



INDEPENDENT AUDITOR'S REPORT

Western NSW Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Western NSW Local Health District (the District), which comprise 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
- present fairly the financial position, financial performance and cash flows of the District and the consolidated entity.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Presentation of Budget Information

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 39. The note states that AASB 1055 'Budgetary Reporting' is not applicable to the District. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the District's financial statements present adjusted budget information.

The Chief Executive's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Cathy Wu
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

6 October 2021
SYDNEY

Western NSW 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 the Western NSW Local Health District for the year ended 30 June 2021 have been prepared in accordance with:
 - a. Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
 - b. applicable requirements of the Act, the *Government Sector Finance Regulation 2018*; and
 - c. Treasurer's Directions issued under the Act.
2. The financial statements present fairly the Western NSW 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 'Scott McLachlan'.

Scott McLachlan

Chief Executive

30 September 2021

A handwritten signature in black ink, appearing to read 'P.P. Bonnington'.

Peter Bonnington

Acting Director of Finance

30 September 2021

Western NSW 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	578,886	594,186	596,563	-	-
Personnel services	3	-	-	-	580,294	571,451
Visiting medical officers	4	77,741	73,146	75,510	77,741	75,510
Other expenses	5	309,273	301,977	276,087	309,273	276,087
Depreciation and amortisation	6	60,252	58,056	57,882	60,252	57,882
Grants and subsidies	7	2,659	4,022	3,988	2,659	3,988
Finance costs	8	15,781	15,529	16,056	15,781	16,056
Payments to Affiliated Health Organisations	9	12,305	12,416	12,413	12,305	12,413
Total expenses excluding losses		1,056,897	1,059,332	1,038,499	1,058,305	1,013,387
Revenue						
NSW Ministry of Health recurrent allocations	11	876,484	872,586	811,969	876,484	811,969
NSW Ministry of Health capital allocations	11	63,796	64,482	88,337	63,796	88,337
Acceptance by the Crown ² of employee benefits	15	(1,408)	(1,428)	25,112	-	-
Sale of goods and services from contracts with customers	12	113,537	114,177	109,464	113,537	109,464
Investment revenue	13	236	314	378	236	378
Grants and other contributions	14	41,142	31,549	66,114	41,142	66,114
Other income	16	1,980	1,561	4,310	1,980	4,310
Total revenue		1,095,767	1,083,241	1,105,684	1,097,175	1,080,572
Operating result		38,870	23,909	67,185	38,870	67,185
Gains / (losses) on disposal	17	(307)	-	70	(307)	70
Impairment losses on financial assets	21	(228)	(246)	(283)	(228)	(283)
Other gains / (losses)	18	-	-	(456)	-	(456)
Net result from continuing operations	37	38,335	23,663	66,516	38,335	66,516
Net result		38,335	23,663	66,516	38,335	66,516
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	24	-	-	185,434	-	185,434
Total other comprehensive income		-	-	185,434	-	185,434
TOTAL COMPREHENSIVE INCOME		38,335	23,663	251,950	38,335	251,950

¹ Unaudited adjusted budget, see Note 39.

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

The accompanying notes form part of these financial statements.

Western NSW Local Health District
Statement of Financial Position as at 30 June 2021

		Consolidated	Consolidated	Consolidated	Parent	Parent
		Actual	Budget ¹	Actual	Actual	Actual
	Notes	2021	2021	2020	2021	2020
		\$000	\$000	\$000	\$000	\$000
ASSETS						
Current assets						
Cash and cash equivalents	20	43,127	2,728	6,973	43,127	6,973
Receivables	21	21,267	19,950	19,949	21,267	19,949
Inventories	22	3,414	3,510	3,510	3,414	3,510
Other financial assets	23	-	19,633	19,633	-	19,633
		67,808	45,821	50,065	67,808	50,065
Non-current assets held for sale	26	-	96	96	-	96
Total current assets		67,808	45,917	50,161	67,808	50,161
Non-current assets						
Receivables	21	22	10	10	22	10
Property, plant & equipment	24					
- Land and buildings		1,212,343	1,211,369	1,194,342	1,212,343	1,194,342
- Plant and equipment		46,654	49,107	45,411	46,654	45,411
- Infrastructure systems		65,386	64,411	66,654	65,386	66,654
Total property, plant & equipment		1,324,383	1,324,887	1,306,407	1,324,383	1,306,407
Right-of-use assets	25	12,539	14,787	16,226	12,539	16,226
Total non-current assets		1,336,944	1,339,684	1,322,643	1,336,944	1,322,643
Total assets		1,404,752	1,385,601	1,372,804	1,404,752	1,372,804
LIABILITIES						
Current liabilities						
Payables	29	53,750	56,568	71,004	53,750	71,004
Contract liabilities	30	534	585	585	534	585
Borrowings	31	8,124	3,353	7,643	8,124	7,643
Provisions	32	95,614	91,390	87,084	95,614	87,084
Other current liabilities	33	4,044	3,000	3,000	4,044	3,000
Total current liabilities		162,066	154,896	169,316	162,066	169,316
Non-current liabilities						
Borrowings	31	165,126	171,372	171,275	165,126	171,275
Provisions	32	8,980	4,727	1,271	8,980	1,271
Other non-current liabilities	33	2,938	3,635	3,635	2,938	3,635
Total non-current liabilities		177,044	179,734	176,181	177,044	176,181
Total liabilities		339,110	334,630	345,497	339,110	345,497
Net assets		1,065,642	1,050,971	1,027,307	1,065,642	1,027,307
EQUITY						
Reserves		437,935	438,580	438,580	437,935	438,580
Accumulated funds		627,707	612,391	588,727	627,707	588,727
Total Equity		1,065,642	1,050,971	1,027,307	1,065,642	1,027,307

¹ Unaudited adjusted budget, see Note 39.

The accompanying notes form part of these financial statements.

Western NSW 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		588,727	438,580	1,027,307
Net result for the year		38,335	-	38,335
Other comprehensive income:				
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		645	(645)	-
Total other comprehensive income		645	(645)	-
Total comprehensive income for the year		38,980	(645)	38,335
Balance at 30 June 2021		627,707	437,935	1,065,642

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2019		528,551	253,146	781,697
Changes in accounting policy - initial application of AASB 1058		(6,340)	-	(6,340)
Balance at 1 July 2019		522,211	253,146	775,357
Net result for the year		66,516	-	66,516
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	24	-	185,434	185,434
Total other comprehensive income		-	185,434	185,434
Total Comprehensive Income for the Year		66,516	185,434	251,950
Balance at 30 June 2020		588,727	438,580	1,027,307

The accompanying notes form part of these financial statements.

Western NSW 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		(596,399)	(613,233)	(568,643)	-	-
Suppliers for goods and services		(420,826)	(412,259)	(393,678)	(420,826)	(393,678)
Grants and subsidies		(16,649)	(18,123)	(18,359)	(16,649)	(18,359)
Finance costs		(15,782)	(15,529)	(16,056)	(15,782)	(16,056)
Personnel services		-	-	-	(596,399)	(568,643)
Total payments		(1,049,656)	(1,059,144)	(996,736)	(1,049,656)	(996,736)
Receipts						
NSW Ministry of Health recurrent allocations		876,484	872,586	811,969	876,484	811,969
NSW Ministry of Health capital allocations		63,796	64,482	88,337	63,796	88,337
Reimbursements from the Crown ²		9,345	9,345	10,903	9,345	10,903
Sale of goods and services		114,487	115,763	112,766	114,487	112,766
Interest received		263	314	504	263	504
Grants and other contributions		43,996	34,290	71,151	43,996	71,151
Other		37,529	36,712	37,569	37,529	37,569
Total receipts		1,145,900	1,133,492	1,133,199	1,145,900	1,133,199
NET CASH FLOWS FROM OPERATING ACTIVITIES	37	96,244	74,348	136,463	96,244	136,463
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and equipment and intangibles		370	106	429	370	429
Proceeds from sale of financial assets		32,804	-	45,577	32,804	45,577
Purchases of property, plant and equipment		(72,455)	(72,484)	(132,724)	(72,455)	(132,724)
Purchases of financial assets		(13,171)	-	(46,397)	(13,171)	(46,397)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(52,452)	(72,378)	(133,115)	(52,452)	(133,115)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from borrowings and advances		866	866	-	866	-
Repayment of borrowings and advances		(2,798)	(3,622)	(2,126)	(2,798)	(2,126)
Payment of principal portion of lease liabilities		(5,706)	(3,459)	(4,246)	(5,706)	(4,246)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(7,638)	(6,215)	(6,372)	(7,638)	(6,372)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		36,154	(4,245)	(3,024)	36,154	(3,024)
Opening cash and cash equivalents	20	6,973	6,973	9,997	6,973	9,997
CLOSING CASH AND CASH EQUIVALENTS	20	43,127	2,728	6,973	43,127	6,973

¹ Unaudited adjusted budget, see Note 39.

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

The accompanying notes form part of these financial statements.

Western NSW Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

1. Statement of Significant Accounting Policies

a) Reporting entity

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

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

The District, 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 28), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * The Western NSW Local Health District Special Purpose Service Entity, which was established as a Division of the District on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the District to exercise its functions.

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

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

b) Basis of preparation

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

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

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

The Secretary of NSW Health, the Chair of the Western NSW Local Health District Board and the Chief Executive, through the Service Agreement have agreed to service and funding levels for the forward financial year. The Service Agreement sets out the level of financial resources for public health services under the District's control and the source of these funds. By agreement, the Service Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the District 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, the District 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.

Western NSW 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.

The District has received an additional \$32.69M (2020: \$5.47M) 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.
- * The District has the capacity to review the timing of NSW Ministry of Health allocation cash flows to ensure debts can be paid when they become due and payable.
- * The District has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the District and assist in meeting its overall budget target. The EIP is monitored and evaluated by the NSW Ministry of Health throughout the financial year.

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

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

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

c) Statement of Compliance

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

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

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

- * amount of GST incurred by the District 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.

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:

- * District 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 District.

AASB 1059 Service Concession Arrangements: Grantors (AASB 1059)

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

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

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

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

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

(ii) Issued but not yet effective

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

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

The COVID-19 pandemic has resulted in significant changes in the District 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 21 Receivables
- * Note 22 Inventories
- * Note 27 Fair value measurement of non-financial assets

Western NSW 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)	524,061	517,287	-	-
Superannuation - defined benefit plans	2,620	3,180	-	-
Superannuation - defined contribution plans	47,579	46,153	-	-
Long service leave	(734)	23,086	-	-
Redundancies	494	768	-	-
Workers' compensation insurance	4,689	5,979	-	-
Fringe benefits tax	177	110	-	-
	578,886	596,563	-	-

Employee related costs of \$0.25 million (2020: \$1.00 million) have been capitalised in property, plant and equipment assets and are therefore excluded from the above.

3. Personnel services

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Salaries and wages (including annual leave and allocated days off)	-	-	524,061	517,287
Superannuation - defined contribution plans	-	-	47,579	46,153
Long service leave	-	-	3,295	1,154
Redundancies	-	-	494	768
Workers' compensation insurance	-	-	4,689	5,979
Fringe benefits tax	-	-	176	110
	-	-	580,294	571,451

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

Personnel services of \$0.25 million (2020: \$1.00 million) have been capitalised in property, plant and equipment assets and are excluded from the above.

4. Visiting medical officers

Visiting medical officers (VMOs) enhance full-time medical specialist services by providing speciality input in a number of disciplines throughout the District's hospitals. VMO expenses of \$77.74 million (2020: \$75.51 million) represent part of the day-to-day running costs incurred in the normal operations of the District. These costs are expensed as incurred.

Western NSW 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	196	58	196	58
Auditor's remuneration - audit of financial statements	230	211	230	211
Blood and blood products	3,902	3,662	3,902	3,662
Consultancies	484	875	484	875
Contractors	1,295	2,813	1,295	2,813
Domestic supplies and services	9,589	9,020	9,589	9,020
Drug supplies	24,988	21,862	24,988	21,862
Food supplies	9,619	9,360	9,619	9,360
Fuel, light and power	8,689	8,955	8,689	8,955
Patient transport costs	24,293	21,718	24,293	21,718
Information management expenses	21,453	19,254	21,453	19,254
Insurance	1,377	1,349	1,377	1,349
Maintenance (see Note 5 (b))	54,457	43,232	54,457	43,232
Medical and surgical supplies	38,219	32,171	38,219	32,171
Motor vehicle expenses	2,106	2,320	2,106	2,320
Postal and telephone costs	2,252	2,594	2,252	2,594
Printing and stationery	1,015	1,083	1,015	1,083
Rates and charges	2,132	2,201	2,132	2,201
Specialised services (Allied Health, Dental, Dialysis, Imaging, Pathology)	45,796	35,868	45,796	35,868
Staff related costs	5,939	5,543	5,939	5,543
Travel related costs	3,465	5,445	3,465	5,445
Other (see Note 5 (a))	47,777	46,493	47,777	46,493
	309,273	276,087	309,273	276,087

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

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

5. Other expenses (continued)

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
(a) Other				
Contract for patient services	7,694	4,801	7,694	4,801
Corporate support services	8,036	7,874	8,036	7,874
Courier and freight	520	448	520	448
Isolated patient travel and accommodation assistance scheme	4,460	5,092	4,460	5,092
Legal services	393	323	393	323
Membership/professional fees	170	145	170	145
Public private partnership contracted services	21,343	21,196	21,343	21,196
Quality assurance / accreditation	223	158	223	158
Security services	554	802	554	802
Expenses relating to short-term leases	1,679	2,161	1,679	2,161
Expenses relating to leases of low-value assets	47	117	47	117
Other miscellaneous	2,658	3,376	2,658	3,376
	47,777	46,493	47,777	46,493
(b) Reconciliation of total maintenance				
Maintenance contracts	15,468	14,424	15,468	14,424
New / replacement equipment under \$10,000	22,188	18,308	22,188	18,308
Repairs maintenance / non contract	16,800	10,444	16,800	10,444
Other	1	56	1	56
Maintenance expense - contracted labour and other (non-employee related) in Note 5	54,457	43,232	54,457	43,232
Employee related/personnel services maintenance expense included in Notes 2 and 3.	4,685	4,989	4,685	4,989
	59,142	48,221	59,142	48,221

5. Other expenses (continued)

Recognition and Measurement

Maintenance expense

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

Operating expenses

Operating expenses generally represent the day-to-day running costs incurred in the normal operations of the District. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 29.

Insurance

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

Lease expense

The District 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.

Western NSW 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	42,975	40,122	42,975	40,122
Depreciation - plant and equipment	8,971	10,455	8,971	10,455
Depreciation - infrastructure systems	2,650	2,768	2,650	2,768
Depreciation - right-of-use buildings	2,469	2,171	2,469	2,171
Depreciation - right-of-use plant and equipment	3,187	2,366	3,187	2,366
	60,252	57,882	60,252	57,882

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

7. Grants and subsidies

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Non-government organisations	2,113	2,110	2,113	2,110
Grants to research organisations	8	14	8	14
Grants paid to entities controlled by the immediate parent	209	149	209	149
Other grants	329	1,715	329	1,715
	2,659	3,988	2,659	3,988

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.

Western NSW 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	299	241	299	241
Interest expense from financial liabilities at amortised	15,463	15,815	15,463	15,815
Other interest charges	19	-	19	-
	15,781	16,056	15,781	16,056

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				
Lourdes Hospital and Community Services	10,364	10,333	10,364	10,333
St Vincent's Outreach Service	1,941	2,080	1,941	2,080
	12,305	12,413	12,305	12,413

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 Catholic Healthcare have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. District 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.

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

10. Revenue

Recognition and Measurement

Income is recognised in accordance with the requirements of AASB 15 Revenue from Contracts with Customers (AASB 15) or AASB 1058 Income of Not-for-Profit Entities (AASB 1058), dependent on whether there is a contract with a customer defined by AASB 15. Comments regarding the accounting policies for the recognition of income are discussed below.

Under the GSF Act 2018, the District's own source revenue (which includes but is not limited to receipts from operating activities and proceeds from the sale of property, plant and equipment) meets the definition of deemed appropriation money under the GSF Act.

Deemed appropriation money is money received directly by the District which forms part of the consolidated fund and is not appropriated to the District 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	6,973	-	6,973	-
Add: Appropriations deemed on 1 July 2019	-	9,997	-	9,997
Add: additions of deemed appropriations	238,795	278,899	238,795	278,899
Less: expenditure charged against deemed appropriations	202,641	281,923	202,641	281,923
	43,127	6,973	43,127	6,973

Notes

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

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

11. NSW Ministry of Health allocations

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

The District recognised additional NSW Ministry of Health recurrent allocations of \$32.69 million (2020: \$5.47 million) and NSW Ministry of Health capital allocations of \$Nil (2020: \$Nil) 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.

Western NSW 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	13,458	11,151	13,458	11,151
Sale of prostheses	1,642	1,604	1,642	1,604
Other	291	218	291	218
	15,391	12,973	15,391	12,973

(b) Rendering of services comprise the following:

Patients

Patient Fees:

- Inpatient fees	26,933	54,981	26,933	54,981
- Nursing home fees	8,350	32	8,350	32
- Non inpatient fees	3,516	2,633	3,516	2,633
Department of Veterans' Affairs	6,332	6,524	6,332	6,524
Motor Accident Authority third party	3,828	3,160	3,828	3,160
Multi Purpose Service Centre fees	32,352	8,223	32,352	8,223
Patient transport fees	54	47	54	47
Enteral nutrition	6	4	6	4

Staff

Private use of motor vehicles	88	83	88	83
Meals and accommodation	272	254	272	254

General community

Cafeteria / kiosk	19	17	19	17
Clinical services (excluding clinical drug trials)	1,059	1,780	1,059	1,780
Commercial activities	134	120	134	120
Fees for conferences and training	2	9	2	9
Fees for medical records	77	66	77	66
Information retrieval	22	17	22	17
Meals on Wheels	223	235	223	235

Non-NSW Health entities

Services to other organisations	301	248	301	248
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Entities controlled by the immediate parent

Hosted service revenues	242	234	242	234
Shared corporate service revenues	1	5	1	5

Other

Infrastructure fees - annual charge	2,744	-	2,744	-
Infrastructure fees - monthly facility charge	9,528	16,643	9,528	16,643
Other	2,063	1,176	2,063	1,176

	98,146	96,491	98,146	96,491
	113,537	109,464	113,537	109,464

Western NSW Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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

Recognition and Measurement (continued)

Sale of goods

Revenue from the sale of goods is recognised when the District 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.

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

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

Recognition and Measurement (continued)

Rendering of services

Revenue from rendering of services is recognised when the District 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.

Western NSW Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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

Recognition and Measurement (continued)

Rendering of services (continued)

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

Refer to Note 30 for the disclosure of the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, and when the District expects to recognise the unsatisfied portion as revenue.

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

13. Investment revenue

	Consolidated	Consolidated	Parent	Parent
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Interest income from financial assets at amortised cost	236	378	236	378
	236	378	236	378

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).

Western NSW 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	12,500	6,250	12,500	6,250
Other grants with sufficiently specific performance obligations				
Cancer Institute grants received from an entity controlled by the immediate parent	4,075	3,979	4,075	3,979
Clinical trials and research grants	571	513	571	513
Commonwealth government grants received for community based services	5,190	5,114	5,190	5,114
Commonwealth government grants other	386	188	386	188
Grants from entities controlled by the ultimate parent	-	40	-	40
Other grants from entities controlled by the immediate parent	698	-	698	-
Other grants	3,281	3,479	3,281	3,479
Grants without specific performance obligations				
Clinical trial and research grants	81	20	81	20
Commonwealth government grants other	15	6	15	6
Grants from entities controlled by the ultimate parent	4,342	43,649	4,342	43,649
Other grants from entities controlled by the immediate parent	351	582	351	582
Other grants	30	1,421	30	1,421
Donations	9,622	873	9,622	873
	41,142	66,114	41,142	66,114

Recognition and Measurement

Grants and other contributions

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

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

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

Refer to Note 30 for the transaction price allocated to the performance obligations that have not been satisfied at the end of the year and when it is expected to be recognised as revenue.

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

14. Grants and other contributions

Income from grants without sufficiently specific performance obligations is recognised when the District 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. The District 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.

Western NSW 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	2,621	3,180	-	-
Long service leave provision	(4,029)	21,932	-	-
	(1,408)	25,112	-	-

16. Other income

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Other income comprises the following:				
Bad debts recovered	3	1	3	1
Commissions	62	101	62	101
Discounts	17	18	17	18
Insurance refunds	79	486	79	486
Rental income				
- other rental income	530	580	530	580
Sponsorship	221	4	221	4
Other	1,068	3,120	1,068	3,120
	1,980	4,310	1,980	4,310

Recognition and Measurement

Other Income

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

Forgiveness of liabilities

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

Western NSW 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	581	359	581	359
<i>Less: proceeds from disposal</i>	264	429	264	429
Net gains / (losses) on disposal	(317)	70	(317)	70
Right-of-use assets				
Written down value of assets disposed	61	19	61	19
<i>Less: lease liabilities extinguished</i>	61	19	61	19
Net gains / (losses) on disposal	-	-	-	-
Assets held for sale				
	96	-	96	-
<i>Less: proceeds from disposal</i>	106	-	106	-
Net gains / (losses) on disposal	10	-	10	-
Financial assets				
	32,804	45,577	32,804	45,577
<i>Less: proceeds from disposal</i>	32,804	45,577	32,804	45,577
Net gains / (losses) on disposal	-	-	-	-
Total gains / (losses) on disposal	(307)	70	(307)	70

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

18. Other gains / (losses)

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Impairment losses on assets held for sale	-	(456)	-	(456)
	-	(456)	-	(456)

Recognition and Measurement

Impairment losses on non-financial assets

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

- Note 21 Receivables
- Note 24 Property, plant and equipment
- Note 25 Leases

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

The District receives various types of grants and donations from different grantors / donors, some of which may not have enforceable performance obligations. The District 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 28 Restricted assets.

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

20. Cash and cash equivalents

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Cash at bank and on hand	43,127	6,973	43,127	6,973
	43,127	6,973	43,127	6,973

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)	43,127	6,973	43,127	6,973
Closing cash and cash equivalents (per Statement of Cash Flows)	43,127	6,973	43,127	6,973

Refer to Note 41 for details regarding credit risk and market risk arising from financial instruments.

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

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

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

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

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

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

21. Receivables

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Trade receivables from contracts with customers	6,203	5,250	6,203	5,250
Intra health receivables	2,754	3,910	2,754	3,910
Goods and Services Tax	6,216	5,638	6,216	5,638
Other receivables	4,340	3,589	4,340	3,589
Sub total	19,513	18,387	19,513	18,387
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(269)	(157)	(269)	(157)
- Other receivables	-	(2)	-	(2)
Sub total	19,244	18,228	19,244	18,228
Prepayments	2,023	1,721	2,023	1,721
	21,267	19,949	21,267	19,949

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

	Consolidated	Consolidated	Parent	Parent
Trade receivables from contracts with customers				
Balance at the beginning of the year	(157)	(161)	(157)	(161)
Amounts written off during the year	128	275	128	275
Amounts recovered during the year	3	-	3	-
(Increase) / decrease in allowance recognised in the net result ¹	(243)	(271)	(243)	(271)
Balance at the end of the year	(269)	(157)	(269)	(157)
Other receivables				
Balance at the beginning of the year	(2)	(15)	(2)	(15)
Amounts written off during the year	10	25	10	25
(Increase) / decrease in allowance recognised in the net result	(8)	(12)	(8)	(12)
Balance at the end of the year	-	(2)	-	(2)
	(269)	(159)	(269)	(159)

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

21. Receivables (continued)

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Non-current				
Trade receivables from contracts with customers	40	63	40	63
Other receivables	41	33	41	33
Sub total	81	96	81	96
<i>Less: Allowance for expected credit losses*</i>			-	-
- Trade receivables from contracts with customers	(40)	(63)	(40)	(63)
- Other receivables	(19)	(23)	(19)	(23)
Sub total	22	10	22	10
Prepayments	-	-	-	-
	22	10	22	10

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

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Trade receivables from contracts with customers				
Balance at the beginning of the year	(63)	(62)	(63)	(62)
Amounts recovered during the year	-	(1)	-	(1)
(Increase) / decrease in allowance recognised in the net result ¹	23	-	23	-
Balance at the end of the year	(40)	(63)	(40)	(63)
Other receivables				
Balance at the beginning of the year	(23)	(24)	(23)	(24)
Amounts written off during the year	4	1	4	1
Balance at the end of the year	(19)	(23)	(19)	(23)
	(59)	(86)	(59)	(86)

¹ Includes total impairment loss of \$0.22 million (2020: \$0.27 million) recognised on receivables from contracts with customers.

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

21. 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	920	821	920	821
Patient fees - ineligible	423	244	423	244
Patient fees - inpatient & other	3,051	2,079	3,051	2,079
	4,394	3,144	4,394	3,144

Details regarding credit risk of receivables that are neither past due nor impaired, are disclosed in Note 41.

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Contract receivables (included in Note 21)	8,981	8,930	8,981	8,930
Total contract receivables	8,981	8,930	8,981	8,930

Recognition and Measurement

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

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

Subsequent measurement

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

Impairment

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

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

Western NSW Local Health District
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22. Inventories

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Drug supplies	1,742	1,734	1,742	1,734
Medical and surgical supplies	1,672	1,776	1,672	1,776
	3,414	3,510	3,414	3,510

Recognition and Measurement

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

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

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

Western NSW Local Health District
Notes to and forming part of the Financial Statements
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23. Other financial assets

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Other loans and deposits	-	19,633	-	19,633
	-	19,633	-	19,633

Refer to Note 41 for further information regarding fair value measurement, credit risk, and market risk arising from financial instruments.

Recognition and Measurement

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

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

Subsequent measurement

Financial assets at amortised cost

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

Impairment

The District recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the District 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, the District considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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

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

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

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

24. 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	1,572,302	112,932	90,557	1,775,791
Less: accumulated depreciation and impairment	633,190	61,496	39,152	733,838
Net carrying amount	939,112	51,436	51,405	1,041,953
	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	939,112	51,436	51,405	1,041,953
Additions	111,897	12,564	8,263	132,724
Disposals	-	(359)	-	(359)
Net revaluation increments less revaluation decrements	175,893	-	9,541	185,434
Depreciation expense	(40,122)	(10,455)	(2,768)	(53,345)
Reclassifications	7,562	(7,775)	213	-
Net carrying amount at end of year	1,194,342	45,411	66,654	1,306,407

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 27.

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

24. 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	1,826,755	111,400	107,202	2,045,357
<i>Less: accumulated depreciation and impairment</i>	632,413	65,989	40,548	738,950
Net carrying amount	1,194,342	45,411	66,654	1,306,407

	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	1,194,342	45,411	66,654	1,306,407
Additions	60,848	11,525	82	72,455
Disposals	(313)	(268)	-	(581)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	698	-	698
Depreciation expense	(42,975)	(8,971)	(2,650)	(54,596)
Reclassifications	441	(1,741)	1,300	-
Net carrying amount at end of year	1,212,343	46,654	65,386	1,324,383

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2021 - fair value				
Gross carrying amount	1,872,529	114,946	107,288	2,094,763
<i>Less: accumulated depreciation and impairment</i>	660,186	68,292	41,902	770,380
Net carrying amount	1,212,343	46,654	65,386	1,324,383

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 27.

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

24. Property, plant and equipment (continued)

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

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	1,544,025	112,932	90,557	1,747,514
Less: accumulated depreciation and impairment	615,772	61,496	39,152	716,420
Net carrying amount	928,253	51,436	51,405	1,031,094

	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	928,253	51,436	51,405	1,031,094
Additions	111,897	12,564	8,263	132,724
Disposals	-	(359)	-	(359)
Net revaluation increment less revaluation decrements	174,999	-	9,541	184,540
Depreciation expense	(39,408)	(10,455)	(2,768)	(52,631)
Reclassifications	7,562	(7,775)	213	-
Net carrying amount at end of year	1,183,303	45,411	66,654	1,295,368

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 27.

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

24. Property, plant and equipment (continued)

(b) Property, plant and equipment held and used by the District (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	1,797,916	111,400	107,202	2,016,518
<i>Less: accumulated depreciation and impairment</i>	614,613	65,989	40,548	721,150
Net carrying amount	1,183,303	45,411	66,654	1,295,368

	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	1,183,303	45,411	66,654	1,295,368
Additions	60,848	11,525	82	72,455
Disposals	(313)	(268)	-	(581)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	698	-	698
Depreciation expense	(42,254)	(8,971)	(2,650)	(53,875)
Reclassifications	(7,809)	(1,741)	1,082	(8,468)
Net carrying amount at end of year	1,193,775	46,654	65,168	1,305,597

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2021 - fair value				
Gross carrying amount	1,831,083	114,946	106,817	2,052,846
<i>Less: accumulated depreciation and impairment</i>	637,308	68,292	41,649	747,249
Net carrying amount	1,193,775	46,654	65,168	1,305,597

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 27.

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

24. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment' \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2019 - fair value				
Gross carrying amount	28,277	-	-	28,277
Less: accumulated depreciation and impairment	17,418	-	-	17,418
Net carrying amount	10,859	-	-	10,859

	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	10,859	-	-	10,859
Net revaluation increment less revaluation decrements	894	-	-	894
Depreciation expense	(714)	-	-	(714)
Net carrying amount at end of year	11,039	-	-	11,039

Western NSW Local Health District
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24. Property, plant and equipment (continued)

(c) Property, plant and equipment where the District is the lessor under operating leases (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	28,839	-	-	28,839
<i>Less: accumulated depreciation and impairment</i>	17,800	-	-	17,800
Net carrying amount	11,039	-	-	11,039

	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	11,039	-	-	11,039
Depreciation expense	(721)	-	-	(721)
Reclassifications	8,250	-	218	8,468
Net carrying amount at end of year	18,568	-	218	18,786

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2021 - fair value				
Gross carrying amount	41,446	-	471	41,917
<i>Less: accumulated depreciation and impairment</i>	22,878	-	253	23,131
Net carrying amount	18,568	-	218	18,786

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 27.

24. Property, plant and equipment (continued)

Recognition and Measurement

Acquisition of property, plant and equipment

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

Health Infrastructure, a controlled entity of the immediate parent, manages the approved major capital works program for the NSW Ministry of Health and its controlled entities. Health Infrastructure receives NSW Ministry of Health Capital Allocations and grants on behalf of the District and makes payments to contractors and suppliers. Health Infrastructure initially records all costs incurred as work in progress or expenses and subsequently transfers to the District. The costs are then accordingly reflected in the District financial statements. The District 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 40).

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

Capitalisation thresholds

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

Major inspection costs

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

Restoration costs

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

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

24. Property, plant and equipment (continued)

Depreciation of property, plant and equipment

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

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

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

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

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

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

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

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

Right-of-use assets acquired by lessees

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

Further information on leases is contained in Note 25.

24. 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 27 for further information regarding fair value.

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The District conducts a comprehensive revaluation at least every three years for its land and buildings and infrastructure.

The last comprehensive revaluation was completed on 31 December 2019 and was based on an independent assessment.

Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value. The District 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 4% for land and buildings and 3% for infrastructure. The District used an external professionally qualified valuer to conduct the interim revaluation. Indicators provided by CBRE Pty Ltd not applied as deemed immaterial.

Due to the COVID-19 pandemic the District management performed an additional assessment, using an external professionally qualified valuer to determine if the fair value of its property plant and equipment as at 30 June 2021 materially differed from the carrying value. CBRE provided a Letter of Assurance noting no material movement from 31st December 2020 to 30th June 2021. Management concluded that there is no definitive or conclusive market evidence to support any material adjustments. No adjustments were applied as a result.

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

24. Property, plant and equipment (continued)

Revaluation of property, plant and equipment (continued)

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

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

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

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

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

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

Impairment of property, plant and equipment

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

The District assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the District 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.

Western NSW Local Health District
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25. Leases

(a) Entity as a lessee

The District leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 30 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes. The District does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the District 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 \$0.14 million have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

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

The District 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	8,803	7,423	16,226
Additions	828	3,587	4,415
Reassessments	(2,389)	4	(2,385)
Disposals	(61)	-	(61)
Depreciation expense	(2,469)	(3,187)	(5,656)
Balance at 30 June 2021	4,712	7,827	12,539

PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2019	10,521	4,841	15,362
Additions	452	4,967	5,419
Reassessments	1	-	1
Disposals	-	(19)	(19)
Depreciation expense	(2,171)	(2,366)	(4,537)
Balance at 30 June 2020	8,803	7,423	16,226

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

25. Leases (continued)

(a) Entity as a lessee (continued)

Lease liabilities

The following table presents liabilities under leases.

PARENT AND CONSOLIDATION

	2021	2020
	\$000	\$000
Balance at 1 July	16,516	15,362
Additions	4,415	5,419
Interest expenses	299	241
Payments	(6,005)	(4,487)
Terminations	(60)	(19)
Other adjustments	(2,385)	-
Balance at 30 June	12,780	16,516

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

PARENT AND CONSOLIDATION

	2021	2020
	\$000	\$000
Depreciation expense of right-of-use assets	5,656	4,537
Interest expense on lease liabilities	299	241
Expenses relating to short-term leases	1,679	2,161
Expenses relating to leases of low-value assets	47	117
Variable lease payments, not included in the measurement of lease liabilities	1	-
Total amount recognised in the statement of comprehensive income	7,682	7,056

The District had total cash outflows for leases of \$7.73 million for the year ended 30 June 2021 (2020: \$6.77 million).

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

The District entered into a 15 year lease with the Charles Sturt University for the use of a dental and oral health clinic. The contract specifies lease payments of \$Nil per annum. The leased premise is be used by the District to provide different community health services. The community health buildings account for a small portion of the similar assets the District is using for the purpose of providing community health services. Therefore it does not have a significant impact on the District's operations.

Recognition and Measurement

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

The District 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.

25. Leases (continued)

(a) Entity as a lessee (continued)

i. Right-of-use assets

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

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

	Useful lives
Buildings	1 to 40 years
Plant and equipment	6 to 10 years
Motor vehicles and other equipment	2 to 5 years

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

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

ii. Lease liabilities

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

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

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

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

Western NSW Local Health District
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25. Leases (continued)

(a) Entity as a lessee (continued)

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

The District's lease liabilities are included in borrowings in Note 31.

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

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

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

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

(b) Entity as a lessor

The District leases spaces located within the hospital precincts to a variety of non government organisations under operating leases with rental payable monthly to quarterly. Lease payments generally contain uplift clauses to align to the market conditions.

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 \$'000	2020 \$'000
Within one year	409	191
Later than one year and not later than five years	339	82
Two to three years	198	68
Three to four years	105	69
Four to five years	57	70
Later than five years	317	308
Total (excluding GST)	1,425	788

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.

Western NSW Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

26. Non-current assets held for sale

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Assets held for sale				
Land and buildings	-	96	-	96
	-	96	-	96

Non-current assets held for sale comprise land and buildings associated with properties in Orange and Molong. These properties were assessed as surplus to the District's needs. These properties have been impaired to nil as a result of their fair value less costs to dispose being less than the carrying amount. The expected timing and manner of disposal for each property are still to be finalised as they are dependent on a variety of factors, such as potential remediation works.

Further details regarding fair value measurement are disclosed in Note 27.

Recognition and Measurement

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

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

Western NSW Local Health District
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27. 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, the District categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

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

The District 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 24)				
- Land and buildings	-	16,898	919,683	936,581
- Infrastructure systems	-	218	50,815	51,033
	-	17,116	970,498	987,614

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 24.

	Level 1	Level 2	Level 3	Total Fair Value
2020	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 24)				
- Land and buildings	-	17,758	956,861	974,619
- Infrastructure systems	-	-	53,082	53,082
Non-current assets held for sale (Note 26)	-	96	-	96
	-	17,854	1,009,943	1,027,797

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 24.

Western NSW Local Health District
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27. Fair value measurement of non-financial assets (continued)

(b) Valuation techniques, inputs and processes

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

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 24 reconciliation).

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

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

The property market is being impacted by the uncertainty that the COVID-19 outbreak has caused. Sales evidence have been utilised across the District 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	956,861	53,082	-	1,009,943
Additions	38	-	-	38
Disposals	(49)	-	-	(49)
Depreciation expense	(37,167)	(2,267)	-	(39,434)
Fair value as at 30 June 2021	919,683	50,815	-	970,498

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

Western NSW Local Health District
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27. Fair value measurement of non-financial assets (continued)

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

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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	756,953	41,903	-	798,856
Additions	68,908	4,477	-	73,385
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 24)	165,239	9,305	-	174,544
Depreciation expense	(37,355)	(2,603)	-	(39,958)
Reclassification	3,116	-	-	3,116
Fair value as at 30 June 2020	956,861	53,082	-	1,009,943

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

Western NSW Local Health District
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28. Restricted assets

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

Category	1 July 2020 Opening \$000	Revenue \$000	Expense \$000	2021 Closing \$000
Community welfare	2	-	-	2
Facility improvements	10,605	13,098	791	22,912
Patient welfare	1,782	357	-	2,139
Private practice disbursements (No.2 Accounts)	9,886	2,842	683	12,045
Public contributions	3,827	291	412	3,706
Research	325	774	677	422
Staff welfare	125	2	-	127
Training and education including conferences	445	137	43	539
	26,997	17,501	2,606	41,892

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.
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 the District by any patient who is discharged or dies in the hospital and which are not claimed by the person lawfully entitled thereto within a period of twelve months are recognised as the property of the District.

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.

Western NSW Local Health District
Notes to and forming part of the Financial Statements
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29. Payables

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Accrued salaries, wages and on-costs	8,158	23,875	-	-
Salaries and wages deductions	243	204	-	-
Payroll and fringe benefits tax	148	-	-	-
Accrued liability - purchase of personnel services	-	-	8,549	24,079
Creditors	26,148	28,460	26,148	28,460
- Payables to entities controlled by the immediate parent	6,080	4,067	6,080	4,067
- Other	12,973	14,398	12,973	14,398
	53,750	71,004	53,750	71,004

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 41.

Recognition and Measurement

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

Western NSW Local Health District
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30. Contract liabilities

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Contract liabilities	534	585	534	585
	534	585	534	585

Recognition and Measurement

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

The contract liability balance has not changed significantly during the year due to the balance being made up on some long term contracts with a consistent revenue recognition pattern.

	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	585	97	585	97
Revenue recognised from performance obligations satisfied in previous periods	119	-	119	-
Transaction price allocated to the remaining performance obligations from contracts with customers	1,348	1,277	1,348	1,277

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

Specific revenue class	2022 \$'000	2023 \$'000	2024 \$'000	≥ 2025 \$'000
Grants and other contributions	1,062	265	21	-
	1,062	265	21	-

Western NSW Local Health District
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31. Borrowings

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Other loans and deposits	719	625	719	625
Lease liabilities (see Note 25)	4,626	4,887	4,626	4,887
Public Private Partnerships	2,779	2,131	2,779	2,131
	8,124	7,643	8,124	7,643
Non-current				
Other loans and deposits	3,055	2,949	3,055	2,949
Lease liabilities (see Note 25)	8,154	11,629	8,154	11,629
Public Private Partnerships	153,917	156,697	153,917	156,697
	165,126	171,275	165,126	171,275

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

Final repayment of the Public Private Partnership borrowings is scheduled for September 2035.

Other loans and deposits still to be extinguished represent monies to be repaid to NSW Treasury, an entity controlled by the ultimate parent.

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

In December 2007, a private sector company, Pinnacle Healthcare (OAHS) Pty Limited, was engaged to finance, design and construct the new Orange Hospital and new health facilities including Orange Tertiary Mental Health and other expansion works. Pinnacle would also refurbish existing buildings and provide facilities management services for these hospital facilities and the new Bathurst Hospital under a Project Deed.

In 2008/09, NSW Health requested a contract variation to expand the Orange Hospital and health facilities to accommodate additional clinical services. Following the change procedures in the Project Deed and subsequently government approval, the Project Deed was amended through the Deed of Amendment No 1. in June 2010.

Upon construction completion of the new facilities, including the Orange Hospital in March 2011, Western NSW Local Health District (LHD) recognised these facilities as an asset of \$162.1 million under the original PPP financing arrangements. In addition, the District recognised the liability to Pinnacle Healthcare, payable over the period to 2035 for the construction of the new Orange Hospital, Orange Tertiary Mental Health and refurbished facilities.

Details regarding liquidity risk, including a maturity analysis of the above borrowings are disclosed in Note 41.

Western NSW Local Health District
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31. Borrowings (continued)

Recognition and Measurement

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

Financial liabilities at amortised cost

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

Borrowings are classified as current liabilities unless the District has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 41 (b) for derecognition policy.

Financial liabilities at fair value through profit or loss

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

Changes in liabilities arising from financing activities

PARENT AND CONSOLIDATION

	Other loans and deposits \$000	Leases \$000	Total liabilities from financing activities \$000
1 July 2019	164,528	-	164,528
Recognised on adoption of AASB 16	-	15,362	15,362
Adjusted 1 July 2019	164,528	15,362	179,890
Cash flows	(2,126)	(4,246)	(6,372)
New leases	-	5,419	5,419
Lease terminations	-	(19)	(19)
30 June 2020	162,402	16,516	178,918
1 July 2020	162,402	16,516	178,918
Cash flows	(1,932)	(5,706)	(7,638)
New leases	-	4,415	4,415
Lease terminations	-	(60)	(60)
Lease reassessments	-	(2,385)	(2,385)
30 June 2021	160,470	12,780	173,250

Western NSW Local Health District
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32. 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	53,346	52,612	-	-
Annual leave - obligations expected to be settled after 12 months	15,411	11,767	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	1,470	1,347	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	15,990	13,273	-	-
Provision for other employee benefits	3,290	3,585	-	-
Provision for personnel services liability	-	-	89,507	82,584
	89,507	82,584	89,507	82,584
Other Provisions				
Restoration costs	6,107	4,500	6,107	4,500
	6,107	4,500	6,107	4,500
Total current provisions	95,614	87,084	95,614	87,084
Non-current				
Employee benefits and related on-costs				
Long service leave consequential on-costs	1,727	1,271	-	-
Provision for personnel services liability	-	-	1,727	1,271
	1,727	1,271	1,727	1,271
Other Provisions				
Restoration costs	7,253	-	7,253	-
	7,253	-	7,253	-
Total non-current provisions	8,980	1,271	8,980	1,271
Aggregate employee benefits and related on-costs				
Provisions - current	89,507	82,584	-	-
Provisions - non-current	1,727	1,271	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 29)	8,401	24,079	-	-
Liability - purchase of personnel services	-	-	99,635	107,934
	99,635	107,934	99,635	107,934

Western NSW Local Health District
Notes to and forming part of the Financial Statements
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32. Provisions (continued)

Movements in provisions (other than employee benefits)

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

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Restoration costs				
Carrying amount at beginning of period	4,500	-	4,500	-
- Additional provisions recognised	8,860	4,500	8,860	4,500
Carrying amount at end of period	13,360	4,500	13,360	4,500

The restoration costs provision includes current provisions totalling \$6.11 million. These relate to several matters including a disputed contractual obligation, site remediation costs and lease make good costs which are expected to be settled in the next financial year.

The non-current provision component of \$7.25 million relates to site remediation costs and lease make good costs which are expected to be settled after 30 June 2022.

Recognition and Measurement

Employee benefits and other provisions

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

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

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

Actuarial advice obtained by NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 19.7% are applied to the value of leave payable at 30 June 2021 (comparable on-costs for 30 June 2020 were 18.2%). The District has assessed the actuarial advice based on the District's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the District does not expect to settle the liability within 12 months as the District 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.

32. Provisions (continued)

Recognition and Measurement (continued)

Long service leave and superannuation

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

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

Long service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using the long-term Commonwealth Government bond rate at the reporting date.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and Aware Super) is calculated as a percentage of the employee's salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employee's superannuation contributions.

Consequential on-costs

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

Other provisions

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

Any provisions for restructuring are recognised only when the District has a detailed formal plan, and the District 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.

Western NSW Local Health District
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33. Other liabilities

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Current				
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	4,044	3,000	4,044	3,000
	4,044	3,000	4,044	3,000
Non-current				
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	2,938	3,635	2,938	3,635
	2,938	3,635	2,938	3,635

PARENT AND CONSOLIDATION

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

	2021 \$'000	2020 \$000
Opening balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	6,635	-
Liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity recognised upon initial application of AASB 1058	-	6,340
<i>Add:</i> receipt of cash during the financial year	12,847	6,545
<i>Deduct:</i> income recognised during the financial year	12,500	6,250
Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	6,982	6,635

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

Western NSW Local Health District
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34. Commitments

(a) Capital commitments

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

	Consolidated	Consolidated	Parent	Parent
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Within one year	15,449	47,756	15,449	47,756
Later than one year and not later than five years	2,209	8,169	2,209	8,169
Total (including GST)	17,658	55,925	17,658	55,925

(b) Contingent asset related to commitments for expenditure

The total 'Capital expenditure commitments' of \$17.66 million as at 30 June 2021 includes input tax credits of \$1.6M million that are expected to be recoverable from the Australian Taxation Office (2020 \$5.1M).

Output tax payable related to commitments for revenue

The 'Operating Lease Commitments (Entity as Lessor)' of \$1.6M million as at 30 June 2021 includes taxable sales of \$0.14M that are expected to be payable to the Australian Taxation Office (2020: \$0.1M).

35. Contingent liabilities and contingent assets

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

Western NSW Local Health District
Notes to and forming part of the Financial Statements
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36. Trust funds

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The District holds trust funds of \$1.3 million (2020: \$1.5 million) which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

These funds are excluded from the financial statements as the District 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	431	64	(78)	417
Refundable Deposits	53	-	-	53
Private Patient Trust Funds	-	9,989	(9,989)	-
Third Party Funds	1,014	6,951	(7,171)	794
Total trust funds	1,498	17,004	(17,238)	1,264

Category	1 July 2019	Revenue	Expense	30 June 2020
	Opening equity			Closing equity
	\$'000	\$'000	\$'000	\$'000
Patient Trust	291	400	(260)	431
Refundable Deposits	52	1	-	53
Private Patient Trust Funds	-	9,274	(9,274)	-
Third Party Funds	1,140	6,542	(6,668)	1,014
Total trust funds	1,483	16,217	(16,202)	1,498

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 42.

Western NSW Local Health District
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37. 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	96,244	136,463	96,244	136,463
Depreciation and amortisation expense	(60,252)	(57,882)	(60,252)	(57,882)
Allowance for impairment	(228)	(283)	(228)	(283)
(Increase) / decrease in unearned revenue	(346)	(295)	(346)	(295)
Decrease / (increase) in provisions	(16,238)	(8,666)	(16,238)	(8,666)
Increase / (decrease) in prepayments and other assets	1,531	(3,234)	1,531	(3,234)
Decrease / (increase) in payables	17,182	1,287	17,182	1,287
Decrease / (increase) in contract liabilities	51	(488)	51	(488)
Impairment losses on assets held for sale recognised in 'other gains / (losses)'	-	(456)	-	(456)
Net gain / (loss) on sale of property, plant and equipment	(307)	70	(307)	70
Assets donated or brought to account (Note 38)	698	-	698	-
Net result	38,335	66,516	38,335	66,516

38. Non-cash financing and investing activities

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Assets donated or brought to account	698	-	698	-
Property, plant and equipment acquired by a lease	4,415	5,419	4,415	5,419
	5,113	5,419	5,113	5,419

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

39. Adjusted budget review

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). The District's budget is not presented in parliament, therefore AASB 1055 Budgetary Reporting is not applicable. Unlike the requirement in AASB 1055 Budgetary Reporting to present original budget information, the District's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the District 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 higher than adjusted budget by \$15 million, primarily due to:

Employee related expenses, partially offset by VMO and other expense costs, was the primary driver of expense favourability. The favourable revenue result to budget was driven by the NSW Ministry of Health recurrent allocation and grants and contributions.

Assets and liabilities

Total Assets were \$19 million higher than the adjusted budget position, primarily reflective of the uplift in cash and cash equivalents. Total liabilities were \$4 million higher than budget. The variance to budget was largely reflected in higher than budgeted provisions.

Cash flows

Net cash inflows from operating activities were \$22 million higher than budget. This was primarily driven by increases in grants and other contribution revenue and reduction in expected expenditure in employee related costs. Net cash outflows from investing activities and financing activities were \$19 million higher than budget due to no budget set for scheduled maturation and reinvestment of term deposits containing additional Restricted Financial Assets monies.

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

	\$000
Initial allocation, 1 July 2020	813,116
Year End Adjustment - Salaries Accrual	17,888
Special projects:	
Covid	31,202
Child Protection	1,270
Oral Health	596
Nurse Strategy	999
Palliative Care	150
Research Grants	632
Rural Doctors Obstetric and Anaesthetic Incentive Grants	483
Mental Health, Drug & Alcohol	(1,037)
Regional Workforce Boost	625
Wellbeing and Health In-reach Nurse (WHIN) Coordinator Program	390
Other:	
Aged Care	311
IPTAAS	1,157
Superannuation Adjustment	340
Redundancy	542
Miscellaneous	1,225
Medical Positions & Training	1,017
PPP	1,680

Balance as per Statement of Comprehensive Income	872,586
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Western NSW Local Health District
Notes to and forming part of the Financial Statements
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40. Equity

Revaluation surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the District's policy on the revaluation of property, plant and equipment as discussed in Note 24.

Accumulated funds

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

Reserves

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

Equity transfers effected in the 2020/21 year were:

(a) Nil

Equity transfers effected in the 2019/20 year were:

(b) Nil

Recognition and Measurement

Equity transfers

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

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

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

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

41. Financial instruments

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

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

The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the District, 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 20)	Amortised cost	43,127	6,973
Receivables (Note 21) ¹	Amortised cost	13,050	12,600
Other financial assets (Note 23)	Amortised cost	-	19,633
Total financial assets		56,177	39,206
Financial liabilities			
Borrowings (Note 31)	Financial liabilities measured at amortised cost	173,250	178,918
Payables (Note 29) ²	Financial liabilities measured at amortised cost	53,602	71,004
Total financial liabilities		226,852	249,922

Notes

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

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

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

(b) Derecognition of financial assets and financial liabilities

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

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

41. Financial instruments (continued)

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

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

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

(c) Offsetting financial instruments

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

(d) Financial risk

i. Credit risk

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

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

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

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

Cash and cash equivalents

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 0.00% (Restricted Funds Bank balance: 0.98%) in 2020-21 compared to 0.00% (Restricted Funds Bank balance: 1.52%) in the previous year.

Accounting policy for impairment of trade receivables and other financial assets

Receivables - trade receivables, other receivables and contract assets

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

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

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

Western NSW Local Health District
Notes to and forming part of the Financial Statements
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41. Financial instruments (continued)

(d) Financial risk (continued)

i. Credit risk (continued)

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

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

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

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

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

PARENT AND CONSOLIDATION

	Current	<30 days	30-60 days	61-90 days	>91 days	Total
30 June 2021	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	0.64%	1.68%	8.03%	12.65%	27.40%	3.09%
Estimated total gross carrying amount ¹	8,251	1,009	411	245	708	10,624
Expected credit loss	53	17	33	31	194	328
30 June 2020	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	1.34%	1.74%	10.66%	17.65%	17.39%	2.74%
Estimated total gross carrying amount ¹	7,340	749	197	51	598	8,935
Expected credit loss	98	13	21	9	104	245

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 21.

The District 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.

41. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk

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

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

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

The District has exposure to liquidity risk. However, the risk is minimised by the service agreement with the NSW Ministry of Health, as the annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the District 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.

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

41. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

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The table below summarises the maturity profile of the District'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		53,602	-	-	53,602	53,602	-	-
Borrowings:								
- Other loans and deposits	2.6	4,095	4,095	-	-	813	2,432	850
- Lease liabilities	1.9	13,104	13,104	-	-	4,653	7,031	1,420
- Public Private Partnership	8.6	293,282	-	293,282	-	17,238	72,791	203,253
		364,083	17,199	293,282	53,602	76,306	82,254	205,523
2020								
Payables:								
- Creditors ²		71,004	-	-	71,004	71,004	-	-
Borrowings:								
- Other loans and deposits	2.9	3,909	3,909	-	-	722	2,395	792
- Lease liabilities	1.8	16,849	16,849	-	-	4,917	9,942	1,990
- Public Private Partnership	8.6	308,707	-	308,707	-	16,837	70,749	221,121
		400,469	20,758	308,707	71,004	93,480	83,086	223,903

Notes:

¹ The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the District 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).

Western NSW Local Health District
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41. Financial instruments (continued)

iii. Market risk

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

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the District operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis as for 2020. The analysis assumes that all other variables remain constant.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the District's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. The District does not account for any fixed rate financial instruments at fair value through profit or loss or at fair value through other comprehensive income. Therefore, for these financial instruments, a change in interest rates would not affect the carrying value or interest paid/earned. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official Reserve Bank of Australia interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

However, the District 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	1,301	(1,301)	1,523	(1,523)
Equity	1,301	(1,301)	1,523	(1,523)

(e) Fair value measurement

i. Fair value compared to carrying amount

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

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

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

Western NSW Local Health District
Notes to and forming part of the Financial Statements
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42. Related party disclosures

PARENT AND CONSOLIDATION

(a) Key management personnel compensation

Key management personnel compensation is as follows:

	2021	2020
	\$000	\$000
Short-term employee benefits	566	564
Post-employment benefits	50	50
	616	614

During the financial year, Western NSW Local Health District obtained key management personnel services from the immediate parent and incurred \$0.457 million (2020: \$0.382 million) for these services. This amount does not form part of the key management personnel compensation disclosed above.

The District'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

The District leased office and residential accommodation from a superannuation fund and a property trust controlled by one of its key management personnel. The leases are in accordance with standard market terms and conditions. The total incurred during the period was \$0.279 million (2020: \$0.256 million).

(c) Transactions with the ultimate parent

There were no transactions with the ultimate parent during the financial period (2020: \$Nil).

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

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

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

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

Western NSW Local Health District
Notes to and forming part of the Financial Statements
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42. Related party disclosures

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

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

- Audit of the statutory financial statements.
- Legal and consultancy services
- Insurance costs.

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.
- Hosted Services Provided to Entities Controlled by Immediate Parent' revenue was received from Far West Local Health District.
- Shared Corporate Services' revenue was earned from Health Administration Corporation, an entity controlled by the immediate parent.

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).
- Interest income on TCorp Bank Term Deposit Investment facilities.
- Insurance refunds.
- Revenue from acceptance of long service leave liabilities and defined benefit superannuation.

Assets and liabilities as follows:

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

43. Events after the reporting period

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

END OF AUDITED FINANCIAL STATEMENTS