	(34,836)	1,269
Third Party Funds	2,140	3,362	(3,575)	1,927
Total trust funds	4,932	38,885	(39,309)	4,508

Category	1 July 2019			30 June 2020
	Opening equity \$'000	Revenue \$'000	Expense \$'000	Closing equity \$'000
Patient Trust	1,292	974	(907)	1,359
Refundable Deposits	155	21	(5)	171
Private Patient Trust Funds	1,472	39,810	(40,020)	1,262
Third Party Funds	1,852	2,246	(1,958)	2,140
Total trust funds	4,771	43,051	(42,890)	4,932

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

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

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

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

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

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Net cash used on operating activities	84,967	162,823	84,967	162,823
Depreciation and amortisation expense	(83,343)	(85,797)	(83,343)	(85,797)
Allowance for impairment	(4,075)	(3,641)	(4,075)	(3,641)
(Increase) / decrease in other liabilities	12,795	11,360	12,795	11,360
Decrease / (increase) in provisions	(81,927)	(28,935)	(81,927)	(28,935)
Increase / (decrease) in prepayments and other assets	10,383	(12,312)	10,383	(12,312)
Decrease / (increase) in payables	22,289	(22,123)	22,289	(22,123)
Decrease / (increase) in contract liabilities	(2,498)	(858)	(2,498)	(858)
Net gain / (loss) on sale of property, plant and equipment	(842)	(204)	(842)	(204)
Non-cash revenue items	-	5,013	-	5,013
Assets donated or brought to account (Note 37)	732	-	732	-
Net result	(41,519)	25,326	(41,519)	25,326

¹ Depreciation and amortisation expense has been restated to be \$2.64 million higher, unearned revenue has been restated to be \$1.95 million lower and emerging assets recognised \$0.59 million lower in the prior year for NSLHD (consolidated and parent). Refer to Note 1(g) for further details.

37. Non-cash financing and investing activities

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Assets donated or brought to account	732	-	732	-
Property, plant and equipment acquired by a lease	245	2,815	245	2,815
	977	2,815	977	2,815

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38. Adjusted budget review

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

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Net result

The actual Net Result was lower than adjusted budget by \$31 million, primarily due to:

Net expenses increased by \$3 million due to Covid-19 related expenses (Actual: \$113 million vs Budget \$110 million). Net revenue decreased by \$25 million mainly due to reduction in private patient activity. Other expenses increased by \$3 million due to increased allowances for expected credit loss.

Assets and liabilities

Actual consolidated total assets were favourable by \$14 million to the budget. The net variance is mainly due to timing difference increase in cash and related assets (\$22 million) with reduction owing to asset amortisation (\$8 million).

Actual consolidated total liabilities were unfavourable by \$53 million to the budget. The net variance is mainly due to PPP accruals/liability reclassification (\$47 million), timing difference in payables and revenue recognition (\$6 million).

Cash flows

Actual Operating cash flow were favourable by \$17 million to the budget. The variance to the budget is mainly related to COVID-19 employee and infrastructure, PPE and asset acquisition (\$47 million FAV) offset by the Ministry funded recurrent allocations, reduced patient fees (\$30 million UNF).

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July 2020 are as follows:

	\$000
Initial allocation 1 July 2020	1,184,948
Award increases	184,962
2020/21 General escalations	42,838
COVID-19	110,967
2020/21 Budget assistance	73,898
2020/21 Year end adjustment / Salaries accrual	21,442
AASB 1059 Service Concession Arrangements: Grantor	5,085
Public Private Partnership	2,146
Remediation work -Ryde Hospital	943
Zero Suicides and bushfire recovery clinicians	(665)
Nurse and Midwifery Strategy Reserve	612
Organ and Tissue donation funding	514
Support access performance	466
Voluntary Redundancy	254
Other activity	645
Balance as per Statement of Comprehensive Income	1,629,055

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39. Equity

Revaluation surplus

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

Accumulated funds

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

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) An equity transfer was made to the Ministry of Health in accordance with the Real Property Disposal Framework. This has resulted in a decrease in net assets of \$8.14 million.

Equity transfers effected in the 2019/20 year were:

- (a) An equity transfer was made to the Ministry of Health in accordance with the Real Property Disposal Framework. This has resulted in a decrease in net assets of \$54.59 million.
- (b) An equity transfer was made from the Ministry of Health to reflect liability against the asset held in NSLHD. This has resulted in a decrease in net assets of \$46.12 million.

Equity transfers effected comprised:

	2021 \$000	2020 \$000
(a) Land - Transfer to NSW Ministry of Health	6,502	25,510
Buildings - Transfer to NSW Ministry of Health	1,640	5,633
Infrastructure - Transfer to NSW Ministry of Health	-	151
Land - Transfer to Property NSW	-	23,300
(b) Unearned Revenue related to RNS Car Park - Transfer from NSW Ministry of Health	-	46,121
	8,142	100,715

Assets and Liabilities transferred are as follows:

	2021 \$000	2020 \$000
Assets		
(a) Land and building transfer	(8,142)	(54,594)
Liabilities		
(b) Unearned revenue	-	(46,121)
Increase / (Decrease) in Net Assets From Equity Transfers	(8,142)	(100,715)

39. Equity (continued)

Recognition and Measurement

Equity transfers

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

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

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

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40. Financial instruments

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

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

(a) Financial instrument categories

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Class	Category	Carrying Amount 2021 \$000	Carrying Amount 2020 \$000
Financial assets			
Cash and cash equivalents (Note 19)	Amortised cost	121,763	120,902
Receivables (Note 20) ¹	Amortised cost	34,848	29,085
Total financial assets		156,611	149,987
Financial liabilities			
Borrowings (Note 30)	Financial liabilities measured at amortised cost	732,129	741,415
Payables (Note 28) ²	Financial liabilities measured at amortised cost	129,822	151,834
Other liabilities (Note 32)	Financial liabilities measured at amortised cost	188	221
Total financial liabilities		862,139	893,470

Notes

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

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

NSLHD 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:

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

40. Financial instruments (continued)

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

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

Credit risk associated with NSLHD'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.

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

Cash and cash equivalents

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 0.00% (Restricted Funds Bank balance: 0.95%) in 2020-21 compared to 0.00% (Restricted Funds Bank balance: 1.10%) 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.

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

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

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40. Financial instruments (continued)

(d) Financial risk (continued)

i. Credit risk (continued)

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

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

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. NSLHD 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 180 days past due.

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

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	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2021						
Expected credit loss rate	1.58%	3.25%	12.72%	21.48%	57.37%	16.87%
Estimated total gross carrying amount ¹	19,111	5,579	1,477	581	9,175	35,923
Expected credit loss	301	182	188	125	5,263	6,059
30 June 2020						
Expected credit loss rate	2.63%	4.99%	13.24%	30.08%	70.56%	19.38%
Estimated total gross carrying amount ¹	19,606	2,587	1,140	565	7,160	31,059
Expected credit loss	516	129	151	170	5,052	6,018

Notes

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

NSLHD 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

NSLHD 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. NSLHD didn't recognise a provision for expected credit losses on its other financial assets as at 30 June 2021 (2020: \$Nil).

40. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk

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

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

NSLHD 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 NSLHD 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.

Northern Sydney Local Health District
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40. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

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

Maturity Analysis and interest rate exposure of financial liabilities

	EIR ³ %	Nominal Amount ¹ \$000	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate \$000	Variable Interest Rate \$000	Non - Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000	> 5Yr \$000
2021								
Payables:								
- Creditors ²		129,822	-	-	129,822	129,822	-	-
Borrowings:								
- Other loans and deposits	1.98	2,694	2,694	-	-	450	1,641	603
- Lease liabilities	1.99	3,485	3,485	-	-	1,452	1,999	34
- Service concession financial liabilities	2.42	39,676	39,676	-	-	2,144	9,149	28,383
- Public Private Partnership	9.91	1,561,169	-	1,561,169	-	84,469	360,273	1,116,427
		1,736,846	45,855	1,561,169	129,822	218,337	373,062	1,145,447
2020⁴								
Payables:								
- Creditors ²		151,834	-	-	151,834	151,834	-	-
Borrowings:								
- Other loans and deposits	2.01	3,144	3,144	-	-	450	1,745	949
- Lease liabilities	1.83	5,183	5,183	-	-	1,792	3,306	85
- Service concession financial liabilities	2.42	41,766	41,766	-	-	2,089	8,917	30,759
- Public Private Partnership	10.50	1,643,873	-	1,643,873	-	82,704	351,196	1,209,973
		1,845,800	50,093	1,643,873	151,834	238,869	365,164	1,241,766

Notes:

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

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

³ Weighted Average Effective Interest Rate (EIR).

⁴ Service concession financial liabilities and Public Private Partnership amounts have been restated in the prior period. Refer to Note 1(g) for further details.

Northern Sydney Local Health District
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40. Financial instruments (continued)

iii. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. NSLHD's exposures to market risk are primarily through interest rate risk on NSLHD's borrowings and other price risks associated with the movement in the Hour Glass Investment Facilities. NSLHD 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 NSLHD 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 NSLHD's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. NSLHD 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, NSLHD 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	6,106	(6,106)	6,207	(6,207)
Equity	6,106	(6,106)	6,207	(6,207)

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40. Financial instruments (continued)

iii. Market risk (continued)

Other price risk - TCorpIM Funds

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

Facility	Investment Sectors	Investment Horizon	2021 \$000	2020 \$000
TCorpIM Cash Fund	Cash and fixed income	Up to 1.5 years	29,869	29,774

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

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

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

TCorp provides sensitivity analysis information for each of the investment facilities, which is used to demonstrate the impact on the funds' net assets as a result of changes in unit price. This impact is based on a sensitivity rate of 10%, multiplied by the redemption value as at the 30 June each year for each facility (balance from TCorpIM Funds statement). Actual movements in the price risk variables may differ to the sensitivity rates used due to a number of factors. TCorpIM Funds are measured at fair value through profit or loss and therefore any change in unit price impacts directly on net results.

	Change in unit price		Impact on net result	
	2021 %	2020 %	2021 \$000	2020 \$000
TCorpIM Cash Fund	10%	10%	2,987	2,977

40. 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, NSLHD 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).

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

	Level 1	Level 2	Level 3	2021
	\$'000	\$'000	\$'000	Total
				\$'000
TCorpIM Funds	-	29,869	-	29,869

	Level 1	Level 2	Level 3	2020
	\$'000	\$'000	\$'000	Total
				\$'000
TCorpIM Funds	-	29,774	-	29,774

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

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

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

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41. Related party disclosures

PARENT AND CONSOLIDATION

(a) Key management personnel compensation

Key management personnel compensation is as follows:

	2021	2020
	\$000	\$000
Short-term employee benefits	695	680
Post-employment benefits	44	44
	739	724

During the financial year, Northern Sydney Local Health District obtained key management personnel services from the immediate parent and incurred \$462K (2020: \$443K) for these services. This amount does not form part of the key management personnel compensation disclosed above.

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

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

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

- Health Administration Corporation (includes Ambulance Service of NSW, eHealth NSW, Health Infrastructure, Health System Support Group, HealthShare NSW and NSW Health Pathology) provides shared services for patient transport services and corporate support services and the majority of information management services, domestic supplies and services, food supplies, and pathology related services.
- Various grants and subsidies towards research and other projects

41. Related party disclosures

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

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

- Audit of the statutory financial statements
- Utilities, including electricity, gas and water expenses
- 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
- Interest income on TCorpIM Funds Investment facilities
- Motor vehicle rebates
- Insurance refunds
- Revenue from acceptance of long service leave liabilities and defined benefit

Assets and liabilities as follows:

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

42. Events after the reporting period

On 28 June 2021, the NSW Government put in place Public Health (COVID-19 Temporary Movement and Gathering Restrictions) Order 2021 under the Public Health Act 2010 to contain the spread of COVID-19 and to prioritise the health and safety of the community. The Public Health Order 2021 placed various restrictions on Greater Sydney and impacted the way NSLHD operates since reporting date. Elective surgery was cancelled in public hospitals as they prepared for surges in COVID-19 presentations. Management recognises that it is difficult to reliably estimate with any degree of certainty the potential impact of COVID-19 on NSLHD after reporting date.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may affect NSLHD.

END OF AUDITED FINANCIAL STATEMENTS