



INDEPENDENT AUDITOR'S REPORT

South Western Sydney Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of South Western Sydney Local Health District (the District), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information of the District and the consolidated entity. The consolidated entity comprises the District and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

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

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

Basis for Opinion

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

I am independent of the District and the consolidated entity in accordance with the requirements of the:

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

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

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

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

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

Emphasis of Matter – Presentation of Budget Information

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

The Chief Executive's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Karen Taylor
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

6 October 2021

SYDNEY

South Western 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 South Western 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 South Western 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 'Amanda Larkin', with a long horizontal line extending to the right.

Amanda Larkin
Chief Executive
06 October, 2021

A handwritten signature in black ink, appearing to read 'D. Palamidis', written in a cursive style.

Dimi Palamidis
Director Finance & Corporate Services
06 October, 2021

South Western Sydney Local Health District

Statement of Comprehensive Income for the year ended 30 June 2021

	Notes	Consolidated Actual 2021 \$000	Consolidated Budget ¹ 2021 \$000	Consolidated Actual 2020 \$000	Parent Actual 2021 \$000	Parent Actual 2020 \$000
Continuing operations						
Expenses excluding losses						
Employee related expenses	2	1,368,288	1,363,703	1,362,648	-	-
Personnel services	3	-	-	-	1,369,372	1,301,349
Visiting medical officers	4	106,518	106,526	99,967	106,518	99,967
Other expenses	5	624,124	625,182	514,785	624,124	514,785
Depreciation and amortisation	6	73,835	73,717	71,856	73,835	71,856
Grants and subsidies	7	12,114	12,130	10,551	12,114	10,551
Finance costs	8	2,293	2,293	2,612	2,293	2,612
Payments to Affiliated Health Organisations	9	34,781	34,781	34,271	34,781	34,271
Total expenses excluding losses		2,221,953	2,218,332	2,096,690	2,223,037	2,035,391
Revenue						
NSW Ministry of Health recurrent allocations	11	1,919,010	1,917,359	1,744,187	1,919,010	1,744,187
NSW Ministry of Health capital allocations	11	327,041	327,539	169,693	327,041	169,693
Acceptance by the Crown ² of employee benefits	15	(1,084)	(963)	61,299	-	-
Sale of goods and services from contracts with customers	12	184,190	189,453	183,598	184,190	183,598
Investment revenue	13	570	1,173	1,068	570	1,068
Grants and other contributions	14	110,355	110,441	132,058	110,355	132,058
Other income	16	3,203	9,108	6,219	3,203	6,219
Total revenue		2,543,285	2,554,110	2,298,122	2,544,369	2,236,823
Operating result		321,332	335,778	201,432	321,332	201,432
Gains / (losses) on disposal	17	(546)	-	(1,020)	(546)	(1,020)
Impairment losses on financial assets	20	(3,587)	(770)	(2,718)	(3,587)	(2,718)
Net result from continuing operations	36	317,199	335,008	197,694	317,199	197,694
Net result		317,199	335,008	197,694	317,199	197,694
Other comprehensive income						
<i>Items that will not be reclassified to net result in subsequent periods</i>						
Changes in revaluation surplus of property, plant and equipment	23	-	-	6,840	-	6,840
Total other comprehensive income		-	-	6,840	-	6,840
TOTAL COMPREHENSIVE INCOME		317,199	335,008	204,534	317,199	204,534

¹ Unaudited adjusted budget, see Note 38.

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

The accompanying notes form part of these financial statements.

South Western Sydney Local Health District

Statement of Financial Position as at 30 June 2021

	Notes	Consolidated Actual 2021 \$000	Consolidated Budget ¹ 2021 \$000	Consolidated Actual 2020 \$000	Parent Actual 2021 \$000	Parent Actual 2020 \$000
ASSETS						
Current assets						
Cash and cash equivalents	19	100,744	91,811	86,272	100,744	86,272
Receivables	20	48,152	41,140	41,221	48,152	41,221
Inventories	21	5,106	5,303	5,303	5,106	5,303
Other financial assets	22	73	-	-	73	-
Total current assets		154,075	138,254	132,796	154,075	132,796
Non-current assets						
Receivables	20	23,911	23,997	43,986	23,911	43,986
Other financial assets	22	123	-	-	123	-
Property, plant & equipment	23					
- Land and buildings		2,080,400	2,067,337	1,731,956	2,080,400	1,731,956
- Plant and equipment		74,787	97,032	78,524	74,787	78,524
- Infrastructure systems		36,305	32,717	33,100	36,305	33,100
Total property, plant & equipment		2,191,492	2,197,086	1,843,580	2,191,492	1,843,580
Right-of-use assets	24	63,397	60,931	64,896	63,397	64,896
Intangible assets	25	3,693	343	785	3,693	785
Total non-current assets		2,282,616	2,282,357	1,953,247	2,282,616	1,953,247
Total assets		2,436,691	2,420,611	2,086,043	2,436,691	2,086,043
LIABILITIES						
Current liabilities						
Payables	28	110,440	90,299	104,829	110,440	104,829
Contract liabilities	29	1,858	1,532	1,532	1,858	1,532
Borrowings	30	14,198	13,710	14,956	14,198	14,956
Provisions	31	278,520	263,423	248,520	278,520	248,520
Other current liabilities	32	690	722	803	690	803
Total current liabilities		405,706	369,686	370,640	405,706	370,640
Non-current liabilities						
Borrowings	30	65,305	68,567	69,270	65,305	69,270
Provisions	31	4,222	4,222	3,005	4,222	3,005
Other non-current liabilities	32	28,599	27,498	27,498	28,599	27,498
Total non-current liabilities		98,126	100,287	99,773	98,126	99,773
Total liabilities		503,832	469,973	470,413	503,832	470,413
Net assets		1,932,859	1,950,638	1,615,630	1,932,859	1,615,630
EQUITY						
Reserves		613,457	613,834	613,833	613,457	613,833
Accumulated funds		1,319,402	1,336,804	1,001,797	1,319,402	1,001,797
Total Equity		1,932,859	1,950,638	1,615,630	1,932,859	1,615,630

¹ Unaudited adjusted budget, see Note 38.

The accompanying notes form part of these financial statements.

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

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2020		1,001,797	613,833	1,615,630
Net result for the year		317,199	-	317,199
Other comprehensive income:				
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		376	(376)	-
Total comprehensive income for the year		317,575	(376)	317,199
Increase / (decrease) in net assets from equity transfers	39	30	-	30
Balance at 30 June 2021		1,319,402	613,457	1,932,859

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2019		806,457	611,959	1,418,416
Changes in accounting policy - initial application of AASB 1058		(7,320)	-	(7,320)
Changes in accounting policy - initial application of AASB 16		4,436	(4,436)	-
Balance at 1 July 2019		803,573	607,523	1,411,096
Net result for the year		197,694	-	197,694
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	23	-	6,840	6,840
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		530	(530)	-
Total other comprehensive income		530	6,310	6,840
Total Comprehensive Income for the Year		198,224	6,310	204,534
Balance at 30 June 2020		1,001,797	613,833	1,615,630

The accompanying notes form part of these financial statements.

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

	Notes	Consolidated Actual 2021 \$000	Consolidated Budget ¹ 2021 \$000	Consolidated Actual 2020 \$000	Parent Actual 2021 \$000	Parent Actual 2020 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		(1,372,083)	(1,381,901)	(1,294,516)	-	-
Suppliers for goods and services		(745,582)	(769,738)	(718,714)	(745,582)	(718,714)
Grants and subsidies		(50,874)	(50,891)	(48,674)	(50,874)	(48,674)
Finance costs		(2,293)	(2,293)	(2,612)	(2,293)	(2,612)
Personnel services		-	-	-	(1,372,083)	(1,294,516)
Total payments		(2,170,832)	(2,204,823)	(2,064,516)	(2,170,832)	(2,064,516)
Receipts						
NSW Ministry of Health recurrent allocations		1,919,010	1,917,359	1,744,187	1,919,010	1,744,187
NSW Ministry of Health capital allocations		327,041	327,539	169,693	327,041	169,693
Reimbursements from the Crown ²		15,381	15,381	18,035	15,381	18,035
Sale of goods and services		172,613	191,064	188,527	172,613	188,527
Interest received		503	1,173	1,045	503	1,045
Grants and other contributions		117,544	115,057	138,222	117,544	138,222
Other		61,133	66,912	53,914	61,133	53,914
Total receipts		2,613,225	2,634,485	2,313,623	2,613,225	2,313,623
NET CASH FLOWS FROM OPERATING ACTIVITIES	36	442,393	429,662	249,107	442,393	249,107
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and equipment		748	-	78	748	78
Purchases of property, plant and equipment and intangibles		(415,438)	(416,387)	(233,482)	(415,438)	(233,482)
Purchases of financial assets		56	-	-	56	-
Other		18	-	-	18	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		(414,616)	(416,387)	(233,404)	(414,616)	(233,404)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from borrowings and advances		-	-	2,391	-	2,391
Repayment of borrowings and advances		(4,092)	908	(3,687)	(4,092)	(3,687)
Payment of principal portion of lease liabilities		(9,213)	(8,644)	(8,199)	(9,213)	(8,199)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(13,305)	(7,736)	(9,495)	(13,305)	(9,495)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS						
Opening cash and cash equivalents	19	86,272	86,272	80,064	86,272	80,064
CLOSING CASH AND CASH EQUIVALENTS	19	100,744	91,811	86,272	100,744	86,272

¹ Unaudited adjusted budget, see Note 38.

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

The accompanying notes form part of these financial statements.

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

1. Statement of Significant Accounting Policies

a) Reporting entity

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

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

SWSLHD, 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.
- * South Western Sydney Local Health District Special Purpose Service Entity, which was established as a Division of the SWSLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable SWSLHD to exercise its functions.

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

These consolidated financial statements for the year ended 30 June 2021 have been authorised for issue by the Chief Executive on 06 October, 2021.

b) Basis of preparation

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

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

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

The Secretary of NSW Health, the Chair of South Western 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 SWSLHD'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 SWSLHD fails to meet Service Agreement performance standards, the NSW Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the NSW Ministry of Health.

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

1. Statement of Significant Accounting Policies

The 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.

SWSLHD has received an additional \$152.5m (2020: \$23.3m) 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.
- * SWSLHD has the capacity to review the timing of NSW Ministry of Health allocation cash flows to ensure debts can be paid when they become due and payable.
- * SWSLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by SWSLHD and assist in meeting its overall budget target. The EIP is monitored and evaluated by the NSW Ministry of Health throughout the financial year.

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

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

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

c) Statement of Compliance

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

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

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

- * amount of GST incurred by SWSLHD 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.

South Western 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

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:

- * SWSLHD 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 SWSLHD.

AASB 1059 Service Concession Arrangements: Grantors (AASB 1059)

AASB 1059 is effective for SWSLHD 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.

SWSLHD has undertaken a scoping exercise on contracts and or arrangements that may fall in scope of AASB 1059. SWSLHD intends, if applicable, to adopt the modified retrospective approach as 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. As at 30 June 2021 an assessment was conducted to determine whether any Service Concession Arrangement (SCA) was entered into by SWSLHD, and no SCA were identified.

(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. SWSLHD, 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 SWSLHD.

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

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

South Western 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)	1,232,563	1,174,751	-	-
Superannuation - defined benefit plans	3,864	5,327	-	-
Superannuation - defined contribution plans	108,337	103,416	-	-
Long service leave	4,396	59,953	-	-
Redundancies	132	2,490	-	-
Workers' compensation insurance	18,904	16,744	-	-
Fringe benefits tax	92	(33)	-	-
	1,368,288	1,362,648	-	-

Employee related costs of \$Nil (2020: \$0.1 million) 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)	-	-	1,232,563	1,174,751
Superannuation - defined contribution plans	-	-	108,337	103,416
Long service leave	-	-	9,344	3,981
Redundancies	-	-	132	2,490
Workers' compensation insurance	-	-	18,904	16,744
Fringe benefits tax	-	-	92	(33)
	-	-	1,369,372	1,301,349

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

Personnel services of \$Nil (2020: \$0.1 million) 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 SWSLHD's hospitals. VMO expenses of \$106.52 million (2020: \$99.97 million) represent part of the day-to-day running costs incurred in the normal operations of SWSLHD. These costs are expensed as incurred.

South Western 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	59	28	59	28
Auditor's remuneration - audit of financial statements	250	249	250	249
Blood and blood products	14,807	13,735	14,807	13,735
Consultancies	1,230	1,249	1,230	1,249
Contractors	3,696	3,835	3,696	3,835
Domestic supplies and services	20,892	20,297	20,892	20,297
Drug supplies	72,560	71,081	72,560	71,081
Food supplies	39,132	37,621	39,132	37,621
Fuel, light and power	12,585	13,080	12,585	13,080
Patient transport costs	16,065	15,230	16,065	15,230
Information management expenses	28,207	25,526	28,207	25,526
Insurance	1,917	1,589	1,917	1,589
Maintenance (see Note 5 (b))	66,057	47,461	66,057	47,461
Medical and surgical supplies	118,631	99,720	118,631	99,720
Motor vehicle expenses	1,720	1,711	1,720	1,711
Postal and telephone costs	3,709	2,999	3,709	2,999
Printing and stationery	4,179	3,272	4,179	3,272
Rates and charges	2,063	2,245	2,063	2,245
Hosted services purchased from entities controlled by the immediate parent	2,095	3,651	2,095	3,651
Specialised services (dental, radiology, pathology and allied health)	104,446	83,961	104,446	83,961
Staff related costs	14,407	11,924	14,407	11,924
Travel related costs	519	4,775	519	4,775
Other (see Note 5 (a))	94,898	49,546	94,898	49,546
	624,124	514,785	624,124	514,785

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

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
(a) Other				
Contract for patient services	53,524	10,244	53,524	10,244
Corporate support services	12,651	12,740	12,651	12,740
Courier and freight	672	611	672	611
Isolated patient travel and accommodation assistance scheme	82	190	82	190
Legal services	295	461	295	461
Membership/professional fees	1,005	1,156	1,005	1,156
Quality assurance / accreditation	29	24	29	24
Security services	8,342	6,308	8,342	6,308
Expenses relating to short-term leases	1,804	2,688	1,804	2,688
Expenses relating to leases of low-value assets	2,557	2,105	2,557	2,105
Other miscellaneous	13,937	13,019	13,937	13,019
	94,898	49,546	94,898	49,546

South Western Sydney Local Health District
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for the year ended 30 June 2021

5. Other expenses

(b) Reconciliation of total maintenance

Maintenance contracts	21,473	24,054	21,473	24,054
New / replacement equipment under \$10,000	29,153	16,573	29,153	16,573
Repairs maintenance / non contract	15,351	6,826	15,351	6,826
Other	80	8	80	8
Maintenance expense - contracted labour and other (non-employee related) in Note 5	66,057	47,461	66,057	47,461
Employee related/personnel services maintenance expense included in Notes 2 and 3.	4,353	4,706	4,353	4,706
	70,410	52,167	70,410	52,167

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

Insurance

SWSLHD'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

SWSLHD 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.

South Western 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	47,996	46,858	47,996	46,858
Depreciation - plant and equipment	14,530	14,834	14,530	14,834
Depreciation - infrastructure systems	1,007	959	1,007	959
Depreciation - right-of-use buildings	3,302	3,171	3,302	3,171
Depreciation - right-of-use plant and equipment	6,567	5,932	6,567	5,932
Amortisation - intangible assets	433	102	433	102
	73,835	71,856	73,835	71,856

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	9,760	9,070	9,760	9,070
Grants to research organisations	944	651	944	651
Grants paid to entities controlled by the immediate parent	596	428	596	428
Other grants	814	402	814	402
	12,114	10,551	12,114	10,551

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.

South Western 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	1,124	1,168	1,124	1,168
Interest expense from financial liabilities at amortised cost*	1,169	1,444	1,169	1,444
	2,293	2,612	2,293	2,612

Recognition and Measurement

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

9. Payments to Affiliated Health Organisations

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
(a) Recurrent sourced				
HammondCare Health (Braeside Hospital)	19,717	19,425	19,717	19,425
Karitane	7,515	7,346	7,515	7,346
The Benevolent Society (South Western Sydney Scarba Service)	588	585	588	585
NSW Service for the Treatment and Rehabilitation of Torture and Trauma Survivors - STARTTS	6,961	6,915	6,961	6,915
	34,781	34,271	34,781	34,271

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 \$34.8m (net expense), for the Affiliated Health Organisations listed (Braeside Hospital, Karitane, SWS Scarba Service and STARTTS), have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. SWSLHD is not deemed to own or control the various assets/liabilities of the aforementioned Health Organisations and such amounts have been excluded from the Statement of Financial Position. Any exceptions are specifically listed in the notes that follow.

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

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

Movement of Section 4.7 GSF Act - Deemed Appropriations

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Opening balance	86,272	-	86,272	-
Add: Appropriations deemed on 1 July 2019	-	80,064	-	80,064
Add: additions of deemed appropriations ²	367,921	399,820	367,921	399,820
Less: expenditure charged against deemed appropriations ¹	353,449	393,612	353,449	393,612
	100,744	86,272	100,744	86,272

Notes

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

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

11. NSW Ministry of Health allocations

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

SWSLHD recognised additional NSW Ministry of Health recurrent allocations of \$147m (2020: \$19.1m) and NSW Ministry of Health capital allocations of \$5.5m (2020: \$4.2m) to cover costs incurred for the preparation, diagnosis, treatment and vaccination of COVID-19 patients.

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

South Western 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	37,625	36,898	37,625	36,898
Sale of prostheses	4,157	3,662	4,157	3,662
Other	332	277	332	277
	42,114	40,837	42,114	40,837

(b) Rendering of services comprise the following:

<i>Patients</i>				
Patient Fees:				
- Inpatient fees	64,618	64,768	64,618	64,768
- Nursing home fees	321	180	321	180
- Non inpatient fees	4,040	3,828	4,040	3,828
Department of Veterans' Affairs	11,807	14,900	11,807	14,900
Motor Accident Authority third party	16,889	13,125	16,889	13,125
Multi Purpose Service Centre fees	-	37	-	37
<i>Staff</i>				
Private use of motor vehicles	98	98	98	98
Salary packaging fee	(9)	1	(9)	1
Meals and accommodation	13	42	13	42
Child care fees	2,067	1,930	2,067	1,930
<i>General community</i>				
Car parking	5,563	7,826	5,563	7,826
Clinical services (excluding clinical drug trials)	1,567	1,096	1,567	1,096
Commercial activities	754	1,058	754	1,058
Fees for conferences and training	2,663	2,033	2,663	2,033
Fees for medical records	281	244	281	244
Information retrieval	15	27	15	27
<i>Non-NSW Health entities</i>				
Services to other organisations	707	501	707	501
<i>Entities controlled by the immediate parent</i>				
Hosted service revenues	-	72	-	72
Shared corporate service revenues	-	26	-	26
<i>Other</i>				
Infrastructure fees - annual charge	10,859	11,823	10,859	11,823
Infrastructure fees - monthly facility charge	18,206	18,400	18,206	18,400
Other	1,617	746	1,617	746
	142,076	142,761	142,076	142,761
	184,190	183,598	184,190	183,598

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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

Recognition and Measurement

Sale of goods

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

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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

Recognition and Measurement (continued)

Rendering of services

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

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

South Western Sydney Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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

Recognition and Measurement (continued)

Rendering of services (continued)

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

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

13. Investment revenue

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Interest income from financial assets at amortised cost	428	588	428	588
Finance income on the net investment in the lease	1	-	1	-
Net gain / (loss) from TCorpIM Funds measured at fair value through profit or loss	132	457	132	457
Royalties	9	23	9	23
	570	1,068	570	1,068

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.

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

14. Grants and other contributions

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Grants to acquire / construct a recognisable non-financial asset to be controlled by the entity				
Grants to acquire / construct non-financial asset	-	144	-	144
Other grants with sufficiently specific performance obligations				
Cancer Institute grants received from an entity controlled by the immediate parent	6,662	7,122	6,662	7,122
Clinical trials and research grants	5,981	5,749	5,981	5,749
Commonwealth government grants received for community based services	6,407	10,017	6,407	10,017
Commonwealth government grants other	1,118	968	1,118	968
Grants from entities controlled by the ultimate parent	1,563	1,318	1,563	1,318
Other grants from entities controlled by the immediate parent	592	389	592	389
Other grants	6,318	3,261	6,318	3,261
Grants without specific performance obligations				
Grants from entities controlled by the ultimate parent	75,395	95,272	75,395	95,272
Other grants from entities controlled by the immediate parent	4,954	5,206	4,954	5,206
Donations	1,365	2,612	1,365	2,612
	110,355	132,058	110,355	132,058

Recognition and Measurement

Grants and other contributions

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

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

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

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

Volunteer services

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

South Western 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:

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Superannuation - defined benefit plans	3,864	5,327	-	-
Long service leave provision	(4,948)	55,972	-	-
	(1,084)	61,299	-	-

16. Other income

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Other income comprises the following:				
Commissions	212	345	212	345
Discounts	32	143	32	143
Insurance refunds	32	43	32	43
Rental income				
- other rental income	2,573	3,268	2,573	3,268
Sponsorship	133	570	133	570
Unclaimed deposits	1	27	1	27
Other	220	1,823	220	1,823
	3,203	6,219	3,203	6,219

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.

South Western 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
Gains / (losses) on disposals of:				
Property, plant and equipment				
Written down value of assets disposed	1,266	1,098	1,266	1,098
<i>Less: proceeds from disposal</i>	748	78	748	78
Net gains / (losses) on disposal	(518)	(1,020)	(518)	(1,020)
Right-of-use assets				
Written down value of assets disposed	678	9	678	9
<i>Less: lease liabilities extinguished</i>	436	9	436	9
<i>Less: finance lease receivable</i>	214	-	214	-
Net gains / (losses) on disposal	(28)	-	(28)	-
Total gains / (losses) on disposal	(546)	(1,020)	(546)	(1,020)

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

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

South Western 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	59,511	45,170	59,511	45,170
Short-term deposits	41,233	41,102	41,233	41,102
	100,744	86,272	100,744	86,272

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)	100,744	86,272	100,744	86,272
	100,744	86,272	100,744	86,272

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

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

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

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

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

South Western 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
Current				
Trade receivables from contracts with customers	29,884	26,135	29,884	26,135
Intra health receivables	8,930	3,015	8,930	3,015
Goods and Services Tax	5,940	6,222	5,940	6,222
Other receivables	6,682	6,264	6,682	6,264
Sub total	51,436	41,636	51,436	41,636
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(5,345)	(4,056)	(5,345)	(4,056)
- Other receivables	(8)	(9)	(8)	(9)
Sub total	46,083	37,571	46,083	37,571
Prepayments	2,069	3,650	2,069	3,650
	48,152	41,221	48,152	41,221

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

Trade receivables from contracts with customers				
Balance at the beginning of the year	(4,056)	(3,915)	(4,056)	(3,915)
Amounts written off during the year	2,274	2,551	2,274	2,551
(Increase) / decrease in allowance recognised in the net result [†]	(3,563)	(2,692)	(3,563)	(2,692)
Balance at the end of the year	(5,345)	(4,056)	(5,345)	(4,056)
Other receivables				
Balance at the beginning of the year	(9)	(22)	(9)	(22)
Amounts written off during the year	25	39	25	39
(Increase) / decrease in allowance recognised in the net result	(24)	(26)	(24)	(26)
Balance at the end of the year	(8)	(9)	(8)	(9)
	(5,353)	(4,065)	(5,353)	(4,065)

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Non-current				
Prepayments	23,911	43,986	23,911	43,986
	23,911	43,986	23,911	43,986

South Western Sydney Local Health District
Notes to and forming part of the Financial Statements
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20. Receivables (continued)

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

Current and non-current include:

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Patient fees - compensable	4,051	4,025	4,051	4,025
Patient fees - ineligible	13,869	11,086	13,869	11,086
Patient fees - inpatient & other	8,741	5,633	8,741	5,633
	26,661	20,744	26,661	20,744

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

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Contract receivables (included in Note 20)	38,520	30,128	38,520	30,128
Total contract receivables	38,520	30,128	38,520	30,128

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

SWSLHD 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

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

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

South Western Sydney Local Health District
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21. Inventories

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Drug supplies	4,818	5,003	4,818	5,003
Medical and surgical supplies	213	213	213	213
Engineering supplies	75	87	75	87
	5,106	5,303	5,106	5,303

Recognition and Measurement

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

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

South Western Sydney Local Health District
Notes to and forming part of the Financial Statements
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22. Other financial assets

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Receivables on finance leases as lessor (Note 24)	73	-	73	-
	73	-	73	-
Non-current				
Receivables on finance leases as lessor (Note 24)	123	-	123	-
	123	-	123	-

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.

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

SWSLHD 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 SWSLHD 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, SWSLHD considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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

South Western 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 AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2019 - fair value				
Gross carrying amount	2,161,129	194,966	38,039	2,394,134
Less: accumulated depreciation and impairment	605,649	115,950	3,980	725,579
Net carrying amount	1,555,480	79,016	34,059	1,668,555

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2020				
Net carrying amount at beginning of year	1,589,272	79,016	34,059	1,702,347
De-recognition of finance lease assets on initial application of AASB 16	(33,792)	-	-	(33,792)
Adjusted net carrying amount at beginning of year	1,555,480	79,016	34,059	1,668,555
Additions	210,374	21,171	-	231,545
Disposals	(554)	(544)	-	(1,098)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	389	-	389
Net revaluation increments less revaluation decrements	6,840	-	-	6,840
Depreciation expense	(46,858)	(14,834)	(959)	(62,651)
Reclassifications	6,674	(6,674)	-	-
Net carrying amount at end of year	1,731,956	78,524	33,100	1,843,580

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

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

South Western 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 AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2020 - fair value				
Gross carrying amount	2,378,046	199,596	38,039	2,615,681
Less: accumulated depreciation and impairment	646,090	121,072	4,939	772,101
Net carrying amount	1,731,956	78,524	33,100	1,843,580

	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	1,731,956	78,524	33,100	1,843,580
Adjusted net carrying amount at beginning of year	1,731,956	78,524	33,100	1,843,580
Additions	384,225	31,235	-	415,460
Reclassification to intangibles	-	(3,341)	-	(3,341)
Disposals	(628)	(638)	-	(1,266)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	592	-	592
Depreciation expense	(47,996)	(14,530)	(1,007)	(63,533)
Reclassifications	12,843	(17,055)	4,212	-
Net carrying amount at end of year	2,080,400	74,787	36,305	2,191,492

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2021 - fair value				
Gross carrying amount	2,774,455	205,214	42,251	3,021,920
Less: accumulated depreciation and impairment	694,055	130,427	5,946	830,428
Net carrying amount	2,080,400	74,787	36,305	2,191,492

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

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

South Western Sydney Local Health District
Notes to and forming part of the Financial Statements
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23. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2019 - fair value				
Gross carrying amount	2,139,176	194,966	38,039	2,372,181
Less: accumulated depreciation and impairment	604,069	115,950	3,980	723,999
Net carrying amount	1,535,107	79,016	34,059	1,648,182

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2020				
Net carrying amount at beginning of year	1,568,899	79,016	34,059	1,681,974
De-recognition of finance lease assets on initial application of AASB 16	(33,792)	-	-	(33,792)
Adjusted net carrying amount at beginning of year	1,535,107	79,016	34,059	1,648,182
Additions	210,374	21,171	-	231,545
Disposals	(554)	(544)	-	(1,098)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	389	-	389
Net revaluation increment less revaluation decrements	6,840	-	-	6,840
Depreciation expense	(46,364)	(14,834)	(959)	(62,157)
Reclassifications	6,674	(6,674)	-	-
Net carrying amount at end of year	1,712,077	78,524	33,100	1,823,701

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

South Western Sydney Local Health District
Notes to and forming part of the Financial Statements
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23. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2020 - fair value				
Gross carrying amount	2,356,093	199,596	38,039	2,593,728
Less: accumulated depreciation and impairment	644,016	121,072	4,939	770,027
Net carrying amount	1,712,077	78,524	33,100	1,823,701

	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	1,712,077	78,524	33,100	1,823,701
Adjusted net carrying amount at beginning of year	1,712,077	78,524	33,100	1,823,701
Additions	384,225	31,235	-	415,460
Reclassification to intangibles	-	(3,341)	-	(3,341)
Disposals	(628)	(638)	-	(1,266)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	592	-	592
Depreciation expense	(47,502)	(14,530)	(1,007)	(63,039)
Reclassifications	12,843	(17,055)	4,212	-
Net carrying amount at end of year	2,061,015	74,787	36,305	2,172,107

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2021 - fair value				
Gross carrying amount	2,752,502	205,214	42,251	2,999,967
Less: accumulated depreciation and impairment	691,487	130,427	5,946	827,860
Net carrying amount	2,061,015	74,787	36,305	2,172,107

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

South Western Sydney Local Health District
Notes to and forming part of the Financial Statements
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23. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2019 - fair value				
Gross carrying amount	21,953	-	-	21,953
Less: accumulated depreciation and impairment	1,580	-	-	1,580
Net carrying amount	20,373	-	-	20,373

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2020				
Net carrying amount at beginning of year	20,373	-	-	20,373
Depreciation expense	(494)	-	-	(494)
Net carrying amount at end of year	19,879	-	-	19,879

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2020 - fair value				
Gross carrying amount	21,953	-	-	21,953
Less: accumulated depreciation and impairment	2,074	-	-	2,074
Net carrying amount	19,879	-	-	19,879

	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	19,879	-	-	19,879
Depreciation expense	(494)	-	-	(494)
Net carrying amount at end of year	19,385	-	-	19,385

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2021 - fair value				
Gross carrying amount	21,953	-	-	21,953
Less: accumulated depreciation and impairment	2,568	-	-	2,568
Net carrying amount	19,385	-	-	19,385

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

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 SWSLHD and makes payments to contractors and suppliers. Health Infrastructure initially records all costs incurred as work in progress or expenses and subsequently transfers to SWSLHD. The costs are then accordingly reflected in SWSLHD financial statements. SWSLHD 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 SWSLHD are deemed to be controlled by SWSLHD 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.

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 SWSLHD.

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

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

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

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

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

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

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

Right-of-use assets acquired by lessees

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

Further information on leases is contained in Note 24.

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. SWSLHD conducts a comprehensive revaluation at least every three years for its land and buildings and infrastructure.

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

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

An interim management revaluation was completed on 31 December 2020 as a result of a cumulative increase in indicators of 2.00% for land and buildings and 4.00% for infrastructure. SWSLHD used an external professionally qualified valuer to conduct the interim revaluation. Indicators provided by APV Valuers & Asset Management were not applied as they were deemed immaterial.

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

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. SWSLHD 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.

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.

SWSLHD 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, SWSLHD 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.

South Western Sydney Local Health District
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24. Leases

(a) Entity as a lessee

SWSLHD leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 3 to 5 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes. SWSLHD 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 SWSLHD and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

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

During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extensions and termination options was an increase in recognised lease liabilities and right-of-use assets of \$1.57 million.

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

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

Right-of-use assets under leases

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

PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2020	38,918	25,978	64,896
Additions	2,169	3,836	6,005
Reassessments	2,773	330	3,103
Disposals	(668)	(10)	(678)
Depreciation expense	(3,302)	(6,567)	(9,869)
Equity transfers - transfers In / (out)	-	(60)	(60)
Balance at 30 June 2021	39,890	23,507	63,397

PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2019	42,090	29,655	71,745
Additions	-	1,428	1,428
Reassessments	-	835	835
Disposals	-	(9)	(9)
Depreciation expense	(3,171)	(5,932)	(9,103)
Balance at 30 June 2020	38,919	25,977	64,896

South Western Sydney Local Health District
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24. Leases

Lease liabilities

The following table presents liabilities under leases.

PARENT AND CONSOLIDATION

	2021	2020
	\$000	\$000
Balance at 1 July	65,871	71,816
Additions	6,005	1,428
Interest expenses	1,124	1,168
Payments	(10,337)	(9,367)
Terminations	(436)	(9)
Equity transfers - transfers In / (out)	(90)	-
Other adjustments	3,102	835
Balance at 30 June	65,239	65,871

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

PARENT AND CONSOLIDATION

	2021	2020
	\$000	\$000
Depreciation expense of right-of-use assets	9,869	9,103
Interest expense on lease liabilities	1,124	1,168
Expenses relating to short-term leases	1,804	2,688
Expenses relating to leases of low-value assets	2,557	2,102
Variable lease payments, not included in the measurement of lease liabilities	1	1
(Gains) / losses on disposal	28	-
Total amount recognised in the statement of comprehensive income	15,383	15,062

SWSLHD had total cash outflows for leases of \$14.7 million for the year ended 30 June 2021 (2020: \$14.16 million).

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

SWSLHD entered into a number of leases, with lease terms ranging from 5 to 10 years with various organisations (Lendlease Real Estate Investment Limited & GPT Funds Management Limited, State Rail Authority of NSW, Wingecarribee Shire Council and Oscar No.1 Pty Ltd), for the use of providing Community Health Services. The contract specifies lease payments of \$0.26k per annum. The leased premise is to be used by SWSLHD to provide different community health services. The providing Community Health Services account for a small portion of the similar assets SWSLHD is using for the purpose of providing community services. Therefore it does not have a significant impact on SWSLHD's operations.

Recognition and Measurement

SWSLHD 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.

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

i. *Right-of-use assets*

SWSLHD 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.

24. Leases

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

	Useful lives
Buildings	4 years
Plant and equipment	5 years
Motor vehicles and other equipment	3 years

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

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.

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

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

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

South Western Sydney Local Health District
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24. Leases

(b) Entity as a lessor

South Western 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.

South Western Sydney Local Health District also leases premises (103 Hoddle Avenue, Bradbury and 19 Flowerdale Road, Liverpool) to NGO's under operating leases arrangements. Generally there are no rental payments as SWSLHD provides market rental assistance grants to offset the rental payments.

Lessor for finance leases

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

PARENT AND CONSOLIDATION

	2021 \$000	2020 \$000
Within one year	75	-
One to two years	78	-
Two to three years	47	-
Total (excluding GST)	200	-

Reconciliation of net investment in leases

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	2021 \$000	2020 \$000
Future undiscounted rentals receivable	200	-
Less: unearned finance income	(4)	-
Net investment in finance lease	196	-

The net investment in finance lease is due to the subleasing arrangements with MyHealth Medical Group Pty Ltd (\$174k) and Clinical Laboratories Pty Ltd (\$22k) for the premises at Oran Park Podium.

Recognition and Measurement

Lessor for finance leases

Leases that SWSLHD 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, SWSLHD 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.

24. Leases

(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:

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	2021	2020
	\$'000	\$'000
Within one year	1,331	1,331
One to two years	1,331	1,331
Two to three years	1,331	1,331
Three to four years	1,296	1,331
Four to five years	1,289	1,296
Later than five years	38,757	40,046
Total (excluding GST)	45,335	46,666

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.

The rental receivables are from Bowral Land Lease to Southern Highlands Private Hospital (\$25.82m), Campbelltown Macarthur Clinical School Lease to Western Sydney University (\$19.38m) and Bowral Building Lease to University of Wollongong (\$0.13m).

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25. Intangible assets

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	Total \$000
At 1 July 2019	
Cost (gross carrying amount)	1,352
Less: accumulated amortisation and impairment	586
Net carrying amount	766

	Total \$000
Year ended 30 June 2020	
Net carrying amount at beginning of year	766
Additions - acquired separately	121
Amortisation (recognised in depreciation and amortisation)	(102)
Net carrying amount at end of year	785

	Total \$000
At 1 July 2020	
Cost (gross carrying amount)	1,473
Less: accumulated amortisation and impairment	688
Net carrying amount	785

	Total \$000
Year ended 30 June 2021	
Net carrying amount at beginning of year	785
Reclassifications from plant and equipment	3,341
Amortisation (recognised in depreciation and amortisation)	(433)
Net carrying amount at end of year	3,693

	Total \$000
At 30 June 2021	
Cost (gross carrying amount)	4,814
Less: accumulated amortisation and impairment	1,121
Net carrying amount	3,693

South Western Sydney Local Health District

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25. Intangible assets

Recognition and Measurement

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

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

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

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

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

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, SWSLHD 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).

SWSLHD 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	-	88,657	1,417,375	1,506,032
- Infrastructure systems	-	-	36,305	36,305
	-	88,657	1,453,680	1,542,337

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	-	83,601	1,342,735	1,426,336
- Infrastructure systems	-	-	33,400	33,400
	-	83,601	1,376,135	1,459,736

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.

(b) Valuation techniques, inputs and processes

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

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).

26. Fair value measurement of non-financial assets

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

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

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

(c) Reconciliation of recurring Level 3 fair value measurements

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2021	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2020	1,342,735	33,400	-	1,376,135
Additions	121,481	3,912	-	125,393
Depreciation expense	(46,841)	(1,007)	-	(47,848)
Fair value as at 30 June 2021	1,417,375	36,305	-	1,453,680

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

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2020	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2019	1,407,975	34,359	-	1,442,334
De-recognition of finance lease assets on initial application of AASB 16	(33,792)	-	-	(33,792)
Adjusted fair value as at 1 July 2019	1,374,183	34,359	-	1,408,542
Additions	14,422	-	-	14,422
Transfers from Level 2	434	-	-	434
Disposals	(554)	-	-	(554)
Depreciation expense	(45,750)	(959)	-	(46,709)
Fair value as at 30 June 2020	1,342,735	33,400	-	1,376,135

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

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27. Restricted assets

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

Category	1 July 2020	Revenue	Expense	2021
	Opening			Closing
	\$000	\$000	\$000	\$000
Community welfare	4,309	1,226	1,196	4,339
Facility improvements	19,546	5,402	-	24,948
Patient welfare	2,176	384	385	2,175
Private practice disbursements (No.2 Accounts)	34,416	11,158	7,679	37,895
Public contributions	2,203	1,432	-	3,635
Research	12,771	8,030	6,406	14,395
Staff welfare	680	84	55	709
Training and education including conferences	7,337	632	781	7,188
	83,437	28,348	16,502	95,283

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

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

Unclaimed monies

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

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.

South Western Sydney Local Health District
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28. Payables

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Accrued salaries, wages and on-costs	25,111	41,696	-	-
Salaries and wages deductions	487	388	-	-
Payroll and fringe benefits tax	108	86	-	-
Accrued liability - purchase of personnel services	-	-	25,706	42,170
Creditors	31,630	23,870	31,630	23,870
Other creditors				
- Payables to entities controlled by the immediate parent	23,773	19,434	23,773	19,434
- Other	29,331	19,355	29,331	19,355
	110,440	104,829	110,440	104,829

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 SWSLHD 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.

South Western Sydney Local Health District
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29. Contract liabilities

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Contract liabilities	1,858	1,532	1,858	1,532
	1,858	1,532	1,858	1,532

Recognition and Measurement

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

	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	1,532	617	1,532	617

South Western Sydney Local Health District
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30. Borrowings

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Other loans and deposits	5,228	5,224	5,228	5,224
Lease liabilities (see Note 24)	8,970	9,732	8,970	9,732
	14,198	14,956	14,198	14,956
Non-current				
Other loans and deposits	9,036	13,131	9,036	13,131
Lease liabilities (see Note 24)	56,269	56,139	56,269	56,139
	65,305	69,270	65,305	69,270

* This relates to contractual payments made to the operator, refer to Note 23 for further details on SWSLHD's service concession arrangements.

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 to the Health Administration Corporation, an entity controlled by the immediate parent; the immediate parent itself; and the NSW Treasury, which is controlled by the ultimate parent.

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

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.

Changes in liabilities arising from financing activities

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	Service concession arrangements \$000	Other loans and deposits \$000	Leases \$000	Total liabilities from financing activities \$000
1 July 2019	-	19,651	33,863	53,514
Recognised on adoption of AASB 16	-	-	37,953	37,953
Adjusted 1 July 2019	-	19,651	71,816	91,467
Cash flows	-	(1,296)	(8,199)	(9,495)
New leases	-	-	1,428	1,428
Lease terminations	-	-	(9)	(9)
Lease reassessments	-	-	835	835
30 June 2020	-	18,355	65,871	84,226
1 July 2020	-	18,355	65,871	84,226
Cash flows	-	(4,091)	(9,213)	(13,304)
New leases	-	-	6,006	6,006
Lease terminations	-	-	(437)	(437)
Lease reassessments	-	-	3,102	3,102
Non-cash changes other	-	-	(90)	(90)
30 June 2021	-	14,264	65,239	79,503

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31. Provisions

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Employee benefits and related on-costs				
Annual leave - obligations expected to be settled within 12 months	125,452	123,196	-	-
Annual leave - obligations expected to be settled after 12 months	103,062	82,828	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	2,608	2,356	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	40,077	32,201	-	-
Provision for other employee benefits	7,321	7,939	-	-
Provision for personnel services liability	-	-	278,520	248,520
Total current provisions	278,520	248,520	278,520	248,520
Non-current				
Employee benefits and related on-costs				
Long service leave consequential on-costs	4,222	3,005	-	-
Provision for personnel services liability	-	-	4,222	3,005
Total non-current provisions	4,222	3,005	4,222	3,005
Aggregate employee benefits and related on-costs				
Provisions - current	278,520	248,520	-	-
Provisions - non-current	4,222	3,005	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 28)	25,598	42,084	-	-
Liability - purchase of personnel services	-	-	308,340	293,609
	308,340	293,609	308,340	293,609

Recognition and Measurement

Employee benefits and other provisions

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

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

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

Actuarial advice obtained by NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 20.28% are applied to the value of leave payable at 30 June 2021 (comparable on-costs for 30 June 2020 were 18.47%). SWSLHD has assessed the actuarial advice based on the SWSLHD'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 SWSLHD does not expect to settle the liability within 12 months as SWSLHD does not have an unconditional right to defer settlement.

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

31. Provisions (continued)

Recognition and Measurement (continued)

Long service leave and superannuation

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

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

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: SWSLHD 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 SWSLHD 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 SWSLHD has a detailed formal plan, and SWSLHD has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

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

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32. Other liabilities

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Unearned revenue	690	722	690	722
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	-	81	-	81
	690	803	690	803
Non-current				
Unearned revenue	18,840	19,382	18,840	19,382
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	9,759	8,116	9,759	8,116
	28,599	27,498	28,599	27,498

Unearned revenue was derived from the following:

Current unearned revenue relate to Prepaid Rental of \$0.14m from the University of Wollongong at Bowral Hospital and Prepaid Rental of \$0.55m from Western Sydney University for the Macarthur Clinical School at Campbelltown Hospital.

Non-current unearned revenue \$18.84m relate to the Macarthur Clinical School Capital funding received from UWS treated as prepaid rental ("right of use"), over the 40 year life of the land lease at Campbelltown Hospital; Non-current liabilities \$9.76m relate to the ROHPG grants received in advance.

PARENT AND CONSOLIDATION

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

	2021 \$'000	2020 \$000
Opening balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	8,197	-
Liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity recognised upon initial application of AASB 1058	-	7,320
<i>Add:</i> receipt of cash during the financial year	1,562	1,021
<i>Deduct:</i> income recognised during the financial year	-	144
Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	9,759	8,197

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

SWSLHD 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.

South Western Sydney Local Health District
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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	156,579	380,084	156,579	380,084
Later than one year and not later than five years	33,927	78,070	33,927	78,070
Later than five years	2,056	-	2,056	-
Total (including GST)	192,562	458,154	192,562	458,154

(b) Contingent asset related to commitments for expenditure

The total 'Capital expenditure commitments' of \$192.56 million as at 30 June 2021 includes input tax credits of \$2.01 million that are expected to be recoverable from the Australian Taxation Office (2020 \$1.70 million).

Output tax payable related to commitments for revenue

The 'Operating Lease Commitments (Entity as Lessor)' of \$49.87 million as at 30 June 2021 includes taxable sales of \$2.60 million that are expected to be payable to the Australian Taxation Office (2020: \$2.67 million).

34. Contingent liabilities and contingent assets

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

South Western Sydney Local Health District
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35. Trust funds

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SWSLHD holds trust funds of \$1.4 million (2020: \$1.3 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 SWSLHD 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	230	13	(30)	213
Refundable Deposits	538	27	(1)	564
Private Patient Trust Funds	(13)	44,738	(44,725)	-
Third Party Funds	542	1,187	(1,109)	620
Total trust funds	1,297	45,965	(45,865)	1,397

Category	1 July 2019	Revenue	Expense	30 June 2020
	Opening equity			Closing equity
	\$'000	\$000	\$000	\$'000
Patient Trust	171	87	(28)	230
Refundable Deposits	524	16	(2)	538
Private Patient Trust Funds	(11)	45,753	(45,755)	(13)
Third Party Funds	618	1,131	(1,207)	542
Total trust funds	1,302	46,987	(46,992)	1,297

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.

South Western 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	442,393	249,107	442,393	249,107
Depreciation and amortisation expense	(73,835)	(71,856)	(73,835)	(71,856)
Allowance for impairment	(3,587)	(2,718)	(3,587)	(2,718)
(Increase) / decrease in unearned revenue	(987)	(296)	(987)	(296)
Decrease / (increase) in provisions	(31,217)	(23,399)	(31,217)	(23,399)
Increase / (decrease) in prepayments and other assets	(9,898)	44,722	(9,898)	44,722
Decrease / (increase) in payables	(5,412)	3,680	(5,412)	3,680
Decrease / (increase) in contract liabilities	(326)	(915)	(326)	(915)
Net gain / (loss) on sale of property, plant and equipment	(518)	(1,020)	(518)	(1,020)
Net gain / (loss) on disposal of right-of-use assets	(28)	-	(28)	-
Assets donated or brought to account (Note 37)	614	389	614	389
Net result	317,199	197,694	317,199	197,694

37. Non-cash financing and investing activities

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Assets donated or brought to account	614	389	614	389
Property, plant and equipment acquired by a lease	6,006	1,428	6,006	1,428
	6,620	1,817	6,620	1,817

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

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Net result

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

Un-favorabilities in revenue of \$11M, expenses of \$3.6M and other items of \$3.4M.

The Revenue un-favourability included \$0.5M of budgeted capital projects remaining in progress due to production/supply issues relating to the COVID-19 pandemic. Own source revenue was significantly impacted by the lower accommodation rates paid by private health insurance providers for single rooms, and the reduction in DVA patients.

Expense un-favourability was primarily due to Employee Related Expenditure. Specifically there was lower annual leave taken by staff and the 2.04% award adjustments on the Annual Leave provision balance at June 2021 was unfunded.

Assets and liabilities

The Net Assets were \$17.8M unfavourable to budget. This was largely due to the unfunded components of the increase in Annual Leave balances, namely the Salary and Wages escalation of 2.04% on the historical balance at June 2021. The impact of COVID-19 was significant in this regard, as the ability to send staff on leave and reduce the provision was curtailed by the need to ensure resources were available as part of the pandemic response. Additionally trade creditor accruals were higher than budgeted.

Cash flows

Overall Cash Flows were favourable to budget by \$8.9M. This was mainly due to lower than expected outflows in Operating Activities, especially in the purchase of Goods and Services.

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

	\$000
Initial allocation, 1 July 2020	1,695,345
Growth & Escalation	55,737

Special projects

National Partnership Dental	2,500
End Of Life Palliative Care	260
Nursing and Midwifery Strategy Reserves and Enhancements	1,510
Child Dental Benefits Scheme	749
S100 Highly Specialised Drugs Co-payments	683
Wellbeing and Health In-reach Nurse (WHIN) Coordinator Program	325
Critical Fire Safety Works	920
Redevelopments - Bowral Hospital and Bankstown ED	773
Additional Funding to support access performance	466
Coronavirus COVID-19 Incremental	141,016
Coronavirus COVID-19 Vaccination	1,463
Coronavirus COVID-19 Special Leave	810
Coronavirus COVID-19 Carpark Revenue Reduction	3,675
Other Initiatives	11,127

Balance as per Statement of Comprehensive Income	1,917,359
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South Western Sydney Local Health District
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39. Equity

Revaluation surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with SWSLHD'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:

As at the 30 June 2021, a number of fleet leases were transferred to Ambulance Service of NSW (\$16k) and Sydney Local Health District (\$14k) at \$Nil consideration, an entity of the immediate parent. All corresponding asset and liability balances were transferred across at the carrying amounts from the transferee to the transferor.

Equity transfers effected comprised:

	2021 \$000	2020 \$000
Transfer of motor vehicle fleet leases	(30)	-
	(30)	-

Assets and Liabilities transferred are as follows:

	2021 \$000	2020 \$000
Assets		
Right-of-use assets	(60)	
Liabilities		
Lease liabilities	90	
Increase / (Decrease) in Net Assets From Equity Transfers	30	-

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

South Western Sydney Local Health District
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40. Financial instruments

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

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

(a) Financial instrument categories

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Class	Category	Carrying Amount 2021 \$000	Carrying Amount 2020 \$000
Financial assets			
Cash and cash equivalents (Note 19)	Amortised cost	100,744	86,272
Receivables (Note 20) ¹	Amortised cost	40,143	31,349
Other financial assets (Note 22)	Amortised cost	196	-
Total financial assets		141,083	117,621
Financial liabilities			
Borrowings (Note 30)	Financial liabilities measured at amortised cost	79,503	84,226
Payables (Note 28) ²	Financial liabilities measured at amortised cost	110,332	104,743
Total financial liabilities		189,835	188,969

Notes

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

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

SWSLHD 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) 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 SWSLHD. 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 SWSLHD, including cash, receivables and authority deposits. No collateral is held by SWSLHD. SWSLHD has not granted any financial guarantees.

Credit risk associated with SWSLHD'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.

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

40. Financial instruments

Cash and cash equivalents

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 0.95% (Restricted Funds Bank balance: \$55.6m) in 2020-21 compared to 2.08% (Restricted Funds Bank balance: \$42.6m) 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, contract assets and lease receivables

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

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

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

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

Trade receivables, other receivables, contract assets and lease receivables 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, contract assets and lease receivables as at 30 June 2021 and 30 June 2020 was determined as follows:

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	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2021						
Expected credit loss rate	3.58%	10.70%	21.86%	29.38%	34.74%	14.56%
Estimated total gross carrying amount ¹	21,433	2,010	1,688	725	10,906	36,762
Expected credit loss	767	215	369	213	3,789	5,353
30 June 2020						
Expected credit loss rate	3.26%	7.56%	16.84%	27.04%	33.39%	12.55%
Estimated total gross carrying amount ¹	19,255	2,393	1,532	1,261	7,958	32,399
Expected credit loss	628	181	258	341	2,657	4,065

Notes

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

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

40. Financial instruments

Other Financial Assets - Authority Deposits

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

ii. Liquidity risk

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

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

SWSLHD 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 SWSLHD fails to meet service agreement performance standards, the Ministry as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 1).

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. For all suppliers, that has a correctly rendered invoice, that has a matched purchase order and where goods have been received, an immediate payment is made irrespective of current contract payment terms.

For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise.

For other suppliers, where settlement cannot be affected in accordance with the above, e.g. due to short term liquidity constraints, contact is made with creditors and terms of payment are negotiated to the satisfaction of both parties.

South Western Sydney Local Health District

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40. Financial instruments (continued)

(b) Financial risk (continued)

ii. Liquidity risk (continued)

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

Maturity Analysis and interest rate exposure of financial liabilities

	EIR ³ %	Nominal Amount ¹ \$000	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate \$000	Variable Interest Rate \$000	Non - Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000	> 5Yr \$000
2021								
Payables:								
- Creditors ²		110,332	-	-	110,332	110,332	-	-
Borrowings:								
- Other loans and deposits	6.86	15,900	15,900	-	-	5,261	9,727	912
- Lease liabilities	1.68	76,974	76,974	-	-	9,665	24,948	42,361
		203,206	92,874	-	110,332	125,258	34,675	43,273
2020								
Payables:								
- Creditors ²		104,743	-	-	104,743	104,743	-	-
Borrowings:								
- Other loans and deposits	6.98	21,160	21,160	-	-	5,261	14,727	1,172
- Lease liabilities	1.71	78,223	78,223	-	-	9,313	23,644	45,266
		204,126	99,383	-	104,743	119,317	38,371	46,438

Notes:

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

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

³ Weighted Average Effective Interest Rate (EIR).

40. Financial instruments (continued)

iii. Market risk

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

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

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	2021		2020	
	\$000		\$000	
	-1%	1%	-1%	1%
Net result	(214)	214	(20)	20
Equity	(214)	214	(20)	20

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40. Financial instruments (continued)

iii. Market risk (continued)

Other price risk - TCorpIM Funds

Exposure to 'other price risk' primarily arises through the investment in the TCorpIM Funds, which are held for strategic rather than trading purposes. SWSLHD has no direct equity investments. SWSLHD 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	41,233	41,102

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 SWSLHD'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%	4,123	4,110

40. Financial instruments (continued)

(c) Fair value measurement

i. Fair value compared to carrying amount

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

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

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

ii. Fair value recognised in the Statement of Financial Position

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

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

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2021 Total \$'000
TCorpIM Funds	-	41,233	-	41,233
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2020 Total \$'000
TCorpIM Funds	-	41,102	-	41,102

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

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

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

41. Related party disclosures

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(a) Key management personnel compensation

Key management personnel compensation is as follows:

	2021 \$000	2020 \$000
Short-term employee benefits	913	907
Post-employment benefits	68	52
	981	959

During the financial year, South Western Sydney Local Health District obtained key management personnel services from the immediate parent and incurred \$0.519 million (2020: \$0.480 million) for these services. This amount does not form part of the key management personnel compensation disclosed above.

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

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

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

- Health Administration Corporation (includes Ambulance Service of NSW, eHealth NSW, Health Infrastructure, Health System Support Group, HealthShare NSW and NSW Health Pathology) provides shared services for the majority of patient transport services, information management services, 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

41. Related party disclosures

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

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

- Payroll and fringe benefits taxes
- Audit of the statutory financial statements
- Legal and consultancy services
- Utilities, including electricity, gas and water expenses
- Motor vehicle toll expenses
- Insurance costs

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

- Rental costs for Property NSW leased properties
- Various grants and subsidies towards research and other projects

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

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

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

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

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

END OF AUDITED FINANCIAL STATEMENTS