



## INDEPENDENT AUDITOR'S REPORT

### Sydney Local Health District

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of 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.

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 District's financial position, financial performance and cash flows.

My opinion should be read in conjunction with the rest of this report.

#### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the District in accordance with the requirements of the:

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

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

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

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

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

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

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

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

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

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

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

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

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

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



David Daniels  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

22 October 2021  
SYDNEY

# 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 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 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 black ink, appearing to read "Teresa Anderson", written over a horizontal line.

Dr Teresa Anderson  
**Chief Executive**  
18 October 2021

A handwritten signature in black ink, appearing to read "Puneet Datta", written over a horizontal line.

Puneet Datta  
**Acting Executive Director of Finance**  
18 October 2021

# Sydney Local Health District

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

	Notes	Consolidated Actual 2021 \$000	Consolidated Budget <sup>1</sup> 2021 \$000	Consolidated Actual Restated 2020 \$000	Parent Actual 2021 \$000	Parent Budget 2021 \$000	Parent Actual Restated 2020 \$000
<b>Continuing operations</b>							
<b>Expenses excluding losses</b>							
Employee related expenses	2	1,289,274	1,264,742	1,239,251	-	-	-
Personnel services	3	-	-	-	1,289,383	1,268,366	1,175,670
Visiting medical officers	4	63,121	59,525	55,866	63,121	59,525	55,866
Other expenses	5	739,558	858,789	587,511	737,958	858,789	585,556
Depreciation and amortisation	6	69,006	67,178	64,997	68,134	67,178	64,100
Grants and subsidies	7	23,431	22,654	24,430	23,173	22,654	24,378
Finance costs	8	595	240	356	595	240	356
Payments to Affiliated Health Organisations	9	14,096	13,957	13,559	14,096	13,957	13,559
<b>Total expenses excluding losses</b>		<b>2,199,081</b>	<b>2,287,085</b>	<b>1,985,970</b>	<b>2,196,460</b>	<b>2,290,709</b>	<b>1,919,485</b>
<b>Revenue</b>							
NSW Ministry of Health recurrent allocations	11	1,856,756	1,837,760	1,585,871	1,856,756	1,837,760	1,585,871
NSW Ministry of Health capital allocations	11	172,184	173,132	109,182	172,184	173,132	109,182
Acceptance by the Crown <sup>2</sup> of employee benefits	15	(3,684)	(3,624)	59,853	-	-	-
Sale of goods and services from contracts with customers	12	411,034	416,037	205,632	411,034	416,037	205,632
Investment revenue	13	3,556	8,974	4,956	3,285	8,974	4,513
Grants and other contributions	14	56,562	56,326	57,894	51,446	56,326	52,999
Other income	16	25,835	25,014	40,261	25,466	25,014	39,152
<b>Total revenue</b>		<b>2,522,243</b>	<b>2,513,619</b>	<b>2,063,649</b>	<b>2,520,171</b>	<b>2,517,243</b>	<b>1,997,349</b>
<b>Operating result</b>		<b>323,162</b>	<b>226,534</b>	<b>77,679</b>	<b>323,711</b>	<b>226,534</b>	<b>77,864</b>
Gains / (losses) on disposal	17	(418)	-	(193)	(409)	-	(221)
Impairment losses on financial assets	20	(36,186)	(17,370)	(6,654)	(36,186)	(17,370)	(6,654)
<b>Net result from continuing operations</b>	36	<b>286,558</b>	<b>209,164</b>	<b>70,832</b>	<b>287,116</b>	<b>209,164</b>	<b>70,989</b>
Net result from discontinued operations		-	-	-	-	-	-
<b>Net result</b>		<b>286,558</b>	<b>209,164</b>	<b>70,832</b>	<b>287,116</b>	<b>209,164</b>	<b>70,989</b>
<b>Other comprehensive income</b>							
<i>Items that will not be reclassified to net result in subsequent periods</i>							
Changes in revaluation surplus of property, plant and equipment	23	5,239	-	5,428	5,239	-	5,428
<b>Total other comprehensive income</b>		<b>5,239</b>	<b>-</b>	<b>5,428</b>	<b>5,239</b>	<b>-</b>	<b>5,428</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>291,797</b>	<b>209,164</b>	<b>76,260</b>	<b>292,355</b>	<b>209,164</b>	<b>76,417</b>

<sup>1</sup> Unaudited adjusted budget, see Note 38.

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

The accompanying notes form part of these financial statements.

# Sydney Local Health District

Statement of Financial Position as at 30 June 2021

	Notes	Consolidated Actual 2021 \$000	Consolidated Budget <sup>1</sup> 2021 \$000	Consolidated Actual Restated 2020 \$000	Consolidated Actual Restated 1 July 2019 \$000	Parent Actual 2021 \$000	Parent Budget 2021 \$000	Parent Actual Restated 2020 \$000	Parent Actual Restated 1 July 2019 \$000
<b>ASSETS</b>									
<b>Current assets</b>									
Cash and cash equivalents	19	213,699	105,351	121,752	98,623	189,431	80,729	97,129	95,261
Receivables	20	174,784	150,667	75,776	82,517	174,281	150,212	75,320	82,100
Inventories	21	11,540	12,967	12,966	13,202	11,540	12,967	12,966	13,202
Other financial assets	22	-	77,959	77,959	99,431	-	77,959	77,959	77,447
<b>Total current assets</b>		<b>400,023</b>	<b>346,944</b>	<b>288,453</b>	<b>293,773</b>	<b>375,252</b>	<b>321,867</b>	<b>263,374</b>	<b>268,010</b>
<b>Non-current assets</b>									
Other financial assets	22	74,196	74,196	72,424	70,694	74,196	74,196	72,424	70,694
Property, plant & equipment	23								
- Land and buildings		1,868,911	1,933,081	1,813,764	1,724,498	1,856,329	1,920,101	1,800,785	1,711,120
- Plant and equipment		107,524	129,030	97,457	93,699	104,561	125,652	94,079	90,291
- Infrastructure systems		9,882	10,918	10,917	9,773	9,882	10,918	10,917	9,773
<b>Total property, plant &amp; equipment</b>		<b>1,986,317</b>	<b>2,073,029</b>	<b>1,922,138</b>	<b>1,827,970</b>	<b>1,970,772</b>	<b>2,056,671</b>	<b>1,905,781</b>	<b>1,811,184</b>
Right-of-use assets	24	17,205	19,006	17,025	11,642	17,205	19,006	17,025	11,642
Intangible assets	25	5,355	5,605	5,590	3,828	5,355	5,605	5,590	3,828
Other non-current assets	n/a	-	-	-	-	-	-	-	-
<b>Total non-current assets</b>		<b>2,083,073</b>	<b>2,171,836</b>	<b>2,017,177</b>	<b>1,914,134</b>	<b>2,067,528</b>	<b>2,155,478</b>	<b>2,000,820</b>	<b>1,897,348</b>
<b>Total assets</b>		<b>2,483,096</b>	<b>2,518,780</b>	<b>2,305,630</b>	<b>2,207,907</b>	<b>2,442,780</b>	<b>2,477,345</b>	<b>2,264,194</b>	<b>2,165,358</b>
<b>LIABILITIES</b>									
<b>Current liabilities</b>									
Payables	28	130,235	87,030	101,000	92,865	130,015	86,688	100,661	92,586
Contract liabilities	29	1,229	2,310	2,310	2,362	680	1,128	1,128	145
Borrowings	30	5,101	4,746	4,989	4,565	5,101	4,746	4,989	4,565
Provisions	31	281,221	338,801	323,092	315,171	280,544	338,118	322,408	314,609
Other current liabilities	32	267	295	344	770	34	259	308	631
<b>Total current liabilities</b>		<b>418,053</b>	<b>433,182</b>	<b>431,735</b>	<b>415,733</b>	<b>416,374</b>	<b>430,939</b>	<b>429,494</b>	<b>412,536</b>
<b>Non-current liabilities</b>									
Borrowings	30	17,878	19,934	18,575	13,395	17,878	19,934	18,575	13,395
Provisions	31	4,286	4,286	3,105	2,824	4,286	4,286	3,105	2,824
<b>Total non-current liabilities</b>		<b>22,164</b>	<b>24,220</b>	<b>21,680</b>	<b>16,219</b>	<b>22,164</b>	<b>24,220</b>	<b>21,680</b>	<b>16,219</b>
<b>Total liabilities</b>		<b>440,217</b>	<b>457,402</b>	<b>453,415</b>	<b>431,952</b>	<b>438,538</b>	<b>455,159</b>	<b>451,174</b>	<b>428,755</b>
<b>Net assets</b>		<b>2,042,879</b>	<b>2,061,378</b>	<b>1,852,215</b>	<b>1,775,955</b>	<b>2,004,242</b>	<b>2,022,186</b>	<b>1,813,020</b>	<b>1,736,603</b>
<b>EQUITY</b>									
Reserves		862,205	926,073	923,579	918,151	853,144	917,011	914,518	909,090
Accumulated funds		1,180,674	1,135,305	928,636	857,804	1,151,098	1,105,175	898,502	827,513
<b>Total Equity</b>		<b>2,042,879</b>	<b>2,061,378</b>	<b>1,852,215</b>	<b>1,775,955</b>	<b>2,004,242</b>	<b>2,022,186</b>	<b>1,813,020</b>	<b>1,736,603</b>

<sup>1</sup> Unaudited adjusted budget, see Note 38.

The accompanying notes form part of these financial statements.

# Sydney Local Health District

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

### CONSOLIDATION

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2020		928,636	923,579	1,852,215
Changes in accounting policy - withdrawal of TPP 06-8		-	-	-
Changes in accounting policy - initial application of AASB 1058		-	-	-
Balance at 1 July 2020		928,636	923,579	1,852,215
Net result for the year		286,558	-	286,558
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	23	-	5,239	5,239
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets *		66,613	(66,613)	-
Total other comprehensive income		66,613	(61,374)	5,239
Total comprehensive income for the year		353,171	(61,374)	291,797
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	39	(101,133)	-	(101,133)
Balance at 30 June 2021		1,180,674	862,205	2,042,879

\* Transfer of Callan Park Land, Buildings & Infrastructure to GSP

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2019		793,919	920,645	1,714,564
Changes in accounting policy - withdrawal of TPP 06-8	1(f)	64,270	(2,494)	61,776
Changes in accounting policy - initial application of AASB 1058		(385)	-	(385)
Balance at 1 July 2019		857,804	918,151	1,775,955
Net result for the year		70,832	-	70,832
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	23	-	5,428	5,428
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		-	-	-
Total other comprehensive income		-	5,428	5,428
Total Comprehensive Income for the Year		70,832	5,428	76,260
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	39	-	-	-
Balance at 30 June 2020		928,636	923,579	1,852,215

The accompanying notes form part of these financial statements.

# Sydney Local Health District

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

### PARENT

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2020		898,502	914,518	1,813,020
Changes in accounting policy - withdrawal of TPP 06-8		-	-	-
Changes in accounting policy - initial application of AASB 1058		-	-	-
Balance at 1 July 2020		898,502	914,518	1,813,020
Net result for the year		287,116	-	287,116
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	23	-	5,239	5,239
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets *		66,613	(66,613)	-
Total other comprehensive income		66,613	(61,374)	5,239
Total comprehensive income for the year		353,729	(61,374)	292,355
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	39	(101,133)	-	(101,133)
Balance at 30 June 2021		1,151,098	853,144	2,004,242

\* Transfer of Callan Park Land, Buildings & Infrastructure to GSP

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2019		763,628	911,584	1,675,212
Changes in accounting policy - withdrawal of TPP 06-8	1(f)	64,270	(2,494)	61,776
Changes in accounting policy - initial application of AASB 1058		(385)	-	(385)
Balance at 1 July 2019		827,513	909,090	1,736,603
Net result for the year		70,989	-	70,989
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	23	-	5,428	5,428
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		-	-	-
Total other comprehensive income		-	5,428	5,428
Total Comprehensive Income for the Year		70,989	5,428	76,417
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	39	-	-	-
Balance at 30 June 2020		898,502	914,518	1,813,020

The accompanying notes form part of these financial statements.

# Sydney Local Health District

Statement of Cash Flows for the year ended 30 June 2021

	Notes	Consolidated Actual 2021 \$000	Consolidated Budget <sup>1</sup> 2021 \$000	Consolidated Actual 2020 \$000	Parent Actual 2021 \$000	Parent Budget 2021 \$000	Parent Actual 2020 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<b>Payments</b>							
Employee related		(1,285,166)	(1,284,428)	(1,188,326)	-	-	-
Suppliers for goods and services		(924,624)	(999,276)	(701,027)	(922,455)	(998,828)	(698,660)
Grants and subsidies		(41,572)	(40,655)	(41,952)	(41,272)	(40,613)	(41,870)
Finance costs		(595)	(240)	(356)	(595)	(240)	(356)
Personnel services		-	-	-	(1,281,564)	(1,284,408)	(1,184,711)
<b>Total payments</b>		<b>(2,251,957)</b>	<b>(2,324,599)</b>	<b>(1,931,661)</b>	<b>(2,245,886)</b>	<b>(2,324,089)</b>	<b>(1,925,597)</b>
<b>Receipts</b>							
NSW Ministry of Health recurrent allocations		1,856,756	1,837,760	1,585,871	1,856,756	1,837,760	1,585,871
NSW Ministry of Health capital allocations		172,184	173,132	109,182	172,184	173,132	109,182
Reimbursements from the Crown <sup>2</sup>		17,070	17,070	18,980	-	-	-
Sale of goods and services		285,706	328,067	214,796	285,529	328,132	214,998
Interest received		1,931	7,202	3,190	1,660	7,202	2,747
Grants and other contributions		60,599	61,215	61,335	55,808	60,803	57,058
Other		89,613	104,411	72,432	106,137	121,319	90,149
<b>Total receipts</b>		<b>2,483,859</b>	<b>2,528,857</b>	<b>2,065,786</b>	<b>2,478,074</b>	<b>2,528,348</b>	<b>2,060,005</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	36	<b>231,902</b>	<b>204,258</b>	<b>134,125</b>	<b>232,188</b>	<b>204,259</b>	<b>134,408</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Proceeds from sale of property, plant and equipment		7	-	176	7	-	111
Proceeds from sale of financial assets		77,959	-	177,182	77,959	-	155,198
Purchases of property, plant and equipment and intangibles		(212,213)	(216,694)	(128,996)	(212,144)	(216,694)	(128,491)
Purchases of financial assets		-	-	(155,710)	-	-	(155,710)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(134,247)</b>	<b>(216,694)</b>	<b>(107,348)</b>	<b>(134,178)</b>	<b>(216,694)</b>	<b>(128,892)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
Proceeds from borrowings and advances		-	-	1,001	-	-	1,001
Repayment of borrowings and advances		(870)	(870)	(798)	(870)	(870)	(798)
Payment of principal portion of lease liabilities		(4,838)	(3,095)	(3,851)	(4,838)	(3,095)	(3,851)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(5,708)</b>	<b>(3,965)</b>	<b>(3,648)</b>	<b>(5,708)</b>	<b>(3,965)</b>	<b>(3,648)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>							
Opening cash and cash equivalents	19	121,752	121,752	98,623	97,129	97,129	95,261
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	19	<b>213,699</b>	<b>105,351</b>	<b>121,752</b>	<b>189,431</b>	<b>80,729</b>	<b>97,129</b>

<sup>1</sup> Unaudited adjusted budget, see Note 38.

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

The accompanying notes form part of these financial statements.

# Sydney Local Health District

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

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## 1. Statement of Significant Accounting Policies

### a) Reporting entity

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

SLHD 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).

SLHD, 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.
- \* Sydney Local Health District Special Purpose Service Entity, which was established as a Division of the SLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable SLHD to exercise its functions.
- \* The Anzac Health and Medical Research Foundation, which conducts medical research on the Concord Hospital campus.

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 18 October 2021.

### b) Basis of preparation

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

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

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

The Secretary of NSW Health, the Chair of 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 SLHD'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 SLHD 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.

# Sydney Local Health District

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

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## 1. Statement of Significant Accounting Policies (continued)

### b) Basis of preparation (continued)

Following the Novel Coronavirus (COVID-19) pandemic in late February 2020, SLHD 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. On-going 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.

SLHD has received an additional \$177.706 million (2020: \$48.136million) 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.
- \* SLHD has the capacity to review the timing of NSW Ministry of Health allocation cash flows to ensure that debts can be paid when they become due and payable.
- \* SLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by SLHD and assist in meeting its overall budget target. The EIP is monitored and evaluated by the NSW Ministry of Health throughout the financial year.

SLHD has prepared its facilities and services for an increase in demand in ICU and COVID-19 Wards. COVID-19 Testing clinics have been established across SLHD including at hospitals, health centres, drive through services, walk-in services in the community, pop up clinics and community wellbeing clinics. SLHD has established Special Health Accommodation (SHA) to help prevent the transmission of COVID-19 in the community and has supported quarantine operations and testing at Sydney Airport. RPA Virtual Hospital has provided new and innovative models to support patients particularly in the SHA. During this financial year, SLHD has set up and delivered a large Vaccination Program with multiple sites.

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 and are expressed in Australian currency, which is SLHD's presentation and functional currency.

### c) Statement of Compliance

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

# Sydney Local Health District

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

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## 1. Statement of Significant Accounting Policies (continued)

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

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

### e) Comparative Information

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

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

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

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

The accounting policies applied in 2020-21 are consistent with those of the previous financial year except as a result of new or revised Australian Accounting Standards that have been applied for the first time as follows:

- \* SLHD 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 SLHD.

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

AASB 1059 is effective for SLHD 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.

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

The adoption of AASB 1059 did not have an impact on the financial statements of SLHD. The impact of withdrawal of TPP 06-8 is described in the section follows.

# 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 (continued)

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

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

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

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

Upon the withdrawal of TPP 06-8, management has used its judgement and determined that this arrangement should now be accounted for under AASB 16 Leases as a change in accounting policy. This is because management has determined that adopting AASB 16 best reflects the economic substance of the arrangement and AASB 16 provides the most reliable and relevant information about the effects of the arrangement on SLHD's Statement of Financial Position, Statement of Financial Performance and Statement of Cash Flows.

Under AASB 16 lessor accounting, a lease receivable has been recognised at an amount equal to the net investment in the lease. The amount recognised is the discounted value of the unguaranteed residual value accruing to the lessor where the leased assets are handed over to SLHD at the end of the lease term.

The entity has adopted AASB 16 retrospectively. The effect of the change in accounting policy is as follows:

#### CONSOLIDATION

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

		30 June 2020 Adoption of AASB 16	30 June 2020 TPP 06-8	30 June 2020 Impact of change in accounting policy
	Notes	\$'000	\$'000	\$'000
<b>Revenue</b>				
Sale of goods and services from contracts with customers	(a)	205,632	205,632	-
Investment revenue	(a)	4,956	3,226	1,730
Other income	(a)	40,261	42,116	(1,855)
<b>Total revenue</b>		<b>2,063,649</b>	<b>2,063,774</b>	<b>(125)</b>
<b>Expenses</b>				
Depreciation and amortisation	(a)	64,997	64,997	-
Finance costs	(a)	356	356	-
<b>Total expenses</b>		<b>1,985,970</b>	<b>1,985,970</b>	<b>-</b>
<b>Operating result</b>		<b>77,679</b>	<b>77,804</b>	<b>(125)</b>
<b>Net Result</b>		<b>70,832</b>	<b>70,957</b>	<b>(125)</b>

# 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 (continued)

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

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

##### PARENT

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

		30 June 2020 Adoption of AASB 16	30 June 2020 TPP 06-8	30 June 2020 Impact of change in accounting policy
	Notes	\$'000	\$'000	\$'000
<b>Revenue</b>				
Sale of goods and services from contracts with customers	(a)	205,632	205,632	-
Investment revenue	(a)	4,513	2,783	1,730
Other income	(a)	39,152	41,007	(1,855)
<b>Total revenue</b>		<b>1,997,349</b>	<b>1,997,474</b>	<b>(125)</b>
<b>Expenses</b>				
Depreciation and amortisation	(a)	64,100	64,100	-
Finance costs	(a)	356	356	-
<b>Total expenses</b>		<b>1,919,485</b>	<b>1,919,485</b>	<b>-</b>
<b>Operating result</b>		<b>77,864</b>	<b>77,989</b>	<b>(125)</b>
<b>Net Result</b>		<b>70,989</b>	<b>71,114</b>	<b>(125)</b>

# 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 (continued)

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

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

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

#### CONSOLIDATION

	Notes	01 July 2019 Adoption of AASB 16 \$'000	01 July 2019 TPP 06-8 \$'000	01 July 2019 Impact of change in accounting policy \$'000
<b>Assets</b>				
Other financial assets	(a)	170,125	99,431	70,694
Property, plant and equipment	(a)	1,827,970	1,827,970	-
Other assets	(a)	-	8,918	(8,918)
<b>Total assets</b>		<b>2,207,907</b>	<b>2,146,131</b>	<b>61,776</b>
<b>Liabilities</b>				
Borrowings	(a)	17,960	17,960	-
Other liabilities	(a)	770	770	-
<b>Total liabilities</b>		<b>431,952</b>	<b>431,952</b>	<b>-</b>
<b>Net assets</b>		<b>1,775,955</b>	<b>1,714,179</b>	<b>61,776</b>
<b>Equity</b>				
Accumulated funds		857,804	793,534	64,270
Asset revaluation surplus		918,151	920,645	(2,494)
<b>Total adjustments to equity</b>		<b>1,775,955</b>	<b>1,714,179</b>	<b>61,776</b>

# 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 (continued)

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

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

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

#### PARENT

	Notes	01 July 2019 Adoption of AASB 16 \$'000	01 July 2019 TPP 06-8 \$'000	01 July 2019 Impact of change in accounting policy \$'000
<b>Assets</b>				
Other financial assets	(a)	148,141	77,447	70,694
Property, plant and equipment	(a)	1,811,184	1,811,184	-
Other assets	(a)	-	8,918	(8,918)
<b>Total assets</b>		<b>2,165,358</b>	<b>2,103,582</b>	<b>61,776</b>
<b>Liabilities</b>				
Borrowings	(a)	17,960	17,960	-
Other liabilities	(a)	631	631	-
<b>Total liabilities</b>		<b>428,755</b>	<b>428,755</b>	<b>-</b>
<b>Net assets</b>		<b>1,736,603</b>	<b>1,674,827</b>	<b>61,776</b>
<b>Equity</b>				
Accumulated funds		827,513	763,243	64,270
Asset revaluation surplus		909,090	911,584	(2,494)
<b>Total adjustments to equity</b>		<b>1,736,603</b>	<b>1,674,827</b>	<b>61,776</b>

# 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 (continued)

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

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

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

#### CONSOLIDATION

		30 June 2020 Adoption of AASB 16	30 June 2020 TPP 06-8	30 June 2020 Impact of change in accounting policy
	Notes	\$'000	\$'000	\$'000
<b>Assets</b>				
Other financial assets	(a)	150,383	77,959	72,424
Property, plant and equipment	(a)	1,922,138	1,922,138	-
Other assets	(a)	-	10,773	(10,773)
<b>Total assets</b>		<b>2,305,630</b>	<b>2,243,979</b>	<b>61,651</b>
<b>Liabilities</b>				
Borrowings	(a)	23,564	23,564	-
Other liabilities	(a)	344	344	-
<b>Total liabilities</b>		<b>453,415</b>	<b>453,415</b>	<b>-</b>
<b>Net assets</b>		<b>1,852,215</b>	<b>1,790,564</b>	<b>61,651</b>
<b>Equity</b>				
Accumulated funds		928,636	864,491	64,145
Asset revaluation surplus		923,579	926,073	(2,494)
<b>Total adjustments to equity</b>		<b>1,852,215</b>	<b>1,790,564</b>	<b>61,651</b>

# 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 (continued)

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

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

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

#### PARENT

	Notes	30 June 2020 Adoption of AASB 16 \$'000	30 June 2020 TPP 06-8 \$'000	30 June 2020 Impact of change in accounting policy \$'000
<b>Assets</b>				
Other financial assets	(a)	150,383	77,959	72,424
Property, plant and equipment	(a)	1,905,781	1,905,781	-
Other assets	(a)	-	10,773	(10,773)
<b>Total assets</b>		<b>2,264,194</b>	<b>2,202,543</b>	<b>61,651</b>
<b>Liabilities</b>				
Borrowings	(a)	23,564	23,564	-
Other liabilities	(a)	308	308	-
<b>Total liabilities</b>		<b>451,174</b>	<b>451,174</b>	<b>-</b>
<b>Net assets</b>		<b>1,813,020</b>	<b>1,751,369</b>	<b>61,651</b>
<b>Equity</b>				
Accumulated funds		898,502	834,357	64,145
Asset revaluation surplus		914,518	917,012	(2,494)
<b>Total adjustments to equity</b>		<b>1,813,020</b>	<b>1,751,369</b>	<b>61,651</b>

The change in accounting policy did not have an impact on the Statement of Comprehensive Income, Statement of Financial Position and the Statement of Cash Flows for SLHD for the financial year.

The nature of these adjustments on the parent entity is described below:

- (a) One of the existing arrangements previously accounted as emerging assets under TPP 06-8 was reclassified as lease receivable on transition. Main impacts are:
- New lease receivable balance was recognised under other financial assets
  - Existing emerging asset balances under other assets were derecognised
  - Revenue decreased due to derecognition of emerging assets
  - Other comprehensive income impacted due to reversal of revaluation movements for emerging assets

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

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless NSW Treasury determines otherwise. SLHD, 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 SLHD.

# Sydney Local Health District

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

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## 1. Statement of Significant Accounting Policies (continued)

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

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

- \* Note 1b) Basis of preparation
- \* Note 11 NSW Ministry of Health allocations
- \* Note 20 Receivables
- \* Note 21 Inventories
- \* Note 26 Fair value measurement of non-financial assets

## 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)	1,170,124	1,069,714	-	-
Superannuation - defined benefit plans	5,834	7,186	-	-
Superannuation - defined contribution plans	102,597	94,436	-	-
Long service leave	(711)	56,181	-	-
Redundancies	-	610	-	-
Workers' compensation insurance	11,323	10,988	-	-
Fringe benefits tax	107	136	-	-
	<b>1,289,274</b>	<b>1,239,251</b>	<b>-</b>	<b>-</b>

Employee related costs of \$106 thousand (2020: \$283 thousand) 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)	-	-	1,166,856	1,066,293
Superannuation - defined benefit plans	-	-	-	-
Superannuation - defined contribution plans	-	-	102,291	94,129
Long service leave	-	-	8,806	3,514
Redundancies	-	-	-	610
Workers' compensation insurance	-	-	11,323	10,988
Fringe benefits tax	-	-	107	136
	<b>-</b>	<b>-</b>	<b>1,289,383</b>	<b>1,175,670</b>

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

Personnel services of \$106 thousand (2020: \$283 thousand) have been capitalised in property, plant and equipment and intangible assets and are excluded from the above.

### 4. Visiting medical officers

Visiting medical officers (VMOs) enhance full-time medical specialist services by providing speciality input in a number of disciplines throughout SLHD's hospitals. VMO expenses of \$63.121 million (2020: \$55.866 million) represent part of the day-to-day running costs incurred in the normal operations of SLHD. These costs are expensed as incurred.

# 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	430	284	429	283
Auditor's remuneration - audit of financial statements	299	286	267	258
Blood and blood products	21,153	22,579	21,153	22,579
Consultancies	749	737	749	737
Contractors	4,505	4,685	4,505	4,725
Domestic supplies and services	23,243	18,753	23,236	18,742
Drug supplies	94,556	85,696	94,534	85,659
Food supplies	39,833	30,361	39,827	30,327
Fuel, light and power	14,489	15,266	14,489	15,266
Patient transport costs	13,696	12,870	13,696	12,870
Information management expenses	38,777	30,320	38,742	30,287
Insurance	2,191	2,057	2,152	2,020
Maintenance (see Note 5 (b))	61,987	48,436	61,737	48,148
Medical and surgical supplies	122,753	108,116	122,697	108,090
Motor vehicle expenses	2,375	2,611	2,372	2,605
Postal and telephone costs	4,412	3,212	4,409	3,209
Printing and stationery	5,573	3,953	5,562	3,919
Rates and charges	2,014	2,199	2,001	2,187
Hosted services purchased from entities controlled by the immediate parent	327	-	327	-
Specialised services (pathology, dental, dialysis, radiology, research, Special Health Accommodation and other)	230,807	86,144	230,120	85,328
Staff related costs	14,012	14,974	13,804	14,639
Travel related costs	607	4,528	591	4,429
Other (see Note 5 (a)) **	40,770	89,444	40,559	89,249
	<b>739,558</b>	<b>587,511</b>	<b>737,958</b>	<b>585,556</b>

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

\*\* SLHD has had a successful outcome in a legal matter and the previous year's provision of liabilities of \$84M is now reversed in other expenses.

# 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				
Aircraft expenses (Ambulance)	559	792	559	792
Contract for patient services	65,776	57,536	65,776	57,536
Corporate support services	10,443	10,151	10,443	10,151
Courier and freight	1,013	799	963	739
Isolated patient travel and accommodation assistance scheme	12	22	12	22
Legal services	1,698	3,745	1,648	3,745
Membership/professional fees	467	613	454	601
Quality assurance / accreditation	137	116	137	116
Security services	15,832	3,460	15,832	3,460
Expenses relating to short-term leases	2,914	2,804	2,910	2,800
Expenses relating to leases of low-value assets	1,679	1,497	1,679	1,497
Variable lease payments, not included in lease liabilities	27	97	27	97
Other miscellaneous **	(59,787)	7,812	(59,881)	7,693
	<b>40,770</b>	<b>89,444</b>	<b>40,559</b>	<b>89,249</b>

\*\* SLHD has had a successful outcome in a legal matter and the previous year's provision of liabilities of \$84M is now reversed in other expenses.

(b) Reconciliation of total maintenance				
Maintenance contracts	19,829	17,607	19,689	17,431
New / replacement equipment under \$10,000	18,453	14,115	18,431	14,044
Repairs maintenance / non contract	23,696	16,712	23,608	16,671
Other	9	2	9	2
Maintenance expense - contracted labour and other (non-employee related) in Note 5	<b>61,987</b>	<b>48,436</b>	<b>61,737</b>	<b>48,148</b>
Employee related/personnel services maintenance	7,870	7,363	7,870	7,363
	<b>69,857</b>	<b>55,799</b>	<b>69,607</b>	<b>55,511</b>

# Sydney Local Health District

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

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

#### *Insurance*

SLHD'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*

SLHD 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.

# 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 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Depreciation - buildings	46,742	45,176	46,345	44,778
Depreciation - plant and equipment	16,261	14,977	15,786	14,478
Depreciation - infrastructure systems	468	404	468	404
Depreciation - right-of-use buildings	2,944	2,380	2,944	2,380
Depreciation - right-of-use plant and equipment	1,986	1,517	1,986	1,517
Amortisation - intangible assets	605	543	605	543
	<b>69,006</b>	<b>64,997</b>	<b>68,134</b>	<b>64,100</b>

Refer to Note 23 Property, plant and equipment, Note 24 Leases, and Note 25 Intangible assets for recognition and measurement policies on depreciation and amortisation.

## 7. Grants and subsidies

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Non-government organisations	19,632	19,334	19,632	19,334
Grants to research organisations	1,069	1,728	1,069	1,728
Grants paid to entities controlled by the immediate parent	399	279	399	279
Other grants	2,331	3,089	2,073	3,037
	<b>23,431</b>	<b>24,430</b>	<b>23,173</b>	<b>24,378</b>

### Recognition and Measurement

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

# 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 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Interest expense from lease liabilities	420	168	420	168
Interest expense from financial liabilities at amortised cost	172	188	172	188
Other interest charges	3	-	3	-
	<b>595</b>	<b>356</b>	<b>595</b>	<b>356</b>

### Recognition and Measurement

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

## 9. Payments to Affiliated Health Organisations

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Recurrent sourced				
Tresillian Family Care Centres at Belmore, Willoughby and Wollstonecraft	13,438	12,903	13,438	12,903
Central Sydney Scarba Service	658	656	658	656
	<b>14,096</b>	<b>13,559</b>	<b>14,096</b>	<b>13,559</b>

### Recognition and Measurement

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

General operating expenses/revenues of Tresillian Family Care Centres at Belmore, Willoughby and Wollstonecraft and Central Sydney Scarba Service have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. SLHD 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.

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

### Summary of Compliance

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Total spending authority from parliamentary appropriations, other than own source revenue	172,184	109,182	172,184	109,182
Add:				
Own source revenue on 1 July 2019	-	98,623	-	95,261
Own source money received during the year	532,885	549,091	527,101	521,263
Own source revenue balance brought forward from prior years	121,752	-	97,129	-
Less: total expenditure	613,122	635,144	606,983	628,577
Own source revenue balance carried forward to following years	213,699	121,752	189,431	97,129

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

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

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

## 11. NSW Ministry of Health allocations

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

SLHD recognised additional NSW Ministry of Health recurrent allocations of \$177.706 million (2020: \$48.136 million) and NSW Ministry of Health capital allocations of \$2.840 million (2020: \$8.197 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.

# 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

### (a) Sale of goods comprise the following:

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Sale and recovery of pharmaceutical supplies	54,138	50,782	54,138	50,782
Sale of prostheses	9,022	8,856	9,022	8,856
Other	137	129	137	129
	<b>63,297</b>	<b>59,767</b>	<b>63,297</b>	<b>59,767</b>

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

<i>Patients</i>				
Patient Fees:				
- Inpatient fees	70,611	76,057	70,611	76,057
- Nursing home fees	205	315	205	315
- Non inpatient fees	4,021	4,482	4,021	4,482
Department of Veterans' Affairs	6,726	8,422	6,726	8,422
Motor Accident Authority third party	4,394	5,443	4,394	5,443
Enteral nutrition	6	3	6	3
<i>Staff</i>				
Private use of motor vehicles	84	100	84	100
Salary packaging fee	(11)	1	(11)	1
Meals and accommodation	381	428	381	428
Child care fees	1,252	1,093	1,252	1,093
<i>General community</i>				
Cafeteria / kiosk	2	853	2	853
Car parking	3,981	4,478	3,981	4,478
Clinical services (excluding clinical drug trials)	521	130	521	130
Commercial activities	82	112	82	112
Fees for conferences and training	767	1,448	767	1,448
Fees for medical records	188	162	188	162
Information retrieval	61	52	61	52
<i>Non-NSW Health entities</i>				
Services to other organisations	6,512	6,052	6,512	6,052
<i>Entities controlled by the immediate parent</i>				
Hosted service revenues	2,095	3,647	2,095	3,647
<i>Other</i>				
Infrastructure fees - annual charge	8,490	8,830	8,490	8,830
Infrastructure fees - monthly facility charge	18,228	18,893	18,228	18,893
Quarantine Passengers in Hotels fees	214,292	-	214,292	-
Other	4,849	4,864	4,849	4,864
	<b>347,737</b>	<b>145,865</b>	<b>347,737</b>	<b>145,865</b>
	<b>411,034</b>	<b>205,632</b>	<b>411,034</b>	<b>205,632</b>

# Sydney Local Health District

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

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

### Recognition and Measurement (continued)

#### Sale of goods

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

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

# Sydney Local Health District

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

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

### Recognition and Measurement (continued)

#### Rendering of services

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

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

# Sydney Local Health District

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

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

### Recognition and Measurement (continued)

#### Rendering of services (continued)

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 SLHD expects to recognise the unsatisfied portion as revenue.

# Sydney Local Health District

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

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## 13. Investment revenue

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Interest income from financial assets at amortised cost	1,638	2,806	1,367	2,363
Finance income on the net investment in the lease	1,772	1,730	1,772	1,730
Net gain / (loss) from TCorp IM Funds measured at fair value through profit or loss	111	384	111	384
Royalties	35	36	35	36
	<b>3,556</b>	<b>4,956</b>	<b>3,285</b>	<b>4,513</b>

### Recognition and Measurement

#### *Interest income*

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

#### *Royalties*

Royalties are usually recognised when the underlying performance obligation is satisfied. It is recognised at the estimated amount if the consideration is variable.

# 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
<b>Grants with sufficiently specific performance obligations</b>				
Cancer Institute grants received from an entity controlled by the immediate parent	4,409	4,266	4,409	4,266
Clinical trials and research grants	9,614	9,599	7,961	8,638
Commonwealth government grants received for community based services	11,008	10,392	11,008	10,392
Commonwealth government grants other	-	195	-	195
Grants from entities controlled by the ultimate parent	982	784	982	784
Other grants from entities controlled by the immediate parent	235	-	235	-
Other grants	5,558	4,182	5,558	4,182
<b>Grants without specific performance obligations</b>				
Clinicals trial and research grants	3,653	6,309	1,336	2,813
Commonwealth government grants other	752	818	148	483
Grants from entities controlled by the ultimate parent	10,688	9,796	10,688	9,796
Other grants from entities controlled by the immediate parent	3,298	3,799	3,298	3,799
Other grants	2,498	1,302	2,498	1,302
Donations	3,867	6,452	3,325	6,349
	<b>56,562</b>	<b>57,894</b>	<b>51,446</b>	<b>52,999</b>

### Recognition and Measurement

#### *Grants and other contributions*

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

Revenue from grants with sufficiently specific performance obligations is recognised when SLHD satisfies a performance obligation by transferring the promised goods or services. SLHD typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. SLHD 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 SLHD obtains control over the granted assets (e.g. cash).

# Sydney Local Health District

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

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## 14. Grants and other contributions (continued)

### *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. SLHD 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.

# Sydney Local Health District

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

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

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

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Superannuation - defined benefit plans	5,834	7,186	-	-
Long service leave provision*	(9,518)	52,667	-	-
	(3,684)	59,853	-	-

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

## 16. Other income

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Other income comprises the following:				
Commissions	89	154	89	154
Discounts	2	111	2	111
Insurance refunds	655	1,235	655	1,235
Rental income				
- other rental income	4,371	4,788	4,190	4,724
Property not previously recognised *	11,881	23,003	11,881	23,003
Sponsorship	22	115	22	115
Other	8,815	10,855	8,627	9,810
	25,835	40,261	25,466	39,152

\* The 'property not previously recognised' balance relates to the RPAH Staff and Visitor Carpark, which SLHD took full possession of during the year. The car park was subject to a court proceeding. SLHD now has full control of the car park.

### 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.

# Sydney Local Health District

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

## 17. Gains / (losses) on disposal

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Gains / (losses) on disposals of:</b>				
<b>Property, plant and equipment</b>				
Written down value of assets disposed	425	397	416	360
<i>Less: proceeds from disposal</i>	7	176	7	111
<b>Net gains / (losses) on disposal</b>	<b>(418)</b>	<b>(221)</b>	<b>(409)</b>	<b>(249)</b>
<b>Right-of-use assets</b>				
Written down value of assets disposed	18	1,476	18	1,476
<i>Less: lease liabilities extinguished</i>	18	1,504	18	1,504
<b>Net gains / (losses) on disposal</b>	<b>-</b>	<b>28</b>	<b>-</b>	<b>28</b>
<b>Financial assets</b>				
Written down value of assets disposed	77,959	177,182	77,959	155,198
<i>Less: proceeds from disposal</i>	77,959	177,182	77,959	155,198
<b>Net gains / (losses) on disposal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total gains / (losses) on disposal</b>	<b>(418)</b>	<b>(193)</b>	<b>(409)</b>	<b>(221)</b>

## Recognition and Measurement

### *Impairment losses on non-financial assets*

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

- Note 20 Receivables
- Note 23 Property, plant and equipment
- Note 24 Leases
- Note 25 Intangible assets

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

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

# Sydney Local Health District

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

## 19. Cash and cash equivalents

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Cash at bank and on hand	179,039	87,203	154,771	62,580
Short-term deposits	34,660	34,549	34,660	34,549
	<u>213,699</u>	<u>121,752</u>	<u>189,431</u>	<u>97,129</u>

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)	213,699	121,752	189,431	97,129
Closing cash and cash equivalents (per Statement of Cash Flows)	<u>213,699</u>	<u>121,752</u>	<u>189,431</u>	<u>97,129</u>

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

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

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

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

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

# Sydney Local Health District

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

## 20. Receivables

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Trade receivables from contracts with customers	151,674	44,276	151,251	43,894
Intra health receivables	19,826	3,089	19,826	3,086
Goods and Services Tax	8,140	5,921	8,124	5,916
Other receivables	25,660	26,657	25,660	26,657
<b>Sub total</b>	<b>205,300</b>	<b>79,943</b>	<b>204,861</b>	<b>79,553</b>
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(34,178)	(6,196)	(34,178)	(6,196)
- Other receivables	(12)	(7)	(12)	(7)
<b>Sub total</b>	<b>171,110</b>	<b>73,740</b>	<b>170,671</b>	<b>73,350</b>
Prepayments	3,674	2,036	3,610	1,970
	<b>174,784</b>	<b>75,776</b>	<b>174,281</b>	<b>75,320</b>

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

<b>Trade receivables from contracts with customers</b>				
Balance at the beginning of the year	(6,196)	(5,240)	(6,196)	(5,240)
Amounts written off during the year	8,192	5,635	8,192	5,635
(Increase) / decrease in allowance recognised in the net result <sup>1</sup>	(36,174)	(6,591)	(36,174)	(6,591)
<b>Balance at the end of the year</b>	<b>(34,178)</b>	<b>(6,196)</b>	<b>(34,178)</b>	<b>(6,196)</b>
<b>Other receivables</b>				
Balance at the beginning of the year	(7)	(24)	(7)	(24)
Amounts written off during the year	7	80	7	80
(Increase) / decrease in allowance recognised in the net result	(12)	(63)	(12)	(63)
<b>Balance at the end of the year</b>	<b>(12)</b>	<b>(7)</b>	<b>(12)</b>	<b>(7)</b>
	<b>(34,190)</b>	<b>(6,203)</b>	<b>(34,190)</b>	<b>(6,203)</b>

<sup>1</sup> Includes impairment loss of \$36.174 million (2020: \$6.591 million) recognised on receivables from contracts with customers.

# Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

## 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	4,208	5,138	4,208	5,138
Patient fees - ineligible	16,974	16,418	16,974	16,418
Patient fees - inpatient & other	9,917	9,256	9,917	9,256
	<b>31,099</b>	<b>30,812</b>	<b>31,099</b>	<b>30,812</b>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 40.

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Contract receivables (included in Note 20)	171,595	47,693	171,174	47,309
<b>Total contract receivables</b>	<b>171,595</b>	<b>47,693</b>	<b>171,174</b>	<b>47,309</b>

### Recognition and Measurement

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

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

### Subsequent measurement

SLHD 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

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

In response to the COVID-19 pandemic, SLHD 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. SLHD has a rental receivables balance amount of \$0.292 million as at 2021 (2020: \$0.198 million). The expected impacts on the recoverability of these receivables is not considered significant.

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

# Sydney Local Health District

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

## 21. Inventories

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Drug supplies	4,125	4,577	4,125	4,577
Medical and surgical supplies	7,415	8,389	7,415	8,389
	<b>11,540</b>	<b>12,966</b>	<b>11,540</b>	<b>12,966</b>

The increase in medical and surgical supplies is a result of SLHD's increased purchases to protect, test and treat suspected and confirmed COVID-19 patients. Inventories held for distribution for COVID-19 are also consumed as part of the normal services provided by SLHD.

### 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.

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 SLHD 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.

# Sydney Local Health District

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

## 22. Other financial assets

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Other loans and deposits	-	77,959	-	77,959
	-	77,959	-	77,959
<b>Non-current</b>				
Receivables on finance leases as lessor (Note 24)	74,196	72,424	74,196	72,424
	74,196	72,424	74,196	72,424

Refer to Note 40 for further information regarding fair value measurement, credit risk, and market risk arising from financial instruments.

### Recognition and Measurement

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

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

### Subsequent measurement

#### *Financial assets at amortised cost*

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

### Impairment

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

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

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

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

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

# Sydney Local Health District

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

## 23. Property, plant and equipment

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

#### CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2019 - fair value</b>				
Gross carrying amount	2,353,332	230,024	15,567	2,598,923
Less: accumulated depreciation and impairment	628,834	136,325	5,794	770,953
<b>Net carrying amount</b>	<b>1,724,498</b>	<b>93,699</b>	<b>9,773</b>	<b>1,827,970</b>
	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2020</b>				
Net carrying amount at beginning of year	1,724,498	93,699	9,773	1,827,970
Adjusted net carrying amount at beginning of year	1,724,498	93,699	9,773	1,827,970
Additions	127,854	20,878	962	149,694
Disposals	-	(397)	-	(397)
Equity transfers - transfers in / (out)	-	-	-	-
Transfers within NSW Health entities through Statement of Comprehensive Income	-	-	-	-
Net revaluation increments less revaluation decrements	5,428	-	-	5,428
Depreciation expense	(45,176)	(14,977)	(404)	(60,557)
Reclassifications	1,160	(1,746)	586	-
<b>Net carrying amount at end of year</b>	<b>1,813,764</b>	<b>97,457</b>	<b>10,917</b>	<b>1,922,138</b>

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

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

# Sydney Local Health District

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

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

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

#### CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2020 - fair value</b>				
Gross carrying amount	2,540,282	243,905	19,360	2,803,547
<i>Less: accumulated depreciation and impairment</i>	726,518	146,448	8,443	881,409
<b>Net carrying amount</b>	<b>1,813,764</b>	<b>97,457</b>	<b>10,917</b>	<b>1,922,138</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2021</b>				
Net carrying amount at beginning of year	1,813,764	97,457	10,917	1,922,138
Adjusted net carrying amount at beginning of year	1,813,764	97,457	10,917	1,922,138
Additions	197,426	26,298	-	223,724
Disposals	-	(425)	-	(425)
Equity transfers - transfers in / (out)	(99,749)	-	(1,370)	(101,119)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	231	-	231
Net revaluation increments less revaluation decrements	4,436	-	803	5,239
Depreciation expense	(46,742)	(16,261)	(468)	(63,471)
Reclassifications	(224)	224	-	-
<b>Net carrying amount at end of year</b>	<b>1,868,911</b>	<b>107,524</b>	<b>9,882</b>	<b>1,986,317</b>

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 30 June 2021 - fair value</b>				
Gross carrying amount	2,598,850	258,212	18,100	2,875,162
<i>Less: accumulated depreciation and impairment</i>	729,939	150,688	8,218	888,845
<b>Net carrying amount</b>	<b>1,868,911</b>	<b>107,524</b>	<b>9,882</b>	<b>1,986,317</b>

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

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

# Sydney Local Health District

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

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

### (b) Property, plant and equipment held and used by SLHD

#### CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2019 - fair value</b>				
Gross carrying amount	2,298,440	230,024	15,567	2,544,031
Less: accumulated depreciation and impairment	608,912	136,325	5,794	751,031
<b>Net carrying amount</b>	<b>1,689,528</b>	<b>93,699</b>	<b>9,773</b>	<b>1,793,000</b>
	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2020</b>				
Net carrying amount at beginning of year	1,689,528	93,699	9,773	1,793,000
<b>Adjusted net carrying amount at beginning of year</b>	<b>1,689,528</b>	<b>93,699</b>	<b>9,773</b>	<b>1,793,000</b>
Additions	127,847	20,878	962	149,687
Disposals	-	(397)	-	(397)
Equity transfers - transfers in / (out)	-	-	-	-
Transfers within NSW Health entities through Statement of Comprehensive Income	-	-	-	-
Net revaluation increment less revaluation decrements	5,428	-	-	5,428
Depreciation expense	(43,976)	(14,977)	(404)	(59,357)
Reclassifications	1,160	(1,746)	586	-
<b>Net carrying amount at end of year</b>	<b>1,779,987</b>	<b>97,457</b>	<b>10,917</b>	<b>1,888,361</b>

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

# Sydney Local Health District

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

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

### (b) Property, plant and equipment held and used by SLHD (continued)

#### CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2020 - fair value</b>				
Gross carrying amount	2,485,382	243,905	19,360	2,748,647
<i>Less: accumulated depreciation and impairment</i>	705,395	146,448	8,443	860,286
<b>Net carrying amount</b>	<b>1,779,987</b>	<b>97,457</b>	<b>10,917</b>	<b>1,888,361</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2021</b>				
Net carrying amount at beginning of year	1,779,987	97,457	10,917	1,888,361
<b>Adjusted net carrying amount at beginning of year</b>	<b>1,779,987</b>	<b>97,457</b>	<b>10,917</b>	<b>1,888,361</b>
Additions	197,426	26,298	-	223,724
Disposals	-	(425)	-	(425)
Equity transfers - transfers in / (out)	(99,749)	-	(1,370)	(101,119)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	231	-	231
Net revaluation increments less revaluation decrements	4,436	-	803	5,239
Depreciation expense	(45,542)	(16,261)	(468)	(62,271)
Reclassifications	(224)	224	-	-
<b>Net carrying amount at end of year</b>	<b>1,836,334</b>	<b>107,524</b>	<b>9,882</b>	<b>1,953,740</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>At 30 June 2021 - fair value</b>				
Gross carrying amount	2,543,950	258,212	18,101	2,820,263
<i>Less: accumulated depreciation and impairment</i>	707,616	150,688	8,219	866,523
<b>Net carrying amount</b>	<b>1,836,334</b>	<b>107,524</b>	<b>9,882</b>	<b>1,953,740</b>

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

# Sydney Local Health District

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

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

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

#### CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2019 - fair value</b>				
Gross carrying amount	54,892	-	-	54,892
Less: accumulated depreciation and impairment	19,922	-	-	19,922
<b>Net carrying amount</b>	<b>34,970</b>	<b>-</b>	<b>-</b>	<b>34,970</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2020</b>				
Net carrying amount at beginning of year	34,970	-	-	34,970
Adjusted net carrying amount at beginning of year	34,970	-	-	34,970
Additions	7	-	-	7
Depreciation expense	(1,200)	-	-	(1,200)
<b>Net carrying amount at end of year</b>	<b>33,777</b>	<b>-</b>	<b>-</b>	<b>33,777</b>

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2020 - fair value</b>				
Gross carrying amount	54,900	-	-	54,900
Less: accumulated depreciation and impairment	21,123	-	-	21,123
<b>Net carrying amount</b>	<b>33,777</b>	<b>-</b>	<b>-</b>	<b>33,777</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2021</b>				
Net carrying amount at beginning of year	33,777	-	-	33,777
Adjusted net carrying amount at beginning of year	33,777	-	-	33,777
Additions	-	-	-	-
Depreciation expense	(1,200)	-	-	(1,200)
<b>Net carrying amount at end of year</b>	<b>32,577</b>	<b>-</b>	<b>-</b>	<b>32,577</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>At 30 June 2021 - fair value</b>				
Gross carrying amount	54,900	-	-	54,900
Less: accumulated depreciation and impairment	22,323	-	-	22,323
<b>Net carrying amount</b>	<b>32,577</b>	<b>-</b>	<b>-</b>	<b>32,577</b>

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

# Sydney Local Health District

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

## 23. Property, plant and equipment

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

#### PARENT

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2019 - fair value</b>				
Gross carrying amount	2,337,431	222,941	15,567	2,575,939
Less: accumulated depreciation and impairment	626,311	132,650	5,794	764,755
<b>Net carrying amount</b>	<b>1,711,120</b>	<b>90,291</b>	<b>9,773</b>	<b>1,811,184</b>
	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2020</b>				
Net carrying amount at beginning of year	1,711,120	90,291	9,773	1,811,184
Adjusted net carrying amount at beginning of year	1,711,120	90,291	9,773	1,811,184
Additions	127,855	20,372	962	149,189
Disposals	-	(360)	-	(360)
Equity transfers - transfers in / (out)	-	-	-	-
Transfers within NSW Health entities through Statement of Comprehensive Income	-	-	-	-
Net revaluation increments less revaluation decrements	5,428	-	-	5,428
Depreciation expense	(44,778)	(14,478)	(404)	(59,660)
Reclassifications	1,160	(1,746)	586	-
<b>Net carrying amount at end of year</b>	<b>1,800,785</b>	<b>94,079</b>	<b>10,917</b>	<b>1,905,781</b>

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

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

# Sydney Local Health District

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

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

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

#### PARENT

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2020 - fair value</b>				
Gross carrying amount	2,524,382	236,885	19,360	2,780,627
<i>Less: accumulated depreciation and impairment</i>	723,597	142,806	8,443	874,846
<b>Net carrying amount</b>	<b>1,800,785</b>	<b>94,079</b>	<b>10,917</b>	<b>1,905,781</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2021</b>				
Net carrying amount at beginning of year	1,800,785	94,079	10,917	1,905,781
Adjusted net carrying amount at beginning of year	1,800,785	94,079	10,917	1,905,781
Additions	197,426	26,229	-	223,655
Disposals	-	(416)	-	(416)
Equity transfers - transfers in / (out)	(99,749)	-	(1,370)	(101,119)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	231	-	231
Net revaluation increments less revaluation decrements	4,436	-	803	5,239
Depreciation expense	(46,345)	(15,786)	(468)	(62,599)
Reclassifications	(224)	224	-	-
<b>Net carrying amount at end of year</b>	<b>1,856,329</b>	<b>104,561</b>	<b>9,882</b>	<b>1,970,772</b>

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 30 June 2021 - fair value</b>				
Gross carrying amount	2,582,950	251,504	18,100	2,852,554
<i>Less: accumulated depreciation and impairment</i>	726,621	146,943	8,218	881,782
<b>Net carrying amount</b>	<b>1,856,329</b>	<b>104,561</b>	<b>9,882</b>	<b>1,970,772</b>

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

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

# Sydney Local Health District

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

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

### (b) Property, plant and equipment held and used by SLHD

#### PARENT

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2019 - fair value</b>				
Gross carrying amount	2,282,539	222,941	15,567	2,521,047
Less: accumulated depreciation and impairment	606,389	132,650	5,794	744,833
<b>Net carrying amount</b>	<b>1,676,150</b>	<b>90,291</b>	<b>9,773</b>	<b>1,776,214</b>
<b>Year ended 30 June 2020</b>				
Net carrying amount at beginning of year	1,676,150	90,291	9,773	1,776,214
Adjusted net carrying amount at beginning of year	1,676,150	90,291	9,773	1,776,214
Additions	127,848	20,372	962	149,182
Disposals	-	(360)	-	(360)
Equity transfers - transfers in / (out)	-	-	-	-
Transfers within NSW Health entities through Statement of Comprehensive Income	-	-	-	-
Net revaluation increment less revaluation decrements	5,428	-	-	5,428
Depreciation expense	(43,578)	(14,478)	(404)	(58,460)
Reclassifications	1,160	(1,746)	586	-
<b>Net carrying amount at end of year</b>	<b>1,767,008</b>	<b>94,079</b>	<b>10,917</b>	<b>1,872,004</b>

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

# Sydney Local Health District

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

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

### (b) Property, plant and equipment held and used by SLHD (continued)

#### PARENT

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2020 - fair value				
Gross carrying amount	2,469,482	236,885	19,360	2,725,727
<i>Less: accumulated depreciation and impairment</i>	702,474	142,806	8,443	853,723
<b>Net carrying amount</b>	<b>1,767,008</b>	<b>94,079</b>	<b>10,917</b>	<b>1,872,004</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2021				
Net carrying amount at beginning of year	1,767,008	94,079	10,917	1,872,004
<b>Adjusted net carrying amount at beginning of year</b>	<b>1,767,008</b>	<b>94,079</b>	<b>10,917</b>	<b>1,872,004</b>
Additions	197,426	26,229	-	223,655
Disposals	-	(416)	-	(416)
Equity transfers - transfers in / (out)	(99,749)	-	(1,370)	(101,119)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	231	-	231
Net revaluation increments less revaluation decrements	4,436	-	803	5,239
Depreciation expense	(45,145)	(15,786)	(468)	(61,399)
Reclassifications	(224)	224	-	-
<b>Net carrying amount at end of year</b>	<b>1,823,752</b>	<b>104,561</b>	<b>9,882</b>	<b>1,938,195</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2021 - fair value				
Gross carrying amount	2,528,050	251,504	18,101	2,797,655
<i>Less: accumulated depreciation and impairment</i>	704,298	146,943	8,219	859,460
<b>Net carrying amount</b>	<b>1,823,752</b>	<b>104,561</b>	<b>9,882</b>	<b>1,938,195</b>

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

# Sydney Local Health District

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

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

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

#### PARENT

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2019 - fair value</b>				
Gross carrying amount	54,892	-	-	54,892
Less: accumulated depreciation and impairment	19,922	-	-	19,922
<b>Net carrying amount</b>	<b>34,970</b>	<b>-</b>	<b>-</b>	<b>34,970</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2020</b>				
Net carrying amount at beginning of year	34,970	-	-	34,970
Adjusted net carrying amount at beginning of year	34,970	-	-	34,970
Additions	7	-	-	7
Depreciation expense	(1,200)	-	-	(1,200)
<b>Net carrying amount at end of year</b>	<b>33,777</b>	<b>-</b>	<b>-</b>	<b>33,777</b>

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2020 - fair value</b>				
Gross carrying amount	54,900	-	-	54,900
Less: accumulated depreciation and impairment	21,123	-	-	21,123
<b>Net carrying amount</b>	<b>33,777</b>	<b>-</b>	<b>-</b>	<b>33,777</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2021</b>				
Net carrying amount at beginning of year	33,777	-	-	33,777
Adjusted net carrying amount at beginning of year	33,777	-	-	33,777
Additions	-	-	-	-
Depreciation expense	(1,200)	-	-	(1,200)
<b>Net carrying amount at end of year</b>	<b>32,577</b>	<b>-</b>	<b>-</b>	<b>32,577</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>At 30 June 2021 - fair value</b>				
Gross carrying amount	54,900	-	-	54,900
Less: accumulated depreciation and impairment	22,323	-	-	22,323
<b>Net carrying amount</b>	<b>32,577</b>	<b>-</b>	<b>-</b>	<b>32,577</b>

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

# Sydney Local Health District

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

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

### Recognition and Measurement

#### *Acquisition of property, plant and equipment*

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

Health Infrastructure, a controlled entity of the immediate parent, manages the approved major capital works program for the NSW Ministry of Health and its controlled entities. Health Infrastructure receives NSW Ministry of Health Capital Allocations and grants on behalf of SLHD and makes payments to contractors and suppliers. Health Infrastructure initially records all costs incurred as work in progress or expenses and subsequently transfers to SLHD. The costs are then accordingly reflected in SLHD financial statements. SLHD 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 SLHD are deemed to be controlled by SLHD 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.

# Sydney Local Health District

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

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

### *Depreciation of property, plant and equipment*

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

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 and remains unchanged 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. SLHD has elected to present right-of-use assets separately in the Statement of Financial Position.

Further information on leases is contained in Note 24.

# Sydney Local Health District

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

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

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

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

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to Note 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. SLHD conducts a comprehensive revaluation at least every three years for its land and buildings and infrastructure. Interim desktop revaluations are conducted between comprehensive revaluations for those assets, where cumulative changes to indicators suggest fair value may differ materially from carrying value. SLHD uses an independent professionally qualified valuer for such revaluations.

The last comprehensive revaluation was completed on 31 December 2018 and was based on an independent assessment.

Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value.

An interim management revaluation was completed on 31 December 2020 as a result of a cumulative increase in indicators of 4.20% for land and buildings and 2.30% for infrastructure. SLHD used an external professionally qualified valuer to conduct the interim revaluation. Indicators provided by APV Valuers & Asset Management (APV) were not applied as they were deemed immaterial.

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

# Sydney Local Health District

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

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## 23. 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.

SLHD 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, SLHD 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.

# Sydney Local Health District

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

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## 24. Leases

### (a) Entity as a lessee

SLHD leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 10 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. SLHD 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 SLHD 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 (2020: \$0.708 million) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extensions and termination options was an increase in recognised lease liabilities and right-of-use assets of \$Nil (2020: \$Nil).

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

SLHD 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.

# Sydney Local Health District

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

## 24. Leases (continued)

### (a) Entity as a lessee (continued)

#### PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2020	13,158	3,867	17,025
Additions	2,305	1,922	4,227
Reassessments	769	85	854
Disposals	-	(18)	(18)
Depreciation expense	(2,944)	(1,986)	(4,930)
Equity transfers - transfers In / (out)	-	47	47
<b>Balance at 30 June 2021</b>	<b>13,288</b>	<b>3,917</b>	<b>17,205</b>

#### PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2019	7,596	4,046	11,642
Additions	9,400	1,335	10,735
Reassessments	-	21	21
Disposals	(1,458)	(18)	(1,476)
Depreciation expense	(2,380)	(1,517)	(3,897)
Equity transfers - transfers In / (out)	-	-	-
<b>Balance at 30 June 2020</b>	<b>13,158</b>	<b>3,867</b>	<b>17,025</b>

# Sydney Local Health District

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

## 24. Leases (continued)

### (a) Entity as a lessee (continued)

#### Lease liabilities

The following table presents liabilities under leases.

#### PARENT AND CONSOLIDATION

	2021 \$000	2020 \$000
Balance at 1 July	17,043	11,642
Additions	4,227	10,735
Interest expenses	420	168
Payments	(5,258)	(4,019)
Terminations	(18)	(1,504)
Equity transfers - transfers In / (out)	60	-
Other adjustments	854	21
<b>Balance at 30 June</b>	<b>17,328</b>	<b>17,043</b>

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

#### PARENT AND CONSOLIDATION

	2021 \$000	2020 \$000
Depreciation expense of right-of-use assets	4,930	3,897
Interest expense on lease liabilities	420	168
Expenses relating to short-term leases	2,914	2,804
Expenses relating to leases of low-value assets	1,679	1,497
Variable lease payments, not included in the measurement of lease liabilities	27	97
(Gains) / losses on disposal	-	(28)
<b>Total amount recognised in the statement of comprehensive income</b>	<b>9,970</b>	<b>8,435</b>

SLHD had total cash outflows for leases of \$9.878 million for the year ended 30 June 2021 (2020: \$8.418 million).

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

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

#### Recognition and Measurement

SLHD 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.

SLHD 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.

# Sydney Local Health District

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

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## 24. Leases (continued)

### (a) Entity as a lessee (continued)

#### i. Right-of-use assets

SLHD 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. As in the previous year, 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 10 years
Plant and equipment	1 to 7 years
Motor vehicles and other equipment	1 to 5 years

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

# Sydney Local Health District

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

## 24. Leases (continued)

### (a) Entity as a lessee (continued)

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

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

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

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

### (b) Entity as a lessor

Sydney Local Health District leases retail spaces located within the hospital precincts under operating leases with rental payable monthly. Lease payments generally contain uplift clauses to align to the market conditions.

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

## Reconciliation of net investment in leases

### PARENT AND CONSOLIDATION

	2021 \$000	2020 \$000
Unguaranteed residual amounts - undiscounted	162,456	162,456
Less: unearned finance income	(88,260)	(90,032)
<b>Net investment in finance lease</b>	<b>74,196</b>	<b>72,424</b>

## Recognition and Measurement

### Lessor for finance leases

Leases that SLHD transfers substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. Subleases are classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

At the lease commencement date, SLHD recognises a receivable for assets held under a finance lease in its Statement of Financial Position at an amount equal to the net investment in the lease. The net investment in leases is classified as financial assets amortised cost and equals the lease payments receivable by a lessor and the unguaranteed residual value, plus initial direct costs, discounted using the interest rate implicit in the lease.

Finance income arising from finance leases is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

# Sydney Local Health District

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

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## 24. Leases (continued)

### (b) Entity as a lessor (continued)

#### Lessor for operating leases

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

#### PARENT AND CONSOLIDATION

	2021 \$'000	2020 \$'000
Within one year	1,873	1,192
Later than one year and not later than five years	626	502
Two to three years	563	486
Three to four years	454	486
Four to five years	371	427
Later than five years	4,028	4,132
<b>Total (excluding GST)</b>	<b>7,915</b>	<b>7,225</b>

#### Recognition and Measurement

##### *Lessor for operating leases*

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the Statement of Comprehensive Income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

# Sydney Local Health District

Notes to and forming part of the Financial Statements  
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## 25. Intangible assets

### PARENT AND CONSOLIDATION

	Total \$000
<b>At 1 July 2019</b>	
Cost (gross carrying amount)	4,611
Less: accumulated amortisation and impairment	783
<b>Net carrying amount</b>	<b>3,828</b>
<b>Year ended 30 June 2020</b>	
Net carrying amount at beginning of year	3,828
Additions - acquired separately	2,305
Amortisation (recognised in depreciation and amortisation)	(543)
<b>Net carrying amount at end of year</b>	<b>5,590</b>
<b>At 1 July 2020</b>	
Cost (gross carrying amount)	6,916
Less: accumulated amortisation and impairment	1,326
<b>Net carrying amount</b>	<b>5,590</b>
<b>Year ended 30 June 2021</b>	
Net carrying amount at beginning of year	5,590
Additions - acquired separately	370
Amortisation (recognised in depreciation and amortisation)	(605)
<b>Net carrying amount at end of year</b>	<b>5,355</b>

# Sydney Local Health District

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

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## 25. Intangible assets (continued)

### PARENT AND CONSOLIDATION

	Total \$000
At 30 June 2021	
Cost (gross carrying amount)	6,588
Less: accumulated amortisation and impairment	1,233
<b>Net carrying amount</b>	<b>5,355</b>

### Recognition and Measurement

SLHD recognises intangible assets only if it is probable that future economic benefits will flow to SLHD 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 SLHD'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.

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

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

Intangible assets 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.

# Sydney Local Health District

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

## 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, SLHD 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).

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

#### (a) Fair value hierarchy

	Level 1	Level 2	Level 3	Total Fair Value
2021	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 23)				
- Land and buildings	-	21,500	1,477,808	1,499,308
- Infrastructure systems	-	-	9,055	9,055
	-	21,500	1,486,863	1,508,363

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

The above figures exclude leasehold improvements, work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 23.

	Level 1	Level 2	Level 3	Total Fair Value
2020	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 23)				
- Land and buildings	-	21,601	1,606,754	1,628,355
- Infrastructure systems	-	-	10,068	10,068
	-	21,601	1,616,822	1,638,423

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

The above figures exclude leasehold improvements, work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 23.

# Sydney Local Health District

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

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

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

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

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices (refer Note 23 reconciliation).

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

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

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

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

# Sydney Local Health District

Notes to and forming part of the Financial Statements  
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## 26. Fair value measurement of non-financial assets (continued)

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

#### PARENT AND CONSOLIDATION

2021	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2020	1,606,754	10,068	-	1,616,822
Adjusted fair value as at 1 July 2020	1,606,754	10,068	-	1,616,822
Additions	11,881	-	-	11,881
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 23)	4,436	803	-	5,239
Transfers from Level 2	-	-	-	-
Transfers to Level 2	-	-	-	-
Depreciation expense	(45,514)	(446)	-	(45,960)
Equity transfers - transfers in / (out)	(99,749)	(1,370)	-	(101,119)
Fair value as at 30 June 2021	1,477,808	9,055	-	1,486,863

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

#### PARENT AND CONSOLIDATION

2020	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2019	1,623,838	9,488	8,918	1,642,244
De-recognition of privately finance projects on withdrawal of TPP 06-8	-	-	(8,918)	(8,918)
Adjusted fair value as at 1 July 2019	1,623,838	9,488	-	1,633,326
Additions	22,040	962	-	23,002
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 23)	5,428	-	-	5,428
Transfers from Level 2	-	-	-	-
Transfers to Level 2	-	-	-	-
Depreciation expense	(44,552)	(382)	-	(44,934)
Equity transfers - transfers in / (out)	-	-	-	-
Fair value as at 30 June 2020	1,606,754	10,068	-	1,616,822

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

# Sydney Local Health District

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

## 27. Restricted assets

### PARENT AND CONSOLIDATION

SLHD'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.

CONSOLIDATION	1 July 2020			2021
Category	Opening	Revenue	Expense	Closing
	\$000	\$000	\$000	\$000
Community welfare	1,409	393	659	1,143
Facility improvements	70,607	6,662	6,680	70,589
Holds funds in perpetuity	533	-	-	533
Patient welfare	2,840	603	385	3,058
Private practice disbursements (No.2 Accounts)	51,241	8,969	11,422	48,788
Public contributions	4,271	1,839	707	5,403
Research	65,648	19,028	17,352	67,324
Staff welfare	137	5	6	136
Training and education including conferences	12,613	612	777	12,448
	<b>209,299</b>	<b>38,111</b>	<b>37,988</b>	<b>209,422</b>
<b>PARENT</b>	<b>1 July 2020</b>			<b>2021</b>
Category	Opening	Revenue	Expense	Closing
	\$000	\$000	\$000	\$000
Community welfare	1,409	393	659	1,143
Facility improvements	53,988	6,663	5,866	54,785
Holds funds in perpetuity	533	-	-	533
Patient welfare	2,840	603	385	3,058
Private practice disbursements (No.2 Accounts)	51,241	8,969	11,422	48,788
Public contributions	4,271	1,839	707	5,403
Research	43,075	13,234	11,814	44,495
Staff welfare	137	5	6	136
Training and education including conferences	12,614	611	777	12,448
	<b>170,108</b>	<b>32,317</b>	<b>31,636</b>	<b>170,789</b>

# Sydney Local Health District

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

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## 27. Restricted assets (continued)

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

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

### *Unclaimed monies*

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

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.

# Sydney Local Health District

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

## 28. Payables

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Accrued salaries, wages and on-costs	23,903	38,435	-	-
Salaries and wages deductions	347	266	-	-
Payroll and fringe benefits tax	23	25	-	-
Accrued liability - purchase of personnel services	-	-	24,146	38,596
Creditors	34,406	27,008	34,406	27,008
Other creditors				
- Payables to entities controlled by the immediate parent	31,770	14,228	31,770	14,228
- Other	39,786	21,038	39,693	20,829
	<b>130,235</b>	<b>101,000</b>	<b>130,015</b>	<b>100,661</b>

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 SLHD 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.

# Sydney Local Health District

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

## 29. Contract liabilities

	Consolidated 2021 \$'000	Consolidated 2020 \$'000	Parent 2021 \$'000	Parent 2020 \$'000
Current				
Contract liabilities	1,229	2,310	680	1,128
	1,229	2,310	680	1,128

### 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 contracts hadn't 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 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	2,310	2,362	1,128	145
Transaction price allocated to the remaining performance obligations from contracts with customers	554	1,273	5	51

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

Specific revenue class	2022 \$'000	2023 \$'000	2024 \$'000	≥ 2025 \$'000
Sales of goods and services from contracts with customers	5	-	-	-
Grants and other contributions	549	-	-	-
	554	-	-	-

## Sydney Local Health District

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

### 30. Borrowings

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Other loans and deposits	894	870	894	870
Lease liabilities (see Note 24)	4,207	4,119	4,207	4,119
	<b>5,101</b>	<b>4,989</b>	<b>5,101</b>	<b>4,989</b>
<b>Non-current</b>				
Other loans and deposits	4,757	5,651	4,757	5,651
Lease liabilities (see Note 24)	13,121	12,924	13,121	12,924
	<b>17,878</b>	<b>18,575</b>	<b>17,878</b>	<b>18,575</b>

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

Final repayment of loan is scheduled for 31 December 2029

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

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

# Sydney Local Health District

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

## 30. Borrowings (continued)

### Recognition and Measurement

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

#### *Financial liabilities at amortised cost*

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

Borrowings are classified as current liabilities unless SLHD 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

SLHD 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.

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, SLHD's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation, and an expected credit loss provision.

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

Changes in liabilities arising from financing activities

### PARENT AND CONSOLIDATION

	Other loans and deposits \$000	Leases \$000	Total liabilities from financing activities \$000
1 July 2019	6,318	-	6,318
Recognised on adoption of AASB 16	-	11,642	11,642
Adjusted 1 July 2019	6,318	11,642	17,960
Cash flows	203	(3,851)	(3,648)
New leases	-	10,735	10,735
Lease terminations	-	(1,504)	(1,504)
Lease reassessments	-	21	21
Non-cash changes other	-	(1,483)	(1,483)
30 June 2020	6,521	17,043	23,564
1 July 2020	6,521	17,043	23,564
Cash flows	(870)	(4,838)	(5,708)
New leases	-	4,227	4,227
Non-cash changes other	-	896	896
30 June 2021	5,651	17,328	22,979

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

# Sydney Local Health District

Notes to and forming part of the Financial Statements  
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## 31. Provisions

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Employee benefits and related on-costs				
Annual leave - obligations expected to be settled within 12 months	108,613	111,073	-	-
Annual leave - obligations expected to be settled after 12 months	118,139	83,038	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	2,704	35,709	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	40,631	-	-	-
Provision for other employee benefits	9,244	9,250	-	-
Provision for personnel services liability	-	-	278,654	238,386
	<b>279,331</b>	<b>239,070</b>	<b>278,654</b>	<b>238,386</b>
<b>Other Provisions</b>				
Make good provision	1,890	-	1,890	-
Other **	-	84,022	-	84,022
	<b>1,890</b>	<b>84,022</b>	<b>1,890</b>	<b>84,022</b>
<b>Total current provisions</b>	<b>281,221</b>	<b>323,092</b>	<b>280,544</b>	<b>322,408</b>
<b>Non-current</b>				
Employee benefits and related on-costs				
Long service leave consequential on-costs	4,286	3,105	-	-
Provision for personnel services liability	-	-	4,286	3,105
<b>Total non-current provisions</b>	<b>4,286</b>	<b>3,105</b>	<b>4,286</b>	<b>3,105</b>
<b>Aggregate employee benefits and related on-costs</b>				
Provisions - current	279,331	239,070	-	-
Provisions - non-current	4,286	3,105	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 28)	24,250	38,701	-	-
Liability - purchase of personnel services	-	-	307,062	280,063
	<b>307,867</b>	<b>280,876</b>	<b>307,062</b>	<b>280,063</b>

\*\* SLHD has had a successful outcome in a legal matter and the previous year's provision of liabilities of \$84M is now reversed.

# Sydney Local Health District

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

## 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
<b>Other</b>				
Carrying amount at beginning of period	84,022	100,300	84,022	100,300
- Amounts used	-	(16,278)	-	(16,278)
- Unused amounts reversed	(84,022)	-	(84,022)	-
<b>Carrying amount at end of period</b>	<b>-</b>	<b>84,022</b>	<b>-</b>	<b>84,022</b>

### 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 19.78% are applied to the value of leave payable at 30 June 2021 (comparable on-costs for 30 June 2020 were 18.11%). SLHD has assessed the actuarial advice based on the SLHD'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 SLHD does not expect to settle the liability within 12 months as SLHD 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.

# Sydney Local Health District

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

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## 31. Provisions (continued)

### Recognition and Measurement (continued)

#### *Long service leave and superannuation*

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

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

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

# Sydney Local Health District

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

## 32. Other liabilities

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Unearned revenue	49	80	-	44
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	218	264	34	264
	<b>267</b>	<b>344</b>	<b>34</b>	<b>308</b>

### PARENT AND CONSOLIDATION

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

	2021 \$'000	2020 \$000
Opening balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	264	-
Liabilities arising from transfers to acquire/construct non-financial assets to be controlled by the entity recognised upon initial application of AASB 1058	-	682
<i>Add: receipt of cash during the financial year</i>	(46)	(418)
<b>Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity</b>	<b>218</b>	<b>264</b>

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

SLHD 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.

# Sydney Local Health District

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

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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 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Within one year	23,409	127,410	23,409	127,410
Later than one year and not later than five years	5,745	45,423	5,745	45,423
<b>Total (including GST)</b>	<b>29,154</b>	<b>172,833</b>	<b>29,154</b>	<b>172,833</b>

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

The total 'Capital expenditure commitments' of \$29.154 million as at 30 June 2021 includes input tax credits of \$2.650 million that are expected to be recoverable from the Australian Taxation Office (2020 \$15.712 million).

### Output tax payable related to commitments for revenue

The 'Operating Lease Commitments (Entity as Lessor)' of \$8.706 million as at 30 June 2021 includes taxable sales of \$0.791 million that are expected to be payable to the Australian Taxation Office (2020: \$0.722 million).

## 34. Contingent liabilities and contingent assets

### PARENT AND CONSOLIDATION

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

#### (a) Contingent liabilities

SLHD does not have any known contingent liabilities in FY2021 (2020: Nil).

#### (b) Contingent assets

SLHD does not have any known contingent assets in FY2021 (2020: Nil).

# Sydney Local Health District

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

## 35. Trust funds

### PARENT AND CONSOLIDATION

SLHD holds trust funds of \$10.1 million (2019: \$8.9 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 SLHD cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

Category	1 July 2020	Revenue	Expense	30 June 2021
	Opening equity			Closing equity
	\$'000	\$'000	\$'000	\$'000
Patient Trust	148	2	(2)	148
Refundable Deposits	240	11	(43)	208
Private Patient Trust Funds	5,109	39,726	(39,213)	5,622
Third Party Funds	3,449	3,140	(2,442)	4,147
<b>Total trust funds</b>	<b>8,946</b>	<b>42,879</b>	<b>(41,700)</b>	<b>10,125</b>

Category	1 July 2019	Revenue	Expense	30 June 2020
	Opening equity			Closing equity
	\$'000	\$'000	\$'000	\$'000
Patient Trust	148	5	(5)	148
Refundable Deposits	239	23	(22)	240
Private Patient Trust Funds	5,979	38,385	(39,255)	5,109
Third Party Funds	3,941	2,929	(3,421)	3,449
<b>Total trust funds</b>	<b>10,307</b>	<b>41,342</b>	<b>(42,703)</b>	<b>8,946</b>

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

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

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

# Sydney Local Health District

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

## 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	231,902	134,125	232,188	134,408
Depreciation and amortisation expense	(69,006)	(64,997)	(68,134)	(64,100)
Allowance for impairment	(36,186)	(6,654)	(36,186)	(6,654)
(Increase) / decrease in unearned revenue	78	(651)	274	(754)
Decrease / (increase) in provisions	40,690	(8,202)	40,685	(8,080)
Increase / (decrease) in prepayments and other assets	135,666	973	135,629	1,071
Decrease / (increase) in payables	(29,361)	(7,700)	(29,491)	(7,777)
Decrease / (increase) in contract liabilities	1,081	1,128	448	93
Net gain / (loss) on sale of property, plant and equipment	(418)	(221)	(409)	(249)
Net gain / (loss) on disposal of right-of-use assets	-	28	-	28
Assets donated or brought to account (Note 37)	12,112	23,003	12,112	23,003
<b>Net result</b>	<b>286,558</b>	<b>70,832</b>	<b>287,116</b>	<b>70,989</b>

## 37. Non-cash financing and investing activities

Non-cash financing and investing activities as follows:

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Assets donated or brought to account	12,112	23,003	12,112	23,003
Property, plant and equipment acquired by a lease	4,227	10,736	4,227	10,736
	<b>16,339</b>	<b>33,739</b>	<b>16,339</b>	<b>33,739</b>

# Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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

#### PARENT AND CONSOLIDATION

##### Net result

The actual Net Result was higher than adjusted budget by \$77 million, primarily due to:

Total Net Result is \$77.4M favourable to budget. This result is related to favourable variances in Total Expenses excluding losses (\$88.0M) offset by unfavourable results in Total Revenue (\$8.6M), Doubtful Debts (\$18.8M) and Losses on Disposal of Asset (\$0.4M).

There were increases in major expense lines including Salaries & Wages, Visiting Medical Officers (VMOs), Grants and Subsidies, Payments to Affiliated Organizations and Depreciation amounting to \$30.9M. This increase was primarily due to the management of the COVID-19 response, including the Special Health Accommodation, vaccination program, Pathology tests, Personal Protective Equipment (PPE), COVID-19 Clinics and Collaborative Care. There was also an increase in the provision of doubtful debts due to fees relating to Quarantine Passengers in Hotels.

The favourability of \$8.6M in Total Revenue was primarily due to increase in recurrent allocations. This was predominantly due to SLHD receiving revenue from Revenue NSW for Quarantine Passenger Fees on 30 June 2021 after the MoH cash sweep (had occurred on 29 June 2021). The increase was offset by unfavourabilities in Patient fees, Facility fees and other revenue streams impacted by COVID-19.

##### Assets and liabilities

Total Assets were lower by \$35.7M compared to Budget. This comprised a \$53.1M increase in current assets offset by a decrease in non current assets amounting to \$88.8M. The increase in current assets related to cash and cash equivalents (\$108.3M), receivables (\$24.1M) offset by a decrease in other financial assets (\$78.0M). The major reason for the increase in current assets was due to collection of Quarantine Passengers in Hotels fees. Note that quarantine hotel operations were not factored in the initial budget. The decrease in financial assets was due to redemption of short term investment amounting to \$78.0M. The decrease of \$88.8M in non current assets was mainly due to decrease in property, plant and equipment of \$86.7M. The major reason for the decrease was due to the transfer of Land, Buildings and Infrastructure located in Callan Park Precinct 1 to Greater Sydney Parklands (GSP), part of Department of Planning, Industry and Environment (DPIE) amounting to \$101.1M. This was offset by the recognition of the RPA Staff & Visitors Car Park amounting to \$11.9M.

Total Liabilities were lower by \$17.2M compared to Budget. The decrease was a result of the decrease in provisions \$57.6M primarily due to reversal liability provision on the successful outcome of a legal matter and offset by increase in Payables (\$43.2M). The increase in payables was due to the impact of the COVID-19 response.

# Sydney Local Health District

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 38. Adjusted budget review (continued)

#### Cash flows

The net increase in cash and cash equivalents was \$108.3M as compared to the Budget. This was represented by net cash flows increase in cash operating, investing, and decrease in financing activities amounting to \$27.6M, \$82.4M and \$1.7M respectively. Total payments in cash operating activities increased by \$72.6M was majority due to the District's implementation of COVID-19 response. This increase was primarily due to the management of the COVID-19 response, including the Special Health Accommodation, vaccination program, Pathology tests, Personal Protective Equipment (PPE), COVID-19 Clinics and Collaborative Care. Total receipts in cash operating activities decreased by \$45.0M was majority due to low patient fees, facility fees and other revenue streams affected by COVID-19. Net cash flows increase from investing was majority due to the proceeds of sale of short term investment of \$78.4M. The net increase in purchases of plant, property, and equipment amounted to \$4.5M majority of which are underspent projects of the capital programs by the District. Net cash flows decrease from financing activities was majority due to increase in payments of principal portion of lease liabilities by \$1.7M.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 01 July 2020 are as follows:

	\$000
Initial allocation, 01/07/2020	1,482,407
Escalation	11,524
2020/21 Budget Relief - COVID-19 Response	151,044
Outstanding Health Hotel Quarantine fees	91,541
Accrual of Salaries on Pay Cycle 2	22,422
Service Demand and Volume Growth	21,833
Vaccination Program	18,449
Kymriah for acute lymphoblastic leukaemia patients	11,303
Private Health Insurance Single Room Revenue Reduction	10,019
Own Source Revenue reduction	6,782
Kymriah for NSW diffuse large B-cell lymphoma patients	5,935
Intra health adjustments	4,486
Highly Specialised Services	4,270
Concord Hospital Superannuation	3,518
COVID-19 Mental Health Package	3,395
COVID-19 Minor Works and Equipment	3,527
High Cost Patient Pool (Blood and blood products)	2,924
Chris 'O'Brien minor works and equipment	2,500
Defined Benefit Superannuation Adjustment	1,389
COVID-19 RPAH ICU refurbishment	1,290
Affordable IVF Clinics	1,277
MAA adjustment	1,107
Purchasing Adjustors	385
Transitional Aged Care Program adjustment	(591)
OHMR Translational Research Grants Scheme (TRGS)	(1,055)
Department of Veteran Affairs adjustment	(1,951)
Treasury Managed Fund Adjustments	(2,329)
Price Increase	(2,758)
Efficiency and Procurement Savings	(4,164)
Revenue Budget Allocation	(12,594)
Others	(125)
<b>Balance as per Statement of Comprehensive Income</b>	<b>1,837,760</b>

# Sydney Local Health District

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

## 39. Equity

### *Revaluation Surplus*

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

### *Accumulated Funds*

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

### *Reserves*

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

Equity transfers effected in the 2020/21 year were:

- (a1) As at the 30 June 2021, a number of fleet leases were transferred to SLHD from SWSLHD at \$Nil consideration. All corresponding asset and liability balances were transferred across at the carrying amounts from the transferee to the
- (a2) As at the 30 June 2021, Land, Buildings & Infrastructure located in Callan Park Precinct One were administratively transferred from SLHD to Greater Sydney Parklands (GSP) at \$Nil consideration. This was a government decision to transfer assets at Callan Park and was beyond SLHD's control and is not a reflection of the District's management.

Equity transfers effected in the 2019/20 year were:

- (b) Nil

Equity transfers effected comprised:

	2021 \$000	2020 \$000
(a1) Transfer of motor vehicle fleet leases	14	-
(a2) Transfer of Callan Park Land, Buildings & Infrastructure to GSP	101,119	-
	101,133	-

Assets and Liabilities transferred are as follows:

	2021 \$000	2020 \$000
<b>Assets</b>		
(a1) Right-of-use assets	47	-
(a2) Land, Buildings & Infrastructure	(101,119)	-
<b>Liabilities</b>		
(a1) Lease liabilities	(61)	-
<b>Increase / (Decrease) in Net Assets From Equity Transfers</b>	<b>(101,133)</b>	<b>-</b>

# Sydney Local Health District

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

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

# Sydney Local Health District

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

## 40. Financial instruments

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

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

### (a) Financial instrument categories

#### CONSOLIDATION

Class	Category	Carrying Amount 2021 \$000	Carrying Amount 2020 \$000
<b>Financial assets</b>			
Cash and cash equivalents (Note 19)	Amortised cost	213,699	121,752
Receivables (Note 20) <sup>1</sup>	Amortised cost	162,970	67,819
Other financial assets (Note 22)	Amortised cost	74,196	150,383
<b>Total financial assets</b>		<b>450,865</b>	<b>339,954</b>
<b>Financial liabilities</b>			
Borrowings (Note 30)	Financial liabilities measured at amortised cost	22,979	23,564
Payables (Note 28) <sup>2</sup>	Financial liabilities measured at amortised cost	130,212	100,975
<b>Total financial liabilities</b>		<b>153,191</b>	<b>124,539</b>

#### PARENT

Class	Category	Carrying Amount 2021 \$000	Carrying Amount 2020 \$000
<b>Financial assets</b>			
Cash and cash equivalents (Note 19)	Amortised cost	189,431	97,129
Receivables (Note 20) <sup>1</sup>	Amortised cost	162,547	67,434
Other financial assets (Note 22)	Amortised cost	74,196	150,383
<b>Total financial assets</b>		<b>426,174</b>	<b>314,946</b>
<b>Financial liabilities</b>			
Borrowings (Note 30)	Financial liabilities measured at amortised cost	22,979	23,564
Payables (Note 28) <sup>2</sup>	Financial liabilities measured at amortised cost	129,992	100,636
<b>Total financial liabilities</b>		<b>152,971</b>	<b>124,200</b>

#### Notes

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

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

# Sydney Local Health District

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

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## 40. Financial instruments (continued)

### (a) Financial instrument categories (continued)

SLHD 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:

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

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

Credit risk associated with SLHD'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.

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

# Sydney Local Health District

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

## 40. Financial instruments (continued)

### (d) Financial risk (continued)

#### i. Credit risk (continued)

##### 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.

SLHD 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.

##### 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. SLHD has identified relevant factors, and accordingly has adjusted the historical loss rates based on expected changes in these factors.

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

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

##### CONSOLIDATION

	Current	<30 days	30-60 days	61-90 days	>91 days	Total
30 June 2021	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	0.90%	1.58%	2.11%	3.84%	62.92%	19.28%
Estimated total gross carrying amount <sup>1</sup>	82,657	15,774	14,666	12,755	51,482	177,334
Expected credit loss	748	250	310	490	32,392	34,190
30 June 2020	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	1.50%	7.10%	10.74%	20.41%	27.76%	8.74%
Estimated total gross carrying amount <sup>1</sup>	46,215	4,056	2,095	2,161	16,406	70,933
Expected credit loss	694	288	225	441	4,555	6,203

# Sydney Local Health District

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

## 40. Financial instruments (continued)

### (d) Financial risk (continued)

#### i. Credit risk (continued)

##### PARENT

	Current	<30 days	30-60 days	61-90 days	>91 days	Total
30 June 2021	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	0.91%	1.58%	2.12%	3.85%	62.94%	19.33%
Estimated total gross carrying amount <sup>1</sup>	82,299	15,774	14,644	12,732	51,462	176,911
Expected credit loss	748	250	310	490	32,392	34,190
30 June 2020	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	1.51%	7.10%	10.83%	20.46%	27.86%	8.79%
Estimated total gross carrying amount <sup>1</sup>	45,913	4,056	2,077	2,155	16,350	70,551
Expected credit loss	694	288	225	441	4,555	6,203

##### Notes

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

SLHD 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.

#### ii. Liquidity risk

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

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

SLHD 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 SLHD 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. From 1 July 2019, amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set by the NSW Ministry of Health in accordance with NSW Treasury (TC11-12). 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.

# Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

## 40. Financial instruments (continued)

### (d) Financial risk (continued)

#### ii. Liquidity risk (continued)

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

*Maturity Analysis and interest rate exposure of financial liabilities*

CONSOLIDATION	Interest Rate Exposure					Maturity Dates		
	EIR <sup>3</sup> %	Nominal Amount <sup>1</sup> \$000	Fixed Interest Rate \$000	Variable Interest Rate \$000	Non - Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000	> 5Yr \$000
<b>2021</b>								
Payables:								
- Creditors <sup>2</sup>		130,212	-	-	130,212	130,212	-	-
Borrowings:								
- Other loans and deposits	2.77%	6,168	6,168	-	-	1,041	4,820	307
- Lease liabilities	1.87%	18,330	18,330	-	-	4,647	11,305	2,378
		<b>154,710</b>	<b>24,498</b>	<b>-</b>	<b>130,212</b>	<b>135,900</b>	<b>16,125</b>	<b>2,685</b>
<b>2020</b>								
Payables:								
- Creditors <sup>2</sup>		100,975	-	-	100,975	100,975	-	-
Borrowings:								
- Other loans and deposits	2.77%	7,209	7,209	-	-	1,041	4,941	1,227
- Lease liabilities	1.86%	17,561	17,561	-	-	4,547	10,159	2,855
		<b>125,745</b>	<b>24,770</b>	<b>-</b>	<b>100,975</b>	<b>106,563</b>	<b>15,100</b>	<b>4,082</b>

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

40. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

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

*Maturity Analysis and interest rate exposure of financial liabilities*

PARENT	Interest Rate Exposure					Maturity Dates		
	EIR <sup>3</sup> %	Nominal Amount <sup>1</sup> \$000	Fixed Interest Rate \$000	Variable Interest Rate \$000	Non - Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000	> 5Yr \$000
<b>2021</b>								
Payables:								
- Creditors <sup>2</sup>		129,992	-	-	129,992	129,992	-	-
Borrowings:								
- Other loans and	2.77%	6,168	6,168	-	-	1,041	4,820	307
- Lease liabilities	1.87%	18,330	18,330	-	-	4,647	11,305	2,378
		<b>154,490</b>	<b>24,498</b>	<b>-</b>	<b>129,992</b>	<b>135,680</b>	<b>16,125</b>	<b>2,685</b>
<b>2020</b>								
Payables:								
- Creditors <sup>2</sup>		100,636	-	-	100,636	100,636	-	-
Borrowings:								
- Other loans and deposits	2.77%	7,209	7,209	-	-	1,041	4,941	1,227
- Lease liabilities	1.86%	17,561	17,561	-	-	4,547	10,159	2,855
		<b>125,406</b>	<b>24,770</b>	<b>-</b>	<b>100,636</b>	<b>106,224</b>	<b>15,100</b>	<b>4,082</b>

Notes:

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

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

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

# Sydney Local Health District

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

## 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. SLHD's exposures to market risk are primarily through interest rate risk on SLHD's borrowings and other price risks associated with the movement in the Hour Glass Investment Facilities. SLHD 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 SLHD 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 SLHD's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. SLHD 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, SLHD is not permitted to borrow external to the NSW Ministry of Health (except energy loans which are negotiated through NSW Treasury). Both NSW Treasury and NSW Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates.

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

#### PARENT AND CONSOLIDATION

	2021		2020	
	\$000		\$000	
	-1%	1%	-1%	1%
Net result	(2,649)	2,649	(2,486)	2,486
Equity	(2,649)	2,649	(2,486)	2,486

# Sydney Local Health District

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

## 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. SLHD has no direct equity investments. SLHD 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	34,660	34,549

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 SLHD'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%	3,466	3,455

# Sydney Local Health District

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

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## 41. Related party transactions

### PARENT AND CONSOLIDATION

#### (a) Key management personnel compensation

Key management personnel compensation is as follows:

	2021	2020
	\$000	\$000
Short-term employee benefits	890	949
Post-employment benefits	69	66
	959	1,015

During the financial year, Sydney Local Health District obtained key management personnel services from the immediate parent and incurred \$0.484 million (2020: \$0.520 million) for these services. This amount does not form part of the key management personnel compensation disclosed above.

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

During the financial year and comparative year, SLHD 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 provides shared services for the majority of patient transport services, information management services, domestic supplies and services, food supplies and corporate support services.
- Health Administration Corporation provides some specialised services which includes pathology related costs.
- Various grants and subsidies towards research and other projects

# Sydney Local Health District

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

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## 41. Related party transactions (continued)

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

*The following operating expenses were incurred with entities controlled by the immediate parent: (continued)*

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

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

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

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

- Motor Accident Authority third party revenue received from the State Insurance Regulatory Authority (SIRA)
- Various grants and other contributions towards research and other projects
- Clinical services revenue earned from NSW Police Force and Transport for NSW
- Interest income on TCorpIM Funds Investment facilities
- Motor vehicle rebates
- Insurance refunds
- 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
- Intra-health loans and advances
- The majority of the construction of property, plant and equipment is managed and overseen by Health Administration Corporation
- The majority of capital commitments contracted but not provided for related to capital works overseen by the Health Administration Corporation.

## 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 SLHD 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 SLHD after reporting date.

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

**END OF AUDITED FINANCIAL STATEMENTS**