



INDEPENDENT AUDITOR'S REPORT

Northern NSW Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Northern NSW Local Health District (the District), which comprises the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Statement of Significant Accounting Policies, and other explanatory information.

In my opinion, the financial statements:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Presentation of Budget Information

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

'Budgetary Reporting' to present original budget information, the District's financial statements present adjusted budget information.

Chief Executive's Responsibilities for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation 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 District's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Lisa Berwick
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

30 September 2022
SYDNEY

Northern NSW Local Health District
Statement by the Accountable Authority
for the year ended 30 June 2022



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

1. The financial statements of the Northern NSW Local Health District for the year ended 30 June 2022 have been prepared in accordance with:
 - a. Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
 - b. applicable requirements of the GSF Act, the *Government Sector Finance Regulation 2018*; and
 - c. Treasurer's Directions issued under the GSF Act.
2. The financial statements present fairly the Northern NSW Local Health District's financial position as at 30 June 2022 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 "Wayne Jones", enclosed within a large, loopy oval scribble.

Wayne Jones
Chief Executive
30 September 2022

Northern NSW Local Health District

Statement of Comprehensive Income for the year ended 30 June 2022

		Consolidated	Consolidated	Consolidated	Parent	Parent
		Actual	Budget ¹	Actual	Actual	Actual
		2022	2022	2021	2022	2021
Notes		\$000	\$000	\$000	\$000	\$000
Continuing operations						
Expenses excluding losses						
Employee related expenses	2	605,977	612,659	569,518	-	-
Personnel services	3	-	-	-	608,284	569,033
Visiting medical officers	4	82,582	83,220	84,966	82,582	84,966
Other expenses	5	273,304	268,102	254,905	273,304	254,905
Depreciation and amortisation	6	37,682	37,398	37,491	37,682	37,491
Grants and subsidies	7	4,768	4,834	4,490	4,768	4,490
Finance costs	8	304	541	334	304	334
Total expenses excluding losses		1,004,617	1,006,754	951,704	1,006,924	951,219
Revenue						
Ministry of Health recurrent allocations	11	873,415	847,705	839,770	873,415	839,770
Ministry of Health capital allocations	11	219,241	223,355	90,821	219,241	90,821
Acceptance by the Crown ² of employee benefits	15	(2,307)	(2,288)	485	-	-
Sale of goods and services from contracts with customers	12	62,312	68,694	63,643	62,312	63,643
Investment revenue	13	199	33	166	199	166
Grants and other contributions	14	45,809	44,981	25,246	45,809	25,246
Other income	16	1,433	7,994	1,721	1,433	1,721
Total revenue		1,200,102	1,190,474	1,021,852	1,202,409	1,021,367
Operating result		195,485	183,720	70,148	195,485	70,148
Gains / (losses) on disposal	17	(485)	(5)	328	(485)	328
Impairment losses on financial assets	21	(424)	(297)	(161)	(424)	(161)
Other gains / (losses)	18	(324)	(324)	-	(324)	-
Net result from continuing operations	38	194,252	183,094	70,315	194,252	70,315
Net result		194,252	183,094	70,315	194,252	70,315
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	76,087	-	-	76,087	-
Total other comprehensive income		76,087	-	-	76,087	-
TOTAL COMPREHENSIVE INCOME		270,339	183,094	70,315	270,339	70,315

¹ Unaudited adjusted budget, see Note 37.

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

The accompanying notes form part of these financial statements.

Northern NSW Local Health District
Statement of Financial Position as at 30 June 2022

		Consolidated	Consolidated	Consolidated	Parent	Parent
		Actual	Budget ¹	Actual	Actual	Actual
		2022	2022	2021	2022	2021
	Notes	\$000	\$000	\$000	\$000	\$000
ASSETS						
Current assets						
Cash and cash equivalents	20	20,945	20,759	19,974	20,945	19,974
Receivables	21	30,570	27,005	16,306	30,570	16,306
Contract assets	22	535	1,158	1,158	535	1,158
Inventories	23	2,044	2,073	1,407	2,044	1,407
		54,094	50,995	38,845	54,094	38,845
Non-current assets held for sale	26	-	-	-	-	-
Total current assets		54,094	50,995	38,845	54,094	38,845
Non-current assets						
Property, plant & equipment	24					
- Land and buildings		1,104,850	1,027,721	829,826	1,104,850	829,826
- Plant and equipment		37,793	46,204	37,103	37,793	37,103
- Infrastructure systems		24,585	22,244	22,871	24,585	22,871
Total property, plant & equipment		1,167,228	1,096,169	889,800	1,167,228	889,800
Right-of-use assets	25	10,406	10,948	11,181	10,406	11,181
Total non-current assets		1,177,634	1,107,117	900,981	1,177,634	900,981
Total assets		1,231,728	1,158,112	939,826	1,231,728	939,826
LIABILITIES						
Current liabilities						
Payables	29	50,564	68,509	47,831	50,564	47,831
Contract liabilities	30	83	205	205	83	205
Borrowings	31	4,581	(1,071)	4,807	4,581	4,807
Provisions	32	107,512	106,133	87,810	107,512	87,810
Other current liabilities	33	2,210	850	850	2,210	850
Total current liabilities		164,950	174,626	141,503	164,950	141,503
Non-current liabilities						
Borrowings	31	8,934	15,417	10,457	8,934	10,457
Provisions	32	1,238	1,238	1,460	1,238	1,460
Other non-current liabilities	33	4,219	4,841	4,358	4,219	4,358
Total non-current liabilities		14,391	21,496	16,275	14,391	16,275
Total liabilities		179,341	196,122	157,778	179,341	157,778
Net assets		1,052,387	961,990	782,048	1,052,387	782,048
EQUITY						
Reserves		148,503	72,469	72,469	148,503	72,469
Accumulated funds		903,884	889,521	709,579	903,884	709,579
Total Equity		1,052,387	961,990	782,048	1,052,387	782,048

¹ Unaudited adjusted budget, see Note 37.

The accompanying notes form part of these financial statements.

Northern NSW Local Health District
Statement of Changes in Equity for the year ended 30 June 2022

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2021		709,579	72,469	782,048
Net result for the year		194,252	-	194,252
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	24	-	76,087	76,087
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		53	(53)	-
Total other comprehensive income		53	76,034	76,087
Total comprehensive income for the year		194,305	76,034	270,339
Balance at 30 June 2022		903,884	148,503	1,052,387

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2020		637,980	73,753	711,733
Net result for the year		70,315	-	70,315
Other comprehensive income:				
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		1,284	(1,284)	-
Total other comprehensive income		1,284	(1,284)	-
Total comprehensive income for the year		71,599	(1,284)	70,315
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	34	-	-	-
Balance at 30 June 2021		709,579	72,469	782,048

The accompanying notes form part of these financial statements.

Northern NSW Local Health District
Statement of Cash Flows for the year ended 30 June 2022

	Notes	Consolidated Actual 2022 \$000	Consolidated Budget ¹ 2022 \$000	Consolidated Actual 2021 \$000	Parent Actual 2022 \$000	Parent Actual 2021 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		(605,651)	(595,875)	(582,202)	-	-
Suppliers for goods and services		(378,812)	(379,994)	(365,242)	(378,812)	(365,242)
Grants and subsidies		(5,050)	(5,116)	(4,941)	(5,050)	(4,941)
Finance costs		(304)	(541)	(334)	(304)	(334)
Personnel services		-	-	-	(605,651)	(582,202)
Total payments		(989,817)	(981,526)	(952,719)	(989,817)	(952,719)
Receipts						
Ministry of Health recurrent allocations		873,415	847,705	839,770	873,415	839,770
Ministry of Health capital allocations		219,241	223,355	90,821	219,241	90,821
Reimbursements from the Crown ²		12,671	12,671	9,111	12,671	9,111
Sale of goods and services		59,668	68,776	61,886	59,668	61,886
Interest received		199	33	166	199	166
Grants and other contributions		43,968	42,275	29,114	43,968	29,114
Other		24,460	31,175	32,475	24,460	32,475
Total receipts		1,233,622	1,225,990	1,063,343	1,233,622	1,063,343
NET CASH FLOWS FROM OPERATING ACTIVITIES	38	243,805	244,464	110,624	243,805	110,624
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and equipment		204	-	2,701	204	2,701
Purchases of property, plant and equipment		(237,411)	(238,609)	(104,791)	(237,411)	(104,791)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(237,207)	(238,609)	(102,090)	(237,207)	(102,090)
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayment of borrowings and advances		(715)	(716)	(698)	(715)	(698)
Payment of principal portion of lease liabilities		(4,912)	(4,354)	(4,390)	(4,912)	(4,390)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(5,627)	(5,070)	(5,088)	(5,627)	(5,088)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS						
Opening cash and cash equivalents	20	19,974	19,974	16,528	19,974	16,528
CLOSING CASH AND CASH EQUIVALENTS	20	20,945	20,759	19,974	20,945	19,974

¹ Unaudited adjusted budget, see Note 37.

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

The accompanying notes form part of these financial statements.

Northern NSW Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

1. Statement of Significant Accounting Policies

a) Reporting entity

The Northern 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 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 Northern 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 2022 have been authorised for issue by the Chief Executive on 30 September 2022.

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 requirements of the *Government Sector Finance Act 2018* ('GSF 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 Northern 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 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 Ministry of Health.

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

The Commonwealth has entered a National Partnership Agreement (NPA), in response to the COVID-19 pandemic, with States and Territories, including NSW which has been extended through until 31 December 2022. The Agreement delivers funding to public hospitals and provides stability and certainty of funding while ensuring access to health services in public hospitals.

Northern NSW Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

1. Statement of Significant Accounting Policies

The 2022-23 Ministry of Health budget included over \$33.5 billion in expense and capital for the NSW Health Cluster. Appropriation revenue of \$18.7 billion was enshrined in legislation on 21 June 2022 in Part 2, Division 4 and Part 3 of the *Appropriation (Parliament) Bill 2022*.

The District has received an additional \$45.48 million (2021: \$43.13 million) through 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 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 Ministry of Health throughout the financial year.

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

The District has determined that it is not probable a liability arises to pay superannuation contributions on annual leave loading. This position has been formed based on current inquiries, other information currently available to management, and after considering the facts from a decision in the Federal Court of Australia: *Finance Sector Union of Australia v Commonwealth Bank of Australia* [2022] FedCFamC2G 409. That decision confirmed that, in relation to the industrial agreement considered in that case, annual leave loading did not form part of ordinary time earnings and therefore, did not require superannuation contributions to be made under superannuation guarantee legislation because the obligation to pay annual leave loading was not referable to ordinary hours of work or to ordinary rates of pay. Rather, it was paid by reference to the period of annual leave, and for the purpose of compensating employees for their loss of opportunity to work additional hours at higher rates during this period.

This position will be re-assessed in future reporting periods as new information comes to light on this matter.

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.

Northern NSW Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

1. Statement of Significant Accounting Policies

e) Comparative Information

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

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

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

(i) Effective for the first time in 2021-22

The accounting policies applied in 2021-22 are consistent with those of the previous financial year.

Several amendments and interpretations apply for the first time in 2021-22, but do not have an impact on the financial statements of the 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 2021-22

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 2021-22 and increased disclosures are presented in the following notes:

- * Note 1b) Basis of preparation
- * Note 5 Other expenses
- * Note 7 Grants and subsidies
- * Note 11 Ministry of Health allocations
- * Note 12 Sale of goods and services from contracts with customers
- * Note 14 Grants and other contributions
- * Note 18 Other gains / (losses)
- * Note 23 Inventories
- * Note 27 Fair value measurement of non-financial assets
- * Note 32 Provisions
- * Note 37 Adjusted budget review

Northern NSW Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

2. Employee related expenses

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Salaries and wages (including annual leave and allocated days off)	548,788	512,381	-	-
Superannuation - defined benefit plans	2,237	2,509	-	-
Superannuation - defined contribution plans	51,254	45,397	-	-
Long service leave	(7,006)	779	-	-
Redundancies	-	105	-	-
Workers' compensation insurance	10,443	8,309	-	-
Fringe benefits tax	261	38	-	-
	605,977	569,518	-	-

Refer to Note 32 for further details on recognition and measurement of employee related expenses.

Employee related costs of \$1.14 million (2021: \$1.25 million) have been capitalised in property, plant and equipment assets and are therefore excluded from the above.

The long service leave in 2022 and 2021 was impacted by significant changes in actuarial factors decreasing the employee benefit liabilities assumed by the Crown.

3. Personnel services

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Salaries and wages (including annual leave and allocated days off)	-	-	548,788	512,381
Superannuation - defined contribution plans	-	-	51,254	45,397
Long service leave	-	-	(2,461)	2,803
Redundancies	-	-	-	105
Workers' compensation insurance	-	-	10,443	8,309
Fringe benefits tax	-	-	261	38
	-	-	608,284	569,033

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

Personnel services of \$1.14 million (2021: \$1.25 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 \$82.58 million (2021: \$84.97 million) represent part of the day-to-day running costs incurred in the normal operations of the District. These costs are expensed as incurred.

Northern NSW Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

5. Other expenses

	Consolidated	Consolidated	Parent	Parent
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Advertising	165	136	165	136
Auditor's remuneration - audit of financial statements	146	141	146	141
Blood and blood products	5,750	4,782	5,750	4,782
Consultancies	14	861	14	861
Contractors	1,208	938	1,208	938
Domestic supplies and services	11,761	11,511	11,761	11,511
Drug supplies*	25,066	16,704	25,066	16,704
Food supplies	18,304	17,466	18,304	17,466
Fuel, light and power	7,160	7,295	7,160	7,295
Patient transport costs	9,680	11,707	9,680	11,707
Information management expenses	18,138	17,690	18,138	17,690
Insurance	1,352	1,051	1,352	1,051
Maintenance (see Note 5 (b))	26,236	24,153	26,236	24,153
Medical and surgical supplies	47,781	50,798	47,781	50,798
Motor vehicle expenses	1,354	1,333	1,354	1,333
Postal and telephone costs	1,662	1,840	1,662	1,840
Printing and stationery	1,650	1,894	1,650	1,894
Rates and charges	1,047	1,383	1,047	1,383
Hosted services purchased from entities controlled by the immediate parent	976	859	976	859
Specialised services (dental, radiology, pathology and allied health)	47,299	49,323	47,299	49,323
Staff related costs	14,629	5,361	14,629	5,361
Travel related costs	4,699	2,844	4,699	2,844
Other (see Note 5 (a))	27,227	24,835	27,227	24,835
	273,304	254,905	273,304	254,905

* Drug supplies includes \$3.06 million (2021: \$Nil) of COVID-19 vaccinations administered by vaccination hubs within the District. Refer to Note 23 for further details on COVID-19 vaccines.

Northern NSW Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

5. Other expenses (continued)

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
(a) Other				
Contract for patient services	5,387	4,239	5,387	4,239
Corporate support services	7,747	8,497	7,747	8,497
Courier and freight	567	546	567	546
Isolated patient travel and accommodation assistance scheme	1,465	1,568	1,465	1,568
Legal services	335	473	335	473
Membership/professional fees	137	157	137	157
Quality assurance / accreditation	188	171	188	171
Security services	3,434	1,710	3,434	1,710
Expenses relating to short-term leases	3,628	3,193	3,628	3,193
Expenses relating to leases of low-value assets	193	181	193	181
Variable lease payments, not included in lease liabilities	-	5	-	5
Other miscellaneous	4,146	4,095	4,146	4,095
	27,227	24,835	27,227	24,835
(b) Reconciliation of total maintenance expense				
Maintenance contracts	9,031	8,177	9,031	8,177
New / replacement equipment under \$10,000	9,075	7,815	9,075	7,815
Repairs maintenance / non contract	8,119	8,155	8,119	8,155
Other	11	6	11	6
Maintenance expense - contracted labour and other (non-employee related) in Note 5	26,236	24,153	26,236	24,153
Employee related/personnel services maintenance expense included in Notes 2 and 3.	2,973	2,571	2,973	2,571
	29,209	26,724	29,209	26,724

Northern NSW Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

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.

Northern NSW Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

6. Depreciation and amortisation

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Depreciation - buildings	25,656	25,632	25,656	25,632
Depreciation - plant and equipment	6,369	6,354	6,369	6,354
Depreciation - infrastructure systems	990	990	990	990
Depreciation - right-of-use buildings	1,334	1,228	1,334	1,228
Depreciation - right-of-use plant and equipment	3,333	3,287	3,333	3,287
	37,682	37,491	37,682	37,491

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

7. Grants and subsidies

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Non-government organisations	2,242	2,208	2,242	2,208
Grants to entities controlled by the immediate parent*	199	36	199	36
Other grants*	2,327	2,246	2,327	2,246
	4,768	4,490	4,768	4,490

* The District granted COVID-19 vaccines to other NSW Health entities and to third parties for nil consideration at current replacement cost. Refer to Note 23 for further details on COVID-19 vaccines. The total value of COVID-19 vaccines provided to NSW Health entities under grants to entities controlled by the immediate parent was \$0.16 million (2021: \$Nil) and to external third parties under other grants was \$Nil (2021: \$Nil).

Recognition and Measurement

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

Northern NSW Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

8. Finance costs

	Consolidated	Consolidated	Parent	Parent
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Interest expense from lease liabilities	214	227	214	227
Interest expense from financial liabilities at amortised cost	90	107	90	107
	304	334	304	334

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.

Northern NSW Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

9. 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.

10. Summary of compliance

The *Appropriation Act 2021* (Appropriations Act) appropriates the sum of \$15.79 billion (2021: \$15.74 billion) to the Minister for Health out of the Consolidated Fund for the services of the Ministry of Health for the year 2021–22. The spending authority of the Minister from the Appropriations Act has been delegated or subdelegated to officers of the Ministry of Health and entities that it is administratively responsible for the Northern NSW Local Health District.

The responsible Minister for each GSF agency is taken to have been given an appropriation out of the Consolidated Fund under the authority s4.7 of the *Government Sector Finance Act*, at the time the GSF agency receives or recovers any deemed appropriation money, for an amount equivalent to the money that is received or recovered by the GSF agency. The spending authority of the responsible Minister(s) from deemed appropriation money has been delegated or sub-delegated to officers of the Northern NSW Local Health District for its own services.

A summary of compliance is disclosed in the financial statements of the Annual Report of NSW Health. It has been prepared on the basis of aggregating the spending authorities of both the Minister for Health for the services of the Ministry of Health and the responsible Ministers for the services of the entities the principal department is administratively responsible for that receives or recovers deemed appropriation money. It reflects the status at the point in time this disclosure statement is being made. The Northern NSW Local Health District's spending authority and expenditure is included in the summary of compliance.

The delegations and sub-delegations for FY21/22 and FY20/21, authorising officers of the Northern NSW Local Health District to spend Consolidated Fund money, impose limits to the amounts of individual transactions, but not the overall expenditure of the Northern NSW Local Health District. However, as it relates to expenditure in reliance on a sum appropriated through an annual Appropriations Act, the delegation/sub-delegations are referable to the overall authority to spend set out in the relevant Appropriations Act. The individual transaction limits have been properly observed. The information in relation to the limit from the Appropriations Act is disclosed in the summary of compliance table included in the financial statements of the Annual Report of NSW Health.

11. 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 Ministry of Health recurrent allocations of \$45.38 million (2021: \$41.97 million) and Ministry of Health capital allocations of \$0.10 million (2021: \$1.16 million) to cover costs incurred for the preparation, diagnosis, treatment and vaccination of COVID-19 patients.

Northern NSW Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

11. Ministry of Health allocations (continued)

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 Ministry of Health recurrent allocation from the immediate parent.

12. Sale of goods and services from contracts with customers

(a) Sale of goods comprise the following:

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Sale and recovery of pharmaceutical supplies	4,725	3,105	4,725	3,105
Sale of prostheses	1,429	1,278	1,429	1,278
Other	37	64	37	64
	6,191	4,447	6,191	4,447

(b) Rendering of services comprise the following:

Patients				
Patient Fees:				
- Inpatient fees	22,770	21,785	22,770	21,785
- Nursing home fees	1,572	1,510	1,572	1,510
- Non inpatient fees	2,403	2,405	2,403	2,405
Department of Veterans' Affairs	6,236	8,555	6,236	8,555
Motor Accident Authority third party	4,187	4,574	4,187	4,574
Multi Purpose Service Centre fees	5,444	5,346	5,444	5,346
Patient transport fees	76	56	76	56
Staff				
Private use of motor vehicles	28	20	28	20
Salary packaging fee	219	215	219	215
Meals and accommodation	86	82	86	82
General community				
Cafeteria / kiosk	20	15	20	15
Car parking	137	274	137	274
Clinical services (excluding clinical drug trials)	1,480	1,874	1,480	1,874
Fees for medical records	160	144	160	144
Non-NSW Health entities				
Services to other organisations	43	48	43	48
Entities controlled by the immediate parent				
Hosted service revenues	2,103	2,099	2,103	2,099
Other				
Infrastructure fees - annual charge	549	432	549	432
Infrastructure fees - monthly facility charge	8,222	9,413	8,222	9,413
Other	386	349	386	349
	56,121	59,196	56,121	59,196
	62,312	63,643	62,312	63,643

Northern NSW Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

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

Recognition and Measurement

Sale of goods

Revenue from the sale of goods is recognised when 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.

Northern NSW Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

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 Ministry of Health. The payments are typically due within 30 days after the invoice date.	Revenue is recognised on an accrual basis when the service has been provided to the patient. In limited circumstances the price is not fully recovered, e.g. due to inadequate insurance policies, overseas patients returning to their home country before paying, etc. The likelihood of their occurrences is considered on a case by case basis. In most instances revenue is initially recognised at full amounts and subsequently adjusted when more information is provided. No element of financing is deemed present as majority of the services are made with a short credit term.
Non-Patient services provided to staff, General community, Non-NSW Health entities and Entities controlled by the immediate parent	Various non-patient related services are provided to the members of staff, general community, non-NSW health entities and entities controlled by the immediate parent. The performance obligations for these services are typically satisfied by transferring the promised services to its respective customers. The payments are typically due within 30 days after the invoice date.	Revenue is recognised when promised services are delivered. No element of financing is deemed present as the services are made with a short credit term.

Northern NSW Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

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 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.

Northern NSW Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

13. Investment revenue

	Consolidated	Consolidated	Parent	Parent
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Interest income from financial assets at amortised cost	199	166	199	166
	199	166	199	166

Recognition and Measurement

Interest income

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

Northern NSW Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

14. Grants and other contributions

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Grants to acquire / construct a recognisable non-financial asset to be controlled by the entity				
Grants to acquire / construct non-financial asset	12	-	12	-
Other grants with sufficiently specific performance obligations				
Cancer Institute grants received from an entity controlled by the immediate parent	6,006	6,119	6,006	6,119
Clinical trials and research grants	643	704	643	704
Commonwealth government grants received for community based services	3,850	3,785	3,850	3,785
Grants from entities controlled by the ultimate parent	198	169	198	169
Other grants from entities controlled by the immediate parent	781	288	781	288
Other grants	3,413	3,675	3,413	3,675
Grants without specific performance obligations				
Commonwealth government grants other*	2,991	-	2,991	-
Grants from entities controlled by the ultimate parent	26,008	8,727	26,008	8,727
Other grants from entities controlled by the immediate parent*	857	450	857	450
Other grants*	31	-	31	-
Donations	1,019	1,329	1,019	1,329
	45,809	25,246	45,809	25,246

* The District received the majority of COVID-19 vaccines directly from the Commonwealth government and the remainder were received from other NSW Health entities and external third parties. All COVID-19 vaccines were received for \$Nil consideration and recorded at current replacement cost at the time of receipt. Refer to Note 23 for further details on COVID-19 vaccines. The total value of COVID-19 vaccines received from the Commonwealth government under Commonwealth government grants other was \$2.99 million (2021: \$Nil), from NSW Health entities under other grants from entities controlled by the immediate parent was \$0.57 million (2021: \$Nil) and from external third parties under other grants was \$0.03 million (2021: \$Nil).

14. Grants and other contributions

Recognition and Measurement

Grants and other contributions

Income from grants to acquire / construct a recognisable non-financial asset to be controlled by the District are 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.

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 | - Patient and Family Support |
| - Pink Ladies / Hospital Auxiliaries | - Patient Services, Fund Raising |
| - Patient Support Groups | - Practical Support to Patients and Relatives |
| - Community Organisations | - Counselling, Transport, Home Help and Patient Activities |
| - Health Education | - COVID-19 Contact Tracing |

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

Northern NSW Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

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 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Superannuation - defined benefit plans	2,237	2,509	-	-
Long service leave provision	(4,544)	(2,024)	-	-
	(2,307)	485	-	-

16. Other income

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Other income comprises the following:				
Commissions	15	44	15	44
Discounts	23	4	23	4
Insurance refunds	67	826	67	826
Rental income				
- other rental income	909	356	909	356
Other	419	491	419	491
	1,433	1,721	1,433	1,721

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.

Northern NSW Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

17. Gains / (losses) on disposal

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Gains / (losses) on disposals of:				
Property, plant and equipment				
Written down value of assets disposed	703	2,373	703	2,373
Less: proceeds from disposal	204	2,701	204	2,701
Net gains / (losses) on disposal	(499)	328	(499)	328
Right-of-use assets				
Written down value of assets disposed	259	-	259	-
Less: lease liabilities extinguished	273	-	273	-
Net gains / (losses) on disposal*	14	-	14	-
Total gains / (losses) on disposal	(485)	328	(485)	328

* \$Nil of the net gains / (losses) on disposal is a result of the derecognition of the right-of-use asset of \$Nil and the lease liability of \$Nil with Property NSW, an entity of the ultimate parent as at 30 June 2022. Please refer to Note 25 for further details on the derecognition.

18. Other gains / (losses)

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Inventory write down*	(324)	-	(324)	-
	(324)	-	(324)	-

* Inventory write down includes COVID-19 vaccine wastage of \$0.27 million (2021: \$Nil) and impairment of \$0.05 million (2021: \$Nil). Refer to Note 23 for further details on COVID-19 vaccines.

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 22 Contract assets
- Note 23 Inventories
- 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.

Northern NSW Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

20. Cash and cash equivalents

	Consolidated	Consolidated	Parent	Parent
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Cash at bank and on hand	20,945	19,974	20,945	19,974
	20,945	19,974	20,945	19,974

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)	20,945	19,974	20,945	19,974
	20,945	19,974	20,945	19,974

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

Northern NSW Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

21. Receivables

	Consolidated	Consolidated	Parent	Parent
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Current				
Trade receivables from contracts with customers	8,235	6,555	8,235	6,555
Intra health receivables	4,821	2,530	4,821	2,530
Goods and Services Tax	4,675	5,523	4,675	5,523
Other receivables	821	552	821	552
Sub total	18,552	15,160	18,552	15,160
Less: Allowance for expected credit losses*				
- Trade receivables from contracts with customers	(393)	(305)	(393)	(305)
- Other receivables	(39)	(15)	(39)	(15)
Sub total	18,120	14,840	18,120	14,840
Prepayments	12,450	1,466	12,450	1,466
	30,570	16,306	30,570	16,306

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

Trade receivables from contracts with customers				
Balance at the beginning of the year	(305)	(329)	(305)	(329)
Amounts written off during the year	271	174	271	174
(Increase) / decrease in allowance recognised in the net result ¹	(359)	(150)	(359)	(150)
Balance at the end of the year	(393)	(305)	(393)	(305)
Other receivables				
Balance at the beginning of the year	(15)	(30)	(15)	(30)
Amounts written off during the year	41	26	41	26
(Increase) / decrease in allowance recognised in the net result	(65)	(11)	(65)	(11)
Balance at the end of the year	(39)	(15)	(39)	(15)
	(432)	(320)	(432)	(320)

¹ Includes total Impairment loss of \$0.36 million (2021: \$0.15 million) recognised on receivables from contracts with customers.

Northern NSW Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

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 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Patient fees - compensable	956	717	956	717
Patient fees - ineligible	637	494	637	494
Patient fees - inpatient & other	4,758	3,536	4,758	3,536
	6,351	4,747	6,351	4,747

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

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Contract receivables (included in Note 21)	13,057	9,040	13,057	9,040
Total contract receivables	13,057	9,040	13,057	9,040

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.

Northern NSW Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

22. Contract assets

	Consolidated	Consolidated	Parent	Parent
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Current				
Contract assets	535	1,158	535	1,158
	535	1,158	535	1,158

Recognition and Measurement

Contract assets relate to the District's right to consideration in exchange for goods and services transferred to customers / works completed, but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the District issues an invoice to the customer. The balance of the contract assets relates to grants and other contributions for work completed but not yet invoiced as future work is required to be completed before the District has the rights to invoice. Once all performance obligations are met and the District has rights to invoice for the payment to be made, the contract asset is transferred to receivables.

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23. Inventories

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Held-for-distribution				
Drug supplies	1,976	1,255	1,976	1,255
Medical and surgical supplies	122	152	122	152
Sub total	2,098	1,407	2,098	1,407
Less: Allowance for impairment				
- Drug supplies	(54)	-	(54)	-
	2,044	1,407	2,044	1,407

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

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 since 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 2022, 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.

At the beginning of 2021, the rollout of the Commonwealth government's COVID-19 vaccine program began, with the aim of offering free vaccines to all Australians. The District played a key role in the rollout within NSW, including in relation to logistics, vaccination delivery, safety and reporting. The Commonwealth assumed the responsibility for procuring and distributing vaccines to all states and territories. COVID-19 vaccines were received for nil consideration and were provided to the public free of charge. On the basis that the District controls the inventory once it is received from the Commonwealth, the value of the inventory received, administered / granted and wasted were recognised by the District.

The value attributable to the vaccines received was measured at its fair value based on replacement cost. The District was unsuccessful in obtaining cost information from the Commonwealth because of non-disclosure agreements signed by the Commonwealth and the pharmaceutical companies supplying the COVID-19 vaccines. An internal valuation was undertaken based on publicly available information to estimate the replacement cost of the COVID-19 vaccines received by the District.

The value of the vaccines received and administered / granted during the financial year ended 30 June 2022 was \$3.59 million (2021: \$Nil) and \$3.22 million (2021: \$Nil), respectively. \$0.27 million (2021: \$Nil) of vaccines were written-off and another \$0.05 million (2021: \$Nil) impaired during the year. COVID-19 vaccine closing inventory balance as at 30 June 2022 was \$0.1 million (2021: \$Nil) which is included as part of the inventory drug supplies.

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 Ministry of Health.

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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 2020 - fair value				
Gross carrying amount	1,143,612	88,537	39,612	1,271,761
Less: accumulated depreciation and impairment	394,562	44,147	15,751	454,460
Net carrying amount	749,050	44,390	23,861	817,301

	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	749,050	44,390	23,861	817,301
Additions	101,110	6,450	-	107,560
Disposals	(2,062)	(311)	-	(2,373)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	288	-	288
Depreciation expense	(25,632)	(6,354)	(990)	(32,976)
Reclassifications	7,360	(7,360)	-	-
Net carrying amount at end of year	829,826	37,103	22,871	889,800

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 21-09.

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

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24. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment' \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2021 - fair value				
Gross carrying amount	1,248,070	81,043	39,612	1,368,725
Less: accumulated depreciation and impairment	418,244	43,940	16,741	478,925
Net carrying amount	829,826	37,103	22,871	889,800

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2022				
Net carrying amount at beginning of year	829,826	37,103	22,871	889,800
Additions	228,234	6,044	-	234,278
Reclassification to assets held for sale	-	-	-	-
Disposals	-	(703)	-	(703)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	781	-	781
Net revaluation increments less revaluation decrements	73,383	-	2,704	76,087
Depreciation expense	(25,656)	(6,369)	(990)	(33,015)
Reclassifications	(937)	937	-	-
Net carrying amount at end of year	1,104,850	37,793	24,585	1,167,228

	Land and Buildings \$000	Plant and Equipment' \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2022 - fair value				
Gross carrying amount	1,602,671	83,797	44,508	1,730,976
Less: accumulated depreciation and impairment	497,821	46,004	19,923	563,748
Net carrying amount	1,104,850	37,793	24,585	1,167,228

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 21-09.

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

24. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

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 Ministry of Health and its controlled entities. Health Infrastructure receives 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's 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.

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.

Northern NSW Local Health District
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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

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 21-09) and Treasurer's Direction, 'Valuation of Physical Non-Current Assets at Fair Value' (TD 21-05). TPP 21-09 and TD 21-05 adopt 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 30 June 2022 indicating a cumulative increase from 31 December 2019 for Land Specialised/Commercial of 3.00%, Buildings Specialised/Commercial of 12.36%, Land and Buildings Residential of 18.45% and Infrastructure of 12.36%. The District obtains advice from an external professionally qualified valuer in conducting the interim management revaluation. Indicators provided by CBRE Valuations Pty Ltd were applied as they were deemed 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. The reversal is recognised in other comprehensive income and is treated as a revaluation increase, except to the extent that an impairment loss on the same class of asset was previously recognised in net result, where 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.

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 5 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes. 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 \$0.3 million have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

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

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.

During financial year ended 30 June 2022, the District has accepted the changes in the office accommodation arrangements with Property NSW (PNSW), an entity of the ultimate parent. The main change is the introduction of the 'substitution right' clause for PNSW to relocate the District during the term of the agreement. The clause provides PNSW with a substantive substitution right. Therefore, these agreements are no longer accounted for as a lease within the scope of AASB 16. The office accommodation agreement with PNSW is no longer accounted for as a lease from 30 June 2022. This change involves judgment that the 'substitution right' clause in the agreement provides PNSW with a substantive substitution right. Management has made a judgment that PNSW can obtain benefits from exercising the substitution right when it achieves office accommodation efficiency at the whole-of-government level and/or its other service objectives. It is also considered practical for PNSW to exercise the substitution right due to the general nature of the relevant office accommodation.

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25. Leases (continued)

(a) Entity as a lessee (continued)

Right-of-use assets under leases

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

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	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2021	2,314	8,867	11,181
Additions	795	2,536	3,331
Reassessments	(24)	844	820
Disposals*	-	(259)	(259)
Depreciation expense	(1,334)	(3,333)	(4,667)
Balance at 30 June 2022	1,751	8,655	10,406

* Disposal includes derecognition of the right-of-use assets of \$Nil with Property NSW as at the 30 June 2022.

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	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2020	2,423	9,762	12,185
Additions	926	2,373	3,299
Reassessments	193	32	225
Depreciation expense	(1,228)	(3,287)	(4,515)
Equity transfers - transfers In / (out)	-	(13)	(13)
Balance at 30 June 2021	2,314	8,867	11,181

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25. Leases (continued)

(a) Entity as a lessee (continued)

Lease liabilities

The following table presents liabilities under leases.

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	2022	2021
	\$000	\$000
Balance at 1 July	11,502	12,381
Additions	3,331	3,299
Interest expenses	214	227
Payments	(5,126)	(4,617)
Terminations / derecognition*	(273)	-
Equity transfers - transfers In / (out)	-	(13)
Other adjustments	820	225
Balance at 30 June	10,468	11,502

* Terminations / derecognition includes derecognition of lease liabilities of \$Nil with Property NSW as at 30 June 2022.

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

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	2022	2021
	\$000	\$000
Depreciation expense of right-of-use assets	4,667	4,515
Interest expense on lease liabilities	214	227
Expenses relating to short-term leases	3,628	3,193
Expenses relating to leases of low-value assets	193	181
Variable lease payments, not included in the measurement of lease liabilities	-	5
(Gains) / losses on disposal*	(14)	-
Total amount recognised in the statement of comprehensive income	8,688	8,121

* (Gains) / losses on disposal includes \$Nil of net gains on disposal as a result of the derecognition of leases with Property NSW as at 30 June 2022.

The District had total cash outflows for leases of \$8.95 million for the year ended 30 June 2022 (2021: \$8.00 million).

25. Leases (continued)

(a) Entity as a lessee (continued)

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

The District entered into a 40 year lease with the Tweed Shire Council for the use of a community health building. 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.

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 5 years
Plant and equipment	1 to 5 years
Motor vehicles and other equipment	1 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.

25. Leases (continued)

(a) Entity as a lessee (continued)

ii. Lease liabilities (continued)

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.

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.

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26. Non-current assets held for sale

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Assets held for sale				
Land and buildings	-	-	-	-

The non-current assets held for sale constitute assets that are surplus to requirements and are actively marketed within a sale program which has been initiated and is expected to locate a buyer and complete the sale in the next twelve months.

This asset relates to part of the land at the former Coraki Hospital which is surplus to requirements. The asset is recorded at \$1. Due to rounding in the Financial Statements this note shows a \$Nil balance. The District expects this sale to be completed in the first half of the 2022/23 financial year.

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.

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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
2022	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 24)				
- Land and buildings	-	19,742	694,014	713,756
- Infrastructure systems	-	-	24,584	24,584
Non-current assets held for sale (Note 26)	-	-	-	-
	-	19,742	718,598	738,340

There were no transfers between level 1 and 2 during the year ended 30 June 2022.

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
2021	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 24)				
- Land and buildings	-	18,321	542,417	560,738
- Infrastructure systems	-	-	21,988	21,988
	-	18,321	564,405	582,726

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.

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 Valuations Pty Ltd for the 2019-20 financial year. CBRE Valuations 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, including some modified residential properties 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 some 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.

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

(c) Reconciliation of recurring Level 3 fair value measurements

PARENT AND CONSOLIDATION

2022	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2021	542,417	21,988	564,405
Additions*	102,627	860	103,487
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 24)	71,639	2,704	74,343
Depreciation expense	(22,669)	(968)	(23,637)
Reclassification to assets held for sale (Note 26)	-	-	-
Fair value as at 30 June 2022	694,014	24,584	718,598

* Additions include assets previously carried at cost which have been revalued under the level 3 fair value hierarchy for the first time as a result of an interim desktop revaluation.

There were no transfers between level 2 or 3 during the year ended 30 June 2022.

2021	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2020	565,170	22,955	588,125
Depreciation expense	(22,753)	(967)	(23,720)
Fair value as at 30 June 2021	542,417	21,988	564,405

There were no transfers between level 2 or 3 during the year ended 30 June 2021.

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28. Restricted assets

PARENT AND CONSOLIDATION

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 2022.

Category	1 July 2021	Revenue	Expense	2022
	Opening			Closing
	\$000	\$000	\$000	\$000
Community welfare ¹	698	41	1	738
Facility improvements	9,784	3,792	1,015	12,561
Patient welfare	52	3	3	52
Private practice disbursements (No.2 Accounts)	3,780	585	221	4,144
Public contributions	286	219	80	425
Research	86	1	-	87
Section 19(2) exemption funds	34	22	-	56
Staff welfare	83	1	-	84
Training and education including conferences	2,218	47	115	2,150
	17,021	4,711	1,435	20,297

¹ Community welfare 1 July 2021 opening balance has been restated as Section 19(2) exemption funds have been separately disclosed from 1 July 2021. The balances of Section 19(2) exemption funds was previously included in the Community welfare category.

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.
Section 19(2) exemption funds	Improving access to primary care in rural and remote areas.
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.

Northern NSW Local Health District
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29. Payables

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Accrued salaries, wages and on-costs	5,797	7,888	-	-
Salaries and wages deductions	61	84	-	-
Payroll and fringe benefits tax	262	81	-	-
Accrued liability - purchase of personnel services	-	-	6,120	8,053
Creditors	17,091	19,792	17,091	19,792
Other creditors				
- Capital works	771	3,904	771	3,904
- Payables to entities controlled by the immediate parent	12,276	6,328	12,276	6,328
- Other	14,306	9,754	14,306	9,754
	50,564	47,831	50,564	47,831

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.

Northern NSW Local Health District
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30. Contract liabilities

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Contract liabilities	83	205	83	205
	83	205	83	205

Recognition and Measurement

Contract liabilities relate to consideration received in advance from customers. The balance of the contract liabilities at 30 June 2022 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 2022. Revenue from the contract liabilities will be recognised when the specific performance obligations have been met.

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Revenue recognised that was included in the contract liability balance at the beginning of the year	205	180	205	180
Transaction price allocated to the remaining performance obligations from contracts with customers	19,296	14,409	19,296	14,409

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	2023 \$'000	2024 \$'000	2025 \$'000	≥ 2026 \$'000
Grants and other contributions	6,249	11,674	970	403
	6,249	11,674	970	403

Northern NSW Local Health District
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31. Borrowings

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Other loans and deposits	734	716	734	716
Lease liabilities (see Note 25)	3,847	4,091	3,847	4,091
	4,581	4,807	4,581	4,807
Non-current				
Other loans and deposits	2,313	3,046	2,313	3,046
Lease liabilities (see Note 25)	6,621	7,411	6,621	7,411
	8,934	10,457	8,934	10,457

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

Final repayment of 'Other loans and deposits' is scheduled for 30 June 2026.

'Other loans and deposits' still to be extinguished represent monies to be repaid to the Health Administration Corporation, an entity controlled by the immediate parent; the immediate parent itself; and the NSW Treasury, which is controlled by the ultimate parent. Details regarding liquidity risk, including a maturity analysis of the above borrowings are disclosed in Note 41.

Recognition and Measurement

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

Financial liabilities at amortised cost

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

Borrowings are classified as current liabilities unless 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.

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 2020	4,460	12,381	16,841
Cash flows	(698)	(4,390)	(5,088)
New leases	-	3,299	3,299
Lease reassessments	-	225	225
Non-cash changes other	-	(13)	(13)
30 June 2021	3,762	11,502	15,264
1 July 2021	3,762	11,502	15,264
Cash flows	(715)	(4,912)	(5,627)
New leases	-	3,331	3,331
Lease terminations*	-	(273)	(273)
Lease reassessments	-	820	820
30 June 2022	3,047	10,468	13,515

* Lease terminations include the derecognition of lease liabilities of \$Nil with Property NSW as at the 30 June 2022. Please refer to Note 25 for further details on the derecognition.

Northern NSW Local Health District
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32. Provisions

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Employee benefits and related on-costs				
Annual leave - obligations expected to be settled within 12 months	50,393	47,077	-	-
Annual leave - obligations expected to be settled after 12 months	26,013	23,750	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	1,239	1,356	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	11,279	13,402	-	-
Provision for other employee benefits*	17,376	2,225	-	-
Provision for personnel services liability	-	-	106,300	87,810
	106,300	87,810	106,300	87,810
Other Provisions				
Other	1,212	-	1,212	-
	1,212	-	1,212	-
Total current provisions	107,512	87,810	107,512	87,810
Non-current				
Employee benefits and related on-costs				
Long service leave consequential on-costs	1,238	1,460	-	-
Provision for personnel services liability	-	-	1,238	1,460
Total non-current provisions	1,238	1,460	1,238	1,460
Aggregate employee benefits and related on-costs				
Provisions - current	106,300	87,810	-	-
Provisions - non-current	1,238	1,460	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 29)	5,858	7,972	-	-
Liability - purchase of personnel services	-	-	113,396	97,242
	113,396	97,242	113,396	97,242

* Provision for other employee benefits includes a one-off payment to employees of \$14.83 million (2021: \$Nil) for the recognition of service during the COVID-19 pandemic.

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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 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Other				
Carrying amount at beginning of period	-	-	-	-
- Additional provisions recognised*	1,212	-	1,212	-
Carrying amount at end of period	1,212	-	1,212	-

* Additional provisions recognised of \$1.21 million in 2022, includes a one-off payment to visiting medical officers for the recognition of service during the COVID-19 pandemic.

'Other' provision represent various contractual related obligations. The District has recognised the provision amount by taking into consideration all available information at the reporting date and making best management estimation of the obligation. The timing of the payments will vary for each contractual related obligations.

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 21.08% are applied to the value of leave payable at 30 June 2022 (comparable on-costs for 30 June 2021 were 20.38%). 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.

32. Provisions (continued)

Recognition and Measurement (continued)

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.

The majority of employee benefits and related on-cost balances have increased since the beginning of the COVID-19 pandemic. Management of the COVID-19 pandemic, along with state and international border closures at different times have adversely impacted the provision balance.

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.

Northern NSW Local Health District
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33. Other liabilities

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	2,210	850	2,210	850
	2,210	850	2,210	850
Non-current				
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	4,173	4,310	4,173	4,310
Other	46	48	46	48
	4,219	4,358	4,219	4,358

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

	2022 \$'000	2021 \$000
Opening balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	5,160	2,443
Add: receipt of cash during the financial year	1,235	2,717
Deduct: income recognised during the financial year	12	-
Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	6,383	5,160

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.

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

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34. 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).

Increase / (decrease) in net assets from equity transfers

Equity transfers effected in the 2021/22 year were:

- (a) Nil

Equity transfers effected in the 2020/21 year were:

- (b) As at the 30 June 2021, a number of fleet leases were transferred from Northern NSW Local Health District to Mid North Coast Local Health District at \$Nil consideration, an entity of the immediate parent. All corresponding asset and liability balances were transferred across at the carrying amounts from the transferee to the transferor.

Equity transfers effected comprised:

	2022 \$000	2021 \$000
(a) Transfer of motor vehicle fleet leases	-	-

Assets and Liabilities transferred are as follows:

	2022 \$000	2021 \$000
Assets		
(a) Right-of-use assets	-	(13)
Liabilities		
(a) Lease liabilities	-	13
Increase / (Decrease) in Net Assets From Equity Transfers	-	-

Equity transfers

Recognition and Measurement

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.

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35. 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 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Within one year	198,653	187,777	198,653	187,777
Later than one year and not later than five years	12,059	211,550	12,059	211,550
Total (including GST)	210,712	399,327	210,712	399,327

(b) Contingent asset related to commitments for expenditure

The total 'Capital expenditure commitments' of \$210.71 million as at 30 June 2022 includes input tax credits of \$19.16 million that are expected to be recoverable from the Australian Taxation Office (2021: \$36.30 million).

36. Contingent liabilities and contingent assets

PARENT AND CONSOLIDATION

(a) Contingent assets

During the current financial the District was affected by a major flooding event. A number of insurance claims have been submitted relating to this event and these claims are still in the process of being assessed by the insurer. The District is unable to disclose the financial effect of these claims until the insurer has finalised their assessments.

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37. Adjusted budget review

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

PARENT AND CONSOLIDATION

Net result

The actual Net Result was higher than adjusted budget by \$11 million, primarily due to:

Higher than budget Revenues of \$9.6 million and lower than budget Expenses of \$1.6M.

The higher than budget Revenue was represented by higher NSW Ministry of Health recurrent allocations \$25.7 million and lower NSW Ministry of Health capital allocations \$4.1 million, Sale of goods and services from contracts with customers \$6.4 million and Other income \$6.6 million.

The higher than budgeted NSW Ministry of Health recurrent allocations reflects the below reversal of budget provided in 2020-21 for Cash Provided for 27th fortnight pay period. This was reflected as an adjustment to subsidy in 2021-22 and an increase to Salaries accrual in 2021-22 of \$17.1 million. The remaining higher than budget recurrent allocations reflects additional cash required by the District due to own source revenue lower than budget performance. The lower than budget NSW Ministry of Health capital allocations reflects capital project delays associated with the two flood disasters and Covid.

Sale of Goods and Services from contracts with customers is lower than budget by \$6.4 million, Patients Fees and User Charges \$6.3 million due mainly to impact of Covid and flood disasters. Other Income lower than budget reflects undistributed increased revenue targets.

Assets and liabilities

Current Assets were \$3.1 million higher than budget. This was due mainly to higher than budget Receivables \$3.6 million. The higher than budget Receivables reflects Intra Health receivables higher than budget \$2.4 million.

Non Current Assets were \$70.5 million higher than budget. This reflects the revaluation of Land and Building \$73 million to recognise movements since the last revaluation in 2019-20. Current Liabilities were lower than budget by \$6.0 million. This reflect lower Payables \$18.0 million and higher Borrowings \$5.6 million and Provisions \$5.1 million and Other Liabilities \$1.4 million. The lower than budget Payables reflects the Salaries Accrual budget adjustment noted above \$17.4 million. Higher Provisions balances reflect award increase and higher Staffing levels.

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37. Adjusted budget review (continued)

Movements in the level of the Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 23 June 2021 are as follows:

	\$000
Initial allocation, 23 June 2021	807,897
Special projects	
Aboriginal Health	239
Cash Provided for 27th fortnight pay period	(17,417)
Integrated Care Program	1,980
Mental Health Programs	(2,675)
National Partnership	323
Other Special Projects	257
Their Futures Matter	448
Other	
Covid19 Response	45,376
Covid19 Other Related Costs	3,047
Flood Response	4,600
Medical Training & Research Position	1,183
Nursing & Midwifery Enhancements	810
Other	978
Palliative Care Medical Training & Research Position	659
Balance as per Statement of Comprehensive Income	847,705

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38. 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 2022 \$000	Consolidated ¹ 2021 \$000	Parent 2022 \$000	Parent ¹ 2021 \$000
Net cash used on operating activities	243,805	110,624	243,805	110,624
Depreciation and amortisation expense	(37,682)	(37,491)	(37,682)	(37,491)
Allowance for impairment	(748)	(161)	(748)	(161)
(Increase) / decrease in other liabilities	(1,223)	(2,716)	(1,223)	(2,716)
Decrease / (increase) in provisions	(19,480)	(10,695)	(19,480)	(10,695)
Increase / (decrease) in inventory	637	(485)	637	(485)
Increase / (decrease) in prepayments and other assets	13,484	2,343	13,484	2,343
Increase / (decrease) in contract assets	(624)	315	(624)	315
Decrease / (increase) in payables	(4,335)	7,991	(4,335)	7,991
Decrease / (increase) in contract liabilities	122	(26)	122	(26)
Net gain / (loss) on sale of property, plant and equipment	(499)	328	(499)	328
Net gain / (loss) on disposal of right-of-use assets	14	-	14	-
Assets donated or brought to account (Note 39)	781	288	781	288
Net result	194,252	70,315	194,252	70,315

¹ Increase / (decrease) in Inventory' has been disaggregated from 'Increase / (decrease) in prepayments and other assets' in the current year. The prior period comparatives have been restated to reflect this change.

39. Non-cash financing and investing activities

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Assets donated or brought to account	781	288	781	288
Property, plant and equipment acquired by a lease	3,331	3,299	3,331	3,299
	4,112	3,587	4,112	3,587

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40. Trust funds

PARENT AND CONSOLIDATION

The District holds trust funds of \$1.7 million (2021: \$1.6 million) which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Patient 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 2021			30 June 2022
	Opening equity \$'000	Revenue \$000	Expense \$000	Closing equity \$'000
Patient Trust	136	1,051	(1,048)	139
Private Patient Trust Funds	399	5,747	(5,713)	433
Third Party Funds	1,016	150	(56)	1,110
Total trust funds	1,552	6,948	(6,817)	1,683

Category	1 July 2020			30 June 2021
	Opening equity \$'000	Revenue \$000	Expense \$000	Closing equity \$'000
Patient Trust	140	1,122	(1,126)	136
Private Patient Trust Funds	473	5,814	(5,887)	399
Third Party Funds	1,155	2,134	(2,272)	1,016
Total trust funds	1,768	9,069	(9,285)	1,552

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.
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.

Northern NSW Local Health District
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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 and the Board of the District have 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 2022 \$000	Carrying Amount 2021 \$000
Financial assets			
Cash and cash equivalents (Note 20)	Amortised cost	20,945	19,974
Receivables (Note 21) ¹	Amortised cost	13,445	9,317
Contract assets (Note 22) ³	Amortised cost	535	1,158
Total financial assets		34,925	30,449
Financial liabilities			
Borrowings (Note 31)	Financial liabilities measured at amortised cost	13,515	15,264
Payables (Note 29) ²	Financial liabilities measured at amortised cost	50,302	47,750
Other liabilities (Note 33)	Financial liabilities measured at amortised cost	46	48
Total financial liabilities		63,863	63,062

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).

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

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 District 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 daily on restricted financial asset cash on hand and bank balances only.

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.

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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)

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.

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 2022 and 30 June 2021 was determined as follows:

PARENT AND CONSOLIDATION

	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2022						
Expected credit loss rate	1.30%	11.22%	6.12%	15.72%	31.31%	4.50%
Estimated total gross carrying amount ¹	8,129	294	147	229	792	9,591
Expected credit loss	106	33	9	36	248	432
30 June 2021						
Expected credit loss rate	0.50%	5.42%	6.93%	4.35%	32.86%	3.87%
Estimated total gross carrying amount ¹	6,958	240	202	92	773	8,265
Expected credit loss	35	13	14	4	254	320

Notes

¹ The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB 7 Financial Instruments: Disclosures. Therefore the 'total' will not reconcile to the receivables total in Note 21 and the contract assets total in Note 22.

The District is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2022 and 30 June 2021.

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 loans and other advances.

The District has negotiated no loan outside of arrangements with the 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 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 of Health as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 1).

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

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

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

Northern NSW Local Health District
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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
2022								
Payables:								
- Creditors ²		50,302	-	-	50,302	50,302	-	-
Borrowings:								
- Other loans and deposits	2.50%	3,221	3,221	-	-	805	2,416	-
- Lease liabilities	1.99%	10,925	10,925	-	-	4,114	6,605	207
- Other		46	-	-	46	46	-	-
		64,494	14,146	-	50,348	55,267	9,021	207
2021								
Payables:								
- Creditors ²		47,750	-	-	47,750	47,750	-	-
Borrowings:								
- Other loans and deposits	2.50%	4,026	4,026	-	-	805	3,221	-
- Lease liabilities	1.83%	11,752	11,752	-	-	4,075	6,740	937
- Other		48	-	-	48	48	-	-
		63,576	15,778	-	47,798	52,678	9,961	937

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 AASB 7 Financial Instruments: Disclosures).

³ Weighted Average Effective Interest Rate (EIR).

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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 2021. 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 Ministry of Health (except energy loans which are negotiated through NSW Treasury). Both NSW Treasury and the 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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	2022		2021	
	\$000		\$000	
	-1%	1%	-1%	1%
Net result	(74)	74	(47)	47
Equity	(74)	74	(47)	47

Northern NSW Local Health District
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42. Related party disclosures

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(a) Key management personnel compensation

Key management personnel compensation is as follows:

	2022	2021
	\$000	\$000
Short-term employee benefits	1,180	1,165
Post-employment benefits	80	71
	1,260	1,236

During the financial year, Northern NSW Local Health District obtained key management personnel services from the immediate parent and incurred \$0.362 million (2021: \$0.367 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 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 Ministry of Health and is not reimbursed by the health entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

(b) Transactions with key management personnel and their close family members

There were no transactions with key management personnel and their close family members (2021: \$Nil).

(c) Transactions with the ultimate parent

There were no transactions with the ultimate parent during the financial period (2021: \$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 Ministry of Health (the [immediate/senior] parent) and the NSW Total State Sector (the ultimate parent) within the normal course of business.

The following operating expenses were incurred with entities controlled by the [immediate/senior] parent:

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

42. Related party disclosures (continued)

(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:

- Payroll and fringe benefits taxes
- Audit of the statutory financial statements
- Utilities, including electricity, gas and water expenses
- Insurance costs
- Rental costs for Property NSW leased properties
- Various grants and subsidies towards research and other projects

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

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

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

- Motor Accident Authority third party revenue received from the State Insurance Regulatory Authority (SIRA)
- Various grants and other contributions towards research and other projects
- Insurance refunds
- Revenue from acceptance of long service leave liabilities and defined benefit

Assets and liabilities as follows:

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

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